

FOCUS



NAG MUNAGAPATI WEALTH ADVISORS

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Hi All,

My friend and partner CA Sriram is impressing upon me for quite a good time to put my thoughts on the phenomenon of job cuts happening specifically in the domain of IT and ITES for various reasons of cost cutting, slumping demand and the advent of AI replacing humans. Let's decipher a bit more and see...

The job cuts because of cost optimization is a continuous effort from top management to better their bottom lines. This case is not at all worrying for us as this brings more efficiency into the system on cost wise and value wise. The only worry ever for us is with the questions cropping up in our minds that "Are these job cuts so intense? and how much magnitude their impact can show on demand and consequently how it will impact the revenues, GDP and finally valuations?"

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On the other side, slumping demand across the frontiers is a concern as this will have an impact on our IT revenues in India. Slumping demand is a lasting phenomenon across Europe and Japan for various other reasons. But seeing India's growth and aspirations to touch the yearly GDP growth rates of 8%, local demand alone would help us to keep our demography busy with some work. So slumping demand story for us is a very short-term thing and that too from very small part of the world.



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Now let's dive deep into the phenomenon of job cuts that are happening because of the advent of AI. Let's go back to 1930's where the industrial revolution was seen as Frankenstein's monster, and we can see how industrial revolution has created new jobs silencing the pessimistic mouths over a period. And we can see the times of 1960's during the nascent stages of IT entering our lives, an open letter was sent by a committee of social scientists to the then US President Lyndon B. Johnson with a conclusive statement "The cybernation revolution" will create "a separate nation of the poor, the unskilled, the jobless".

But we all know the productive impact of IT on our living standards and as well employment generation metrics. And we all know how India benefitted from the evolution of IT by becoming an IT services stalwart to the entire world and how our lives and economy changed to their best and still going. IMF reports concluded that 40% of the jobs may get affected and some of them may completely disappear as well. That's true but we cannot comprehend how many new jobs are getting generated for and with the entry of AI into our life.

A job called stenographer completely disappeared and it was a survival worry then but if you see today, many don't even know its existential value. So, transition could be a bit worrisome otherwise we see so much positivity to happen on all fronts in India and across.

All said and done, we **"AS LONG AS WE HAVE ONE STOMACH TO FEED, WE NEED TWO HANDS TO WORK"**



MACRO TALK



RBI's unchanged interest rates is quite an indication of the softening stand of inflation and the Governor believes that "Elephant (the inflation) is returning to forest. If CPI inflation stays at the target levels of 4-5%, that would be a good situation to play out for all including markets. US Central banks also are on watch mode and hints at no rush to cut the rates in the days to come.

Election results to come in June have been factored by the markets. Markets will not give a temporary jolt unless the results are too divergent from the expected (and all know what is expected).

When it comes to valuations, a recent report from economic times indicates that NIFTY 50 is trading at 23.3X PE whereas US trading at 24.4, Japan at 28.4 and China at 14X...Its very tough to decode and understand the reasons for such a low PE in China.

Let's save this topic for the next month. With the given growth prospects for India, we are still trading at a modest multiple. So, we are nowhere at peaks in the current scenario unless the whole world is overvalued.



OUR FOCUS



Came across two scenarios where people lost money for some fraudulent claims of Pre-IPO buys, Bulk order discount buys and some other ways of making money from different websites which are not registered intermediaries of SEBI. These sites will ask you to deposit money into some bank account. No registered intermediary will ask you to deposit money. So please beware of these cases. And consult us before doing that for more information.

And our focus remains same. Stay invested in good companies. They work for you and create valuations. We are in a proper leverage with this. We work at our best in the environment we know the best and make some money. And saved money be routed and invested in the people/companies who can do best and create value in their domain. And the rest assured, things will work the best for us at our portfolio level.

So, let's make it as passive as possible with more patience and perseverance.

Thank you & see you again



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"We serve our clients alike with the passion we have for the markets".

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Visit us at **www.nagmunagapati.com**

Cheers
Nag Munagapati

Investments in securities are subject to market risk