



GUEST BLOGGERS

# Meet My Team: Chetan Sehgal

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We cover a vast territory at Templeton Emerging Markets Group, spanning nearly every continent and time zone. While I'd like to think I have many unique talents, being in two places at once isn't one of them! I'm fortunate to collaborate with an outstanding team located in offices across the globe whom I can connect with daily, even if I am attending to business on another continent—or while traveling between them! I've often discussed the many ways technology has accelerated change in emerging markets over the past few decades, and this also applies to investing in them. Here, I chat with my Mumbai-based colleague Chetan Sehgal, who talks about the changes he's seen since he joined our team in the mid-1990s, and why he thinks India is an exciting place to invest.

**Mark Mobius:** Do you recall your first day on the job as part of Templeton Emerging Markets Group two decades ago? Take us back to that time and your first impressions.

**Chetan Sehgal:** How can I forget the very first day! It was just me and another colleague, with rented laptops at a business center in South Mumbai. It was the era of faxes, and there were no mobile phones. In those days there was very little information. The Indian stock market was still an open outcry system, and mutual funds in India were at a nascent stage. What I did not realize then was that I was about to undertake a journey of over 20 years with Franklin Templeton. We now have more than 2,000 employees at our offices in India, and large back-office operations with technology we couldn't have imagined when I started working in the industry.

**Mark Mobius:** What's the biggest change you've seen in the markets or investing in general over your 20+ year tenure with the team?

**Chetan Sehgal:** From my point of view, the biggest change has been the availability of information that we now receive faster than before. Also, today there seems to be less faith in or reliance upon human judgment. We still think that matters. When we started out, we did not have access to heaps of data for a particular company or for an industry. It was about doing legwork to understand businesses, and perhaps even more importantly, the people behind the businesses. Nowadays, the market is too focused on the short-term numbers, and stocks tend to react to the slightest piece of information. The noise has increased. However, we continue to have faith in the old-school way of applying our judgment in making investment decisions—based on our on-the-ground research. We try to instill in our colleagues a philosophy of long-range thinking. We hope the managements of the companies we seek to invest in also do the same.

**Mark Mobius:** Earlier in your career, you were a ratings analyst. How does this background influence the way you approach investing?

**Chetan Sehgal:** As a ratings analyst, one needs to conduct an in-depth analysis of a business and the factors impacting the ability to service a company's debt. There is a saying in the industry: When a company's debt is un-investible, usually the equity is too. However, as an equity shareholder, one cannot be too conservative and one needs to have a more pragmatic assessment of prospects; we have to assess the potential risk versus the potential reward.

**Mark Mobius:** How might you “rate” the public’s knowledge of emerging markets versus the potential you see?

**Chetan Sehgal:** I think most market participants still rate emerging markets as a separate asset class, rather than understanding how integrated into the global financial and trading systems they have become. With rapid technology and knowledge proliferation, no individual country has a monopoly on entrepreneurship. To that extent, I think emerging markets—representing the largest part of the world’s population—remain underrated and underappreciated.

**Mark Mobius:** What would you tell investors who may be rattled by the volatility emerging markets have been facing?

**Chetan Sehgal:** During difficult periods in the market, I think the most important element is to be patient and have faith that things will eventually improve. The late Sir John Templeton once said: “Remember that both bear markets and business depressions are temporary. People do not remain pessimistic forever.” Business cycles tend to be temporary, even if there are some major changes. Companies do tend to adapt, and that’s why when the numbers are often projected to be the worst, that’s when we see upside surprises. Of course, it is important to do one’s homework, but one should always keep an open mind and remember that things can quickly change.

I have been fortunate to have worked for an organization which has the patience and the belief that investment returns in short time periods can be volatile. That message has been carried forth to our extended client community as well. There have been prior periods when the markets were unloved and valuations were low, akin to the times we are seeing now in some markets. We have always had the fortitude to navigate through those times.

**Mark Mobius:** India is your area of focus within the team. What is unique or different about investing in India versus other markets, in your view?

**Chetan Sehgal:** The size and scope of India—and the potential opportunities—are vast in many aspects. With a large population base and underpenetrated nature of consumption, India remains one of the last real bastions for growth. However, I think the real excitement about India stems from the level of entrepreneurship which the society has displayed. Lack of resources usually sees results in innovative solutions. The sacrifice which has been made by the previous generation to further the education of the next generation is now coming to fruition. We are seeing a new breed of entrepreneurs which makes India a very exciting place to invest. The Indian diaspora has spread and achieved great success in many areas. That continues to propel growth prospects of India, and relations with many other industrially advanced nations have been strengthened.

Historically, India has enjoyed very strong growth and had for some part relied excessively on foreign inflows to fund its infrastructure requirements. Some of those flows have now ebbed. However, the potential for increased deployment of assets remains, and we see potential for strong productivity growth in India going forward. We think India remains a very attractive market for investors, and the adoption of reforms and applying new technologies (for example, digitizing land records) bodes well for the future.

**Mark Mobius:** Various estimates have shown India’s growth rate likely overtook that of China in 2015, and you know I’ve said India’s growth rate should be even higher. What are your thoughts?

**Chetan Sehgal:** In the recent past, China has grown at a much faster rate than India and has surpassed a lot of other Asian countries in terms of per-capita income. However, we now see that the Indian economy may have more potential to grow at a faster rate over the long term. I think India has the right mix of private-sector entrepreneurs—both in the traditional manufacturing industries as well as in newer sectors such as pharmaceuticals and technology—to augur well for India’s long-term growth prospects.

**Mark Mobius:** What is the most rewarding part of your job?

**Chetan Sehgal:** The learning. Quite clearly while looking at companies, one needs to have the curiosity of a student. Looking at businesses in India and other emerging markets has given me that experience of studying how companies across countries have grown and developed.

**Mark Mobius:** Is there anything people would be surprised to know about you?

**Chetan Sehgal:** I think a lot of friends and relatives don't know the exact nature of my job! It has been quite an experience working for the emerging markets team, and most people are fascinated by my anecdotes over the past 20 years. A couple examples spring to mind.

When I joined Templeton, one of my first assignments was to visit Russia, which was recovering from the hardship of the collapse of the Soviet Union. At that time there was hyperinflation in the economy, and we exchanged currency daily. When we visited companies we realized that there was no sanctity of contracts; barter was the preferred way of doing business. At an auto factory we realized the type of issues this created. As part of the barter system, the auto company ended up with some material from a nuclear facility and did not know how to handle it.

Also in our early days, we had a colleague who was an Iraqi and he wanted to visit the [Western] Wall of Jerusalem to make his prayers during a trip there. He viewed himself as a citizen of the world, but others didn't see it that way. It became quite chaotic as he was viewed with suspicion and even had a few guns pointed at him. He managed to make the trip and return safely, much to our relief.

**Mark Mobius:** Yes, I think all of us on the team consider ourselves citizens of the world! So how do you like to spend your free time outside of work?

**Chetan Sehgal:** I try to spend time with family and friends. I like to play some sports such as table tennis, and also try to involve myself in societal issues.

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## **What Are the Risks?**

**All investments involve risks, including possible loss of principal.** Foreign securities involve special risks, including currency fluctuations and economic and political uncertainties. Investments in emerging markets, of which frontier markets are a subset, involve heightened risks related to the same factors, in addition to those associated with these markets' smaller size, lesser liquidity and lack of established legal, political, business and social frameworks to support securities markets. Because these frameworks are typically even less developed in frontier markets, as well as various factors including the increased potential for extreme price volatility, illiquidity, trade barriers and exchange controls, the risks associated with emerging markets are magnified in frontier markets.