

IT/ITES Sector – Q1FY24

Subdued quarter: Decelerations in demand continues

August 2023

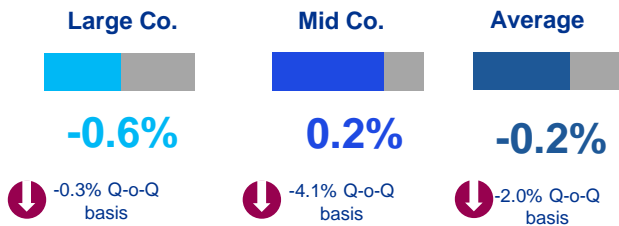
'Growth slowdown and margins contraction witnessed; strong focus on cost saving deals funding digital transformation; attrition and utilisation to improve'

Themes emerging for the quarter

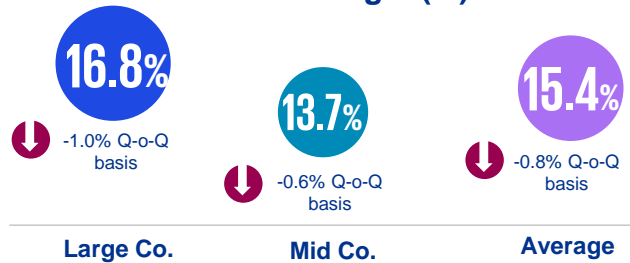
- Shift towards cloud continues to be in growth mode, focus on efficiency to increase
- IT techs witnessed abating supply-side pressure, reduction in subcontracting and travel expenses, and falling attrition
- IT budgets are likely to be priorities in the area of automation and cost-efficiency programmes
- Effect of macroeconomics uncertainty compounded by the recent banking sector crisis in the developed economies to be more pronounced soon.

Performance overview

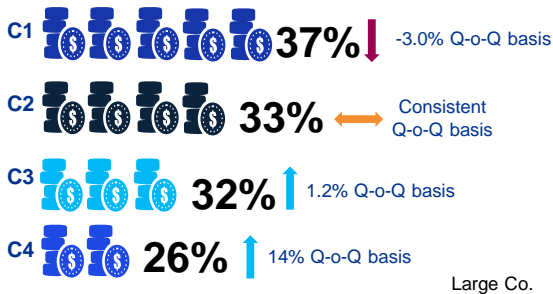
Revenue growth (%)



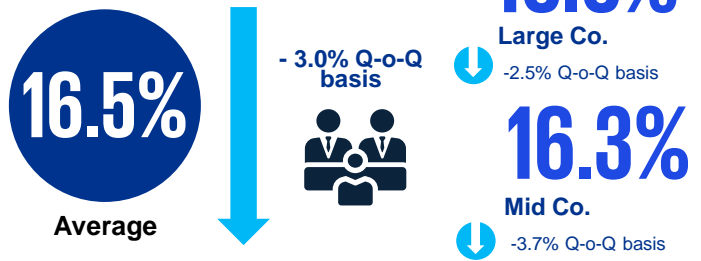
EBIT margin (%)



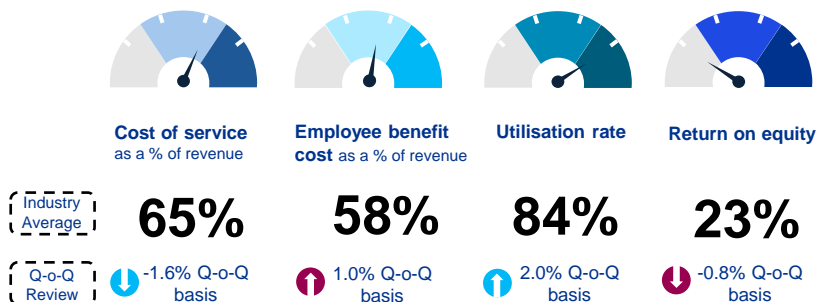
Cash and cash equivalent as a % of revenue



High attrition rate has now started to abate

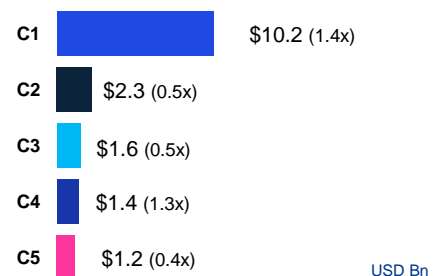


Other highlights Average



Deal wins trends

Top five: Total contract value (TCV) (book-to-bill ratio)





Please note that the sector analysis has been done by taking following into consideration:
 *Large Co. consist of top 6 IT companies having annual revenue greater than USD 4.0 Billion
 *Mid Co. consisted of 5 mid size IT companies having annual expected revenue less than USD 4.0 Billion

*Average = sum of values / number of values, Book-to-bill ratio: TCV (Booking) Value / Revenue
 Source: KPMG in India's analysis 2023 based on quarter 1 results published

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Critical risks

 **Headwinds** on growth from **BFSI, telecom, and hi-tech** verticals

 **Cautious** about flatter **tech budgets** and pricing pressure due to banking crises

 **Softness in IT hiring** due to macro volatility

 **Delays in deal closures** to impact revenues due to liquidity concerns across U.S./EU

Outlook

Cautiously optimistic demand outlook



Focus on improvement in margins through cost optimisation



Cautiousness in terms of headcount growth given the macroeconomic headwinds



Diversification of revenue stream across geographies, along with skilling and cross-skilling and innovation COEs

Leader speak

- **Caution** emerging in the **short-term outlook**, with concern around macroeconomic uncertainty and demand slowdown
- **Attrition** has started showing a sign of **decline** allowing people to build on long-term strategy
- Companies have taken steps to promote the **Tech for good- ESG initiative**. DEI and reduction of carbon footprint to remain the key focus
- **Faster adoption of AI** to improve operation and drive innovation
- **Delays in deal closure** and deal wins are minimised with a stronger emphasis on outcomes and return on investments
- While most spends are being scrutinised closely, **tech spends** are likely to **continue**. However, automation and cost efficiency remain a priority
- The sector remains optimistic about leveraging **inorganic means** to build **new capabilities** in newer geographies.

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30 years
and beyond

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