

# Informations technology

Technology



Rising US rhetoric against shipping of jobs to low cost locations head of US presidential elections in November might result in lower market shares for Indian IT companies. The US Senate will be looking into a bill backed by the Democratic party popularly known as the 'Bring Jobs Home Act'. If the bill is passed, tax benefits will be extended to companies that shift their work back to the US &: will end tax incentives for those who send work offshore. On the other hand, Europe has quietly enforced visa restrictions making people difficult to travel onsite for work. 3.

Tough competition from Macs: Increasing competition from Macs Like MM, Accentuate who have set up bases In several of the IT zones earlier dominated by Indian IT firms. Also, US wages have been decreasing and are on par with Indian wages for some of the sectors. Outsourcing will be less attractive to American employers. 4. Pressure on billing rates: Discounts from key financial sector clients Is pinching IT firms. On 12th July, Informs claimed that pricing has fallen by 3. 7% In the Lune quarter from the previous quarter. As the growth in demand has fallen, firms are vying for the small pie by opting for price cuts. 5.

Low employee utilization: Increasing bench size has been reported across various IT firms. Employee utilization has fallen down to 67% for lot of Indian companies. Companies have to reserve certain human capital so as to accommodate them in case of future demand. 6. Volatility of Indian rupee against the dollar: Depreciating rupee helps the IT industry. Increase its revenues as most of the companies earn in US dollars. However, as the companies would have already hedged against rupee appreciation In

advance, the currency volatility wouldn't affect much. Planning for the future becomes a problem. Major players In Indian IT: 1.

TTS Is the largest software company In Salsa and was one of the pioneers of the lobar delivery model. Its IQ results have been slightly better than expected with 14.6% increase (over previous quarter) in IQ profit at RSI 3280 core with revenues at RSI 14869 scores. TTS has said that It Is expecting to beat the forecasts of 11-14% growth In revenues set by MASCOT for IFFY. According to the CEO, TTS has been seeing strong growth from markets like North America, UK ; Europe despite the gloomy economic environment. 29 new clients were added in the June quarter. I OFF the reasons of success for TTS.

Also, it is more flexible than its peers when it comes to pricing. And is more open to the client's suggestions The fixed component is tallest 8-10% higher than that of its peers. 2. Informs is the 2nd largest Indian IT service provider and reputed for its work ethics & world class management practices. In the past by exceeding revenue expectations, it kept investors and analysts happy. But by failing to meet expectations in 3 of the 5 recent quarters, it has lost its status as the industry bellwether. It has cut down its revenue forecasts for IFFY to 5% down from its April estimate of 8-10% growth.

The company has underlined weak macroeconomic environment, falling clients' confidence ; fall n discretionary spending (spending by corporate which can be held back at discretion and are usually for long term benefits) as the reason behind its fall in revenues. Critics have blamed the poor results on the change in leadership, its inability to motivate its employees when the

morale is already down because of delayed and small pay raises, premium pricing in the face of slowing economic growth and its conservatism by not using its excessive cash pile (around \$3. Billion as of June 2012) to make acquisitions that can make it a global company. The CEO said that Informs is looking out for opportunities in product, consulting, platform pace and system integration. The company's strategy of positioning itself as a premier global consulting & system integration major has backfired since the economy has still not recovered from the slowdown. 3. Wiper is the third biggest Indian IT firm and its revenues for the year 2011-12 stood at \$5. 7 billion.

It is betting on regions like Latin America, Asia Pacific and Ghana as they have been contributing almost 16-17% of the total revenues for Wiper. Wiper is also shifting its focus from telecoms equipment vendors who have reduced IT spending to telecoms analytics amp; mobile broadband where the end users are telecoms operators. 4. HOC Technologies is the fourth largest Indian IT company. In the last 2 quarters, it has won deals worth \$2. 5 dollars and Europe has contributed almost 54% to it. It is strong in total IT outsourcing which comprises of infrastructure services, application development and maintenance.

While most of the other Indian IT firms are wing for high-end consulting contracts, HOC has been focusing on infrastructure deals. Future prospects : Inspire of the economic upheaval, Indian IT firms still feel that IFS will bring in the axiom revenues. The optimism is based on the fact that even clients were supposed to have cut spending during the credit crisis time, Indian IT exports have grown \$33 billion between 2008-09 to 2011-12. However all the <https://assignbuster.com/informations-technology/>

IT firms have to get used to lower margins. Gone are the days when experienced 30% growth.

IT firms have so far mainly relied on cost differentiation. To cope up with the various challenges, they need to start innovating. So they have to find new markets, new customers, develop products etc. For egg: Wiper has started offering to IT solutions to the petroleum industry in Ghana. Transformations are taking place as the use of cloud computing & mobile devices is slowly increasing. Informs has added about 20 new clients in the past quarter in cloud, big data and security. With the increase in use of APS on mobiles, programs are being written for mobile.

Also companies have started positioning themselves as IT consulting firms. In the near future, The immediate future for IT companies may not be as bright as it was in the past. But companies should reboot its systems and log on to new sites The decade of 1990 was the golden era for information Technology in India. With liberalizing, prevarication amp; globalization, Indian IT Sector took huge leaps in Information Technology. Today, with total revenues of about \$88. 1 billion, Indian IT sector being one of strongest industries worldwide has grown for more than 30% for more than 20 years.

Indian IT firms have moved up the value chain from low cost programming in the early years to providing premier global IT consulting services. Before the onset of recession in 2008, the IT industry flourished thanks to the exponential increase in global IT spending. During the recession, companies decreased their IT spending thereby slowing down the growth of IT industry.

But this created a pent-up demand for IT. With economic recovery, companies have started spending on IT albeit with great caution.

Fig : Statistics of IT & BOP in India Intense competition has impacted growth in billing rates thereby affecting revenues. For the first time in 47 quarters, Infosys missed quarter's expectations. The major IT firms have reduced their growth expectations for the year 2012-13. The top 4 Indian IT companies grew at 17% in the 3rd quarter and at 14% in the fourth quarter as opposed to 24% in the first quarter in the last financial year and this is a cause of worry. Industry Verticals: The various verticals in IT sector are shown in the pie chart.