IT & ITeS
EXECUTIVE SUMMARY

- 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 US$ 350 billion by 2025.

- 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.

- 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’ fresh engineering talent pool, with more than 98 per cent of the colleges offering this stream.

- The sector ranks 4th in India’s total FDI share and accounts for approximately 37 per cent of total Private Equity and Venture investments in the country. The computer software and hardware sector in India attracted cumulative Foreign Direct Investment (FDI) inflows worth US$ 24.67 billion between April 2000 and March 2017, according to data released by the Department of Industrial Policy and Promotion (DIPP).

- Indian IT exports are projected to grow at 7-8 per cent in 2017-18. IT-BPM sector accounts for largest share in total Indian services export, which is 45 per cent.

- India’s IT industry contributed around 7.7 per cent to the country’s GDP. IT industry employs nearly 3.9 million people in India of which more than 170,000 added in FY17.

- IT industry is fueling the growth of startups in India, with the presence of more than 4,750 startups in India.

**Note:** BPM – Business Process Management, USP – Unique Selling Proposition

**Source:** NASSCOM, DIPP, Aranca Research
ADVANTAGE INDIA
ADVANTAGE INDIA

- 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.
- Indian IT firms have delivery centres across the world.
- IT & ITeS 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.
- 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 US$ 200 billion in the past 5 years.
- Tax holiday of five years to innovative startups in the IT sector under ‘Startup India’.
- More liberal system for raising global capital, funding for seed capital and growth and ease of doing business, etc. have been addressed.
- Cumulative FDI inflow in computer software and hardware is US$ 24.67 billion from April 2000 to March 2017.

Note: Nasscom
Source: SEZ stands for Special Economic Zone, BFSI stands for Banking, Financial Services and Insurance, E stands for Estimate, F stands for Forecast
MARKET OVERVIEW
EVOLUTION OF THE INDIAN IT SECTOR

- By early 90s, US-based companies began to outsource work on low-cost and skilled talent pool in India.

- With increased investment in R&D, India became a product development destination.

- 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.

- Firms in India became multinational companies with delivery centres across the globe.

- India’s IT sector is at an inflection point, moving from enterprise servicing to enterprise solutions.

- The US$ 150 billion Indian IT industry employs nearly four million people.

- India ranks third among global start-up ecosystems with more than 4750 start-ups.

- Indian IT and BPM industry is expected to grow to US$ 300 billion by 2020.

- Indian IT exports are projected to grow at 7-8 per cent in 2017-18.
# SEGMENTS OF INDIA’S IT SECTOR

## IT & ITeS sector

### IT services
- Market Size: US$ 75 billion during FY16 E.
- Over 81 per cent of revenue comes from the export market.
- BFSI continues to be the major vertical of the IT sector.
- IT services had 52 per cent share in total Indian IT sector revenues in 2017.

### Business Process Management
- Market size: US$ 28 billion during FY16E.
- Around 87 per cent of revenue comes from the export market.
- Market size of BPM industry to reach US$ 54 billion by FY25.
- BPM segment had 19 per cent share in Indian IT sector revenues in 2017.

### Software products and engineering services
- Market size: US$ 27 billion during FY16E.
- Over 83.9 per cent of revenue comes from exports.
- The software products and engineering services segment grew 10.5 per cent in FY17.
- It had 19 per cent share in Indian IT sector revenues in 2017.

### Hardware
- Market size: US$ 14 billion in FY17.
- The domestic market accounts for a significant share.
- The segment had 9 per cent share in Indian IT sector revenues in 2017.

---

**Notes:** E - estimated  
**Source:** NASSCOM, Aranca Research  
For updated information, please visit www.ibef.org
INDIA’S IT MARKET SIZE GROWING

- IT BPM industry revenues (excluding hardware) is estimated at around US$ 130 billion in FY 2015-16 and is estimated to be at US$ 154 billion in FY 2016-17.
- The contribution of the IT sector to India’s GDP stood at 7.7 per cent in 2016.
- TCS is the market leader, accounting for about 10.4 per cent of India’s total IT & ITeS sector revenue in FY16.
- The top 5 IT firms contribute over 25 per cent to the total industry revenue Rs 8.4 lakh crore (US$ 131.11 billion) as of 2017, indicating the market is fairly competitive.
- The domestic revenue of the IT industry is estimated at US$ 38 billion and export revenue is estimated at US$ 117 billion in FY 17.

