

# Centrum's Head of Equity Advisory on Safely Riding the Indian Equities Bull Market

The Indian equity market has been on a roll, rising more than 100 per cent from the pandemic-induced 25% plus slump to below 30000 in early 2020 to trade at very close to its all-time high of 60000 in late October. Hubbis met recently with Devang Mehta, Head of Equity Advisory at Centrum Wealth, to learn more about his views of the market, how very wealthy and mass affluent clients are allocating their portfolios, the proposition he and his team offer their very wealthy clients, and what advice he and colleagues are offering their privileged private client investor base. He knows that the Indian equity market can be volatile, but he has also seen in his more than two decades of working in equities that the market has performed remarkably well and is in fact up around 20 times from its October 2002 levels. Looking ahead, and amidst relatively high valuations currently, he says the key is to define a carefully selected set of companies for investors that will both outperform in the longer term and offer stability and resilience in the nearer term.

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**Devang Mehta**  
Centrum Wealth

**Centrum Wealth** is a little over a decade old and has been growing its client base and assets under management apace for many of those years. A fairly recent discussion with Arpita Vinay, co-head of Centrum Wealth, revealed that the dynamic thrust within the firm is being supported by enhancing the range of services, by increasing and further empowering the firm's coveted talent pool, further investing in its technology and digital capabilities and all at the same time maintaining the culture and collegiate environment.

Centrum Wealth today provides comprehensive wealth management services to HNWIs, and family offices and the asset management business offers funds across private debt, public equity, venture capital and real estate. The roughly 250-strong Centrum Wealth team operates today from 16 locations, including Singapore, and currently handles AUM equivalent to around USD 4.5 billion. Centrum Wealth is part of the Centrum Group, a well-known financial services group founded in 1997.

Going by the recent growth trends, plans and initiatives under way, the firm is confident of hitting AUM of USD7 billion by 2024 – double the level of 2020.

### Plenty of experience

Mehta himself has more than 20 years of experience in equities, advisory and non-discretionary portfolio management, arriving at Centrum Wealth some five years ago from BNP Paribas Wealth Management, where he was the head of equities for their onshore division in India. Before that, he had spent seven years with Anand Rathi Financial Services, and four years with Angel Broking, a domestic brokerage.

"Throughout my career, I have been curating portfolios, which are customised, holistic, and bespoke," Mehta reports. "We deliver tailored portfolios according to the client profile & requirement, and in that regard we are uniquely positioned."

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### An advisory and non-discretionary offering

He explains that in his five years at Centrum, where he established the equity advisory desk and non-discretionary PMS, they have onboarded around 300 ultra HNW clients or family offices and manage roughly around USD250 million dollars for this type of clients. One of the key

features of this proposition is to help UHNI clients navigate their legacy portfolios. Inadvertently the source of a large part of the client's wealth is concentrated in a handful of holdings. While this may have played out well over a certain period of time, as business cycles and markets evolve, a re-balancing for some holdings may be in order. Thus, the Equity advisory approach is not broad brush or binary in nature but more nuanced with a dedicated equity specialist assisting in taking portfolio decisions. This involves a lot of detailing, sensitivity & empathy towards legacy holdings of clients.

Mehta reports that there are several avenues for participation in equities in India. The first is mutual funds, the second is discretionary PMS where investors select model portfolios. The third is alternative investment funds, again through model portfolios. The fourth route is DIY investing through the

brokers. "But the fifth option is what we offer."

### Looking to the longer-term

"Our proposition involves a buy and hold approach and with a long-term perspective. It is consultative and anchored on ongoing customer engagement," he explains. "The model we offer is non-discretionary



## Key Priorities

Mehta says "We have seen good amount of traction for this unique proposition. We are a team of equity specialists who have been through market cycles. We would further like to invest in more resources who bring experience and expertise to grow the business further."

"Secondly, we are aiming to build greater technology, that will help enhance analytics, customer reporting and information, better portfolio tracking and review and thus improve the quality of advice and engagement with the clients"

Thirdly, he wants to further expand the reach of this proposition both in terms of number of customers & assets under advice. Customer referrals and growth of existing customer assets have been extremely encouraging, which provides very good validation of this service. He adds that "We aspire to capitalise on this significantly in the coming times."

