

Better year ahead for Indian IT despite slow global spend

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EVENTHOUGH Gartner has predicted a marginal reduction in the expected growth rate on global IT spending in 2014 to about 3.1 per cent, as against the earlier expected 3.6 per cent, analysts tracking the IT sector in India expect Indian IT players to have a better year than 2013.

On Monday, Gartner projected the worldwide IT spending to touch \$3.8 trillion, indicating a growth of 3.1 per cent from \$3.7 trillion spent in 2013. It had earlier expected the growth rate for 2014 to be at 3.6 per cent over the last year's spending.

"A downward revision of the 2014 forecast growth in spending for telecom services, a segment that accounts for more than 40 per cent of total IT spending — from 1.9 per cent to 1.2 per cent is the main reason behind this overall IT spending growth reduction," Gartner's managing VP, Richard Gordon explained.

He attributed the downward revision of spending on telecom services to a number of factors including the faster-than-expected growth of wireless-only households, declining voice rates in China and a more frugal usage pattern among European customers, which coincides in western Europe with a breakout of fierce price competition among communications service providers to retain customers and attract new ones, he added.

"Not only has Gartner has marginally reduced its forecast on global IT spending in 2014, even IDC had earlier estimated IT spending to grow at around four per cent. Even if market grows by 3-4 per cent, off-

shoring should grow and we have been witnessing that in the US, where some discretionary spending has been happening. This should result in higher realization for Indian companies, whose major focus has been on the US," says Ankita Somani, a research analyst with Angel Broking.

Shashi Bhusan, senior research analyst at Prabhudas Lilladher believes that "after a gap of nearly two years, seeing clients enter into IT budgeting session on a positive note, as we see signs of picking up in economic activity". "A pick up in off-campus hiring of freshers and laterals are underway. Some of the IT companies have started the employee referral programme once again to hire both freshers and laterals in the company. The employee referral and off-campus hiring

indicates a pick up in demand and we have already seen a pick up in utilisation and attrition levels in the Q2 of 2014," Bhusan said.

The perspective from the industry too indicates that the Indian IT industry is once again gearing up to tap the growth potential. "Secular shifts in the economy, business and technology are forcing enterprises to re-examine how they operate. They have realized that merely incremental levels of performance efficiency are no longer enough. For them to position their businesses better for longer term success, it is imperative to conceptualize, architect and implement new—and increasingly different—business capabilities that help challenge the status quo, drive fundamental innovation, and unleash new potential across organisations," R Chandrasekaran, executive vice-chairman, Cognizant India told FC.

In addressing their dual mandate, clients will focus on reducing the total cost of ownership and generating higher levels of productivity, while rethinking business models to deal with the sheer velocity of change in their industries and remain relevant for the future.

Meanwhile, Nasscom, president, R Chandrashekhar said in Bangalore that the outlook for the IT sector is positive in the times to come. "I think at this point it will be fair to say - yes qualitatively, we certainly expect it to be better. But how much better- it is too early to say," he said.

Nasscom had earlier estimated a 12-14 per cent growth for the Indian software services industry in FY14, and it set a \$300 billion target revenue for the IT industry by 2020.

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