



OMNISCIENCE CAPITAL
SCIENCE OF ALPHA FROM SAFETY

OmniViews

**Navigating IT Sector Skepticism: A
Case for Optimism**

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Amidst declining revenue and growth skepticism around IT industry fuelled with low RPE (Revenue per employee) reports, the industry outlook on IT has suffered, but all is not lost as the IT opportunity still remains and the current regime is just a strategic shifts observed for short terms.

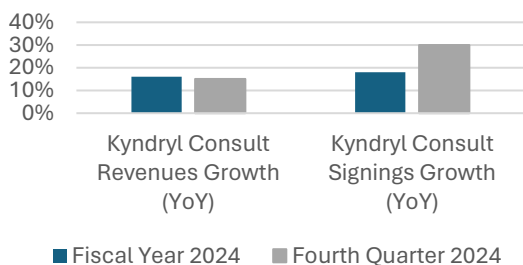
Resilient IT sector and shifting paradigms: Kyndryl's Case

Kyndryl one of the leading IT firms reported its earnings on 7th May 2024 and its Consult business achieved steady revenue growth of 15% in Q4 and 16% for FY 2024, alongside a remarkable 30% increase in signings for Q4, surpassing 18% annual growth. (Fig 1)

Also, the cloud business, already expanding rapidly, achieved 300% growth with \$500 million in revenue, surpassing a \$400 million target, highlighting the vast opportunities in the IT sector.

This indicates resilience of it sector, while the surge in signings signals changing client sentiments in Q4 promising long-term opportunities, fuelling industry optimism.

Fig 1: Earnings & Signings



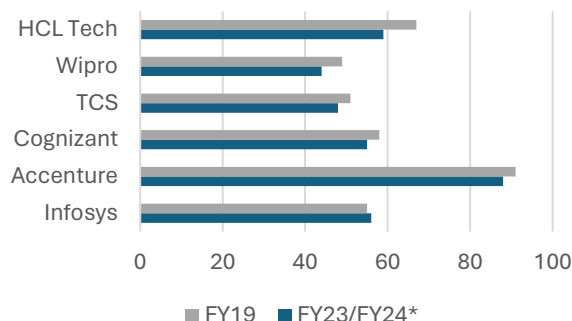
Unleashing GenAI's Potential: Global Collaborations Fuel India's IT Growth Story

India's IT industry is bolstered by strategic collaborations with global partners.

Recent partnerships include the establishment of a global joint **Generative AI Center of Excellence (CoE)** by Indian firms with **IBM and LTIMindtree**, and the expansion of strategic partnership between **HCL and Microsoft** for GenAI.

Additionally, Initiatives like CoE for operational efficiency, formed by **HCL and IBM**, underscore **global confidence in India's IT infrastructure, talent and AI adopting capabilities.**

Fig 2: RPE



IT Giants: Is Revenue Per Employee a Trouble?

Despite a reduction in Revenue per Employee (RPE) across major IT firms, concerns remain minimal for long term.(Fig 2)

Analysts attribute this to an increase in offshore business and over hiring during the COVID-19 phase, leading to lower RPE.

Management is acknowledging the inevitability of attrition and allowing it to occur, indicating a proactive approach towards talent management and workforce optimization.

Robust order books and attrition rates mitigate concerns.

GCCs and IT Companies: Exploring the Myth

Offshore GCCs are often considered rivals to IT companies, this concern is best addressed by an expert.

"The conversation has moved from competition to client vendor relationship, and then more on the lines of client-partner relationship. Going forward, GCCs and IT companies will coexist and collaborate to being a truly a "joint go-to-market partner."

-Ananth Chandramouli,
Capgemini's India M.D .

Conclusion:

GenAI, Cloud, Global collaboration accompanied by workforce normalization and changing sentiments sets the Foundation for IT growth story.

Source:

Kyndryl Annual Report
[GCCs not 'cannibalising' IT services revenue, says Capgemini's Ananth Chandramouli \(moneycontrol.com\)](#)
<https://m.gs.im/e/EifmbGPbVBI>

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Address: Awfis, 1st Flr, B Wing, Parinee Crescenzo, G-Block, BKC, Mumbai - 400051

Phone (M): (+91) 9004 560540

Email: info@omnisciencecapital.com | Website: www.omnisciencecapital.com

Principal Officer is Vikas V Gupta (Contact No. 9987681967, Email: vikas.gupta@omnisciencecapital.com) and

Compliance Officer is Ashwini Kumar Shami (Contact No. 9892140540, Email: ashwini.shami@omnisciencecapital.com). Grievance Officer is Mahir Shah (Contact No. 9029202759, Email: grievance@omnisciencecapital.com). Local office address of Securities and Exchange Board of India is SEBI

Bhavan, C4-A, G Block, BKC, Mumbai - 400 051.