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and based on close engagement with our clients. The approach therefore refrains from frequent trading & churning."

Mehta adds that their typical portfolio might include only 15 to 20 businesses rather than the typical mutual fund portfolios in India that might comprise some 30 to perhaps 60 stocks. We believe patience, discipline, sound understanding & conviction to hold these businesses underpins portfolio construction & review. "We might perhaps underperform at times in the short term, but it's been our experience that over the medium to longer term this will generate consistent

compounding returns. This belief system is shared in advance & reiterated with the clients, who would like to actively engage & participate in the whole process"

## The 4Ps

"The essence & execution of this proposition", he says, "follows our 4P approach". He further explains that, the first of these 4Ps is the profile of the client. in other words, a detailed understanding of their investment objectives, situation and background, the risk profile & any other unique considerations. The second P is partnership, as this is a non-discretionary offering requiring participation from the

clients over the long relationships ahead. The third P stands for performance. And the final P stands for process in line with the high engagement & high involvement nature of the proposition.

### Refined and defined

He explains that there are roughly 5,000 listed companies in India, and the Centrum Wealth shortlist refines that down to a universe of 100 small, medium and large stocks. "These are all companies that we believe will create wealth over the longer term" he says. These are market leaders, or companies which are set to become leaders in their fields. Mehta further states that "These companies should exhibit stability and the ability to weather difficult conditions, and they should have an ROE above a threshold and certain levels of revenue, profit after tax, and EBITDA growth." Mehta's team looks at both, the rear view mirror, to check the fundamental parameters of these companies for the past few years, their behaviour in adverse cycles & of course, more importantly, the windshield to check future pros-

pcts of these businesses."Most importantly they should exhibit the three pillars we define."

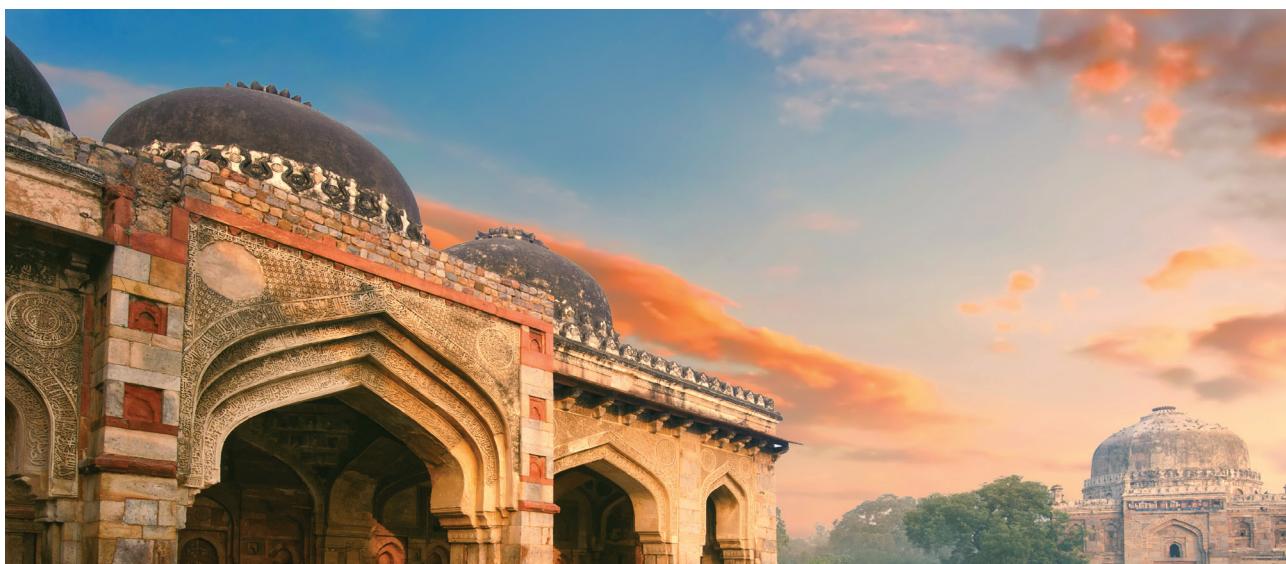
The first of these three pillars is the opportunity the company has within its industry, which itself should be high growth and expansive. The second is for the company to have a major or dominant market share within its industry, which leads to pricing power, resilience and higher return on equity. The third pillar is the margin of safety, which Mehta remarks is a Warren Buffett concept, and that essentially boils down to the predictability around the industry sector and the company itself.

