



# THE GLOBAL DIGITAL GROWTH CURVE

**AUGUST- 2025**





Indian information technology (IT) and information technology enabled services (ITes) sector is one of the fastest growing sectors in India and plays a vital role in putting the country on the global map. The sector has been progressively contributing to the growth of exports and creation of employment opportunities, as India is the world's largest sourcing destination for the information technology services. The sector is broadly divided into the segments like IT services, Business Process Management (BPM), Engineering and Research & Development (ER&D), software products, and hardware exports. As emerging technologies reshape the business world, Indian IT- ITes sector is well poised to lead and innovate on the world stage. Demand for digital services such as cloud computing, artificial intelligence (AI), cybersecurity, and data analytics has surged in recent years. So, Indian IT companies are investing in building capabilities in newer technologies and establishing delivery centers closer to clients (a practice known as nearshoring). With its deep talent pool, cost advantages, and global delivery capabilities, India is not just a service provider but also a strategic partner in global digital transformation.

The Government of India has come up with various initiatives to promote IT- ITes industry across the country which include setting up of centres of Software Technology Parks of India, 100% Foreign Direct Investment (FDI), BPO Promotion Schemes for small towns/cities, National Policy on Software Products-2019 (NPSP 2019), various skill development program through centres of National Institute of Electronics & Information Technology (NIELIT), FutureSkills PRIME for re-skilling/ up-skilling of IT professionals, promotion of Start-up ecosystem through Technology Incubation and Development of Entrepreneurs (TIDE 2.0), Startup Accelerator of MeitY for Product Innovation, Development, and Growth (SAMRIDH), Domain Specific Centres of Excellence (CoEs), Gen-Next Support for Innovative Startups (GENESIS), India AI Mission etc. These initiatives aim to boost digital infrastructure, promote innovation, and attract foreign investment in the technology sector. These initiatives also aim to boost digital infrastructure, promote innovation and attract foreign investment in the technology sector.

## TOTAL REVENUE OF IT-ITES INDUSTRY

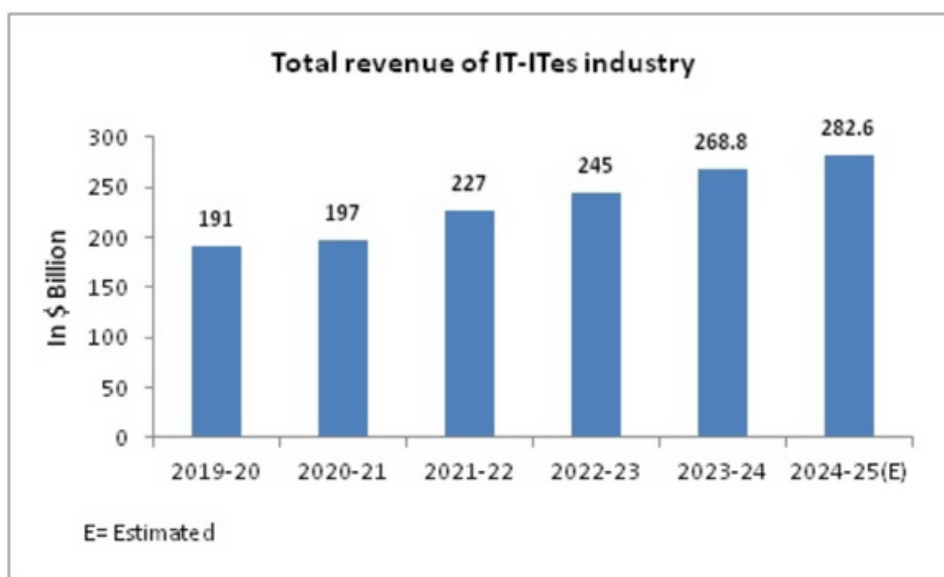
Indian IT- ITes sector has emerged as a cornerstone of India's economy, showcasing remarkable growth over the past few decades. During 2024-25, the sector generated impressive annual revenue of approximately \$282.6 billion, an increase of 5.13% as against \$268.8 billion in 2023-24. A significant portion of the industry's revenue i.e. around 80% came from exports. Indian IT companies have carved a niche in providing software development, BPM, consulting, and IT-enabled services to clients worldwide, especially in markets like the United States, Europe, and Asia-Pacific. The remaining 20% revenue stemmed from the domestic market, which has been expanding steadily as digital transformation accelerates across Indian businesses and government sectors.

