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EXECUTIVE SUMMARY

Strong growth opportunities
- The IT-BPM sector in India expanded at a CAGR of 13.7 per cent over 2010–16, which is 3–4 times higher than the global IT-BPM growth, and is estimated to expand at a CAGR of 9.1 per cent to USD350 billion by 2025

Leading sourcing destination
- As of 2015, India is a prominent sourcing destination across the world, accounting for approximately 56 per cent market share in the global services sourcing business.
- India acquired a share of around 38 per cent in the overall Business Process Management (BPM) sourcing market

Largest pool of ready to hire talent
- India’s highly qualified talent pool of technical graduates is one of the largest in the world, facilitating its emergence as a preferred destination for outsourcing, computer science/information technology accounts for the biggest chunk of India’s fresh engineering talent pool, with more than 98 per cent of the colleges offering this stream

Most lucrative sector for investments
- The sector ranks fourth in India’s total FDI share and accounts for approximately 37 per cent of total Private Equity and Venture investments in the country

Cash Cow
- In FY16, revenues of Indian IT-BPM market is estimated to touch USD160 billion
- In 2015, Indian IT companies have helped clients to save USD200 billion in the last five years.
- India’s IT-BPM sector includes 670 offshore development centres around 78 countries.

Source: NASSCOM, TechSci Research
Notes: BPM – Business Process Management, USP – Unique Selling Proposition
For updated information, please visit www.ibef.org
The engineering sector is delicensed; 100 per cent FDI is allowed in the sector.

Due to policy support, there was cumulative FDI of USD14.0 billion into the sector over April 2000–February 2012, making up 8.6 per cent of total FDI into the country in that period.

Growing demand

• Strong growth in demand for exports from new verticals
• Rapidly growing urban infrastructure has fostered several IT centres in the country
• Expanding economy to propel growth in local demand

Global footprints

• IT firms in India have delivery centres across the world; as of 2015, IT firms had a total of 670 centres in >78 countries
• India’s IT industry amounts to 12.3 per cent of the global market, largely due to exports
• IT & ITeS industry is well diversified across verticals such as BFSI, telecom and retail

Competitive advantage

• Cost savings of 60–70 per cent over source countries
• A preferred destination for IT & ITeS in the world; continues to be a leader in the global sourcing industry with 55 per cent market share
• The Indian IT industry has saved clients USD200 Billion in the past five years

Policy support

• Tax holidays extended to the IT sector
• More liberal system for raising global capital, funding for seed capital & growth, and ease of doing business, etc. have been addressed
• USD0.17 billion have been allocated for raising global capital, start ups
• Income Tax cut on royalty fee on tech services to 10 per cent
• Cumulative FDI inflow in computer software & hardware is USD21,018 million from April 2000 to March 2016

Source: Nasscom, TechSci Research

Notes: SEZ stands for Special Economic Zone, BFSI stands for Banking, Financial Services and Insurance, E stands for Estimate, F stands for Forecast.
IT & ITeS

MARKET OVERVIEW AND TRENDS
• By early 90s, US-based companies began to outsource work on low-cost and skilled talent pool in India

• IT industry started to mature
• Increased investment in R&D and infrastructure started
• India increasingly seen as a product development destination

• The number of firms in India grew in size and started offering complex services such as product management and go-to market strategies
• Western firms set up a number of captives in India

• Firms in India became multinational companies with delivery centres across the globe (670 centres in >78 countries, as of 2015)
• Indian IT-BPM revenue is likely to reach USD160 billion in FY16
• Employment in IT sector is expected to increase and reach 3.7 million people directly and over 10 million indirectly, as of FY16
• India’s IT sector is at an inflection point, moving from enterprise servicing to enterprise solutions
• The industry is third largest start up base
• In FY16, the IT industry supported over 4,200 new start ups
## Segments of India’s IT Sector

### IT & ITeS Sector

#### IT Services
- Market Size: USD75 billion during FY16E
- Over 81% per cent of revenue comes from the export market
- BFSI continues to be the major vertical of the IT sector

#### Business Process Management (BPM)
- Market size: USD28 billion during FY16E
- Around 87% per cent of revenue comes from the export market
- Market size of BPM industry is estimated to rise from USD41 billion in FY20 to USD54 billion by FY25

#### Software Products and Engineering Services
- Market size: USD27 billion during FY16E
- Over 83.9% per cent of revenue comes from exports

#### Hardware
- Market size: USD13.3 billion during FY16E
- The domestic market accounts for a significant share
- The domestic market is experiencing growth as the penetration of personal computers is rising in India

Source: Nasscom, TechSci Research

Notes: FY16E – Figures for FY16 are estimated

For updated information, please visit [www.ibef.org](http://www.ibef.org)
India’s technology and BPM sector (including hardware) is likely to generate revenues of USD160 billion during FY16 compared to USD146.5 billion in FY15, implying a growth rate of 9.2 per cent.

The contribution of the IT sector to India’s GDP rose to approximately 9.5 per cent in FY15 from 1.2 per cent in FY98.

