

IT services to reach \$9.5b in 2011: Gartner survey

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BANGALORE, 24 JULY: The Indian IT services market is on track to reach \$9.5 billion in 2011, an 18 per cent increase from the previous calendar year's revenue of \$7.6 billion, IT research and advisory firm Gartner Inc said. India's domestic IT services market ranks third in Asia/Pacific. The market is forecast to grow to \$15 billion by the end of 2014.

"India's domestic IT services is a large emerging market in high-growth mode," said Mr Arup Roy, Principal Research analyst.

"Coupled with other factors such as openness to adopt technology and a maturing sourcing approach, it represents an attractive target potential for providers of all sizes," he said.

"The top 10 providers have a cumulative marketshare of just 42 per cent, indicating a highly fragmented market served by many small players with no large, dominant, well-entrenched player. However, this scenario varies widely by sub-market such as by industry vertical," he said.

India's IT services market is quite small as compared with large markets such as the USA or the UK, but it does offer a growth opportu-

nity to the service providers because of the buoyant market conditions.

Gartner analysts said the market has a critical mass that is worth tapping and has the potential to expand further with 'as a service' type service offerings.

"There is still room for new players and the barrier to entry is quite low. Hence, this market presents an immense opportunity for any large credible player to consolidate its position and grab marketshare in a big way," Mr Roy said.

"In the recent past, the cost of labour and infrastructure in Tier-1 cities has gone up, but it still is one of the lowest in the world. It also varies widely from region to region, and in some regions, providers can offer extremely competitive rates," he said.

Currently, only four industry verticals make up the bulk of the market (85 percent of all IT services spending). Those four industries are banking, financial services and insurance; telecommunications; manufacturing; and government.

This means that other industry verticals offer a good opportunity for growth as they start opening up and start engaging with external service providers, he said.