

IT Cos to See Double-Digit Growth on Mega Deal Wins

Global clients to step up tech spends as they shift applications to cloud & deepen digital services: Analysts

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Bengaluru: Indian IT services firms will see double-digit growth in fiscal year 2021-2022, say analysts, as these companies win blockbuster deals from global clients looking to step up technology spends as they shift applications to the cloud and deepen digital services.

Goldman Sachs estimates that the double-digit growth momentum driven by large-scale shifts (of applications) to the cloud, building applications for the cloud native world and collaboration between IT vendors and customers to build new solutions could usher in the "third wave of IT outsourcing".

"Digitisation at scale and Covid-19's acceleration of work from anywhere

has boosted technology demand across industry verticals and geographies. Moreover, IT outsourcing has seen strong pick-ups (lasting at least two years) after previous crises (such as Y2K and GFC-global financial crisis)," wrote Sumeet Jain and Saurabh Thadani, IT analysts for Goldman Sachs in a note on December 22. "These factors support our forecast of a third wave of IT outsourcing in fiscal year 2021-2023".

Indian firms have won multiple large deals in the last few months and the full revenue impact will be reflected in the next fiscal year.

Early this week, Infosys signed a multi-billion-dollar

Outsourcing Windfall

- TCS, Infosys and Wipro win large multi-year deals from clients in US, Europe
- IT outsourcing has increased as clients seek help to shift to the cloud

Indian IT firms have been biggest beneficiaries

- Remote working has helped IT firms to move more work offshore



- Indian IT companies are seeing growth across sectors, geographies

deal with Daimler to transform its technology infrastructure and applications and migrate to a hybrid cloud environment, while Wipro will help German retail major Metro AG build its digital infrastructure in a deal estimated to be \$1 billion. Both companies will take over the employees and existing IT systems of their clients.

In November, industry leader Tata Consultancy Services, signed long-term deals with Deutsche Bank AG and Prudential Financial, after acquiring the IT units of the financial majors to deliver services.

These mega wins have revived the fortunes of India's IT sector, which experienced a slump in business in the quarter to June.

However, that trend changed as global clients began stepping up technology spending to shift applications to the cloud and respond to business changes induced by the pandemic. Global tech spending is also being boosted by increased offshoring to locations such as India as remote working became mainstream.

In October, Infosys said it will grow 2-3% in the fiscal year 2021 due to rising demand from clients for digital services. HCL Technologies said it will grow sequentially 1.5%-2.5% in the next two quarters. Wipro said it will grow between 1.5% and 3.5% in the quarter to December. TCS and Tech Mahindra do not give guidance but have said business will grow in the quarters ahead.