TCS is the market leader, accounting for about 10.4 per cent of India’s total IT & ITeS sector revenue in FY16.

The top five IT firms contribute over 25 per cent to the total industry revenue, indicating the market is fairly competitive.
IT AND BPM ACCOUNT FOR 79.7 PER CENT OF INDIA’S IT & ITES EXPORTS

- Total exports from the IT-BPM sector (including hardware) were estimated to have been USD108 billion during FY16; exports rose at a CAGR of 13.5 per cent during FY09–16 despite of weak global economic growth scenario.
- Export of IT services has been the major contributor, accounting for 56.59 per cent of total IT exports (including hardware) during FY16.
- BPM accounted for 22.63 per cent of total IT exports during FY16.

Growth in export revenue (USD billion)

Sector-wise breakup of export revenue FY16

Source: Nasscom, Make in India, TechSci Research
Note: E – Estimated
BFSI - A KEY BUSINESS VERTICAL FOR IT-BPM INDUSTRY

- BFSI is a key business vertical for the IT-BPM industry. It is expected to generate export revenue of around USD 58.32 billion by the end of 2016, accounting for 54 per cent of total IT-BPM exports from India.

- Approximately 85 per cent of total IT-BPM exports from India is across four sectors: BFSI, telecom, manufacturing and retail. The hitherto smaller sectors are expected to grow.

- With introduction of new policies for healthcare and retail, these sectors are expected to grow at a faster pace in coming years, thus accelerating revenue of IT enabled services for the sectors.

Distribution of export revenue across verticals (FY16)

- BFSI: 54%
- Hi-Tech/Telecom: 16%
- Manufacturing: 11%
- Healthcare: 6%
- Retail: 4%
- Construction & Utilities: 4%
- Travel & Transportation: 3%
- Others: 2%
- Emerging: 2%

Source: MoRTH, TechSci Research, Department of Electronics and IT Annual Report
Notes: BFSI - Banking, Financial Services and Insurance, *Emerging- Retail, Utilities & Construction, Retail, Healthcare, Services, Transportation
The figures mentioned are for IT and BPM only and do not include engineering services and hardware exports.
WITH OVER 62 PER CENT SHARE, US IS MAJOR IMPORTER OF IT SERVICES

- US has traditionally been the biggest importer of Indian IT exports; over 62 per cent of Indian IT-BPM exports were absorbed by the US during FY16.
- Non US-UK countries accounted for just 21.0 per cent of total Indian IT-BPM exports during FY16.
- Europe, one of the fast growing IT markets in 2015, is expected to emerge as a potential market as higher inclination towards offshoring firms would increase demand for IT services.
- Being the low cost exporter of IT services, India is going to attract more markets in other regions in the same manner it tapped US markets.

### Geographic breakup of export revenue (USD billion) (March 2016)

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>42</td>
<td>52</td>
<td>61</td>
<td>67</td>
</tr>
<tr>
<td>UK</td>
<td>12</td>
<td>15</td>
<td>17</td>
<td>18</td>
</tr>
<tr>
<td>Europe (Excl. UK)</td>
<td>8</td>
<td>10</td>
<td>11</td>
<td>12</td>
</tr>
<tr>
<td>APAC</td>
<td>5</td>
<td>7</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>RoW</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
</tbody>
</table>

### Distribution of export revenue across geographies (FY16)

- United States: 62%
- United Kingdom: 8%
- Continental Europe: 11%
- Asia Pacific: 17%
- Rest of World (RoW): 2%

Source: Nasscom, TechSci Research, Department of Electronics and IT Annual Report

Note: ROW is Rest Of the World, APAC is Asia Pacific.
## 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>
<tbody>
<tr>
<td>Large</td>
<td>11</td>
<td>47-50%</td>
<td>~35-38%</td>
<td>• Fully integrated players offering complete range of services &lt;br&gt;• Large scale operations and infrastructure &lt;br&gt;• Presence in over 60 countries</td>
</tr>
<tr>
<td>Medium</td>
<td>120-150</td>
<td>32-35%</td>
<td>~28-30%</td>
<td>• Mid tier Indian and MNC firms offering services in multiple verticals &lt;br&gt;• Dedicated captive centres &lt;br&gt;• Near shore and offshore presence in more than 30-35 countries</td>
</tr>
<tr>
<td>Emerging</td>
<td>~1,000-1,200</td>
<td>9-10%</td>
<td>~15-20%</td>
<td>• Players offering niche IT-BPM services &lt;br&gt;• Dedicated captives offering niche services &lt;br&gt;• Expanding focus towards sub Fortune 500/1,000 firms</td>
</tr>
<tr>
<td>Small</td>
<td>~15,000</td>
<td>9-10%</td>
<td>~15-18%</td>
<td>• Small players focussing on specific niches in either services or verticals &lt;br&gt;• Includes Indian providers and small niche captives</td>
</tr>
</tbody>
</table>

Source: Nasscom, TechSci Research
NOTABLE TRENDS IN INDIA’S IT & ITES SECTOR … (1/3)

- **Global delivery model**
  - Indian software product industry is expected to reach the mark of USD100 billion by 2025. In India, the number of global delivery centres in the IT-BPM sector reached 670, spreading out across 78 countries, as of 2015.
  - New business models, technologies and addition of new markets is pushing growth; Infosys has opened a shop in Shanghai; TCS already has a big set-up in Uruguay.

