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Executive summary

1. Large contribution to the Indian economy
   - The IT industry accounted for 8% of India’s GDP in 2020.
   - India’s IT industry is expected to contribute 10% to India’s GDP by 2025.
   - As of FY20, the IT industry employed 4.3 million people.

2. Strong growth opportunities
   - According to National Association of Software and Service Companies (Nasscom), the Indian IT industry’s revenue is estimated to reach US$ 194 billion in FY21, an increase of 2.3% YoY.
   - As per a survey by Amazon Web Services (2021), India is expected to have nine times more digitally skilled workers by 2025. This indicates that a total of ~3.9 billion digital skill trainings will be expected by 2025. As of 2021, digitally trained employees constitute 12% of the country's workforce.

3. Export and employment growth
   - Exports from the Indian IT industry are expected to increase by 1.9% to reach US$ 150 billion in FY21.
   - In 2020, the IT industry recorded 138,000 new hires.

4. Most lucrative sector for investments
   - The computer software and hardware sector in India attracted cumulative foreign direct investment (FDI) inflow worth US$ 62.47 billion between April 2000 and September 2020. The sector ranked 2nd in FDI inflow as per the data released by Department for Promotion of Industry and Internal Trade (DPIIT).

5. Accelerating demand for cloud and digital transformation
   - This push towards cloud services has boosted hyper-scale data centre investments, with global investments estimated to exceed ~US$ 200 billion annually by 2025. India is expected to gain a significant share in the global market, with the country’s investment expected to hit ~US$ 5 billion annually by 2025.

Note: BPM - Business Process Management, * - Includes data for TCS, Infosys, Wipro, HCL Tech
Source: NASSCOM, DPIIT, News Articles
Advantage India
2. GROWING DEMAND

- Strong growth in demand for export from new verticals.
- Rapidly growing urban infrastructure has fostered several IT centres in the country.
- India’s IT sector market is projected to reach US$ 100 billion by 2025.
- IT spending in India is projected to increase by 6% to reach US$ 81.9 billion in 2021.

3. GLOBAL FOOTPRINTS

- Indian IT firms have delivery centres across the world.
- IT & BPM industry is well diversified across verticals such as BFSI, telecom and retail.
- Increasing strategic alliance between domestic and international players to deliver solutions across the globe.

1. COMPETITIVE ADVANTAGE

- India has a low-cost advantage by being 5-6 times inexpensive than the US.
- A preferred destination for IT & BPM in the world, it continues to be a leader in the global sourcing industry with 52% market share (as of FY20) in services exports from the country.

4. POLICY SUPPORT

- In Union Budget 2021, the allocation for IT and telecom sector stood at Rs. 53,108 crore (US$ 7.31 billion).
- India’s Ministry of Home Affairs and the National Critical Information Infrastructure Protection Centre are working on a new national strategy to strengthen the country’s cybersecurity.

Note: SEZ stands for Special Economic Zone, BFSI stands for Banking, Financial Services and Insurance, E stands for Estimate, F stands for Forecast, AI* - Artificial Intelligence Source: Nasscom, News sources
Market Overview
# Evolution of the Indian IT sector

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>• By early 90s, US-based companies began to outsource work on low-cost and skilled talent pool in India</td>
<td>• With increased investment in R&amp;D, India became a product development destination</td>
<td>• Firms in India grew in terms of their size and scope of services offered as more and more western companies’ setup their bases in the country</td>
<td>• Firms in India became multinational companies with delivery centres across the globe</td>
<td>• The US$ 167 billion Indian IT industry employs nearly four million people.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• India’s IT sector is at an inflection point, moving from enterprise servicing to enterprise solutions</td>
<td>• India ranks third among global start-up ecosystems with more than 5,300 tech start-ups</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• India jumped four places to rank at 48th position at the 2020 edition of the Global Innovation Index (GII).</td>
<td></td>
</tr>
</tbody>
</table>

**Note:** SAFTA - South Asian Free Trade Area, ASEAN - Association of Southeast Asian Nations  
**Source:** TechSci Research
### Segments of India’s IT sector

