DQ35YEARS

SURVIVING DISRUPTION

Indian tech firms re-strategize to counter tech disruption

Rank	Company	REVENUE
01	TCS	1,23,104
02	Cognizant	97,814
03	Infosys	70,522
04	Wipro	54,636
05	HCL Technologies	50,570
06	IBM India	35,880
07	Tech Mahindra	30,773
08	Ingram Micro India	24,823
09	Redington India	18,700
10	Dell-EMC India	16,905
11	Oracle India	16,641
12	HP Inc India	16,400
13	SAP India	13,371
14	Cisco India	13,351
15	Capgemini	12,800
16	Microsft India	10,600
17	Lenovo India	9,075
18	Intel India	7,905
19	HPE India	7,893
20	LTI	7,306

DQ TOP 20

Source: DQ Estimates FY 18 (Revenue ₹Crore)

DQ DigitalNext Conference - p110

HR Leaders: Are You Ready for Machine Learning? - p112

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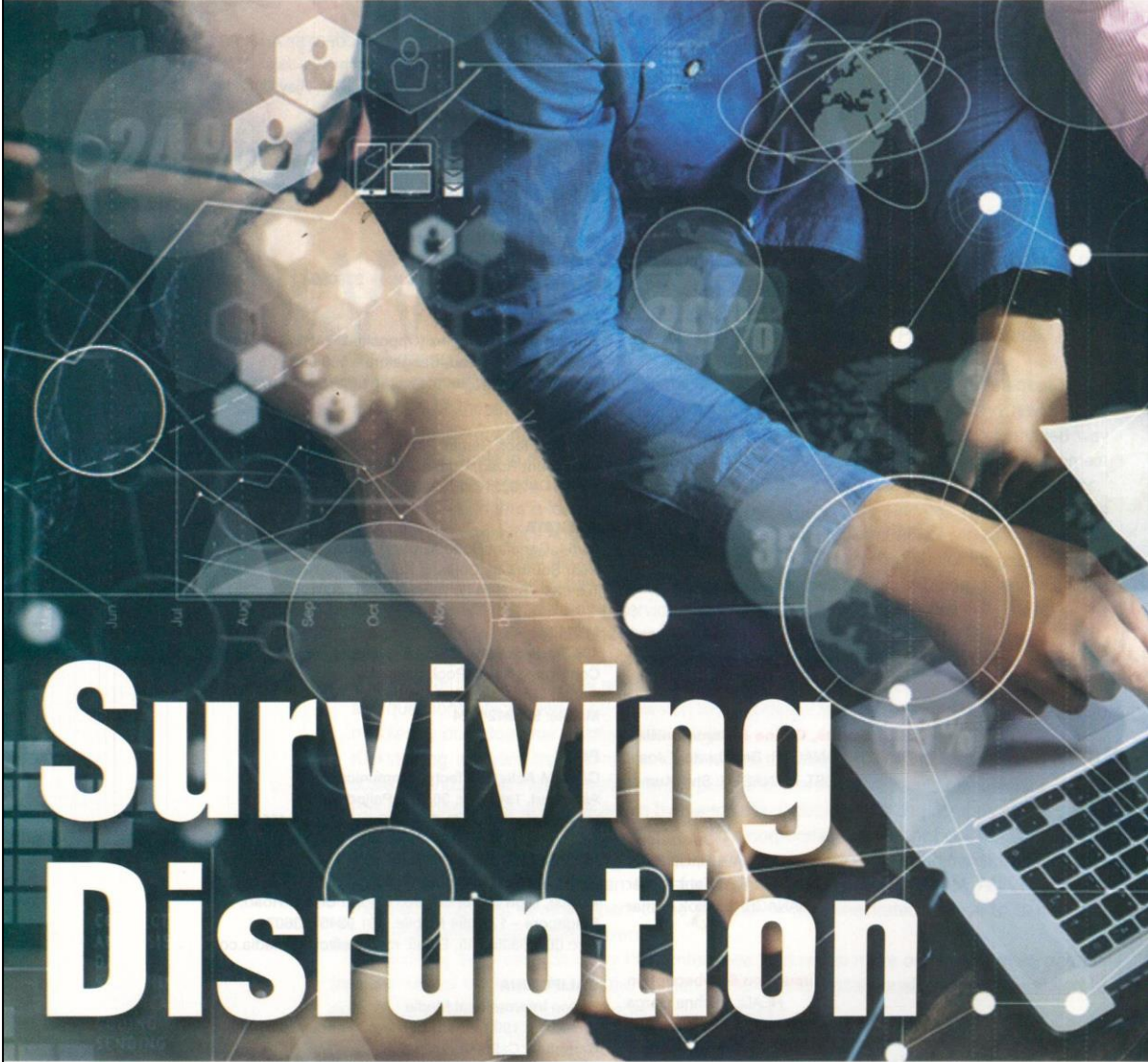
Surviving Disruption

