

IT SERVICES

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Reskilling to bridge workforce demand-supply gap

With the acceleration in digital demand post Covid-19, reskilling has gained prominence for IT players. Accenture spends ~US\$ 1bn (~2.2% of annual revenue) towards reskilling per year. Similarly, companies such as Verizon, AT&T, Amazon and PwC have spent sums ranging from US\$ 50mn to US\$ 3bn. Indian IT majors have also stepped-up efforts here, deploying 1-1.5% of revenue to upskill their employees. This figure is expected to rise in coming years. Nasscom has taken it upon itself to digitally train 4mn IT professionals in the next five years.

Booming demand for digital skills: The top 5 in-demand digital skills are AI, machine learning (ML), data science & analytics, data engineering, and visualisation. Cybersecurity is also in high demand. Gartner predicts that 70% of big enterprises will need to integrate AI to raise productivity in 2021. To work on AI and ML projects, data scientists must learn coding languages such as Java, R and Python.

With the technology upcycle expected to continue for the next 3-5 years, demand for digital expertise will accelerate further. Reskilling or training existing employees in new areas lowers the proportion of workforce on the bench as it gives them broader expertise, improving utilisation.

Bridging the demand-supply gap: Currently, the demand for digital capabilities is eight times higher than the available talent pool and is expected to go up to 20x by 2024, per Nasscom. Considering the ever-evolving nature of the IT market, reskilling will be a way through which companies can pivot fast, avoid hiring more laterals and preserve margin gains. Indian IT firms will continue to have an edge given their much lower re-skilling costs.

Indian IT large-caps go big on reskilling: As per Nasscom, the US\$ 190bn-200bn Indian IT industry spends 1-1.5% to reskill employees. This outlay is likely to rise further in the next couple of years. Nasscom is collaborating with companies like Wipro and Tech Mahindra to train employees and graduates in advanced technology. TCS's secure borderless workspaces model has enabled it to upskill employees during the pandemic and move them to higher value roles.

Infosys has a dedicated 'Reskill and Restart' platform and has created more than 75 new courses to make its staff future-ready. At Wipro, ~40k employees are being re-skilled every quarter. Tech Mahindra had already trained 75% of its workforce in digital technology before Covid-19 hit. We believe Indian IT large-caps have an advantage over mid-cap players in terms of capturing the ongoing demand upcycle because of their timely investments in reskilling.

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RECOMMENDATION SNAPSHOT

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WPRO IN	427	450	ADD
HCLT IN	989	1,150	BUY
TECHM IN	1,009	1,130	BUY
LTI IN	4,129	4,740	BUY
MPHL IN	1,647	1,550	REDUCE
MTCL IN	1,892	1,850	ADD
PSYS IN	1,793	1,260	SELL
COFORGE IN	2,734	2,800	BUY
ECLX IN	975	950	REDUCE

Price & Target in Rupees



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Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

ADD – Expected return from >+5% to +15%

REDUCE – Expected return from -5% to +5%

SELL – Expected return <-5%

Note: Recommendation structure changed with effect from 1 January 2018 (Hold rating discontinued and replaced by Add / Reduce)

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