

# Talk of IT industry's death overstated: Rishad Premji

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**BENGALURU:** Rishad Premji, chief strategy officer and board member at Wipro Ltd, believes that the current discourse on India's \$154-billion outsourcing industry death is overstated and remains optimistic that the steps undertaken by his company and by many companies could see them report double-digit growth over the next 3-5 years.

"I think this entire talk of death of Indian IT industry is overstated," Rishad Premji said in an interview on Thursday.

"I would submit the industry is very resilient....the investments being made by us and by many players in the industry, I believe the industry can continue to grow in double digits over 3-5 years. I'm very confident that the industry will move in that direction."

The optimistic comment from Rishad Premji, the elder scion of Wipro chairman Azim Premji, comes days after at least one equity analyst expressed his scepticism on the road ahead of the India's four largest IT firms and Nasdaq-listed Cognizant Technology Solutions Corp.

"We find it difficult to believe that the industry can grow at 10% or above levels over the next few quarters given the weakness in core areas," Keith Bachman, an analyst at BMO Capital Markets, wrote in a September 10 note.

"Consensus estimates imply CY2017 growth of 10.4% y-o-y and CY2018 growth of 8.7% y-o-y for the peer set (assuming neutral FX impact). We think the Indian-based IT Services sector is more



■ Wipro Chief Strategy Officer Rishad Premji believes the IT sector will see double-digit growth in 3-5 years

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likely to grow in the high- to mid-single-digit range over the next few years."

For Tata Consultancy Services Ltd, Cognizant, Infosys Ltd, Wipro and HCL Technologies Ltd, revenue growth during the April-June period was the lowest since April-June 2014—revenue growth slowed to 7.6% year-on-year in constant currency terms in June quarter, compared to 9.2% in the March.

India's third largest IT services company, Wipro, reported a 4.9% dollar revenue growth to end with \$7.7 billion in revenue in the fiscal year ended March 2017.

Worryingly, for the first time since 2009-10, TCS, Infosys and Wipro, which together make up a quarter of the industry's total

business, grew at a slower pace than the industry's 8.6% growth in constant currency terms in 2016-17.

At the heart of this slowdown is that the all these companies have seen slow demand from their Fortune 500 clients in areas like application development and maintenance.

Although these IT vendors are seeing a demand for solution offerings in areas like building applications over mobile platforms or offering cyber security solutions (broadly termed Digital), this has not been enough to offset the slowness in demand in the traditional areas of business. For all IT outsourcing companies, digital revenue still account for less than a fourth of total revenue.