THE IT-BPM SECTOR IN INDIA

Strategic Review 2013

NASSCOM®

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NASSCOM is the premier trade body as well as the Chamber of Commerce of the IT-BPM sector in India. It is a not-for-profit organisation and has emerged as the authentic voice of this industry in India. It is also the single reference point for all information on IT industry in India. NASSCOM publishes an annual edition of its Strategic Review to disseminate the latest status of the industry.

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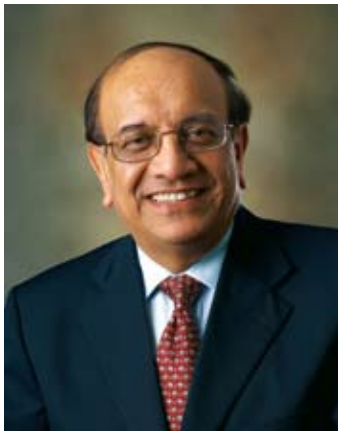
FOREWORD



2012 turned out to be another year where uncertainty was the only thing that was certain. Persistent economic weakness continued to sap our abilities to address environmental challenges. But shocks are more than just natural phenomenon and, as events since 2008 show, they are increasingly systemic – transcending boundaries between geographies, markets and polities. In an interdependent, fast moving world, uncertainties are amplified – exposing many and insulating few. This presents new challenges for public and private sectors which need to be more agile and able to experiment with different development solutions in the face of rising complexity and improbabilities. This in turn is the new role of technology in general, to enhance customer capabilities, help open untapped markets, drive transformation and create a positive impact on business outcomes.

The Indian IT-BPM industry has remained a global powerhouse because it has not remained a stationary target. It has exhibited rapid evolution in terms of expanding their vertical and geographic markets, attracted new customer segments, transformed from technology providers to strategic business partners, and offering a considerably wider spectrum of services over the years. What is emerging as a crucial differentiator going forward is the Indian industry's ability to deliver enterprising solutions- IP driven, multi-platform and productised services. At the same time, the industry is leading the drive to design solutions incorporating social, mobile, analytics and cloud technologies to provide innovative, enterprising answers to the unique challenges of this decade.

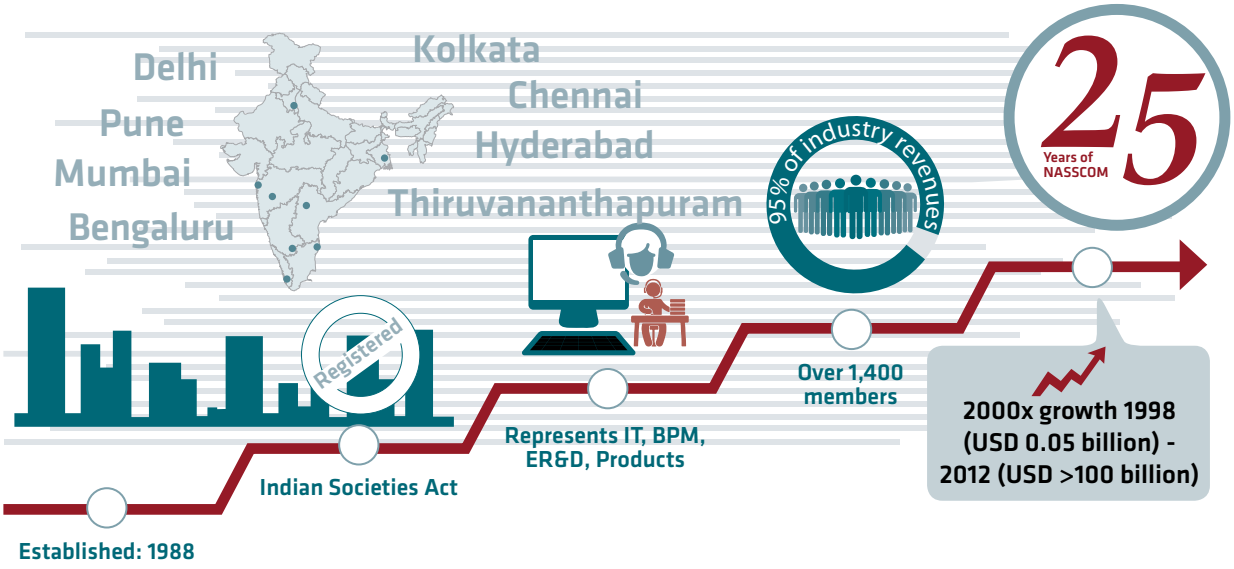
"The industry is re-shaping itself to maintain its growth trajectory. Its outlook remains bright and the sector will remain a game changer in this decade."

