

Twitter Thread by Intrinsic Compounding



Intrinsic Compounding
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Five types of Businesses in the IT Industry!

Full post ■: <https://t.co/N4e3a5KQao>

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5 TYPES OF BUSINESSES IN THE IT INDUSTRY

With Indian Examples

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IT INDUSTRY

IT Products & Solutions

Pros	Cons
<ul style="list-style-type: none">Scalable with less employeesSubscription based revenueROCEs can be decent with scaleCritical products can have pricing power	<ul style="list-style-type: none">Continuously evolving technology making products obsolete.Operational overheads to maintain productHighly competitive industryConcentration risk

Examples

NEWGEN

intellect

NOBLEUS SOFTWARE

ramco

ORACLE FINANCIAL SERVICES

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IT INDUSTRY

IT Services

Pros	Cons
<ul style="list-style-type: none">Initial investments are not highConsistent ROCEsEmployee skills are fungible and can be used across segments	<ul style="list-style-type: none">Lower barriers to entry leadingEmployee attritionLow pricing powerConstant upskilling of employees required.

Examples

tcs

Infosys

HCL

Mastek

L&T Infotech

Mindtree

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IT INDUSTRY

Engineering Research & Development

Pros	Cons
<ul style="list-style-type: none">Niche areas of operations with slightly higher barriers to entry than traditional IT services due to requirement of higher domain knowledge.High growth compared to traditional IT services.	<ul style="list-style-type: none">Prone to global macroeconomic trendsConstant upskilling of employees required

Examples

TATA ELXSI

CAF Technology Services

CYIENT

KPIIT

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IT INDUSTRY

Communications Platform as a service (cPaaS)

Pros	Cons
<ul style="list-style-type: none">Niche solution provider to enterprises for communication with their customers.High growth industry	<ul style="list-style-type: none">Low to moderate Gross and EBITDA margin business with lesser pricing power.Threat of technology change requires constant innovation.

Examples

tanla

route mobile

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IT INDUSTRY

Software as a Service (SaaS)

Pros	Cons
<ul style="list-style-type: none">Customers can be extremely loyal and sticky to the product.Recurring revenue stream model.High gross margin businessHighly scalable	<ul style="list-style-type: none">Initial investments are highBusiness is loss making initiallyOperational issues can come up after product launch in the marketConstant innovation required to prevent customer churn.

Examples

zoho

freshworks

Agile CRM

PRESTAN

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