

# IT challenges to remain

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**BENGALURU:** As 2016 drew to a close, the \$143 billion Indian IT services industry was staring at various challenges that are likely to continue this year too.

Some of them were the British vote to leave the European Union, protectionism in the major markets including the U.S. which contributes to more than 60 per cent of the business, shift from traditional business model, visa regulations and also the emergence of new technologies like the Cloud, and Internet of Things among others.

Experts said that some of these worries would be more evident in 2017. The victory of Donald Trump in the U.S. is an important factor that has forced the Indian firms to adopt a cautious wait-and-watch mode. During the campaign Mr. Trump spoke of stricter H-1B visa regulation and creation of more domestic jobs.

## H-1B visa

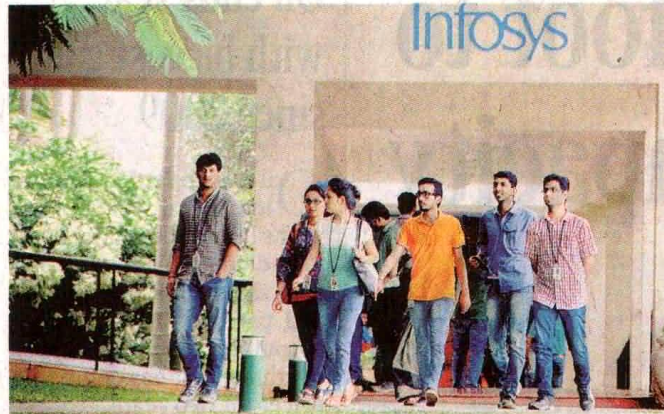
Traditionally H-1B visa is used by Indian IT firms to send their employees on short-term work permit to the U.S.

"There are political changes in some of the major markets of Indian IT services companies. However, such moves will not come in the way businesses are done or companies are operated," said P.N. Sudarshan, Partner, Deloitte.

Parthasarathy N.S., President & COO, Mindtree Limited, said: "International political developments should be viewed only as a changed operating environment rather than a challenge."

Localisation of workforce is another major step Indian IT companies may take to overcome the likely visa woes during Mr. Trump's presidency.

"Though there is a little wariness on both vendor and



**WESTWARD WATCH:** Visas, Brexit and Trump's victory are major challenges facing the Indian IT industry. — FILE PHOTO

## 2016

### YEAR IN REVIEW

#### TECHNOLOGY

client side regarding the potential changes that Mr. Trump might introduce, everyone is still waiting to actually see what these changes are going to be before taking action," said Hansa Iyengar, Senior Analyst - Large Enterprise Service at Ovum.

Another major hurdle for Indian IT companies was the Brexit vote. Infosys was the first company to bear the brunt as Royal Bank of Scotland shelved its plan to create a separate bank in the U.K., forcing Infosys to shift about 3,000 employees from that project.

Following impact of Brexit and other client-based problems, leading software exporters like Wipro, Cognizant and TCS had to revise their full fiscal year guidance. IT industry body Nasscom revised the guidance for the fiscal FY17 downwards to 8-10 per cent.

## Pricing pressure

However, some experts said that with more projects expected to be renewed in the coming year, there will be an intense fight between the providers to garner the pie of

the market opportunity.

"With over \$200 billion worth contracts set to expire in the next 24 months coupled with growth-challenged players, the competitive pressures to retain for incumbents and win away for others will only intensify," said Dinesh Goel, Partner, ISG India, an outsourcing advisory firm.

Though there will be continuation of challenges that existed there is a drastic shift happening in the technology arena. The emergence of technologies such as cloud, Internet of Things and automation among others has created uncertainty as well as opportunity for the industry.

C P Gurnani, CEO & MD of Tech Mahindra, said: "We are going to witness immersive experience which will transcend both the physical and digital world. As a company, we are transforming ourselves from an IT services provider to digital transformation partner."

In spite of all the uncertainties, India's market share continues to be at 7 per cent of the global software and IT services spend, and 57 per cent of global IT services is outsourced to India.

Driven by strong, stable fundamentals, Nasscom has reiterated that the long-term opportunity for the industry will remain unchanged to achieve \$350 billion by 2025.