

A View on the Indian IT-BPO Industry in 2009

Recent developments across the globe have led industries and economies to see an unprecedented economic crisis, and this is also impacting the Indian IT-BPO industry. However, we feel these will be of short-term impact, and will help the industry emerge stronger and operationally more robust.

The general consensus is that the impact will be felt by larger companies more than mid tier and smaller companies and the reason for this is that larger companies, work with larger and global customers, so the impact of customer markets is stronger. Also currently, there are a large number of customers who are reviewing their status given the environment which also has an impact on vendor companies. The silver lining is that even in such times there are companies and vendors who are working in geographies and verticals that remain minimally impacted by these developments. We have interacted with customers in verticals like healthcare and utilities who say they are not impacted yet.

On impact in the coming financial year, our research and interaction with member companies, vendors and customers indicates that 2009-10 would see lower growth than last year. The first half of 2008-09 was 24 per cent, and we are certain that this will not be the case this year. Overall, the growth rate could be anything above or 15 per cent, however, the specifics depend on companies and industries, and the global economic environment. We also feel that by 2010-11, the industry will see companies restructure themselves across the world. There is shortage of technical resources across geographies, which India currently has abundance of. Companies are looking to re-engineer themselves, and India can help them achieve transformation.

On growth and contracts, we need to be moderate in our expectations. The economic crisis began affecting the world in August –September 2008 and continued. The general consensus is that we have seen the worst, and things will look up going forward. Contracts are a direct derivative of decision making and even customers do not have long-term visibility which is impacting contracts. In the long-term, we will see bigger outsourcing deals, and also expect outsourcing to permeate countries and economies that have not seen outsourcing yet.

On the human resource front, we expect the hiring outlook to be muted compared to previous quarters. Multiple factors contribute to this. Overall attrition is lower by seven to eight percentage points. There is more balancing in the BPO industry. Companies are looking at ways and means to improvise their productivity and utilisation, and also hiring much closer to projects. In the long-term, we see these measures offering stability to employees, companies and customers, and also reduce costs. We hope employees will also realise it is better to work in stable environment.



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