

'IT Services may Grow 6-8% this Fiscal, Margins to be Hit'

Hiring up for most cos, signalling stable demand

Our Bureau

Bengaluru: India's IT services sector revenue is expected to grow 6-8% in dollar terms this fiscal year, on continued demand for newer digital services from clients, ratings agency Icra has said.

IT firms reported higher deal wins in the preceding year, while net employee addition increased for a majority of companies, signalling stable demand for the IT services sector, it said.

Companies added a net 1,13,787 employees in FY19, compared to 11,600 during FY18 and 93,500 in FY17, it said. In February, industry body Nasscom forecast software exports to grow 9.2% to \$137 billion in FY19.

This year it stopped giving guidance for industry growth. It said a survey of its members had shown that a majority expected better growth this fiscal on the back of increasing demand from clients.

The \$177 billion Indian IT-BPM sector had witnessed abysmally low hiring during the past couple of years as it transformed its services to more digital technology-enabled ones and automated mundane

work to remain competitive. The sector saw its lowest hiring in FY18.

Despite currency benefits and use of operating levers, profits remained flattish in FY19 at 22.5% due to higher onsite hiring and subcontracting costs on account of visa curbs, pricing pressure, increased regulatory costs and wage inflation, said Icra.

Operating margins are expected to be lower this fiscal due to higher costs, it said. "Demand is being driven by scaling up of solutions built around digital technologies, while traditional outsourcing services are increasingly becoming consumer oriented with application delivery mechanism shifting to cloud-based environments. Adoption of digital technologies has reached inflection point," said Gaurav Jain, vice-president-corporate ratings, Icra.