The Indian IT-BPM sector is estimated to aggregate revenues of USD 108 billion in FY2013, with exports touching USD 75.8 billion, growing at 10.2 per cent. During this period, direct employment is expected to reach nearly three million, an addition of 188,300 employees, while indirect job creation is estimated at 9.5 million. Domestic IT-BPM services revenue is expected to grow at 14.1 per cent to gross ₹ 1,047 billion in FY2013. Strong economic growth, rapid advancement in technology infrastructure, increasingly competitive Indian organisations, enhanced focus by the government and emergence of business models that help provide IT to new customer segments are key drivers for increased technology adoption in India.

NASSCOM reaffirms its commitment to facilitate the industry's growth towards its 2020 vision. This report assesses various factors relating to the Indian IT-BPM sector performance and key trends in the current fiscal year (FY2013), reviews the key components of India's value proposition and provides a view on the outlook projected for the global and the Indian IT-BPM sector. This annual report is the only one of its kind assemblage of facts and indicators, and an apogee of NASSCOM's research efforts throughout the year. We trust you will find the report useful and we welcome your feedback and comments.

Som Mittal
President

About NASSCOM



What we do

- Set Strategic direction for industry
- Best practices, sharing and collaboration
- International partnerships and Policy
- Workforce development
- Incubate and build new sectors

NASSCOM®

Activites and Member Exclusive

- Policy Advocacy
- Global Trade Development
- Entrepreneurship
- Domestic IT
- Membership Engagement
- Industry Development
- Enabling Environment
- Sustainability

MEMBER EXCLUSIVE

- Engage, strategise through specific sectoral forums and initiatives
- Network with multiple stakeholders through international delegations and events
- Peer learning and sharing, mentor emerging organisations
- Build brand and leadership
- Access research and thought leadership

Affiliated Organisations: NASSCOM FOUNDATION, DSCI, nLSg

Global economic outlook continues to be cautious...

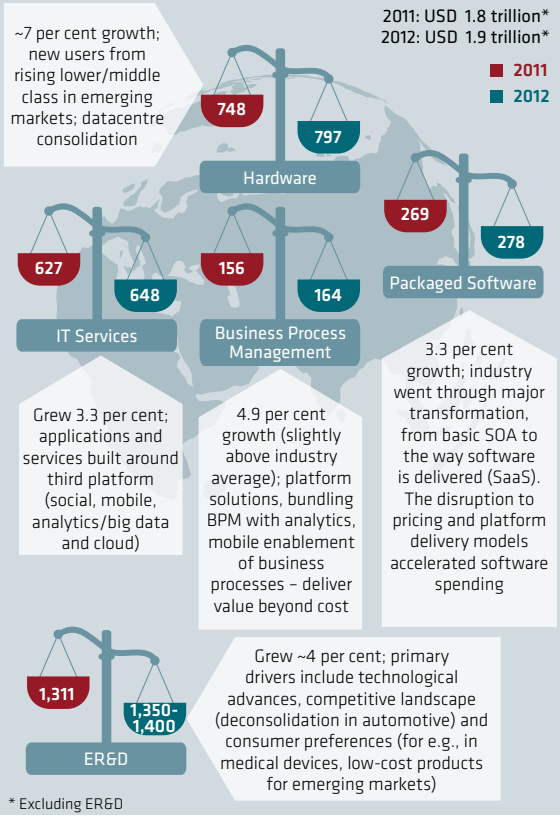
Global economic outlook – Cautious optimism

GDP growth rates for 2012-2013, per cent

...Austerity measures affect technology spend: ~5 per cent growth in 2012

Worldwide IT-BPM spend
USD billion

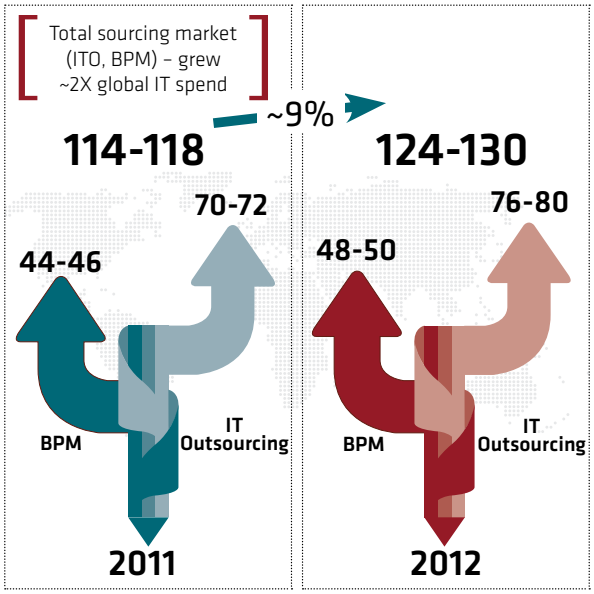
Global IT-BPM market recorded growth of 4.8 per cent in 2012