Of the total revenue generated by the industry during 2024-25, IT services made up the largest share, accounting for roughly \$137.1 billion. These services include application development, systems integration, infrastructure management, and consulting.

The BPM segment, which encompasses customer support, finance and accounting outsourcing, contributed around \$54.6 billion. ER&D services - covering embedded systems, industrial design, and product development - added about \$55.7 billion, while software product segment revenue accounted for roughly \$16.1 billion and hardware segment revenue stood at \$19.2 billion.



The sector has long been recognized for its global footprint, with exports forming the majority of its revenues. However, in recent years, the domestic market has gained remarkable momentum. In FY?2024-25, the domestic revenue of IT-ITes industry surged to \$58.2 billion, reflecting a growth of 6.99% as against \$54.4 billion 2023-24. The domestic market is growing at a faster rate than exports (4.66% year on year export growth reported in FY?2024-25) and is becoming a critical pillar for sustainable expansion of the sector. This expansion was buoyed by increasing digitization of public services, enterprise modernization, growth of data infrastructure and cybersecurity investment.



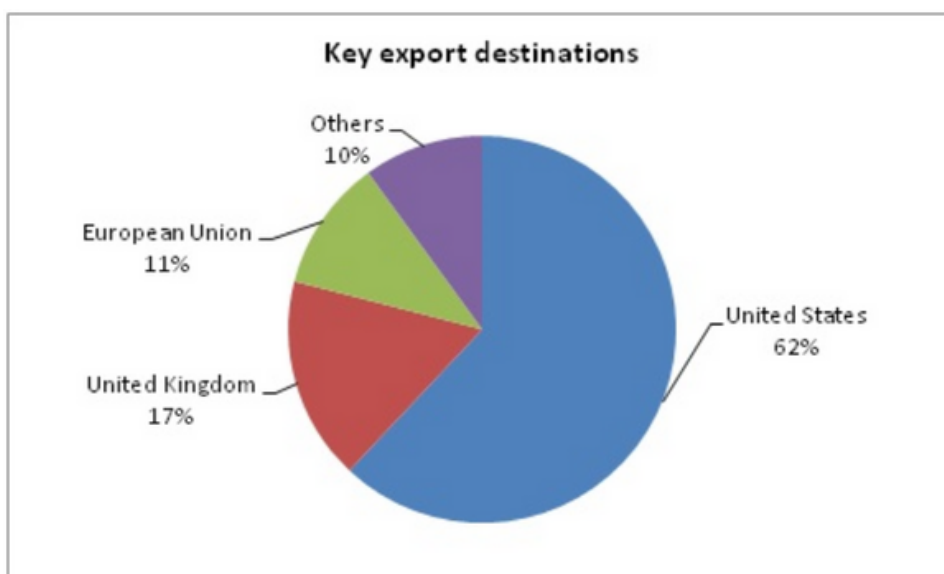
## EXPORTS FROM IT-ITES INDUSTRY

India has emerged as a global hub for IT and IT enabled services, with exports from the sector forming a substantial component of the country's foreign exchange earnings. Several large Indian firms have been instrumental in driving the country's IT exports, with companies such as Tata Consultancy Services (TCS), Infosys, HCL Technologies, Wipro and Tech Mahindra having established a strong global presence. These firms along with others like LTIMindtree offer a wide range of services to the clients around the world. The Indian IT-ITes industry recorded estimated export revenues of around \$224.4 billion in 2024-25, an increase of 4.66% against \$214.4 billion in 2023-24. This includes a wide spectrum of services and products offered to clients across the globe. This export performance is driven by India's large pool of skilled professionals, cost competitiveness, and mature service delivery models.



