

'Nasscom Upbeat on IT Performance in FY15'

Industry lobby expects rise in US demand to push IT cos' revenues, says incoming chief R Chandrashekar

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BANGALORE | MUMBAI

India's information technology outsourcing industry will grow faster in the fiscal year 2014-15 than it did in 2013-14, industry lobby Nasscom will likely forecast, incoming president R Chandrashekar hinted on Tuesday. The upbeat forecast is likely as a result of an anticipated acceleration in demand in the sector's primary market, the United States. Nasscom usually provides an estimate in February each year.

The US accounts for about 60% of the Indian IT sector's revenues. Britain and Australia are the next biggest markets, especially for the top Indian companies such as Tata Consultancy Services and Infosys. Untapped economies such as Germany are also looking promising as they open up to the offshore outsourcing model.

"At this point, it would be fair to say qualitatively we certainly expect 2014 to be a better year," said R Chandrashekar, who started this week as the new president of Nasscom, or the National

Association of Software and Services Companies. "It is not going to be a dramatic step-up. The outlook is positive and we do see that the direction of change will be up," he said. Industry analysts and investors are also expecting Nasscom to announce a higher growth projection for the coming fiscal year that starts April 1, compared with the 12-14% forecast for the current fiscal year.

Industry executives are expecting the pent up demand from the past few years of global economic uncertainty to kick in this year. There is a strong expectation, even among companies such as Infosys, which historically has been conservative in its commentary on future demand, that customers will accelerate spending on good-to-have projects, which will boost margins.

Chandrashekar's appointment comes at a time when the Indian software services companies face close scrutiny of their use of short-term visas such as the H-1B to place IT consultants at client sites in the US. One version of a larger US immigration bill was passed by the US Senate last year that would make it very difficult and costly for the Indian companies to bring in staff from India and move them around from client to client as needed, using primarily the H-1B visa.

The lower house, the US House of Representatives, is debating its own version of the bill. India's top IT firms are some of the biggest beneficiaries of H-1B and L1 work visas as they send thousands of em-

ployees to US every year to work on client projects. "There are challenges like data security, immigration, taxation issues etc. We will continue to work on these areas," Chandrashekar said, without giving an update on the visa debate.

Nasscom has hired public relations firms and lobbyists in the US, to persuade lawmakers to water down some of the proposed visa restrictions.

Chandrashekar, under whom India set up its first IT department, has held several senior positions at the ministry of communications and information technology and previously served as India's telecommunication secretary. An IAS officer of 1975 batch, he is the chairman of India's National Technical Research Organisation.

"Apart from the fact that we have grown from \$100 million to \$100 billion in about 20 years, what's happening is a powerful ecosystem of startups, angel investors and innovation. We will also look at entering newer outsourcing markets," he said. This year could see a concerted push by Indian IT companies to tap markets in Japan and China, Chandrashekar told ET, earlier in an interview.

Japan accounts for barely 2% of IT services exports from India. The country's IT spending is expected to reach \$211.4 billion, according to a report by research firm Forrester. China's contribution is also in the very low single-digits, even as its IT market is expected to touch \$124.5 billion.

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kets, but they are also substantially more challenging. I think we will see greater engagement with those markets this year and going forward. New possibilities and strategies for tapping those markets are being developed," Chandrashekar told ET. However, with demand returning in the US, some analysts believe that Indian IT's growth in the Asian markets is still a some way off.

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