- **Global sourcing hub**
  - India continues to maintain a leading position in the global sourcing market. Its market share increased to 55 per cent in 2015. India’s IT industry amounts to 7 per cent of the global market.

- **Engineering offshoring**
  - In 2015, India continued to be the most preferred location for global R&D outsourcing, with a share of 56 per cent.
  - The sector includes 670 Offshore Development Centres (ODCs) around 78 countries.

- **Most lucrative sector for investments**
  - Increased focus on R&D by IT firms in India resulted in rising number of patents filed by them. In 2016, Indian IT-BPM sector is expected to grow 9.2 per cent since last year and reach USD160 billion.

\[1\] - conducted by Nasscom
Changing business dynamics
- India’s IT market is experiencing a significant shift from a few large-size deals to multiple small-size ones
- The number of start-ups in technology is expected to reach 50,000, adding to around 2 per cent of GDP
- Delivery models are being altered, as the business is moving to capital expenditure (capex) based models from operational expenditure (opex), from a vendor’s frame of reference

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 per cent is contributed by 200 large and medium players

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 grow to USD225 billion by 2020

Growth in non-linear models
- India’s IT sector is gradually moving from linear models (rising headcount to increase revenue) to non-linear ones
- In line with this, IT companies in India are focusing on new models such as platform-based BPM services and creation of intellectual property
NOTABLE TRENDS IN INDIA’S IT & ITES SECTOR … (3/3)

Consumerisation of IT

- Global outsourcing is being used to drive fundamental re-engineering of end-to-end processes
- Increased emphasis on beyond cost benefits
- IT firms in the current phase have moved up the value chain, providing innovation-led growth to clients from SLA satisfaction and RoI calculations

Emergence of Tier II cities

- Tier II and III cities are increasingly gaining traction among IT companies, aiming to establish business in India
- Cheap labour, affordable real estate, favourable government regulations, tax breaks and SEZ schemes facilitating their emergence as a new IT destination
- Giving rise to the domestic hub and spoke model, with Tier I cities acting as hubs and Tier II, III and IV as network of spokes

SMAC technologies, an inflection point for Indian IT

- Social, Mobility, Analytics and Cloud (SMAC), a paradigm shift in IT-BPM approaches experienced until now, is leading to digitisation of the entire business model

Rural Development

- The National Optical Fibre Network (NOFN) is being laid down in phases to connect all the 250,000 gram panchayats in the country

Notes: SLA - Service Level Agreement; RoI - Return on Investment
## PORTERS FIVE FORCES ANALYSIS

### Competitive Rivalry
- Intense competitive rivalry exists due to low switching costs
- Most of the bigger Indian firms offer same services and there is little product differentiation

### Threat of New Entrants
- Easy entry as the capital required is low
- Large players, however, toughen prospects of small and medium players to win large deals

### Substitute Products
- Threat is medium as new centres, such as Philippines and China, are fast gaining ground among investors due to their low cost advantages

### Bargaining Power of Suppliers
- Bargaining power of suppliers is less as most of their businesses come from the same geographies
- Price taker rather than price maker

### Bargaining Power of Customers
- Bargaining power is high as many IT firms fight for a similar project
- Firms are mostly dependent on same geography, which increases customer power

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For updated information, please visit [www.ibef.org](http://www.ibef.org)
IT & ITeS STRATEGIES ADOPTED
IT & ITeS

STRATEGIES ADOPTED

Expanding in Tier II & III cities and externally
- Companies are expanding their business to Tier II & III cities to have low cost advantage
- In 2016, Infosys bought two office space in Pune & Bengaluru India. TCS is planning to expand in Mumbai
- Companies are expanding their business towards emerging economies of East Europe and Latin American countries

Movement to SMAC & digital space
- Social Computing, Mobility, Analytics and Cloud (SMAC) is taking significant leaps
- Companies are getting into this field by offering big data services, which provides clients better insights for future cases

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, e.g. Building Tomorrow’s Enterprise by Infosys
- Indian IT firms have started to adopt pricing strategies to compete with Global firms like IBM and Accenture

Promotion of R&D
- Companies are now 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

Fast-growing sectors within the BPM domain
- Knowledge services, data analytics, legal services, Business Process as a Service (BPaaS), cloud-based services
IT & ITeS GROWTH DRIVERS
IT SECTOR TO BE DRIVEN BY STRONG DEMAND AND INDIAN EXPERTISE

- Global BPM spending estimated to rise by 4.4% and reach USD2.7 billion in 2015
- Tax holidays for STPI and SEZs
- More liberal system for raising capital, seed money and ease of doing business.
- As a part of Union Budget 2016-17, the government has made changes in custom & excise duty of IT hardware products
- Computer penetration expected to increase
- Increasing adoption of technology and telecom by consumers and focused government initiatives leading to increased ICT adoption
- Robust IT infrastructure across various cities in India such as Bengaluru
- Technology mission for services in villages and schools, training in IT skills and E-Kranti for government service delivery and governance scheme

Notes: 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
Indian IT companies like TCS, Tech Mahindra Limited, Mphasis, HCL Technologies Limited, Larsen & Tourbo Infotech Limited, Wipro Technologies Limited, Oracle Financial, Infosys Technologies Limited are expanding their footprint in order to meet client’s requirements globally.