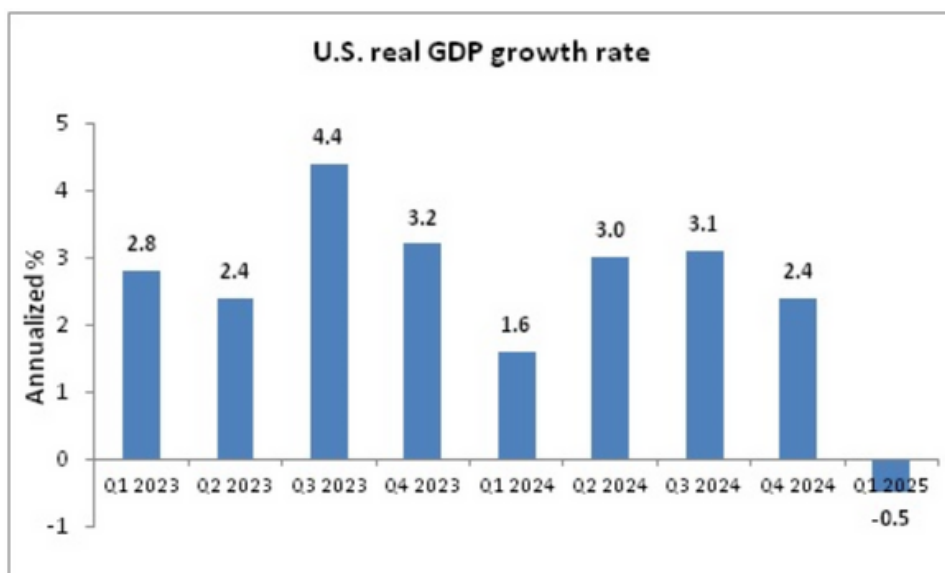
## KEY EXPORT DESTINATIONS

A defining aspect of India's IT-ITeS sector is its strong global orientation. The United States (US), United Kingdom (UK), and European Union (EU) remain the primary markets for Indian IT services and software exports. The United States alone accounts for a significant 62% of total IT-ITeS exports, followed by the United Kingdom at 17% and the European Union at 11%. Together, these regions constitute around 90% of the sector's export revenue. This dominance is not only a testament to the trust placed in Indian technology providers but also a reflection of the sector's ability to deliver world-class digital solutions tailored to the needs of developed markets. Additionally, the Asia-Pacific region, including countries like Australia, Singapore, and Japan, has emerged as a growing destination for Indian IT exports. In recent years, markets in the Middle East and Africa have also started to gain importance, offering new growth opportunities. Even though exports of the sector rising, the companies face challenges such as geopolitical uncertainties, visa and immigration policy changes (especially in the US), and competition from other countries like the Philippines, Vietnam, and Eastern Europe. Moreover, the global economic slowdown and currency fluctuations also have impact on export revenues.



## U.S. ECONOMIC SLOWDOWN DAMPENS INDIA'S IT-ITES MOMENTUM

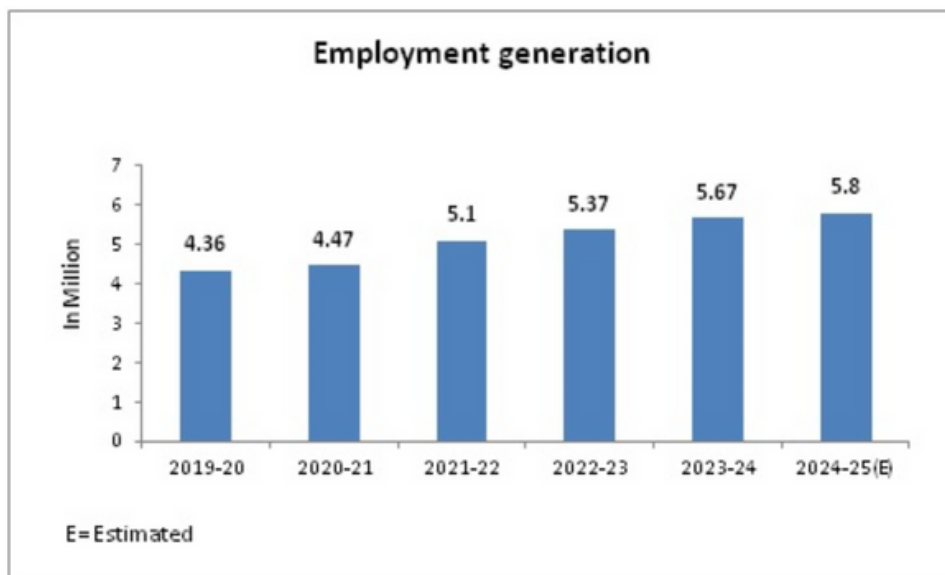
The IT-ITes sector contributes significantly to India's services exports and its fortunes are closely tied to global demand particularly from the United States. With the U.S. economy contracting by 0.5% in Q1 2025, concerns are rising about the ripple effects this fall may have on India's IT-ITes sector, which derives a significant portion of its revenue from American clients. Indian IT companies such as Infosys, Tata Consultancy Services, Wipro and HCL Technologies earn over 50% of their revenues from the U.S. market. During the period of economic slowdown, the clients may scale back on discretionary IT projects such as digital transformation, artificial intelligence integration, and cloud migration. As a result, Indian IT firms may experience delayed project starts, slower deal closures, and even project cancellations. This contraction in demand will directly impact revenue growth of the IT companies. The impact may also extend to human resource strategies during the slowdown as hiring freezes, onboarding slows and increase in employee utilization as firms will try to maintain profitability with reduced workloads.



