Indian IT market to touch $350b by 2025

This increase is directly linked with tech providers adapting to the new digital era: Nasscom

NIRBHAY KUMAR

New Delhi

RIDING high on government and business focus on digital technology, the country's IT industry remains upbeat over its revenue growth projections. Industry body Nasscom expects the sector to be on track with its gross revenue touching $350 billion by 2025.

In a report titled Perspective 2025: Shaping the Digital revolution, Nasscom said that the share of digital business in the Indian revenue pool would increase from 4 per cent in 2014 to 20-25 per cent by 2020.
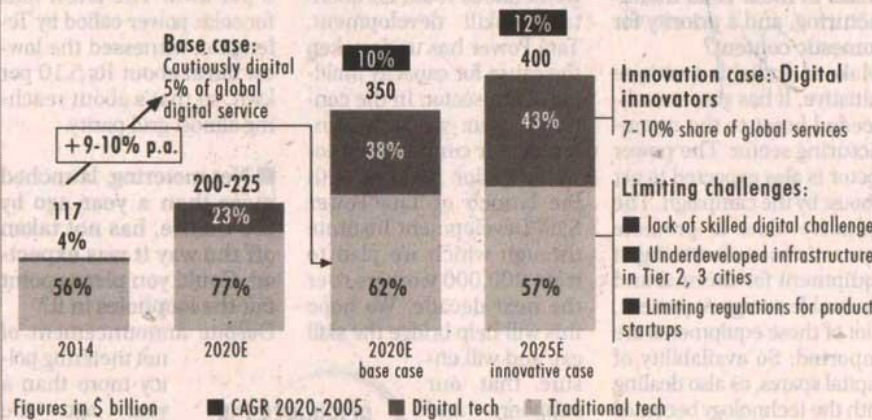
The Nasscom-McKinsey report released on Monday noted that the increase in revenue was directly linked with technology providers rising to the occasion and adapting to the new digital era. Besides, they would also respond to the changes in the industry by building new service lines and reinventing existing ones.

"On these assumptions, the Indian technology, BPM (business process management) and engineering services industry is expected to be on track to achieve its revenue goal of $200-250 billion by 2020 from $118 billion in 2014. Further, this revenue pool is likely to expand to $350-400 billion by 2025, based on the industry's potential for digital innovation," the report said.

Out of the estimated $350 billion revenue, exports are expected to ac-

count for about $280 billion and $70 billion from the domestic market. During 2014-15, domestic market's share stood at $34 billion.

"There is a continued progression of double digit growth despite expansion of base. But below the calm waters, there is a lot of churn happening as well and companies will have to do a lot of things to address the challenges as

well," Nasscom president R Chandrasekhar said.

The Nasscom report listed several challenges for the sector that could limit its growth. Citing shortage of trained digital talent globally, the industry association said it would roll out massive re-skilling programme to skill nearly 3 million people in coming years. The industry is expected to add 1.2 to 2 million headcounts as

it brings in the next $100 billion in combined revenue.

Much of the sector's growth in the next decade is likely to come from small and highly specialised entrepreneurs. In order to sustain this, the industry faces the challenge of improving the physical and technology infrastructure especially outside major cities.

Talking about regulato-

ry challenges faced by the industry, Nasscom Chairman BVR Mohan Reddy said there were issues related to taxation and difficulties around starting and exiting businesses.

"We areengaging with the government to suggest how it can be made easy for entrepreneurs to start business. We are looking at rebranding Nasscom and the role that we play to reflect the changes in the environment," added Mr Reddy.

Highlighting the role of start-up companies in technological innovation, the Nasscom report suggested that efforts could be made to channel appropriate funding to entrepreneurs and provide additional incentives. It projected the total addressable market for global technology, communications and business services industry at $4 trillion by 2025 growing at an annual rate of about 3.6 per cent.

"Technology, communications and business services expenditure in India are projected to grow to $120-130 billion by 2025, an annual growth rate of 10 per cent with small and medium size business and state-owned enterprises accounting for about 40 per cent of total expenditures in India," the report said.

The share of digital technology investment in cumulative expenditure may rise from 10 per cent in 2014 to 35 percent in 2020 and further to 60 per cent in 2025.

nirbhaykumar
@mydigitalfc.com

Indian Industry revenue could reach $200 to $225 billion by 2020

Base case:
Cautiously digital
5% of global digital service

+9-10% p.a.

200-225

117
4%
56%

2014

23%
77%

2020E

10%
350
38%
62%

2020E
base case

12%
400
43%
57%

2025E
innovative case

Innovation case: Digital innovators
7-10% share of global services

Limiting challenges:
■ lack of skilled digital challenge
■ Underdeveloped infrastructure in Tier 2, 3 cities
■ Limiting regulations for product startups

Figures in $ billion   ■ CAGR 2020-2005   ■ Digital tech   ■ Traditional tech

Pinaki Paul