Indian Firms have started adopting the global delivery model to cater to the local market and for taking advantage of low cost.

Source: Nasscom, Assorted News Articles, TechSci Research
TECHNOLOGY – A KEY INFLUENCER FOR DOMESTIC IT SERVICES … (2/2)

* Introduction of large e-Governance projects to provide better services through IT and focus on the formation of the cyber policy led to higher demand for IT and hardware from the government

* The Central Government and State/UT Government allocated 0.9–1.2 per cent and 2.8–3 per cent, respectively, of total budget for IT spend under the 12th Five Year Plan

* Strong consumer demand for IT service and products:
  * Advent of smartphones, tablets and iPads
  * Industry leaders are stressing the need for promoting support start-ups
  * Rising computer literate population
  * Enhanced internet and mobile penetration
  * Growing disposable income strengthening consumer purchasing power
  * Emerging verticals (retail, healthcare, utilities) are driving growth above 14 per cent

**Domestic revenue from IT and BPM (USD billion)**

<table>
<thead>
<tr>
<th></th>
<th>FY15</th>
<th>FY16E</th>
<th>FY20F</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>48</td>
<td>52</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Nasscom, TechSci Research
Notes: UT - Union Territory, E:Estimated F - Forecasts
EXPORTS TO REMAIN ROBUST AS GLOBAL IT INDUSTRY MAINTAINS GROWTH

* In FY16 the estimated revenue from exports of IT and BPM sector was USD108 billion. Global IT-BPM spending (excluding hardware) has grown 0.4 per cent over 2015 to nearly USD1.2 trillion

* India’s IT industry amounts to 4.26 per cent of the global market, largely due to exports as of 2015. In the year 2015 India comprised of around 500 BPM players generating a revenue of USD23 billion, which is expected to rise and reach 50 billion in 2020

* During FY17 the country’s revenue growth in IT exports is expected at 10 per cent

* Emergence of SMAC would provide USD1 trillion market by 2020

* Emerging economies are likely to be a major contributor to IT spend growth
  * IT spend in emerging economies to grow 3-4 times faster than advanced economies
  * The BRIC IT market is estimated at USD380–420 billion by 2020

* Stable tax regime, reducing litigation related to tax and providing conducive environment for start-ups will improve the business environment

Export revenue from IT and BPM (USD billion)

<table>
<thead>
<tr>
<th></th>
<th>FY14</th>
<th>FY15</th>
<th>FY16E</th>
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<tbody>
<tr>
<td></td>
<td>86</td>
<td>99</td>
<td>108</td>
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</tbody>
</table>

Core and non core segment’s growth prospects

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY13E</th>
<th>FY16F</th>
</tr>
</thead>
<tbody>
<tr>
<td>CADM</td>
<td>22</td>
<td>17%</td>
</tr>
<tr>
<td>ER&amp;D</td>
<td>35</td>
<td>10%</td>
</tr>
<tr>
<td>IT consulting</td>
<td>11</td>
<td>19%</td>
</tr>
<tr>
<td>IS-sourcing</td>
<td>15</td>
<td>2%</td>
</tr>
<tr>
<td>Knowledge</td>
<td>1.2</td>
<td>20%</td>
</tr>
<tr>
<td>Services</td>
<td>2</td>
<td>20%</td>
</tr>
<tr>
<td>Software</td>
<td>7.6</td>
<td>21%</td>
</tr>
<tr>
<td>Testing</td>
<td>13</td>
<td>5.5</td>
</tr>
<tr>
<td>Knowledge</td>
<td>3.2</td>
<td>5.5</td>
</tr>
<tr>
<td>Services</td>
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<td>5.5</td>
</tr>
<tr>
<td>Testing</td>
<td>3.1</td>
<td>5.5</td>
</tr>
</tbody>
</table>

Source: Nasscom, TechSci Research, Budget 2015-16
Notes: UT- Union Territory, E - Estimated
Availability of skilled English speaking workforce has been a major reason behind India’s emergence as a global outsourcing hub.

During FY10-16, no of graduates addition to talent pool in India grew at a CAGR of 8.4 per cent.

India added more than 6 million graduates to the talent pool during FY16.

Growing talent pool of India has the ability to drive the R&D and innovation business in the IT-BPM space.

According to India Hiring Intent Survey 2017, 5 to 10 per cent increase in hiring by BPO/KPO and ITES companies in Karnataka, is anticipated in the coming years.