#### IT & BPM sector

<table>
<thead>
<tr>
<th>Segment</th>
<th>Market Size</th>
<th>Revenue from Export (%)</th>
<th>Key Observations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>IT services</strong></td>
<td>US$ 97 billion</td>
<td>Over 81%</td>
<td>Market size: US$ 97 billion in FY20. Over 81% revenue comes from the export market. BFSI continues to be the key vertical for the IT sector. IT services accounted for about 50.50% of the IT &amp; BPM market revenue in India in FY20.</td>
</tr>
<tr>
<td><strong>Business Process Management</strong></td>
<td>US$ 38 billion</td>
<td>About 87%</td>
<td>Market size: US$ 38 billion in FY20. Market size of BPM industry to reach US$ 54 billion by FY25. About 87% revenue comes from the export market. BPM had a 19.79% share of the IT &amp; BPM market revenue in India in FY20.</td>
</tr>
<tr>
<td><strong>Software products and engineering services</strong></td>
<td>US$ 34.39 billion</td>
<td>Over 83.9%</td>
<td>Market size: US$ 34.39 billion during FY19. Over 83.9% of revenue comes from export. It had around 19% revenue share in the Indian IT space in FY19.</td>
</tr>
<tr>
<td><strong>Hardware</strong></td>
<td>US$ 14.48 billion</td>
<td></td>
<td>Market size: US$ 14.48 billion in FY19. The domestic market accounts for a significant share. Hardware exports from India was estimated to grow at 7-8% in FY19.</td>
</tr>
</tbody>
</table>

**Notes:** ^As per Electronics and Computer Software Export Promotion Council

**Source:** NASSCOM, News sources
India’s IT market size growing

- The IT & BPM industry’s revenue is estimated at ~US$ 194 billion in FY21, an increase of 2.3% YoY.
- The sector is the largest employer within the private sector. In FY20, the industry added 1.38 lakh new employees, taking the total employment to 44.7 lakh.
- The domestic revenue^ of the IT industry is estimated at US$ 45 billion and export revenue is estimated at US$ 150 billion in FY21.
- The market size of India’s IT & BPM sector is expected to grow to US$ 350 billion by 2025 and BPM is expected to account for US$ 50-55 billion out of the total revenue.
- Spending on information technology in India is expected to reach US$ 144 billion in 2023.
- Outsourcing of large technology contracts by clients is expected to accelerate the growth of the industry in FY20.
- The cloud market in India is expected to grow three-fold to US$ 7.1 billion by 2022 with the help of growing adoption of Big Data, analytics, artificial intelligence and Internet of Things (IoT) according to Cloud Next Wave of Growth in India report.
- India’s digital economy is estimated to reach US$ 1 trillion by 2025.
- Artificial Intelligence (AI) is expected to boost India's annual growth rate by 1.3% by 2035: NITI Aayog.
  - In September 2020, NASSCOM FutureSkills and Microsoft collaborated to launch a nationwide AI skilling initiative to train one million students in AI technology by 2021.

Note: E - estimate, ^Including Hardware, #CAGR is for total of domestic and export
Source: NASSCOM, Gartner, News Articles
Strong growth in IT & BPM exports

- The export sector crossed US$ 147 billion in revenue in FY20, growing at 8.1%.
- Exports rose at a CAGR of 8.05% during FY16-FY19.
- Export of IT services has been the major contributor, accounting for 54% of total IT export (including hardware) during FY19.
- BPM and Engineering and R&D (ER&D) and software products export accounted for 23% each to total IT exports during FY19. ER&D market is expected to grow to US$ 42 billion by 2022 from US$ 28 billion currently.

**Note:** E - estimated  
**Source:** Nasscom, Make in India, IDC
BFSI - a key business vertical for IT & BPM industry

- BFSI is a key business vertical for the IT & BPM industry. A major share of revenue of IT majors comes from the BFSI business vertical.

- Adoption of new technologies is expected to accelerate growth of the BFSI vertical. The need for undertaking investment in IT will also be required for gaining competitive advantage instead of solely reducing operational costs.

- In February 2020, TCS bagged a contract worth Rs. 10,650 crore (US$ 1.5 billion) from pharma company, Walgreens Boots Alliance.

- In July 2020, Infosys won a multiyear deal worth US$ 1.5 billion from investment management company—Vanguard.

- In July 2020, HCL Technologies signed a five-year deal worth US$ 600 million with telecom equipment maker—Ericsson.

- In November 2020, Wipro partnered with Cisco to deliver managed software-defined wide area network (SD-WAN) transformation services to Olympus, a medical devices and systems company in headquartered in Tokyo, Japan.