* Excluding ER&D

Source: Booz & Company, Everest Research, Forrester, Gartner, IDC, IMF NASSCOM

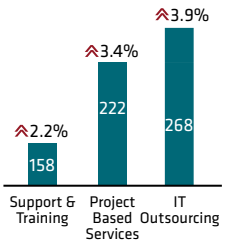
Global sourcing market size
USD billion



Segment growth remains positive, bolstered by IT outsourcing and F&A services

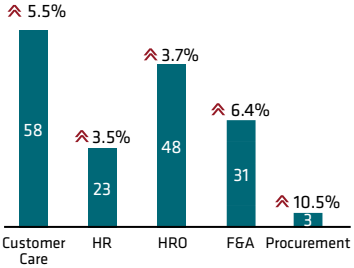
USD billion

IT Services



Hosted application management and hosted infrastructure services recorded highest growth

BPM



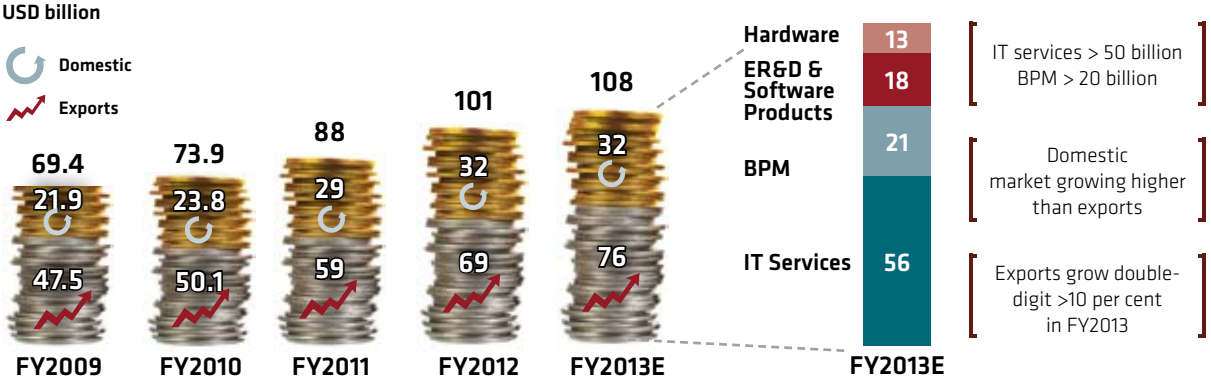
Growth areas remained more profound in procurement and F&A where there has been a strong platform play

Growth
2012

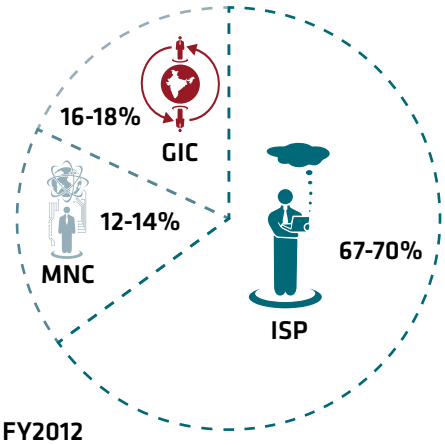
The year of transformation for the IT-BPM industry