Graduates addition to talent pool in India (in millions)

Source: Nasscom, TechSci Research

Note: Graduates includes both graduates and post graduates.
INDIAN TALENT POOL READY TO TAKE IT SECTOR TO THE NEXT LEVEL … (2/2)

- About 2 per cent of the industry revenue is spent on training employees in the IT-BPM sector
- USD1.6 billion is spent annually on training workforce and growing R&D spend
- Forty per cent of total spend on training is spent on training new employees
- Numerous firms have forged alliances with leading education institutions to train employees

Training expenditure by Indian IT-BPO sector, 2014

Source: TechSci Research
NASSCOM’S PLAN TO INCREASE EMPLOYABILITY OF INDIA’S TALENT POOL

**Objectives**

- Enhance overall yield of employees
- Improve employability
- Expand to Tier II cities to reduce operating costs
- Low skill dependence

**Initiatives**

- Industry to enhance investment in training
- Use NAC and NAC – Tech to assess employability of talent pool
- Identified new tier II locations

**Short term**

- Reduce investment on training
- Develop specialist and project management expertise
- Develop a robust and credible information repository

**Medium term**

- Expand education capacity
- Promote reforms in education

**Long term**

- Launched the National Faculty Development Programme to increase suitability of faculty
- Aiding industry access to specialist programmes offered by independent agencies
- NASSCOM, in partnership with the industry, has developed a unique initiative ‘National Skills Registry’ a national database of registered and verified knowledge workers in the industry
- Expansion of higher education infrastructure; 20 new IIITs to be set up by the government
- Programme to increase PhDs in technology

**Source:** Nasscom, TechSci Research

**Notes:** NAC – Nasscom Assessment of Competence, IIIT - Indian Institutes of Information Technology

For updated information, please visit www.ibef.org
IT & ITeS

SEZ’S TO DRIVE IT SECTOR; TIER II CITIES EMERGE AS NEW CENTERS … (1/2)

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

As on 2nd September 2016, there are over 186 operational SEZs across the country.

Characteristics of STPI and SEZ in India

<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 per cent tax holiday on export profits&lt;br&gt;• Exemption from excise duties and customs</td>
<td>• 100 per cent tax holiday on exports for first five years&lt;br&gt;• Exemption from excise duties and customs</td>
</tr>
<tr>
<td>Location and size restrictions</td>
<td>• No location constraints&lt;br&gt;• 23 per cent STPI units in tier II and III cities</td>
<td>• Restricted to prescribed zones with a minimum area of 25 acres</td>
</tr>
</tbody>
</table>

Source: Nasscom, TechSci Research, STPI (Software Technology Parks of India)
IT sector employment distribution in Tier I and Tier II/III cities

**Trends in tier II and III cities**

- Cost in newer cities is expected to be 28 per cent lower than that in leading cities.
- Lower cost and attrition, affordable real estate and support from local government, such as tax breaks, STPI and SEZ schemes, are facilitating this shift of focus.
- 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.
- In December 2016, Vocational education programme was introduced in Odisha’s 208 secondary schools. The programme includes four vocational streams, including IT and ITES, travel, retail and tourism, Banking, Financial Services And Insurance (BFSI). The initiative was taken to educate students and to enhance growth in these sectors.

**Source:** Nasscom, E&Y, TechSci Research
TREMENDOUS GROWTH OF GLOBAL IN–HOUSE CENTRES

Key highlights

* Global In-House Centres (GIC), also known as captive centres, are one of the major growth drivers of the IT-BPM sector in India. They also operate in engineering services and software product development.

* In March 2016, there were over 1050 GICs operating out of India, contributing almost 20 per cent share in exports. The total GICs in the country generated a revenue of almost USD22 billion and employed a total of more than 0.79 million manpower.

* The impact of the segment goes beyond revenue and employment, as it helped in developing India as a R&D hub and create an innovation ecosystem in the country.

* Within the captive landscape, Engineering Research & Development/Software Product Development (ER&D/SPD) is the largest sub-segment.

* Companies from North America and Europe are major investors in the captive segment in India, accounting for over 90 per cent of captives in the country.

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Number of GIC’s in India

<table>
<thead>
<tr>
<th>Year</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>180</td>
</tr>
<tr>
<td>2005</td>
<td>460</td>
</tr>
<tr>
<td>2010</td>
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<td>2013</td>
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<tr>
<td>2014</td>
<td>825</td>
</tr>
<tr>
<td>2015</td>
<td>1025</td>
</tr>
<tr>
<td>2016</td>
<td>1050</td>
</tr>
</tbody>
</table>

Source: Zinnov, Nasscom, TechSci Research
Notes: 1 – Data is as on March 2016
IMPRESSIVE GROWTH PROSPECTS SUSTAIN PE AND VC INTEREST

- The IT & BPM sector continued to attract PE and VC investments in 2015, accounting for a significant proportion with 235 deals in the year FY15.
- Total P/E investments in FY16 were observed to be USD5 billion, which increased at a CAGR of 25.7 per cent from USD0.8 billion in FY08.
- Total number of P/E investment deals increased from 235 in FY15 to 294 in FY16.

