

## Computers - Software & Consulting

Industry Code (as per CMIE Prowess): 0101040801000000'

June 2022

Overall Industry Risk Score: **14/20** | Favourable

Sample Size: 46 Companies

Median Rating Value of sample size: BBB+

### Individual Parameters Contributing to the Score

#### Demand & Supply Balance



12/20

DS Equilibrium

This industry which is primarily export oriented has been largely insulated from the impact of the pandemic. The economic disruption has actually accelerated digital transformation in many businesses. As per IBEF, the software exports by the IT companies stood at US\$ 16.29 billion in the first quarter of FY22. As per NASSCOM, the industry's revenue touched US\$ 227 billion in FY22 from US\$ 196 billion in FY21. The outlook for the sector continues to be healthy.

#### Extent of Competition



12/20

Neutral

While entry barriers in the industry are low, the track record and scale provide a significant competitive edge. The operating margins in the industry continue to be healthy depending on the presence in the value chain.

## Regulatory Risk



16/20

Stable Regulatory environment

There are significant tax benefits provided to exporters particularly those who operate from software technology parks although the extent of such benefits are on the wane. Clearly, the digital India initiative will spur demand for software and information technology services in the domestic market over the medium to long term.

## Input Related Risk



16/20

No supply disruptions / very narrow price band or fluctuations

Given that work from home has been a significant success in the services sector and particularly in IT services, the input risks have been minimal during the pandemic period. However, the industry is dependent on the currency volatility as a majority of the sector's earnings is through exports.