Exports mainstay of the industry, domestic market growing

IT-BPM revenue break-up
USD billion

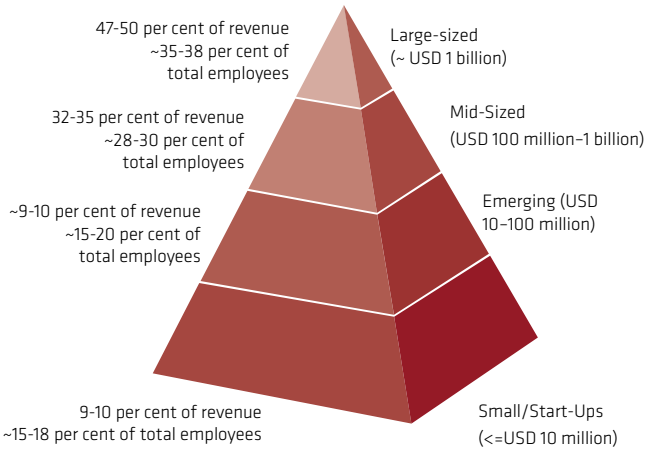


Player diversity

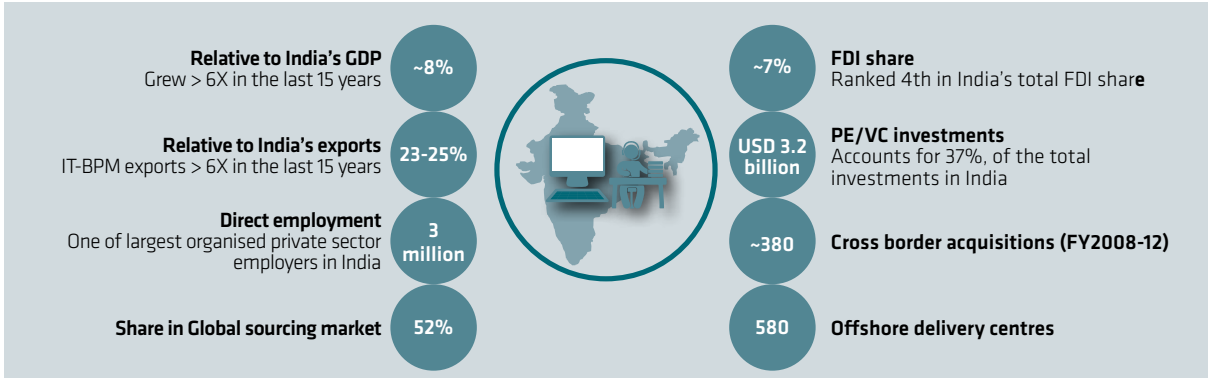


FY2012

Industry landscape



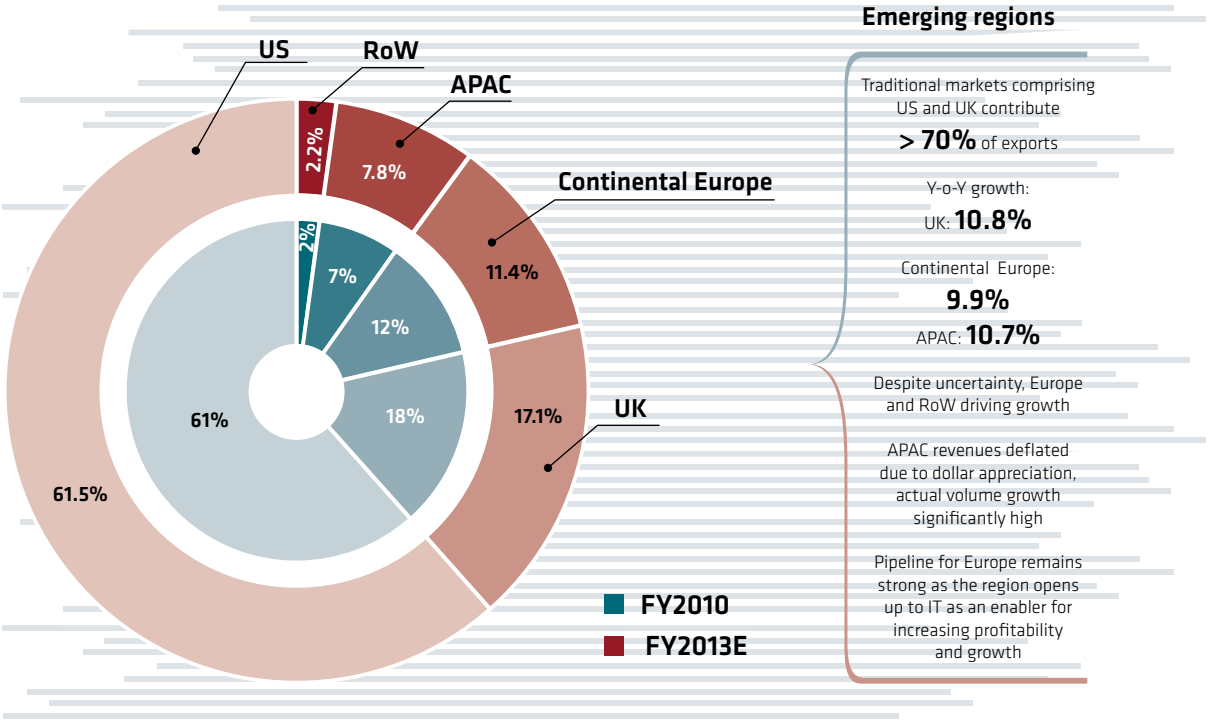
IT-BPM: Highest impact sector for India



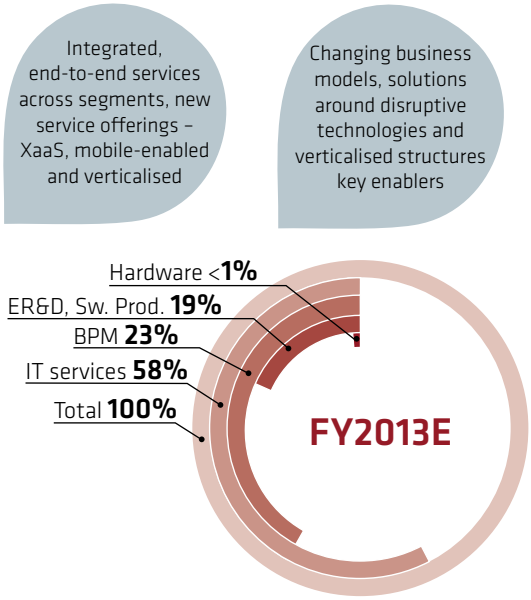
ISP: Indian Service Provider, MNC: Multinational Company, GIC: Global In-house Centre
Source: NASSCOM

