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Fall in IT stocks a knee jerk reaction, not a disaster which will last forever: Devina Mehra

Synopsis

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"Last year we were talking of a different problem altogether that the whole world wants to go tech and therefore will they get enough good people and now we are saying that the demand will not be that great," says [Devina Mehra](#), Chairperson, [First Global](#).

It is a sea of red for IT. Is it deserving decline in some of the [IT stocks](#) or this is market the reaction which is on the extreme after [Infosys](#) numbers?

I would go more towards the latter that it is a big knee-jerk reaction to results that came out but is that showing that there is going to be some secular disaster in IT?

I do not think so. I mean this is showing that yes there are issues in the western economies and therefore the [sales cycle](#) gets extended. Therefore you do not land as many deals as you hope to within a quarter or so, but I do not see it as being something of a disaster which will last forever.

That is one part on the [business](#) side and there is always where you are in terms of valuations in what is built into a stock price whether we are talking economies or sectors I always say that there is no one-to-one correlation that you cannot wait for things to really improve and then buy something because by that time the time is past usually so that is something one has to look at.

So if you look at for instance last year if we looked at Europe and we actually made that mistake that we were sitting at beginning of October and we said now the news from Europe is all going to be very-very bad so definitely that is not one place where we want to be overweight but then both the last quarter of last year and the first quarter of this year Europe has been the standout performer. So, both these factors together I think it is a bit overdone for sure for IT.

But has the time come to buy IT just yet that is the other question?

I would say that it is somewhere in the range. I mean, we are still evaluating with our systems but my first reaction would be that it is definitely in the range.

But I look through IT and I say okay the sector will have a relevance. Two years, three years out it will have a relevance. But I may get growth between 8% to 12%, 8% on a bad year and 12% to 13% on a good year. So, for an investor where is the upside?

I mean, how many businesses do you have where you have something of a predictability in the first place and also a rupee-dollar hedge so that is the other part which IT provides. So that is the other question that where does that show up. And as I said, this is really a bad year for their buyers but this as a sector again if you look globally the move is towards more and more digitisation.

In [fact](#) if you go back a year, the issue in IT was that there was too much demand for people, so there was margin pressure from the cost side because the whole world, whether the looky were a technology company or not, one had to and was moving to technology which is why there was demand for that many people along with the startup ecosystem. So last year we were talking of a different problem altogether - that the whole world wants to go tech and therefore will they get enough good people and now we are saying that the demand will not be that great.

Tech is not a mature business in that sense that you will not see growth, again we are talking at a trough of a cycle in terms of the economies which they cater to. So, I do not think that is the thing that demand is going to dry up for IT.