Source: Venture Intelligence, Nasscom, TechSci Research
Notes: CAGR – Compound Annual Growth Rate

For updated information, please visit www.ibef.org
NEWER GEOGRAPHIES AND VERTICALS PROVIDE HUGE OPPORTUNITIES

• BRIC nations, continental Europe, Canada and Japan have IT spending of approximately USD380–420 billion
• Adoption of technology and outsourcing is expected to make Asia the second largest IT market

• SMBs have IT spend of approximately USD230–250 billion, but contribute just 25 per cent to India’s IT revenue
• The emergence of new service offerings and business models would aid in tapping market profitably and efficiently

• Government, healthcare, media and utilities together have IT spend of approximately USD190 billion, but account just 8 per cent of India’s IT revenue
• Non-linear growth due to platforms, products and automation
• Emerging verticals (retail, healthcare, utilities) are driving growth

Source: All the figures are taken from International Data Corporation (IDC) and Nasscom and are FY10 estimates
Note: SMB - Small and Medium Businesses
EXPANSION OF FOCUS AREA TO AID FUTURE GROWTH … (1/4)

* Traditional verticals, i.e. BFSI, telecommunication and manufacturing, continue to remain the largest in terms of IT adoption and are expected to grow at an average of 15 per cent

* Implementation of cloud environment and mobility is the way forward for traditional verticals

* Emphasis on other emerging verticals (e.g. education, healthcare and retail) to aid growth in IT firms in India

* Shift from IT adoption infrastructure, automation and digitisation to smart IT marks future trend of services in emerging verticals

* Other untapped sectors like Education and utilities has a huge potential for IT & ITes to grow into

IT-BPM Exports Revenue (USD Billion)

<table>
<thead>
<tr>
<th></th>
<th>FY13</th>
<th>FY14</th>
<th>FY15</th>
<th>FY16E</th>
<th>FY17P</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT services</td>
<td>13.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BPM</td>
<td>4.0</td>
<td>23.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Packaged software, ER&amp;D and product development</td>
<td>4.0</td>
<td>20.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hardware</td>
<td>0.5</td>
<td></td>
<td></td>
<td></td>
<td>13.0</td>
</tr>
<tr>
<td>eCommerce</td>
<td>14.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Nasscom, TechSci Research
Note: E – Estimated, P – Projected

For updated information, please visit www.ibef.org
As IT is increasingly gaining traction in SMB’s business activities, the sector offers impressive growth opportunities and is estimated at approximately USD230–250 billion by 2020.

Govt. sectors have a huge potential for IT enabled services, as IT penetration is low in the sector. Increasing digitalisation will lead to growth in revenues for IT sector in coming years.

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.

Companies to focus on local problems and find engineering solutions.

As on December 8, 2016, the Indian Government and Intel initiated development of online water and air quality monitoring system. Funds worth USD5.04 million have been allocated for the implementation of the project.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Market Size (USD billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Media</td>
<td>17</td>
</tr>
<tr>
<td>Utilities</td>
<td>25</td>
</tr>
<tr>
<td>Healthcare</td>
<td>58</td>
</tr>
<tr>
<td>Government</td>
<td>90</td>
</tr>
<tr>
<td>SMB</td>
<td>250</td>
</tr>
</tbody>
</table>

Source: Nasscom, TechSci Research
Note: Small and Medium Business
Emerging technologies present an entire new gamut of opportunities for IT firms in India

- SMAC provide USD1 trillion opportunity

- Cloud represents the largest opportunity under SMAC, increasing at a CAGR of approximately 30 per cent to around USD650–700 billion by 2020

- Social media is the second most lucrative segment for IT firms, offering a USD250 billion market opportunity by 2020

Growing technologies future growth

Source: Nasscom, TechSci Research
Note: Size of bubble indicates market size, *CAGR and market size for Big data/analytics is till 2015
Emerging geographies would drive the next growth phase for IT firms in India

- BRIC would provide USD380–420 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>USD63 billion</td>
<td>~1.5 per cent</td>
<td>Enterprise applications, cyber security, healthcare IT</td>
</tr>
<tr>
<td>Europe</td>
<td>USD230 billion</td>
<td>&lt;1.5 per cent</td>
<td>IT sourcing, BPM, IS outsourcing, CAD</td>
</tr>
<tr>
<td>Japan</td>
<td>USD235 billion</td>
<td>&lt;1 per cent</td>
<td>CRM, ERP, Salesforce automation, SI</td>
</tr>
<tr>
<td>Spain</td>
<td>USD26 billion</td>
<td>&lt;1.5 per cent</td>
<td>IT sourcing, SI</td>
</tr>
<tr>
<td>Mexico</td>
<td>USD29 billion</td>
<td>~4 per cent</td>
<td>IT sourcing, BPM</td>
</tr>
<tr>
<td>Brazil</td>
<td>USD47 billion</td>
<td>~2 per cent</td>
<td>Low level application management, artificial intelligence, R&amp;D</td>
</tr>
<tr>
<td>China</td>
<td>USD105 billion</td>
<td>&lt;1 per cent</td>
<td>Software outsourcing, R&amp;D</td>
</tr>
<tr>
<td>Australia</td>
<td>USD48 billion</td>
<td>~4 per cent</td>
<td>Procurement outsourcing, infrastructure software &amp; CAD</td>
</tr>
</tbody>
</table>

Source: Nasscom, TechSci Research
Established in 1968, Tata Consultancy Services (TCS) is an Information Technology (IT) services, consulting and business solution company. The company provides end-to-end technology and technology-related services to global enterprises. The company’s business is spread across the Americas, Europe, Asia-Pacific, and Middle East and Africa (MEA).