- In November 2020, Tata Consultancy Services (TCS) announced that it is developing an investment insights solution, leveraging SAP’s Business Technology Platform, for the capital markets industry.

- In October 2020, Tata Consultancy Services was selected as a strategic partner for managed IT services by AG Insurance to help enhance the latter’s digital channels and modernise IT systems.

**Revenue share of IT majors from BFSI (FY20)**

- **Tech Mahindra**: 15.30%
- **Mindtree**: 20.46%
- **Wipro**: 29.77%
- **TCS**: 29.70%
- **Infosys**: 31.30%
- **L&T Infotech**: 27.60%

**Revenue share of IT majors from BFSI (FY20)**

- **Tech Mahindra**: 15.30%
- **Mindtree**: 20.46%
- **Wipro**: 29.77%
- **TCS**: 29.70%
- **Infosys**: 31.30%
- **L&T Infotech**: 27.60%

**Note**: BFSI - Banking, Financial Services and Insurance, mentioned figures are for IT and BPM only and do not include engineering services and hardware exports. *For the 'Financial Services' vertical, *Sum of 'BFS' and 'Insurance' verticals

**Source**: NASSCOM Quarterly Review, Ministry of Electronics and IT Annual Report, Company Financial Results and Factsheets, News Articles
With over 62% share, US is major importer of IT services

- US has traditionally been the biggest importer of Indian IT exports as it absorbed over 62% of Indian IT & BPM export during FY19.
- Non-US-UK countries accounted for just 21% of the total Indian IT & BPM export during FY19.
- As of FY19, US and UK were the leading customer markets with a combined share of nearly 80%. However, there is a growing demand from APAC, Latin America and Middle East Asia regions.
- Being the low-cost exporter of IT services, India is going to attract more markets in other regions in the same manner it tapped the US market.

Note: ROW is Rest Of the World, APAC is Asia Pacific
Source: Nasscom, Department of Electronics and IT Annual Report
### IT & BPM sector dominated by large players

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of players</th>
<th>Percentage of total export revenue</th>
<th>Percentage of total employees</th>
<th>Work Focus</th>
</tr>
</thead>
</table>
| Large    | 11                | 47-50%                             | ~35-38%                       | - Fully integrated players offering complete range of services  
- Large scale operations and infrastructure  
- Presence in over 60 countries |
| Medium   | 120-150           | 32-35%                             | ~28-30%                       | - Mid-tier Indian and MNC firms offering services in multiple verticals  
- Dedicated captive centres  
- Near shore and offshore presence in more than 30-35 countries |
| Emerging | ~1,000-1,200      | 9-10%                              | ~15-20%                       | - Players offering niche IT & BPM services  
- Dedicated captives offering niche services  
- Expanding focus towards sub Fortune 500/1,000 firms |
| Small    | ~15,000           | 9-10%                              | ~15-18%                       | - Small players focussing on specific niches in either services or verticals  
- Includes Indian providers and small niche captives |

Source: Nasscom
Recent Trends and Strategies

RECENT TRENDS AND STRATEGIES
Notable trends... (1/3)

1. Global delivery model
   - Indian software product industry is expected to reach US$ 100 billion by 2025. Indian companies are focusing to invest internationally to expand global footprint and enhance their global delivery centres.
   - In line with this, in February 2021, Tata Consultancy Services announced to recruit ~1,500 technology employees across the UK over the next year. The development would build capabilities for TCS to deliver efficiently to the UK customers.

2. India to become the data annotation and labelling hub
   - The data annotation market in India stood at ~ US$ 250 million in FY20, of which the US market contributed ~ 60% to the overall value. The market is expected to reach ~ US$ 7 billion by 2030 due to accelerated domestic demand for AI.

3. New technologies
   - Disruptive technologies such as cloud computing, social media and data analytics are offering new avenues of growth across verticals for IT companies.
   - The SMAC (social, mobility, analytics, cloud) market is expected to reach US$ 225 billion by 2020.
   - In February 2020, Microsoft India announced its partnership with Intel to introduce Azure Stack HCI (a new hyper-converged infrastructure (HCI) solution) to the Indian market to empower organisations with advanced hybrid cloud capabilities.
   - In March 2021, Tech Mahindra announced its partnership with Enate, a UK-based robotic process orchestration solutions company, to offer Enate’s proprietary ‘robotic process orchestration (RPO) technology’, which offers a BPM, workflow and workforce management platform to help increase efficiencies and streamline operations between human employees and technologies such as RPA bots, OCR platforms and NLP/AI/ML technologies.
Cloud Exponence Platform
- Key players are focussing on differentiated cloud products/platforms to avail a competitive advantage over other industry players.
- On January 13, 2021, TCS introduced a customised version of ‘TCS Cloud Exponence’ on Microsoft Azure, its flagship cloud management and orchestration platform, to offer smart managed services in hybrid cloud environments.