**Market size of IT industry in India (US$ billion)**

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Domestic (US$ billion)</th>
<th>Export (US$ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY10</td>
<td>24</td>
<td>50</td>
</tr>
<tr>
<td>FY11</td>
<td>29</td>
<td>59</td>
</tr>
<tr>
<td>FY12</td>
<td>32</td>
<td>69</td>
</tr>
<tr>
<td>FY13</td>
<td>32</td>
<td>76</td>
</tr>
<tr>
<td>FY14</td>
<td>32</td>
<td>86</td>
</tr>
<tr>
<td>FY15</td>
<td>48</td>
<td>98.5</td>
</tr>
<tr>
<td>FY16</td>
<td>35</td>
<td>108</td>
</tr>
<tr>
<td>FY17</td>
<td>38</td>
<td>117</td>
</tr>
</tbody>
</table>

**Note:** E - estimate

**Source:** NASSCOM, Aranca Research
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 US$ 108 billion during FY16; exports rose at a CAGR of 61.68 per cent during FY09–16
- Export of IT services has been the major contributor, accounting for 52 per cent of total IT exports (including hardware) during FY17
- BPM accounted for 19 per cent of total IT exports during FY17
- In India, Personal Computer (PC) and Laptop shipments registered a YoY growth of 8.54 per cent to reach 2.16 million in the January-March 2017 quarter.

Growth in export revenue (US$ billion)

CAGR 61.68 %

Sector-wise breakup of export revenue FY16

Note: E - estimated
Source: Nasscom, Make in India
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 US$ 58.32 billion by the end of 2016, accounting for 54 per cent of total IT-BPM exports from India.

- Approximately 79 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%
- **Retail**: 6%
- **Travel and transportation**: 4%
- **Healthcare**: 3%
- **Construction and utilities**: 2%
- **Others**: 4%

**Note:** BFSI - Banking, Financial Services and Insurance, *Emerging* - Retail, Utilities andand Construction, Retail, Healthcare, Services, Transportation. The figures mentioned are for IT and BPM only and do not include engineering services and hardware exports.

**Source:** MoRTH, Department of Electronics and IT Annual Report
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.
- As of FY16, US and UK are the leading customer markets with a combined share of nearly 80 per cent. However, there is growing demand from APAC, Latin America and Middle East Asia.
- 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.

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 layers</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</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>● Large scale operations and infrastructure</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>● 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</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>● Dedicated captive centres</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>● 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</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>● Dedicated captives offering niche services</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>● 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 focusing on specific niches in either services or verticals</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>● Includes Indian providers and small niche captives</td>
</tr>
</tbody>
</table>

*Source: Nasscom*
Porter’s Five Force Framework Analysis

**Threat of Substitutes**
- **Medium** – 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**
- **Low** – Bargaining power of suppliers is less as most of their businesses come from the same geographies
  - Price taker rather than price maker

**Competitive Rivalry**
- **High** – 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**
- **High** – Easy entry as the capital required is low
  - Large players, however, tougher prospects of small and medium players to win large deals

**Bargaining Power of Buyers**
- **High** – Bargaining power is high as many IT firms fight for a similar project
  - Firms are mostly dependent on same geography, which increases customer power
RECENT TRENDS AND STRATEGIES
# NOTABLE TRENDS

<table>
<thead>
<tr>
<th>Global delivery model</th>
<th>▪ Indian software product industry is expected to reach the mark of US$ 100 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</th>
</tr>
</thead>
</table>
| Leading sourcing destination | ▪ 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. |
| Most lucrative sector for investments | ▪ The sector ranks 4th in India’s total FDI share and accounts for approximately 37 per cent of total Private Equity and Venture investments in the country. The computer software and hardware sector in India attracted cumulative Foreign Direct Investment (FDI) inflows worth US$ 24.67 billion between April 2000 and March 2017, according to data released by the Department of Industrial Policy and Promotion (DIPP). |
| 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 US$ 225 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 |
| 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 |
NOTABLE TRENDS

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

Make in India
- In May 2017, the central government announced to launch a policy named as Phased Manufacturing Programme (PMP), which was developed by the Ministry of Electronics and Information Technology (MeitY) with an aim to boost the manufacturing of cell phones in the country.

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

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 50000, 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
## STRATEGIES ADOPTED

### Movement to SMAC and 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

### Fast-growing sectors within the BPM domain
- Knowledge services, data analytics, legal services, Business Process as a Service (BPaaS), cloud-based services

### 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

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

### 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
GROWTH DRIVERS AND OPPORTUNITIES
IT SECTOR TO BE DRIVEN BY STRONG DEMAND AND INDIAN EXPERTISE

- Global BPM spending estimated to rise and reach to US$ 233 billion by 2020
- 6 million graduates are estimated to have been added to India’s talent pool in FY16, wherein, IT-BPM employees are estimated to reach 3.7 million.
- Strong mix of young and experienced professionals

- 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 and 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