## JOB PROFILES MOVING BEYOND TRADITIONAL IT SERVICES TO AREAS LIKE AI & ML

The IT- ITes sector continues to be one of the most significant contributors to employment generation in India. The sector not only offers direct employment opportunities to millions but also catalyzes the expansion of a broad network of ancillary industries. As technology evolves rapidly, the IT-ITes industry is undergoing a shift in the nature of skills demanded. Job profiles are moving beyond traditional IT services to areas like Artificial Intelligence (AI) & Machine Learning (ML), Cloud Computing and Cybersecurity. So, as technology advances, the workforce will require upskilling to stay competitive in an evolving job market.

To stay ahead, companies are also investing heavily in upskilling and reskilling programs, often in collaboration with ed-tech platforms, universities, and government initiatives like the Skill India Mission and FutureSkills Prime (NASSCOM initiative). Direct employment in the sector is estimated to reach 5.8 million in 2024-25 with an addition of 1,26,000 people (consisting of around 36% women employees), higher by 2.29% compared to 5.67 million reported in 2023-24. This sustained hiring momentum reflects the sector's adaptability, scalability, and resilience in the face of global economic headwinds.



## DIGITAL TRANSFORMATION DEMANDS CYBER SECURITY

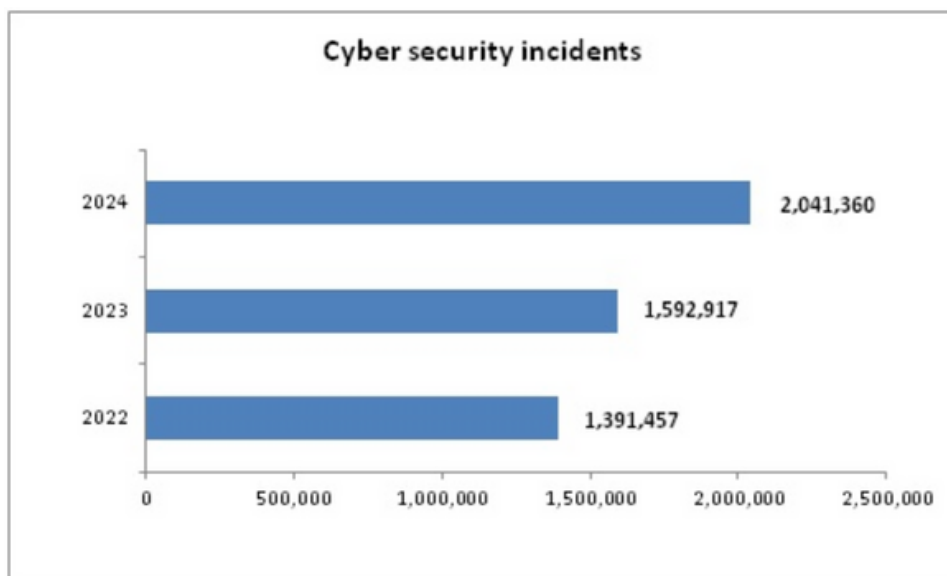
The Indian economy has been digitalising at a remarkable pace over the last decade, with firms investing in digital methods for customer acquisition and business development. In the Banking, financial services and insurance (BFSI) sector, from online banking, UPI payments to AI-driven insurance and automated lending, digitalisation has revolutionised the financial landscape, making it more inclusive, efficient, and customer-centric. With the growing use of smartphones, internet penetration, digital payments, and e-commerce platforms, digital technologies have reshaped how retailers operate and engage with customers.