Large players gaining advantage
- Large players with a wide range of capabilities are gaining ground as they move from being simple maintenance providers to full-service players, offering infrastructure, system integration and consulting services.
- Of the total revenue, about 80% is contributed by 200 large and medium players.

Expansion
- In December 2020, Tata Consultancy Services (TCS) has expanded its business operations in Austin, Texas, with the construction of a new facility. By 2022, TCS plans to hire an additional 130 new employees in Austin. Over the next seven years, TCS plans to invest more than US$ 100 million in Austin.

Collaborations
- In February 2021, HCL Technologies (HCL), announced a five-year ‘Digital Workplace Services’ agreement with Airbus. HCL will create a modernised digital workspace for Airbus employees worldwide to improve customer experience and service quality.
- In February 2021, a global strategic partnership with Alteryx, Inc., a pioneer in analytical process automation, was announced by HCL Technologies (APA). The alliance seeks to help businesses around the world thrive in their goals of analytical automation and digital transformation.
Notable trends... (3/3)

8

Most lucrative sector for investments

- The computer software and hardware sector in India attracted cumulative FDI inflows worth US$ 62.47 billion between April 2000 and September 2020, according to the data released by Department for Promotion of Industry and Internal Trade (DPIIT).

9

Deployment to a modern cloud

- In December 2020, Infosys Finacle, part of EdgeVerve Systems, (a subsidiary of Infosys), and RBL Bank, announced a collaboration to migrate the bank’s on-premise deployment to a containerised ecosystem, which is managed by Kubernetes and has been certified by Cloud Native Computing Foundation (CNCF).
- In December 2020, Infosys launched Infosys Modernisation Suite to help organisations accelerate their cloud modernisation needs.

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Bilateral ties

- In January 2021, India and Japan signed a MoU to enhance cooperation in the field of information and communications technologies, aiming to increase engagement in areas of 5G, AI and submarine fibre cable network.
Strategies adopted

1. Movement to SMAC and digital space
   - SMAC is taking significant leaps.
   - Companies are getting into this field by offering big data services, which provides clients with better insights for future cases.
   - In February 2021, Yotta Infrastructure announced that by leveraging its state-of-the-art Yotta NM1 data centre at Navi Mumbai, Essar Capital Ltd., with investments worth ~US$ 14 billion, has undertaken a large-scale digital transformation initiative.
   - In February 2021, NTT Ltd. announced that, through implementation of its software-defined infrastructure solutions, the company is strengthening the IT infrastructure ecosystem at one of India’s premier banking institutions.

2. M&A
   - In December 2020, Indian BPO provider, eClerx has acquired Personiv for US$ 34 million, attaining a wider reach in the North American market.

3. Promotion of R&D
   - Companies are investing a lot in R&D and training employees to create an efficient workforce, enhancing productivity and quality.
   - R&D forms a significant portion of companies’ expenses, which is critical when margins are in pressure, to promote innovations in the changing landscape.

4. Product launch
   - In February 2021, TCS announced the further strengthening of its alliance with Amazon Web Services (AWS), with introduction of the new TCS AWS Business Unit (BU), a dedicated division within TCS that brings together the size, technology experience and market awareness of the two companies to help enterprise customers enhance their innovation and achieve superior business results using AWS.
   - In January 2021, TCS launched an autoscape solution suite to facilitate connected and autonomous vehicle ecosystem players, such as automotive OEMs, manufacturers, fleet owners and start-ups, to implement new business models, introduce new services and provide end customers with different experiences and value.

5. Product and pricing differentiation
   - Most of the IT companies have been offering similar products and services to their clients.
   - The companies are working towards product differentiation through various other services by branding themselves, for example, Building Tomorrow’s Enterprise by Infosys.
   - Indian IT firms have started to adopt pricing strategies to compete with Global firms like IBM and Accenture.
Growth Drivers and Opportunities
IT sector to be driven by strong demand and Indian expertise

1. Combat Cyber-security
   - India’s Ministry of Home Affairs and the National Critical Information Infrastructure Protection Centre are working on a new national strategy to strengthen the country’s cybersecurity amid allegations that Chinese intrusions may have affected operations at a key stock exchange and supply of electricity in Mumbai.