India's IT-BPM industry: Resiliance in challenging times

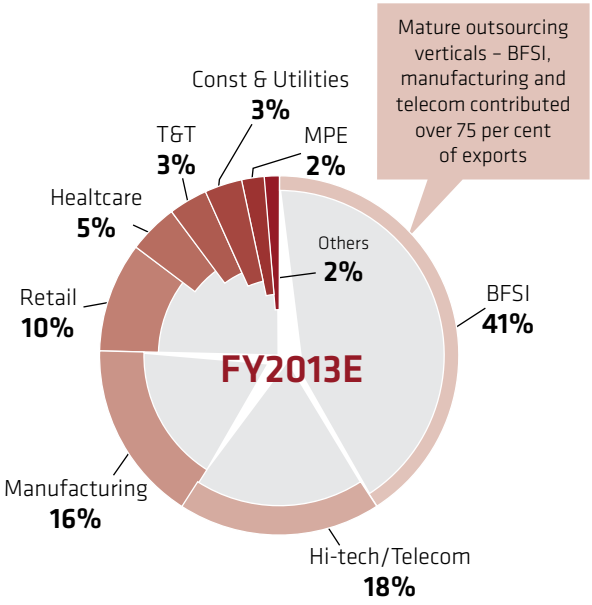
Demand surge in Europe, the highlight of the year



IT-BPM exports by serviceline



Vertical-wise* break-up



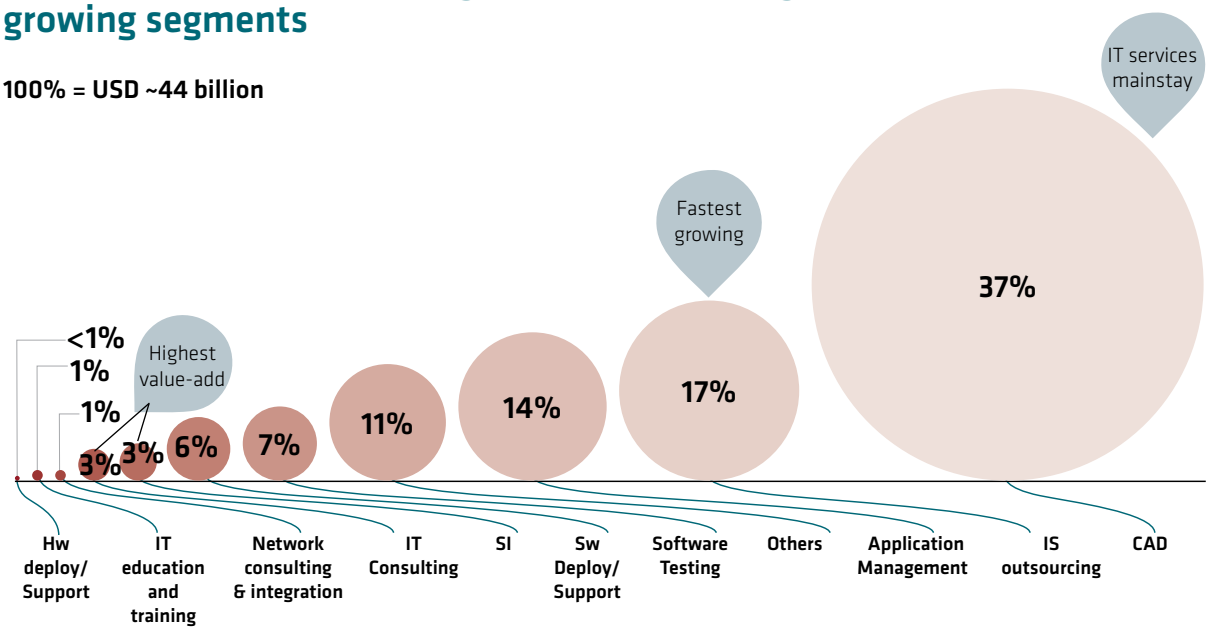
100%=USD 76 billion

E: Estimate; *Excludes hardware exports
T&T: Travel & Transportation, MPE: Media, Publishing & Entertainment; Others: Include Government, Education
Source: NASSCOM

