

## COMPANIES &amp; MARKETS

# IT outsourcers look to Trump for revival of Indian sector

## Hubs from Bengaluru to Pune expect fresh opportunities in largest market

CHRIS KAY — BENGALURU  
KRISHN KAUSHIK — NEW DELHI

India's vast information technology outsourcing sector is hoping for a revival of its fortunes under a second Donald Trump presidency, with an industry that derives more than half its revenue from the US expecting incentives for its customers there to increase spending.

With the new administration promising to slash corporate tax and tame red tape, India's \$128bn annual revenue back office and consultancy sector, with its huge campuses across cities from Bengaluru to Pune, sees opportunity in its largest market after years of anaemic demand and growth.

"Mr Trump in the past has been very business savvy," said Atul Soneja, chief operating officer at Tech Mahindra — the IT business of the Mahindra Group conglomerate — in an interview in Bengaluru. "We should hopefully start seeing the benefit."

IT and business process outsourcing is one of India's most important and global-facing industries, employing more than 5mn people in a country that has thus far been unable to provide large numbers of well-paid and formal job opportunities for its vast labour force.

The sector enjoyed a surge of business as clients invested in digital services during the coronavirus pandemic. But that led to Indian tech giants becoming bloated after a hiring splurge, and the industry was hit as corporates cut back

on spending with global economic pressures increasing.

Tata Consultancy Services, India's largest IT company, which last week reported a fifth straight decline in quarterly revenue in North America, expects a better year, partly because of improving client spending as Trump takes office this week.

"Once the new administration comes in, that will also remove any uncertainty," said K Krithivasan, TCS chief executive. "There will be more confidence in discretionary programmes coming into the next financial year."

Nandan Nilekani, the billionaire co-founder and chair of India's second-largest IT services company Infosys, told the Financial Times in November the "bull case" for the sector would be if Trump's presidency were to "unleash market deregulation", allowing companies to expand, while spurring more mergers and takeovers, all providing business to India's outsourcers.

His comments were echoed soon after by Rishad Premji, chair of rival Wipro, who said he expected Trump's administration to be "very pro-business and pro-growth, which helps all of our customers, which ultimately helps partners here in India and the world over".

Analysts at HSBC estimate the industry will register growth of 6 per cent in the next financial year, up from about 3-4 per cent over the past two years, adding the US outlook is now positive.



**India's outsourcers hope for a wave of US deregulation that will spur corporate activity such as takeovers and provide it with business** — Getty Images

"Any tax cuts would drive more technology spending; that's a fair assumption," said Sid Pai, the Bengaluru-based co-founder of venture capital tech investor Siana Capital Management, who expected "steady growth" across the sector.

The renewed optimism comes as US tech executives have been beating a path to India in recent months. Last week, Microsoft chief executive Satya Nadella unveiled a \$3bn investment, while in October, Nvidia chief Jensen Huang came to Mumbai and announced a batch of artificial intelligence partnerships with the country's biggest conglomerates and outsourcing giants.

However, Trump's America First protectionist stance promises to impose dramatic tariffs on countries — damaging growth and fuelling inflation.

This, in turn, is set to make the Federal Reserve more cautious about lowering interest rates, according to a recent FT poll of more than 220 economists.

"A large part of demand recovery for IT services companies is dependent on how the US economy performs in 2025," said Kumar Rakesh, a Mumbai-based associate director of equity research at BNP Paribas, warning conditions for the sector could worsen if policy changes were to boost inflation and force a pause or even a reversal in rate cuts.

HSBC analysts noted that Trump-led tax cuts in 2017 did not necessarily have a clear impact on tech spending.

During the last Trump presidency, the industry also fell foul of tightening restrictions on the high-skilled H-1B visa programme, mainly used by Indian nationals.

While Elon Musk, Trump's biggest tech industry backer, has argued there is "a dire shortage" of IT engineers in America, Indian outsourcers have since significantly reduced their dependency on H-1B workers in the US where they have offices servicing clients locally.

Rakesh said less than 1 per cent of out-

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sourcing industry employees now work on such visas.

More widely, economists and industry figures in India expect the world's most populous nation, which has been edging closer into Washington's orbit and whose leader, Narendra Modi, shares good relations with Trump, could be shielded from the worst of the US leader's impulses.

"The relationships between the two leaders have been very strong in the past as well, so we expect that to continue," said Tech Mahindra's Soneja.

Teresa John, deputy head of research at Mumbai brokerage Nirmal Bang, who recently published research on the potential impact of Trumponomics on India, said overall the country was likely to "be relatively insulated" compared with Asian nations such as China, given its lower trade surplus with the US.

"US growth is going to hold up," she added. "We will see that flowing through to the Indian IT sector."