2. Talent pool
   - NASSCOM has estimated that the digital talent pool in Indiana is likely to cross 1.17 million in FY21, increase of 32% YoY.
   - Strong mix of young and experienced professionals.
   - As more companies undergo digital transformation, in-demand IT roles in 2021 will include positions focused on advanced technologies such as Internet of Things, artificial intelligence, augmented and virtual reality.

3. Public cloud market
   - Public cloud market in India stood at Rs. 170 billion (US$ 2.32 billion) in FY2020, increasing at a CAGR of ~30% to reach Rs. 630 billion (US$ 8.61 billion by FY2025).

4. Infrastructure
   - Infrastructure software revenue in India is forecasted to reach US$ 4.6 billion in 2021, an increase of 12% YoY, driven by rising demand for security-as-a-service offerings and detection and response capabilities.

5. Policy support
   - Tax holidays for STPI and SEZs.
   - More liberal system for raising capital, seed money and ease of doing business.
   - Government of India announced plans to launch a national programme on AI* and setting up of a National AI* portal.
   - In Budget 2021, the government has allocated Rs. 53,108 crore (US$ 7.31 billion) to the IT and telecom sector.

Note: STPI stands for Software Technology Park of India, SEZ stands for Special Economic Zone, ICT - Information and communications technology, IT & BPM - Information Technology Business Process Management, AI* - Artificial Intelligence
Source: Nasscom, News Articles
Exports from the Indian IT industry are expected to increase by 1.9% to reach US$ 150 billion in FY21.

Export revenue from the industry grew at a CAGR of 8.01% to US$ 147 billion in FY20E from US$ 108 billion in FY16.

In FY20, IT & BPM industry export revenue crossed US$ 147 billion at a growth of 8.1%.

In FY19, export from IT and IT Enabled Services (ITeS) registered a growth of 17% to reach Rs. 1.09 lakh crore (US$ 15.63 billion) in Telangana.

**Note:** E - Estimate  
**Source:** Nasscom, Media Sources
Accelerating demand for cloud to be a major growth driver

- With digital transformation accelerating across sectors, the pandemic has driven demand for cloud services worldwide, and the Internet has become a lifeline for people both for work and entertainment. This move towards cloud services has accelerated hyper-scale data centre investments, with global investments estimated to exceed ~US$ 200 billion per year by 2025.
- The cumulative investments in data centres in India are estimated to reach ~US$ 28 billion between 2019 and 2025, at a CAGR of ~5% between 2019 and 2025, 2x faster than the global average.
- The COVID-19 pandemic has accelerated the demand for third-party data centre services in India.
- The key data centre locations are Mumbai, Chennai, Bangalore, Hyderabad and Delhi (NCR).
- On February 16, 2021, Tata Communications announced that its collaboration with Google Cloud will accelerate adoption of cloud services and transform businesses in India. Through this partnership, the company has extended its managed public cloud services portfolio to include Google Cloud capabilities.

Note: *According to Nasscom, E - Estimated
Source: Nasscom, IDC, Media Sources
Indian talent pool ready to take IT sector to the next level

- In FY21, the industry is projected to recruit >138,000 net new employees, raising the total employee base to 4.47 million.
- It is estimated that the digital talent pool will surpass 1.17 million in FY21, an increase of 32% YoY.
- As per a survey by Amazon Web Service (2021), India is projected to have the requirement for 3.9 billion digitally skilled workers by 2025. Top in-demand skills include cloud architecture design, cybersecurity and large-scale data modelling.
- Availability of skilled English-speaking workforce has been a major reason behind India's emergence as a global outsourcing hub.
- India BPO promotion scheme was approved under Digital India programme. It aims to create employment opportunities for the youth and promote investments in the IT& BPM industry. Under the scheme, employment has already been created for more than 10,000 individuals.
- Contract staffing in Tier 2 and 3 cities is expected to see an increase. Streamlined guidelines for BPOs and IT-enabled services are encouraging businesses to set up offices in small towns and cities.
- The IT-BPM sector would add an ~24,900 contract workers in 2020-21, compared with >10,000 last year, as per data analysed by ISF.