Indian tech firms re-strategize to counter tech disruption

This is that time of the year we take an appraisal of the Indian IT industry and performance of the key segments. The DQ Top 20 FY 18 riding on the theme – 'Surviving Disruption' attempts to unfold how the Indian IT industry is taming the

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aging, especially during this technology shift in the context of the global economy where people are talking about 0.5 - 3 percent growth".

THE DIGITAL MANTRA

If one looks at the ground zero, FY 18 was all about making the most of Digital. Most of the companies in the DQ Top 20 list focused on the Digital opportunity and recalibrated their business and delivery models tuned to an emerging tech play. In sync with Digital opportunities, companies trained their HR. The country's #1 IT company TCS articulated well, it said, "We firmly believe that there are no legacy people, only legacy technologies. In FY 2018, over 247,000 TCS employees were trained in digital technologies. For TCS Revenue from digital engagements accounted for 21.2% of its revenue in FY 2018 and Digital grew 35.3% year on year.

Industry experts told Dataquest that in every industry around the world,

nexus of disruptive technology forces that are altering the very fabric of the IT adoption dynamics.

As C P Gurnani, CEO, Tech Mahindra says, "The Indian IT sector has managed to perform well in FY'18 despite the market being volatile. The services industry is witnessing fast growth in the use of cutting-edge digital technologies such as Blockchain, 5G – Telecom of the Future, Artificial Intelligence, Automation, Robotics, and the Internet of Things. According to NASSCOM, a 7-9 percent growth in the IT industry is forecast in 2018-19. Such growth numbers are encour-

THE TOP 5: HOW THEY STACKED UP IN FY 18

Rank	Company	FY 18	FY 17	Growth
1	TCS	1,23,104	1,17,966	4%
2	Cognizant	97,814	92,724	5%
3	Infosys	70,522	68,484	3%
4	Wipro	54,636	55,417	-1%
5	HCL Technologies	50,570	46,722	8%

Source: DQ Estimates (₹ Crore)

companies are keen to pursue an ideal mix of best practices, technologies and thinking, to be truly digital. Digital transformation is not all plug-and-play. Going digital is definitely not a hasty leadership push to outdo the competition by purchasing bespoke technology stacks, laying out the piece parts and assembling them together to get a digital enterprise. It is a complex and introspective journey that demands bold decisions to simplify, modernize and secure the company's digital assets to achieve the nirvana.

GROWTH PANGS

A look at Top 5 and beyond, except for a few companies most have grown in single digits. This in a way shows that companies in the fray tried hard to sustain their position rather seeking a big topline growth. Instead, they focused on upping their competencies and providing new age services to the clients.

ISSUES AT LARGE

One of the biggest issues over the last year relates to the visa changes the US government pursued under Trump leadership, as a result, the in-dustry has to grapple with a range of work permit related issues pertaining to the US H1B visa changes.

According to Gaurav Jain, VP, ICRA "With a view to protecting US jobs and wages, the United States Citizenship and Immigration Services (USCIS) has been gradually tightening the H-1B visa scrutiny. This is bound to have several implications for Indian information technology services companies in the near and medium-term. As a prerequisite for H-1B visa, the USCIS in March 2017 issued an internal memo clarifying that all entry-level programmers will not generally qualify for a position in a specialty occupation. This will affect the profitability margins of Indian IT companies as a result of the direct impact of restrictions in the movement of low-cost skilled labor from India."

Clearly, instances like this will hamper the free flow of tech resources to the US as we move forward. The only way Indian outsourcers can manage their onsite human resources is to hire more locally, that will reduce their dependence on H1B, but it will have an impact on the compensation metrics.