**Achievements:**

- **2016:** Won three Silver Stevies at 14th Annual American Business Awards
- **2015:** Gold, Silver and Bronze Stevie® Winner at the American Business Awards
- **2014:** Gold and Silver Stevie® Winner at the American Business Awards
- **2013:** Won Best Performing Consultancy Brand Award in Europe
- **2013:** Received Red Hat North America Awards for System Integrator Partner of the Year

**Segment-wise revenue breakdown (FY16):**

- Application development and maintenance (ADM)
- Enterprise solutions (ES) & consulting
- Infrastructure services (IS)
- Business process services (BPS)
- Assurance services
- Engineering and industrial services (EIS)
- Asset leveraged solutions

*Source: TCS website and Annual Report, TechSci Research*
TCS: AN EMERGING GLOBAL IT MAMMOTH … (2/3)

TCS accounts for nearly half of the Indian IT industry’s combined market capitalisation

During the second quarter of FY 2016-17, the company reported a net profit of USD 989 million, showing a growth of 8.4 per cent.

Source: TCS website and Annual Report, TechSci Research
TCS: AN EMERGING GLOBAL IT MAMMOTH … (3/3)

Consolidation of market position through CMC acquisition

1968
India’s first software service company

1968

Issued IPO in the market in India and raised USD1.2 billion in 2004

2004

Acquisition of IT service firm Alti in France in 2013

With a brand value of over USD1 billion, consolidated its position as one of the largest IT players

FY13
Active client base: 1,156
New clients: 153

FY12
Acquired microDAT A GIS

FY03
Became the first software company in India to cross USD1 billion revenue

FY10

Expanded of geographic presence

2007

FY15
USD15.7 Billion revenue

FY16
USD16.60 Billion revenue

Source: TCS website and Annual Report, TechSci Research
Established in 1991, HCL Technologies Ltd is an IT services company providing enterprise and custom application, business transformation, infrastructure management, business process outsourcing and engineering services. The company’s network of 26 offices is spread across the US, Europe and Asia Pacific.

Achievements:

- 2015: Won Golden Peacock Award for Occupational Health & Safety
- 2015: Winner of CII - National Award for Excellence in Energy Management
- 2015: Wins 2 CA Technologies Partner Awards
- 2014: Received Best Governed Company Award from Asian Centre for Corporate Governance & Sustainability
- 2013: Won IT Europa, European IT Excellence Awards and Asia Pacific Enterprise Leadership Award 2013

Segment-wise revenue breakdown (March 16):

- Application Services: 39.9%
- Infrastructure Services: 18.7%
- Engineering and R&D Services: 36.2%
- Business Services: 5.2%

Source: HCL Technologies website and Investor Presentation, TechSci Research
HCL: GROWING BY LEAPS AND BOUNDS … (2/3)

Financial performance (USD Million)

Number of customers

Revenue  Operating Profit

USD5 Mn+   USD10 Mn+   USD40 Mn+   USD50 Mn+   USD100 Mn+

2014 2015 2016¹

Source: HCL Technologies website, HCL Annual Report, HCL Investor Presentation, TechSci Research
Notes: 2016¹ – Data is till 31st March 2016

For updated information, please visit www.ibef.org
HCL: GROWING BY LEAPS AND BOUNDS … (3/3)

1997
Established with spun-off HCL’s R&D business

1998
Signed the biggest ever software service deal with DSG

1999
FY06
Launched IPO

2000

2001

2002

2003

2004

2005

2006

2007

2008

2009

2010

2011

2012

2013

2014

2015

2016

FY15
HCL Technologies came in joint venture agreement with CSC

FY14
HCL forays into healthcare with the launch of HCL Healthcare

FY06
Signed the biggest ever software service deal with DSG

Orgnic growth through prudent strategies

Adoption of non-linear strategy; formation of JVs and alliances

Diversification of business and geography mix

Acquisition of Capitalstream and AXON Group

FY15
Revenue crossed USD5.5 Billion

FY16
Revenue reached USD4.7 Billion

HCL: GROWING BY LEAPS AND BOUNDS … (3/3)


For updated information, please visit [www.ibef.org](http://www.ibef.org)
Established in 1981, Infosys Limited is engaged in consulting, engineering, technology and outsourcing services. The company's end-to-end services include consulting and system integration. Infosys operates through 30 offices across India, the US, China, Australia, the UK, Canada and Japan.