**Note:** *Refers to graduates with Bachelors degree in engineering (four-year degree course), E- estimated, F- forecasted*

**Source:** Nasscom, Everest Group
SEZs to drive IT sector; tier II cities emerge as new centres

- IT-SEZs have been initiated with an aim to create zones that lead to infrastructural development, exports and employment.

- As of February 2020, there were 421 approved SEZs across the country, and of these, 276 are from IT & ITeS and 145 are exporting SEZs.

- Over 50 cities already have basic infrastructure and human resource to support the global sourcing and business services industry. Some cities are expected to emerge as regional hubs supporting domestic companies.

- Software Technology Parks of India (STPI) has set up 57 centres across the country to provide single window clearance and infrastructure facilities. STPI units can avail Excise Duty exemptions on procurement of indigenously manufactured goods.

<table>
<thead>
<tr>
<th>Parameters</th>
<th>STPI</th>
<th>SEZ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Term</td>
<td>10 years</td>
<td>15 years</td>
</tr>
<tr>
<td>Fiscal benefits</td>
<td>100% tax holiday on export profits</td>
<td>100% tax holiday on exports for first 5 years</td>
</tr>
<tr>
<td></td>
<td>Exemption from excise duties and customs</td>
<td>Exemption from excise duties and customs</td>
</tr>
<tr>
<td>Location and size restrictions</td>
<td>No location constraints</td>
<td>Restricted to prescribed zones with a minimum area of 25 acres</td>
</tr>
<tr>
<td></td>
<td>23% STPI units in tier II and III cities</td>
<td></td>
</tr>
</tbody>
</table>

Note: SEZ - Special Economic Zone, STPI (Software Technology Parks of India)
Source: EY, Nasscom
Impressive growth prospects sustain PE and VC interest

- IT & BPM is the second leading sector in receipt of private equity (PE) investments in India.
- In 2020, PE investments in the sector stood at US$ 7.5 billion.
- IT & BPM led the venture capital (VC) investment with 380 deals in in 2020, contributing 71% to the total deal count.
- Baring Private Equity Asia (BPEA) is going to acquire a 30% stake in NIIT technologies Ltd. for Rs. 2,627 crore (US$ 375.88 million).
- TCS has made significant investments in building intellectual property in the digital assurance domain.
- In May 2020, SirionLabs, a software-as-a-service (SaaS) provider, raised US$ 44 million as part of its Series C round led by Tiger Global and Avatar Growth Capital.
- In June 2020, Postman, an application programme interface (API) development platform, raised US$ 150 million in a Series C investment round led by US-based venture capital fund Insight Partners.
- On July 14, 2020, Google announced its plans to invest US$ 10 billion in India over the next five to seven years to help accelerate the adoption of digital technologies in the country.

**Note:** Data for first quarter of both years has been calculated by deducting Q2 investments from H1 investments, LHS - Left Hand Side axis, RHS - Right Hand Side axis

**Source:** The Indian Private Equity and Venture Capital Association
Newer geographies and verticals provide huge opportunities

1. New vertical
Non-linear growth due to platforms, products and automation
Emerging verticals (retail, healthcare, utilities) are driving growth

2. New geographies
BRIC nations, continental Europe, Canada and Japan have IT spending of approximately US$ 380-420 billion.
Adoption of technology and outsourcing is expected to make Asia the second largest IT market by 2023.

3. Legacy modernization
As per TCS Survey Results (February 2021), >70% CXOs of global companies consider mainframe or legacy modernisation a strategic business priority for the next three years (FY21-FY23).

Note: SMB - Small and Medium Businesses
Source: International Data Corporation (IDC), Nasscom
Expansion of focus areas to aid future growth… (1/2)

- Technologies, such as telemedicine, health, remote monitoring solutions and clinical information systems, would continue to boost demand for IT service across the globe.
- IT sophistication in the utilities segment and the need for standardisation of the process are expected to drive demand.
- Digitisation of content and increased connectivity is leading to a rise in IT adoption by media.
- RBI is executing a plan to reduce online transaction costs to encourage digital banking in India.
- The rollout of fifth generation (5G) wireless technology by telecommunication companies is expected to bring at least US$ 10 billion global business to Indian IT firms by 2019-25.

Note: SMB - Small and Medium Business
Source: Nasscom, Gartner
Emerging geographies would drive the next phase of growth for IT firms in India.