GOING FORWARD

As we look at FY 19, most of the Indian IT companies will focus their energies and resources on escalating their emerging tech play and look at adding value to existing client organizations. Moreover, the leading companies in the DQ Top 20 list have already taken to automation in a big way and automated several key processes in areas like software testing. In terms of growth and profitability margins, companies in the fray need to have a multi-pronged strategy cutting across-geographic diversification, upping the ante on the domestic space, focused business units balancing out legacy vs. modern mandates, a well-meshed emerging technology strategy.

If one looks at FY 18, with the Government's aggressive digital push, the companies, which have an aggressive domestic play, are gaining more traction. For instance companies like IBM in India are growing impressively on the domestic outsourcing market and companies which are dependent on one geography one vertical domination play will face tough times as we move forward. The domestic IT spend in India is growing in excess of 11% and it makes sense for companies to have an aggressive focus on India.

Industry experts say that in FY 19, in order to stay relevant to the changing market dynamics induced by the advent of next-gen technologies, it has now become imperative for players in the outsourcing industry to enhance their technical capabilities to deliver desired customer experience.
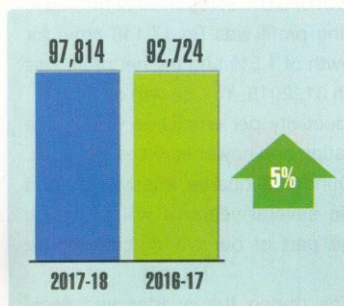
Cognizant Technology Solutions

Given the headwinds in the IT outsourcing industry, FY 18 can be billed as a year in which Cognizant tried hard to sustain the scale and growth. Cognizant went to the market with its focus on three broad themes: Digitize, Internationalize and Localize.

If we reflect over FY 18, some of the leading highlights over the year:

- Cognizant crossed the $15-billion revenue milestone in the financial year 2017-18, on the back of increasing demand for driving digital-at-scale solutions for its clients across industries, transforming their business, operating and technology models.
- During 2017-18, Cognizant crossed $3 billion in non-US revenue, led by good growth in the UK and APAC regions. The company expanded its geographic footprint organically, adding new delivery and operations centers as well as Collaboratories in key global markets. That apart, many of the acquisitions have been outside the U.S., including, Idea Couture, Mirabeau, Brilliant Services, Adaptra, Netcentric, and Zone.
- The company has built a network of local and regional delivery centers in Europe, Asia, North America, and Latin America. With their proximity to clients, these delivery centers also enable high-quality digital, agile, and secure services that comply with local regulations and are delivered using the technologies and languages clients require. These centers also enable Cognizant to hire, develop, and retain talented local people who can serve multiple clients.
- Purposeful Organization: The company says, "As we build skills and capabilities in the local communities where we operate, we're also partnering with educational institutions to establish and fund retraining programs in high demand digital technologies. Cognizant formed the U.S. Cognizant Foundation, with an initial $100 million in funding. The US Cognizant Foundation is a non-profit organization focused on supporting science, technology, engineering and math (STEM) and other technical education programs".

Cognizant's inorganic initiatives saw it acquiring a slew of companies, significant ones over the year were: It announced the acquisition of Bolder Healthcare Solutions, Zone, Netcentric, TMG Health and Hedera Consulting during the year. Bolder Healthcare Solutions is a privately-held provider of revenue cycle management (RCM) solutions to hospitals, physician practices, and other specialist healthcare organizations in the United States.

In keeping with its digital strategy, Cognizant acquired Zone, one of the United Kingdom's leading independent full-service digital agencies specializing in customer experience, digital strategy, technology and content creation; and Zurich-headquartered Netcentric, a leading provider of digital experience and marketing solutions for some of the world's most recognized brands.

Cognizant also completed its acquisition of TMG Health, a leading national provider of business process services to the Medicare Advantage, Medicare Part D and Managed Medicaid markets in the United States, supporting 32 health plans and more than 4.4 million members in all 50 states.

In the last year, Cognizant expanded its Latin American operations with the opening of a new center in Sao Paulo, Brazil to support increasing demand for the company's digital businesses.

—FRANCISCO D'SOUZA
CEO

97,814   92,724

5%

2017-18   2016-17

Source: DQ estimates revenue (₹crore)

2016-17

02