IT services increasingly driven by IS outsourcing, BPM by knowledge based services

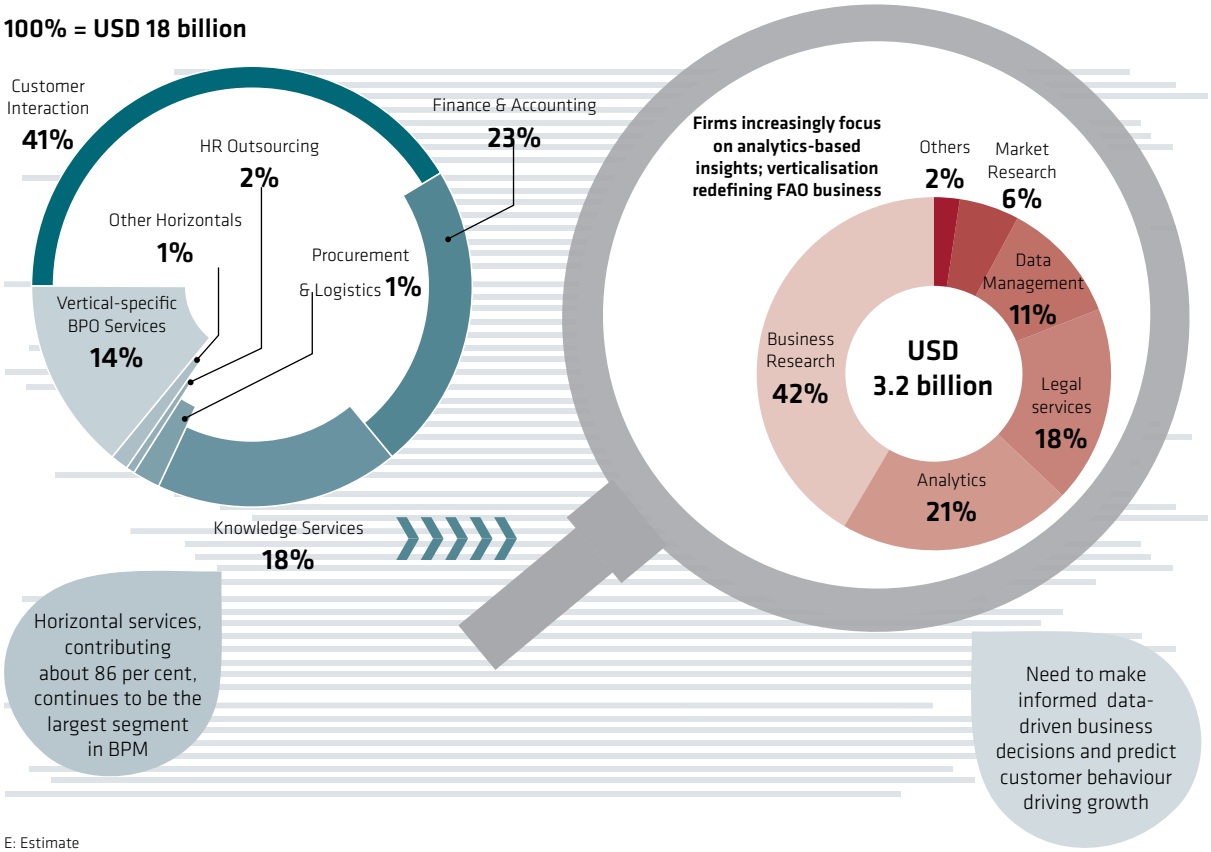
IT services: Software testing and IS outsourcing fastest growing segments