This transformation has enabled traditional retailers to expand their reach, improve operational efficiency, and meet changing consumer expectations. Education has begun adopting offline, online, and hybrid models, with most institutions favoring hybrid approaches. Hospitality and logistics are also embracing AI, metaverse, and digital tools, with large firms fully digitalising operations.

The growing adoption of technology in various sectors has not only led to crucial data being stored and processed on digital platforms but also facilitated the automation of operations, thereby enhancing business efficiency.



However, this shift also amplifies cyber risk, exposing sensitive information to potential threats and rendering organizations vulnerable to financial losses, reputational damage, and legal liabilities. As organizations delve deeper into the digital realm, fortifying cybersecurity measures becomes imperative to safeguard operational integrity and protect critical data from unauthorized access or breaches. Therefore, enterprises worldwide are also increasing cybersecurity spending to combat growing threats such as ransomware, phishing, data breaches, and nation-state attacks. This will create a multi-billion-dollar opportunity for Indian IT firms offering cybersecurity services, tools, and consulting.



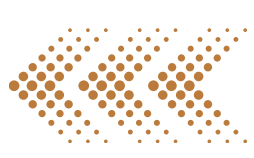

## EVOLUTION OF AI IN INDIA DRIVING A NEW WAVE OF GROWTH OPPORTUNITIES

**Early Days (1960s–1980s):** Indian institutes like IIT Kanpur and IISc Bangalore began computer science research, laying the groundwork for future AI development. In 1986, the Knowledge Based Computer Systems (KBCS) project was initiated, marking India's first major AI research program.

**Foundations (1990s):** The establishment of C-DAC (Centre for Development of Advanced Computing) in 1988 boosted supercomputing capabilities, indirectly supporting AI research. Indian software companies began exploring AI applications, primarily in business process automation.

**Growth Phase (2000s):** Indian IT giants like TCS, Infosys, and Wipro started investing in AI research and development. Academic institutions expanded their AI and machine learning programs.

**Acceleration (2010s):** In 2014–15, the 'Digital India' initiative was launched, emphasizing the importance of emerging technologies including AI. In 2018, NITI Aayog released the National Strategy for Artificial Intelligence, outlining India's approach to leveraging AI for economic growth and social inclusion. Indian startups focusing on AI solutions began to emerge & attract significant funding.



**Current Era (2020s):** AI has become a key focus area for both government and private sector initiatives. India is positioning itself as a global AI hub, with applications ranging from healthcare to agriculture to smart cities. The government has launched initiatives like 'AI for All' and is integrating AI into various sectors including education and governance.

The rapid advancement of Artificial Intelligence is revolutionizing industries worldwide, and the Indian IT-ITes sector stands at the forefront of this transformation. With its strong global position in IT services, business process outsourcing and software development, India is uniquely poised to leverage AI technologies to enhance operational efficiencies, improve service offerings and drive new growth opportunities. As AI continues to evolve, it offers the Indian IT-ITes industry a multitude of benefits, ranging from automation and enhanced customer experience to the creation of new business models and revenue streams. By deploying AI-driven chatbots, virtual assistants, and automation platforms, IT companies will be able to provide faster, more accurate services, reducing the need for human intervention in routine tasks. This is expected to lead to significant cost savings, as businesses can reallocate their resources to more strategic functions while lowering the risk of errors and delays. Despite its many benefits, the integration of AI into the Indian IT-ITes industry may create some challenges for the industry such as data privacy & ethical concerns.

## **RECENT INITIATIVES AND DEVELOPMENTS**

### **INCUBATION FACILITY TO PROMOTE ENTREPRENEURSHIP & IT EXPORTS**

The Software Technology Parks of India (STPI), under the Ministry of Electronics and Information Technology (MeitY), Government of India, has inaugurated a state-of-the-art incubation facility at Salt Lake, Kolkata. This initiative aims to foster innovation-led entrepreneurship, boost IT exports, and strengthen the IT/ITes/ESDM industry in West Bengal. This incubation center will provide world-class infrastructure, mentorship, and market access for startups, enabling them to drive innovation in frontier technologies such as AI, IoT, Blockchain, and FinTech.