- BRIC would provide US$ 380-420 billion opportunity by 2020.
- Focus on building local credible presence, high degree of domain expertise at competitive costs and attaining operational excellence hold key to success in new geographies.
- Emphasis on export of IT services to current importers of other products and services.

Countries offering growth potential to IT firms

<table>
<thead>
<tr>
<th>Country</th>
<th>IT spend</th>
<th>India’s penetration</th>
<th>Key segments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>US$ 63 billion</td>
<td>~1.5%</td>
<td>Enterprise applications, cyber security, healthcare IT</td>
</tr>
<tr>
<td>Europe</td>
<td>US$ 230 billion</td>
<td>&lt;1.5%</td>
<td>IT sourcing, BPM, IS outsourcing, CAD</td>
</tr>
<tr>
<td>Japan</td>
<td>US$ 235 billion</td>
<td>&lt;1%</td>
<td>CRM, ERP, Salesforce automation, SI</td>
</tr>
<tr>
<td>Spain</td>
<td>US$ 26 billion</td>
<td>&lt;1.5%</td>
<td>IT sourcing, SI</td>
</tr>
<tr>
<td>Mexico</td>
<td>US$ 29 billion</td>
<td>~4%</td>
<td>IT sourcing, BPM</td>
</tr>
<tr>
<td>Brazil</td>
<td>US$ 47 billion</td>
<td>~2%</td>
<td>Low level application management, artificial intelligence, R&amp;D</td>
</tr>
<tr>
<td>China</td>
<td>US$ 105 billion</td>
<td>&lt;1%</td>
<td>Software outsourcing, R&amp;D</td>
</tr>
<tr>
<td>Australia</td>
<td>US$ 48 billion</td>
<td>~4%</td>
<td>Procurement outsourcing, infrastructure software and CAD</td>
</tr>
</tbody>
</table>

Source: Nasscom
Key Industry Contacts
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<table>
<thead>
<tr>
<th>Agency</th>
<th>Contact Information</th>
</tr>
</thead>
</table>
| Ministry of Electronics and Information Technology (MeitY) | Electronics Niketan, 6, CGO Complex, Lodhi Road, New Delhi - 110 003  
Phone: 91 11 2436 9191  
Fax: 91 11 2436 2626  
E-mail: mljoffice@gov.in  
Website: www./meity.gov.in |
| Electronics and Software Exports Promotion Council (ESC) | 155, Okhla Phase III, Okhla Industrial Area, New Delhi, Delhi - 110 020  
Phone: 91 11 4748 0000  
E-mail: info@escindia.com  
Website: www.escindia.in/ |
| National Association of Software and Services Companies (NASSCOM) | International Youth Centre Teen Murti Marg, Chanakyapuri, New Delhi - 110 021  
Phone: 91 11 2301 0199  
Fax: 91 11 2301 5452  
E-mail: info@nasscom.in  
Website: www.nasscom.in |
| Software Technology Parks of India | Ninth Floor, NDCC-II, Jai Singh Road (Opposite Jantar Mantar), New Delhi - 110 001  
Phone: 91 11 2343 8188  
Fax: 91 11 2343 8173  
Website: www.stpi.in |
Glossary

- APAC: Asia Pacific
- BFSI: Banking, Financial Services and Insurance
- BPM: Business Process Outsourcing
- CAGR: Compounded Annual Growth Rate
- C U: Construction and Utilities
- FDI: Foreign Direct Investment
- GOI: Government of India
- IT & ITeS: Information Technology-Information Technology Enabled Services
- NAC: Nasscom Assessment of Competence
- RoI: Return on Investment
- ROW: Rest of the World
- Rs.: Indian Rupee
- SEZ: Special Economic Zone
- SMB: Small and Medium Businesses
- STPI: Software Technology Parks of India
- T M: Telecom and Media
- T T: Travel and Transport
- US$: US Dollar
- UT: Union Territory

Wherever applicable, numbers have been rounded off to the nearest whole number
## Exchange rates

### Exchange Rates (Fiscal Year)

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<th>Year</th>
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<tr>
<td>2020-21</td>
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### Exchange Rates (Calendar Year)

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<td>2021*</td>
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*Note: As of March 2021
Source: Reserve Bank of India, Average for the year*
India Brand Equity Foundation (IBEF) engaged Sutherland Global Services private Limited to prepare/update this presentation.

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