100% = USD ~44 billion



BPM Exports: Value addition and analytic key drivers

100% = USD 18 billion

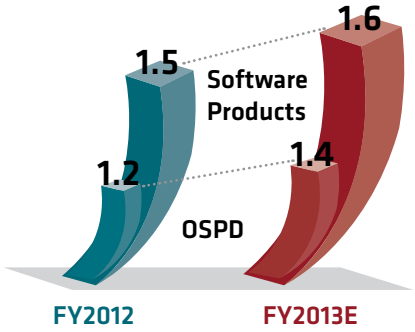


E: Estimate

Incremental growth coming from emerging technologies for OSPD, products and ER&D

Software products driven by SMAC Technology

USD billion



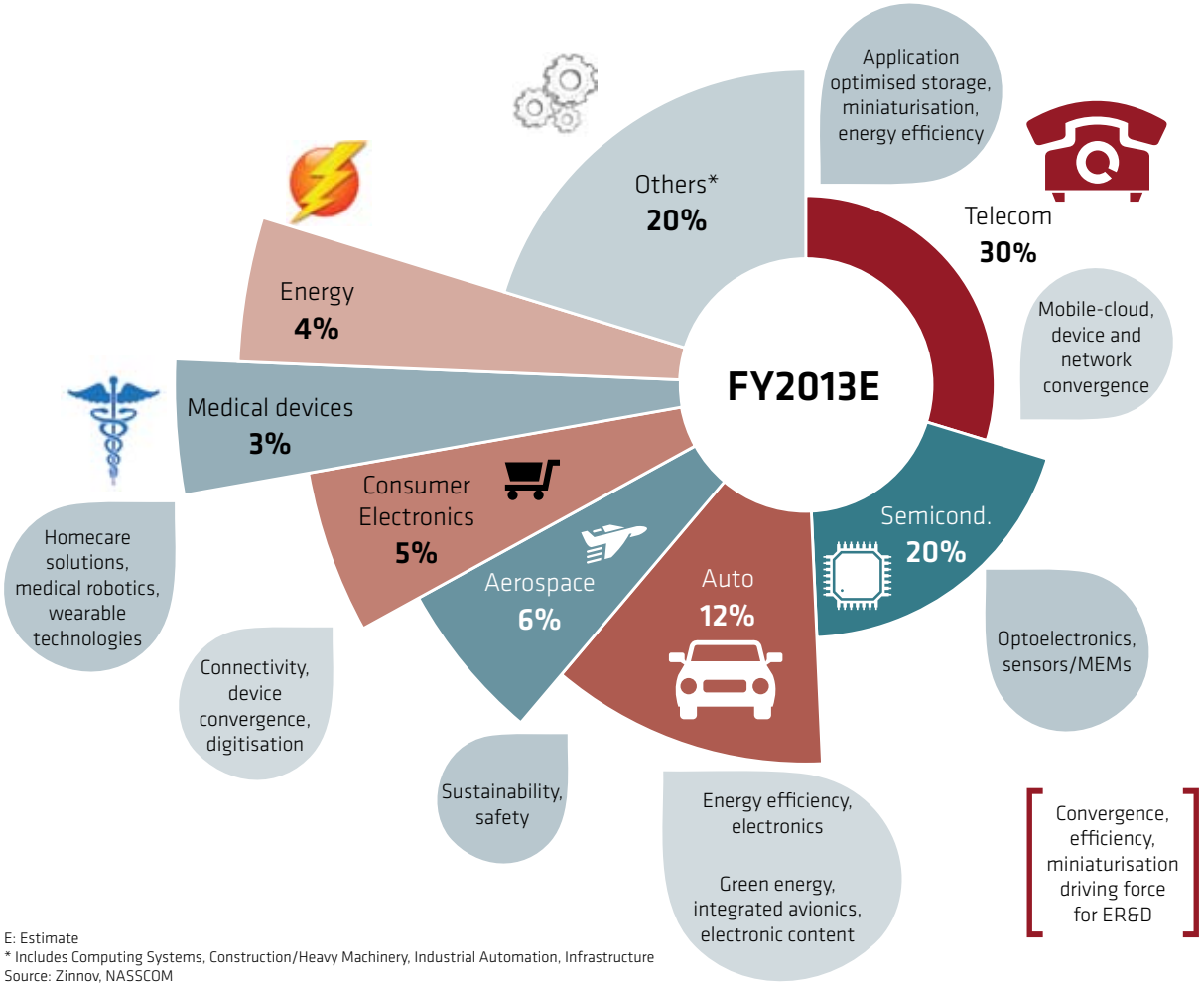
Focus of product development around SMAC technologies

Cloud technology expanding access to larger customer base and driving demand for hosted applications

Vendor-Customer relationship:
Offer consulting services – product, technology roadmap
Co-innovate products
Extended marketing team for clients

ISVs traditional clients; demand emerging from non-IT, Industrial clients

ER&D account for ~15 per cent of exports; to cross USD 11 billion

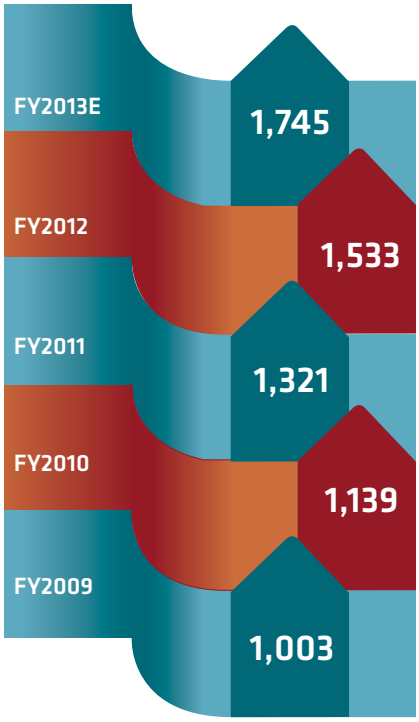


E: Estimate
* Includes Computing Systems, Construction/Heavy Machinery, Industrial Automation, Infrastructure
Source: Zinnov, NASSCOM