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

Source: Nasscom
EXVPORTS TO REMAIN ROBUST AS GLOBAL IT INDUSTRY MAINTAINS GROWTH

- In FY17 the estimated revenue from exports of IT and BPM sector is US$ 117 billion. Global IT-BPM spending (excluding hardware) has grown 0.4 per cent over 2015 to nearly US$ 1.2 trillion.
- India’s IT industry amounts to 7 per cent of the global market, largely due to exports. India comprises of more than 15,000 firms, of which 1000+ are large firms.
- During FY17 the country’s revenue growth in IT exports is expected at 10 per cent and 7-8 per cent in FY 18.
- Emergence of SMAC would provide US$ 1 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 US$ 380–420 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 industry (US$ billion)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (US$ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY10</td>
<td>50</td>
</tr>
<tr>
<td>FY11</td>
<td>59</td>
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<tr>
<td>FY12</td>
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<td>98.5</td>
</tr>
<tr>
<td>FY16</td>
<td>108</td>
</tr>
<tr>
<td>FY17</td>
<td>117</td>
</tr>
</tbody>
</table>

*Note: E - estimated
Source: Nasscom, Media Sources*
Availability of skilled English speaking workforce has been a major reason behind India’s emergence as a global outsourcing hub.

During FY10-16, number of graduates addition to talent pool in India grew at a CAGR of 8.39 per cent. India added more than 6 million graduates to the talent pool during FY16.

The office space absorption by the information technology (IT) and IT-enabled services (ITeS) companies increased by 10% to 16.81 million square feet (sq. ft.) in 2016 over the previous year,

About 2 per cent of the industry revenue is spent on training employees in the IT-BPM sector

US$ 1.6 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

**Note:** Graduates includes both graduates and post graduates

**Source:** Nasscom, India Hiring Intent Survey 2017
SEZ’S TO DRIVE IT SECTOR; TIER II CITIES EMERGE AS NEW CENTERS

- IT-SEZs have been initiated with an aim to create zones that lead to infrastructural development, exports and employment
- As on 31st March 2017, there were over 218 operational SEZs across the country
- Telangana government is planning to set up more IT hubs beyond Hyderabad. The state government has sanctioned US$ 3.7 million to develop IT incubation centres in Khammam and Karimnagar districts and decentralize the IT sector.
- 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
- Odisha Government signed a MoU with Software Technology Parks of India (STPI) for setting up 4 software technology centres
- In February 2017, Persistent Systems, a Pune-based company, secured development rights to a number of patented innovations for enhancing security of financial services from The United Services Automobile Association (USAA)

### Parameters

<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</td>
<td>100 per cent tax holiday on exports for 1st 5 years</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>23 per cent STPI units in tier II and III cities</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**IT sector employment distribution in Tier I and Tier II/III cities**

<table>
<thead>
<tr>
<th>Year</th>
<th>Tier I locations</th>
<th>Tier II locations</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>1,821</td>
<td>175</td>
</tr>
<tr>
<td>2018</td>
<td>1,615</td>
<td>3,230</td>
</tr>
</tbody>
</table>

Note: SEZ – Special Economic Zone, STPI (Software Technology Parks of India)
Source: E Y, Nasscom
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 2017, there were over 1500 GICs operating out of India. GICs in India today represent a US$ 23.1 billion industry. The impact of the segment goes beyond revenue and employment, as it helps in developing India as a R&D hub and create an innovation ecosystem in the country.

Within the captive landscape, Engineering Research and Development/Software Product Development (ERD/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.

Source: Zinnov, Nasscom
IMPRESSIVE GROWTH PROSPECTS SUSTAIN PE AND VC INTEREST

- Total P/E investments in FY16 were observed to be US$ 5 billion, which increased at a CAGR of 25.7 per cent from US$ 0.8 billion in FY08
- Total number of P/E investment deals increased from 235 in FY15 to 294 in FY16

Note: CAGR – Compound Annual Growth Rate
Source: Venture Intelligence, Nasscom
NEWER GEOGRAPHIES AND VERTICALS PROVIDE HUGE OPPORTUNITIES

- 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 2nd largest IT market

- SMBs have IT spend of approximately US$ 230–250 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 US$ 190 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

Note: SMB - Small and Medium Businesses
Source: International Data Corporation (IDC), Nasscom
EXPANSION OF FOCUS AREAS TO AID FUTURE GROWTH … (1/2)

- 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.

- RBI is executing a plan to reduce online transaction costs to encourage digital banking in India.

- In March 2017, the government set a target of achieving 25 billion digital transactions for banks with the help of PoS machines, transactions enabled and merchants, which have been added in firms.

- In March 2017, Samsung launched a mobile payment service, through which it facilitates the customers to make payments at numerous retail locations instead of using mobile wallets, credit or debit cards.

- In 2017, ICICI Bank announced plans to create 600 digital villages in India by the year end, to motivate use of digital transactions in remote areas. Also, the government launched Bharat Interface for Money app which helps customers to transact through mobile phones.

