

Business Process Outsourcing (BPO)/ Knowledge Process Outsourcing (KPO)

Industry Code (as per CMIE Prowess): 0101040802000000'

June 2022

Overall Industry Risk Score: **15/20 | Favourable**

Sample Size: 15 Companies

Median Rating Value of sample size: A-

Individual Parameters Contributing to the Score

Demand & Supply Balance



16/20

Moderate Demand

The long term demand prospects for IT enabled services from India will continue to remain high. IT enabled services like BPO/KPO firms also include call centres, back office operations, translation/transcription services, content development services etc. The talent in IT/ ITes is spread across Artificial Intelligence (AI), Internet of Things (IOT), Cloud computing, Big Data Analytics, Blockchain and Others. As per CMIE data, the industry sales grew y-o-y by 19% from Rs.15.9 billion for March 2021 quarter to Rs.18.9 billion during the quarter ended March 2022. Demand outlook is likely to be healthy for ITES both in the domestic and the overseas markets especially US and Europe.

Extent of Competition



12/20

Neutral

The Indian ITES has leading companies like Genpact, TCS, Infosys, Accenture, Wipro & others. Though the competition is stiff, the margins continue to be healthy. Large players with scale and ability to provide a wide range of information technology services including high end solutions enjoy very healthy profitability. Competition is increasing from other countries such as Brazil, Russia, Philippines and China.

Regulatory Risk



16/20

Stable Regulatory environment

Government has been largely supportive of Indian software and related services due to the large employment potential of skilled labour and foreign exchange earning potential. The associations such as NASSCOM have been active and have successfully represented the interests of Indian software companies to the policy makers. The growing relations with countries such as US and Japan have created opportunities for Indian software companies to forge alliances in the space of AI and big data. Over a period of time, however, the tax holiday benefits for units in SEZ have been withdrawn. The regulatory approach of US & Europe governments towards outsourcing also has an impact of the business.

Input related Risk



16/20

No supply disruptions / very narrow price band or fluctuations

The availability of skilled manpower at affordable costs is a significant advantage for Indian IT services companies. Covid related disruptions impacted the sector the least given high degree of opportunity to work from home. The Tier 2 geographies have become new centres of growth in terms of availability of skilled manpower and lower overheads vis a vis metros.