Mehta further adds "The crucial element here is that these are individual portfolios of 15 to 20 businesses that we help curate from our investible universe and that we refine regularly with our clients. Also the key is to have regular reviews with our clients every quarter, or at an agreed frequency."

### Riding the waves

He closes the discussion by remarking that the momentum

in India remains strong. India is currently among the fastest growing economies with a lot of positive levers in place and is at a very promising inflection point. Clearly India can't be decoupled from global volatility, but it is in a relatively better position, be it on the macro front, increasing corporate profitability, prospects of corporate capex, trends in premiumisation, luxury goods, discretionary consumption & all of these leading to higher credit growth. Add to it, the growing wave of financialisation, people shifting from physical to financial assets & growth in wealthy families wanting to own a share of the Indian Equities. Keeping this at the back of your mind, investing in select set of companies which exhibit robust growth prospects & are market leading franchisees or emerging market leaders in their own domain, will be a crucial part of one's wealth creation journey. We remain focused on creating robust portfolios, holding good businesses in times of volatility and remain disciplined, patient and focused. ■



## Getting Personal with Devang Mehta

Mehta was born in Hyderabad but grew up in Mumbai, where he has lived ever since. To specialise in financial services as a career, he completed his Post Graduate Diploma in Investment Studies from the University of Mumbai.

"Without going into the details of my career, I can say that equities are in my blood," he explains, "as my father is a keen long term investor, I was lucky enough to have some money when I was 18 that I invested in an IPO that for the past 30 years has produced an incredible 30% CAGR roughly," he reports. I wanted to buy a VCR, but my father encouraged me to invest this money, which turned out to be one of the best decision of my student life which also gave me conviction as to how long term wealth can be created through holding great businesses.

He explains that his early career was more on the broking side where he learned some important lessons. An important lesson that stayed with him was to always look at things from client's perspective. With this objective in mind he inclined himself to invest more time in understanding fundamentals & use that knowledge for the benefit of customers ". He says that it gives him enormous joy to see many of his customers having benefitted from his engagement & interactions over the years where he has helped them to both preserve and increase their wealth in a disciplined manner

He is a people person & likes interacting with the audience of all age groups. One key feature of his popularity is to keep things simple rather than exotic. He recalls that when he joined the firm Anand Rathi in 2009, there was a conscious effort to set aside time for investor awareness & education. He found electronic, print & digital media as effective ways to reach out to investors. Mehta features regularly on almost all business media platforms, speaking on Business TV channels including CNBC, as well as writing authored articles and being a speaker at large conferences. "I might have visited 130 cities of India and have been a key speaker at large client & industry seminars. This continued on national & international platforms as well during my stint with BNP Paribas & now with Centrum"

His passion for the stock market remains the same even today & along with fundamentals also tries to focus on the behavioural aspects. Spirituality is one factor which allows him to stay grounded & cool during the ups & downs and volatility in the markets. He says "Being optimistic & never say die are some qualities which imparts me a lot of energy & enthusiasm to connect, interact & engage with people from different spheres of my personal & professional life. A child like curiosity is what makes me learn, unlearn & relearn every single day, be it markets or life." He takes pride when he is invited to top Business Schools as it is an opportunity to empower people with knowledge & also upskill himself while interacting with young students.

Mehta is married to Nilpa, who is an award winner Vastu Consultant, Astrologer, Numerologist & Tarot Card Reader and they have one son of 12. He is very active socially & spends quality time on weekends with his father, wife, son & even his extended family. He is willing to lend a helping hand to a lot of community initiatives which guide young children for their career path. Passionate about everything that he does, his slogan is Stick to Basics, be it Life, Cricket or Markets.

Spare time might involve a game of badminton or table tennis 4 to 5 times a week to de stress. Going through tough times in life & particularly during covid times, Mehta found one more side of himself when he started to take interest in reciting poems & make motivational videos that offer people deep insights