**Achievements:**

- FY16: Revenue crosses USD9.5 billion
- FY15: Revenue crosses USD8.7 Billion
- 2016: Infosys was recognised with “Corporate Citizen of the Year” at 2015 Economic Times Award
- 2015: Infosys would offer software solutions on Verizon Cloud for the U.S. Bank
- 2015: Infosys completed the implementation of Smart Oilfield Services Solutions for FTS International
- 2014: Infosys secured the “Green Energy Award” and “Gold Award” at the International Ashden Awards Ceremony
- 2013: Ranked first in the annual Euromoney Best Managed Companies in Asia survey

In November 2016, Infosys invested around USD4.89 million in a venture fund, Stellaris Venture Partners, so as to gain access to new and innovative technology offered by upcoming enterprises.
INFOSYS: EMERGENCE OF AN INDIA-BASED MNC … (2/3)

Financial Performance (USD Billion)

<table>
<thead>
<tr>
<th>FY09</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
<th>FY14</th>
<th>FY15</th>
<th>FY16</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.0</td>
<td>4.8</td>
<td>6.0</td>
<td>7.0</td>
<td>7.4</td>
<td>8.3</td>
<td>8.7</td>
<td>9.5</td>
</tr>
</tbody>
</table>

Operating Profit

Number of Customers

USD1 Mn+ USD5 Mn+ USD10 Mn+ USD25 Mn+ USD50 Mn+ USD100 Mn+

2013 2014 2015 2016

Source: Infosys website and Annual Report, TechSci Research

For updated information, please visit www.ibef.org
INFOSYS: EMERGENCE OF AN INDIA-BASED MNC … (3/3)

- **1981** Founded in Pune with an initial capital of USD250
- **1992** Organic growth
- **1993** Launched IPO
- **1995** Expansion across the world and offshore business
- **1998** Large client acquisitions
- **1999** Reached USD100 million and listed on NASDAQ
- **2002**
- **2008**
- **2012**
- **2016**

- **FY12** Listed on the NYSE market
- **FY15** USD8.7 Billion turnover
- **FY16** USD9.5 Billion turnover

- **Strong diversified client base of 890 clients in FY14**

Source: Infosys website and Annual Report, TechSci Research
National Association of Software and Services Companies (NASSCOM)
Address: 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
APAC: Asia Pacific
BFSI: Banking, Financial Services and Insurance
BPM: Business Process Outsourcing
CAGR: Compounded Annual Growth Rate
C&U: Construction & Utilities
FDI: Foreign Direct Investment
GOI: Government of India
INR: Indian Rupee
IT & ITeS: Information Technology-Information Technology Enabled Services
NAC: Nasscom Assessment of Competence
RoI: Return on Investment
ROW: Rest of the World
SEZ: Special Economic Zone
SLA: Service Level Agreement
GLOSSARY … (2/2)

* SMB: Small and Medium Businesses
* STPI: Software Technology Parks of India
* T&M: Telecom & Media
* T&T: Travel and Transport
* USD: US Dollar
* USP: Unique Selling Proposition
* UT: Union Territory
* Wherever applicable, numbers have been rounded off to the nearest whole number
## Exchange Rates (Fiscal Year)

<table>
<thead>
<tr>
<th>Year</th>
<th>INR equivalent of one USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004–05</td>
<td>44.81</td>
</tr>
<tr>
<td>2005–06</td>
<td>44.14</td>
</tr>
<tr>
<td>2006–07</td>
<td>45.14</td>
</tr>
<tr>
<td>2007–08</td>
<td>40.27</td>
</tr>
<tr>
<td>2008–09</td>
<td>46.14</td>
</tr>
<tr>
<td>2009–10</td>
<td>47.42</td>
</tr>
<tr>
<td>2010–11</td>
<td>45.62</td>
</tr>
<tr>
<td>2011–12</td>
<td>46.88</td>
</tr>
<tr>
<td>2012–13</td>
<td>54.31</td>
</tr>
<tr>
<td>2013–14</td>
<td>60.28</td>
</tr>
<tr>
<td>2014–15</td>
<td>61.06</td>
</tr>
<tr>
<td>2015–16</td>
<td>65.46</td>
</tr>
<tr>
<td>2016-17 (E)</td>
<td>66.95</td>
</tr>
</tbody>
</table>

## Exchange Rates (Calendar Year)

<table>
<thead>
<tr>
<th>Year</th>
<th>INR equivalent of one USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>43.98</td>
</tr>
<tr>
<td>2006</td>
<td>45.18</td>
</tr>
<tr>
<td>2007</td>
<td>41.34</td>
</tr>
<tr>
<td>2008</td>
<td>43.62</td>
</tr>
<tr>
<td>2009</td>
<td>48.42</td>
</tr>
<tr>
<td>2010</td>
<td>45.72</td>
</tr>
<tr>
<td>2011</td>
<td>46.85</td>
</tr>
<tr>
<td>2012</td>
<td>53.46</td>
</tr>
<tr>
<td>2013</td>
<td>58.44</td>
</tr>
<tr>
<td>2014</td>
<td>61.03</td>
</tr>
<tr>
<td>2015</td>
<td>64.15</td>
</tr>
<tr>
<td>2016 (Expected)</td>
<td>67.22</td>
</tr>
</tbody>
</table>

Source: Reserve bank of India, Average for the year

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