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EC By Express Computer

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NEWS



CareEdge has released a report on the sector outlook for the Indian IT industry. The research house is cautiously optimistic about the outlook of the sector on the back of resilient IT spending in the near to medium term.

CareEdge expects that the broad trends in demand outlook in the Indian IT industry along with technology-driven spending will continue during FY23. The digital transformation initiatives grew manifold during the pandemic, with a much greater realization of the need for digitization and data-driven solutions and this trend is

expected to continue going forward. This augurs well for the IT services industry. According to CareEdge, cloud computing, artificial intelligence, cybersecurity, data analytics, and IoT, among others are expected to be the key focus areas going forward.

However, a slowdown in the key markets of the US and EU, uncertainties arising from the global macro-economic slowdown, and currency volatility can potentially play a spoilsport with respect to corporations spending on technology and may lead to postponing some of this spending. Also, with significantly increased employee attrition levels across most players, there has been a surge in employee costs. This is the single largest expense item for the sector, and will potentially impact the operating margins of the players.

Overall, the Indian IT industry witnessed a strong client addition during FY22 supported by vendor consolidation and various initiatives like cloud adoption and digital transformation agendas by clientele across various verticals. The industry has been re-aligning its offerings to cater to the evolving requirements of its clients with respect to emerging technologies in order to become more effective in the dynamic business environment.

The IT companies expanded their products and service offerings to cater to the new demands of an expanding set of clients with a focus on delivering customer-centric solutions. During FY22, IT majors have seen a strong progression of client addition in existing as well as new geographies and verticals. The client wins in the higher deal-size buckets have significantly increased.

Total Q-o-Q client additions in each band:

Client Categories	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23
+1 million	91	97	116	42	60
+10 million	44	31	28	29	21
+50 million	8	18	10	6	8
+100 million	5	8	8	4	3

During Q1FY23, on a year-on-year basis, there has been a slowdown in client addition (in greater than USD 1 Million segment)– an implied higher base effect on account of a sudden post-pandemic ramp-up in Q1FY22. However, on a sequential basis (q-o-q), client additions gathered pace vs. Q4FY22 where 42 clients were added. This is despite Q4 being a generally weak quarter from a seasonality perspective. The growth has mostly been broad-based across verticals and the BFSI vertical continues to have the largest share and is the fastest growing segment.



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