IT Firms for Simpler Tender Norms to Tap Govt Business

Firms await model tender process; concerned about delayed payments that make projects unviable

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Bengaluru: Indian IT services companies are keenly waiting for a government move to clear a model tender process to tap government business, seen as one of the key measures to boost revenue from domestic market. So far, India revenues contribute between 3% and 10% for large Indian companies such as Infosys, Wipro, TCS and Tech Mahindra, as they take up projects both in the government and with corporate clients. Nasscom estimates that India's domestic IT market to be around $28-29 billion in fiscal 2018.

The government is the biggest collective spender for IT in India, which technology researcher Gartner estimates to be $8.5 billion in 2018.

India contributes between 3% and 10% of revenues for most of the large IT firms. While Infosys, which bagged the technology maintenance work for GST network, garners 3% from India, TCS and Tech Mahindra get nearly 7% and 5% revenues, respectively, from India. From India and West Asia, Wipro receives $801 million of its little more than $8-billion revenue.

Rishad Premji, chief strategy officer, Wipro, and chairman, Nasscom, the IT services industry body, in an interaction with ET said the large enterprises in India are becoming technology-hungry and the government piece of the domestic market is huge opportunity that we participate in. He said it can be a "missed opportunity" if India is on priority list of the IT services companies. "So if you ask me objectively, you would be missing out on a huge opportunity for India, if you are not participating in the industry."

Nasscom is now pushing for easy policies to encourage these IT services companies to take up projects in India. It has worked closely with the government to build a model RFP, which factors issues such as payment terms, liability clauses and governance norms in dealing with contracts with government IT projects. Indian IT firms have raised concerns over delayed payments that has made projects that they have taken up unviable even after completion. Tech Mahindra, the fifth largest Indian IT firm, expects to raise revenue contribution from India to more than 10% in two years from 5% now.

The company is banking on smart city projects, fifth generation telecom services rollout amongst the growth driver in the domestic market.

"Tech Mahindra is bullish on the Indian IT, ITeS and digital transformation space. The renewed vigor has been induced at Tech Mahindra by forming a strategic business unit (SBU) in FY18 with singular focus on India business, resulting in a smart uptick in business and healthy pipeline," said Sujit Baksi, president, India Business, Tech Mahindra. Other prominent reasons why Indian IT firms shy away from domestic projects include longer payment cycle, lower margin in India, according to Rajesh Gupta, India Partner at IT consultancy firm ISG.

For example, Gupta pointed out, similar types of work fetch $35 per hour and $10 per hour in India.

"Indian IT firms see longer lead time for projects in India. India clients and these companies should have an open dialogue to arrive at a different business model. These IT companies have to come up with different workforce with a combination of human and bot to improve the margin numbers," said Gupta.

However, an executive of a large Indian IT firm, who did not want to be quoted, said for domestic tech services projects "at time liabilities are unlimited for the system integrators" and this model RFP could resolve that issue. "Also, if payments are held back for long-term projects, it becomes a cash flow issue," said the executive.