**Market size of other progressing verticals by 2020 (US$ billion)**

<table>
<thead>
<tr>
<th>Vertical</th>
<th>2020 (US$ 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>

**Note:** SMB - Small and Medium Business
**Source:** Nasscom
EXPANSION OF FOCUS AREAS TO AID FUTURE GROWTH … (2/2)

- Emerging geographies would drive the next growth phase 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 per cent</td>
<td>Enterprise applications, cyber security, healthcare IT</td>
</tr>
<tr>
<td>Europe</td>
<td>US$ 230 billion</td>
<td>&lt;1.5 per cent</td>
<td>IT sourcing, BPM, IS outsourcing, CAD</td>
</tr>
<tr>
<td>Japan</td>
<td>US$ 235 billion</td>
<td>&lt;1 per cent</td>
<td>CRM, ERP, Salesforce automation, SI</td>
</tr>
<tr>
<td>Spain</td>
<td>US$ 26 billion</td>
<td>&lt;1.5 per cent</td>
<td>IT sourcing, SI</td>
</tr>
<tr>
<td>Mexico</td>
<td>US$ 29 billion</td>
<td>~4 per cent</td>
<td>IT sourcing, BPM</td>
</tr>
<tr>
<td>Brazil</td>
<td>US$ 47 billion</td>
<td>~2 per cent</td>
<td>Low level application management, artificial intelligence, R D</td>
</tr>
<tr>
<td>China</td>
<td>US$ 105 billion</td>
<td>&lt;1 per cent</td>
<td>Software outsourcing, R D</td>
</tr>
<tr>
<td>Australia</td>
<td>US$ 48 billion</td>
<td>~4 per cent</td>
<td>Procurement outsourcing, infrastructure software and CAD</td>
</tr>
</tbody>
</table>

Source: Nasscom
CASE STUDIES
TCS: AN EMERGING GLOBAL IT MAMMOTH

- 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).
- TCS accounts for nearly half of the Indian IT industry’s combined market capitalisation
- In April 2017, TCS has approved a buyback plan for US$2.38 billion. The shares represent 2.85 per cent in the buyback of the total equity capital at US$42.39 per share.

Achievements:
- 2016: Won 3 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

Source: TCS Website, Annual Report

Financial performance (US$ Billion)

 Segment-wise revenue breakdown (FY17)

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

CAGR 21.6 %
TCS: MILESTONES

1968
India’s first software service company

2003-04
Became the first software company in India to cross US$ 1 billion revenue; Issued IPO in the market in India and raised US$ 1.2 billion in 2004

2012-13
Acquired microDATA GIS in 2012; Acquired IT service firm Alti in France in 2013

2015-16
Revenue reached US$ 15.7 billion in FY15 and US$ 16.6 billion in FY16.

2017
Revenue reached US$ 18.3 billion in FY17.

Source: Company website
Established in 1981, Infosys Ltd. 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.

In November 2016, Infosys invested around US$ 4.89 million in a venture fund, Stellaris Venture Partners, so as to gain access to new and innovative technology offered by upcoming enterprises.

Achievements:
- 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 1st in the annual Euromoney Best Managed Companies in Asia survey

Source: Infosys Website, Annual Report
INFOSYS: MILESTONES

1981
Founded in Pune with an initial capital of US$ 250

1993
Launched IPO

1999
Reached US$ 100 million and listed on NASDAQ

2012-14
Listed on the NYSE market in FY 12; Strong diversified client base of 890 clients in FY14

2015-2017

Source: Company website
KEY INDUSTRY ORGANISATIONS
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
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
- 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
- SMB: Small and Medium Businesses
- STPI: Software Technology Parks of India
- T M: Telecom and Media
- T T: Travel and Transport
- US$: US Dollar
- USP: Unique Selling Proposition
- UT: Union Territory
- Wherever applicable, numbers have been rounded off to the nearest whole number
## EXCHANGE RATES

### Exchange Rates (Fiscal Year)

<table>
<thead>
<tr>
<th>Year (Fiscal Year)</th>
<th>INR equivalent of one US$</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>
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<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>67.23</td>
</tr>
</tbody>
</table>

### Exchange Rates (Calendar Year)

<table>
<thead>
<tr>
<th>Year (Calendar Year)</th>
<th>INR equivalent of one US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>43.98</td>
</tr>
<tr>
<td>2006</td>
<td>45.18</td>
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<tr>
<td>2007</td>
<td>41.34</td>
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<td>2008</td>
<td>43.62</td>
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<td>2009</td>
<td>48.42</td>
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<td>2010</td>
<td>45.72</td>
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<td>2011</td>
<td>46.85</td>
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<tr>
<td>2012</td>
<td>53.46</td>
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<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*