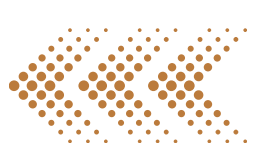

As part of its larger mission, STPI operates 67 centers across India, with 59 located in Tier-2 and Tier-3 cities, ensuring inclusive growth and fostering entrepreneurship beyond metro hubs. The organization has also established 24 domain-specific Centres of Entrepreneurship (CoEs) focused on HealthTech, MedTech, Blockchain, IoT, and Agritech, among others. Unlike traditional centers of excellence, these CoEs prioritize entrepreneurship and industry collaboration, helping startups scale their innovations for global markets.

### **INDIA, MICROSOFT TO HARNESS AI'S POTENTIAL FOR INCLUSIVE DEVELOPMENT, ECONOMIC TRANSFORMATION**

IndiaAI, an Independent Business Division (IBD) under the Digital India Corporation, has signed a Memorandum of Understanding (MoU) with Microsoft to drive the adoption and development of artificial intelligence in India. This strategic partnership is aligned with the core objectives of India AI Mission. India AI Mission is being implemented by the Government of India with the objective of addressing key issues that can help India take the leadership in building applications using AI. This strategy focuses on building partnerships with Industry and Academia.









Towards this, the collaboration with Microsoft aligns with the core pillars of the IndiaAI Mission, focusing on skilling, innovation, and responsible AI development. CERT-In, Mastercard India sign MoU to enhance India's cyber-resilience in Financial Sector Indian Computer Emergency Response Team (CERT-In) is a Government organization under the Ministry of Electronics and Information Technology, Government of India. CERT-In has been designated to serve as National agency for incident response under Section 70B of the Information Technology Act, 2000. CERT-In has joined hands with Mastercard to promote cooperation and information sharing in the area of Cyber security related to the financial sector. The two entities have signed a Memorandum of Understanding (MoU) under which they will leverage their shared expertise with regards to financial sector in the fields of cybersecurity incident response, capacity building, sharing cyber threat intelligence specific to financial sector and advanced malware analysis. As part of the mutual understanding, Mastercard and CERT-In will hold training programs and workshops for cyber capacity building, latest market trends and best practices to enhance cyber security of financial sector organizations. The two entities will also share relevant cyber threat trends, technical information, threat intelligence, and vulnerability reports to strengthen the financial sector information security of India.

## OUTLOOK

As Indian IT- ITes sector transitions from low-cost service delivery to strategic, high-value, outcome-based services infused with AI/cloud capabilities, India is expected to remain the preeminent global IT sourcing powerhouse for years to come. Besides, the country's IT dominance is built on a robust ecosystem featuring global IT majors, BPO champions, and captive global capability centres (GCCs) across metros and emerging tech cities. At present, the IT-ITeS industry not only showcases India's technological capabilities but also represents its integration into the global digital economy. But, the future growth of the sector will hinge on its ability to adapt to emerging technologies, invest in talent development, and innovate service delivery models. Increased focus on product development and platform-based services will also be crucial for sustaining export competitiveness.

India has positioned itself as a major hub for GCCs. GCCs are offshore centres established by multinational corporations to provide a variety of services to their parent organisations, including R&D, IT support, and business process management. Most GCCs are set up primarily to handle IT functions of their parent companies. The growing trend of multinationals setting up GCCs will open new revenue streams for Indian IT companies. By collaborating with GCCs, Indian firms can offer specialized services and solutions, thereby diversifying their revenue sources and reducing dependence on traditional outsourcing models. Moreover, working closely with GCCs helps IT companies build deeper client relationships, gain access to emerging technologies, and stay agile in a rapidly evolving global market.

Despite its success and global reputation, the Indian IT-ITeS sector faces several challenges including geopolitical factors such as changing U.S. visa policies, trade regulations, and protectionist tendencies in key markets which could pose risks to future growth. The continued global macro-economic, geopolitical uncertainties and US tariff risks may cause a demand contraction, with clients tightening non-essential or discretionary spending and focusing more on cost-cutting projects enabled through tech. Additionally, there is increasing competition from emerging outsourcing destinations such as the Philippines, Vietnam and Eastern European countries. The industry also faces a talent crunch in specialized areas like AI, data science, and cloud architecture, which could hinder its ability to meet evolving client demands. The limited supply of such talent is also leading to intense competition among firms to attract and retain qualified employees. Therefore, addressing these challenges effectively will help the Indian IT-ITeS sector not only preserve its leadership but also capitalize on new opportunities in the global digital economy.





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