Domestic IT-BPM: Consumerisation driving demand

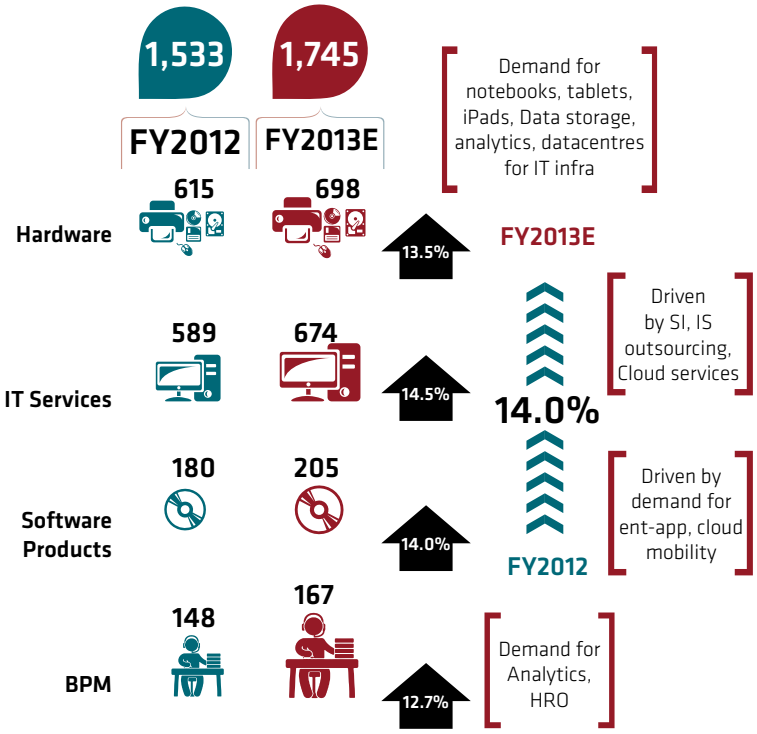
Domestic IT-BPM Revenue

₹ billion

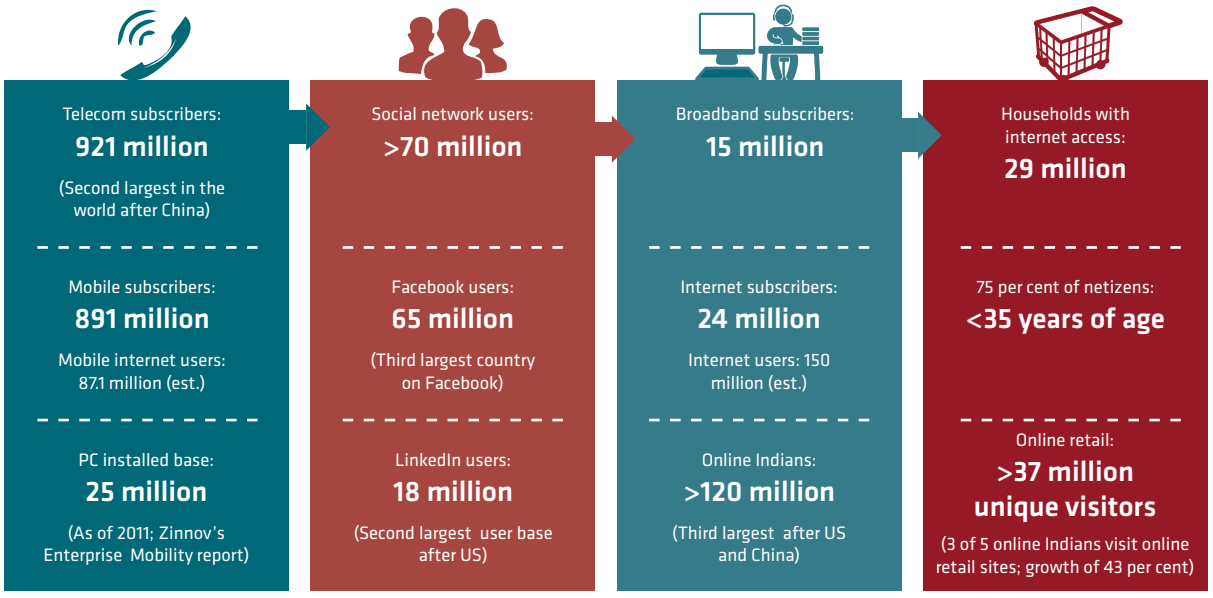


Domestic IT-BPM: Break-up by Segment

₹ billion

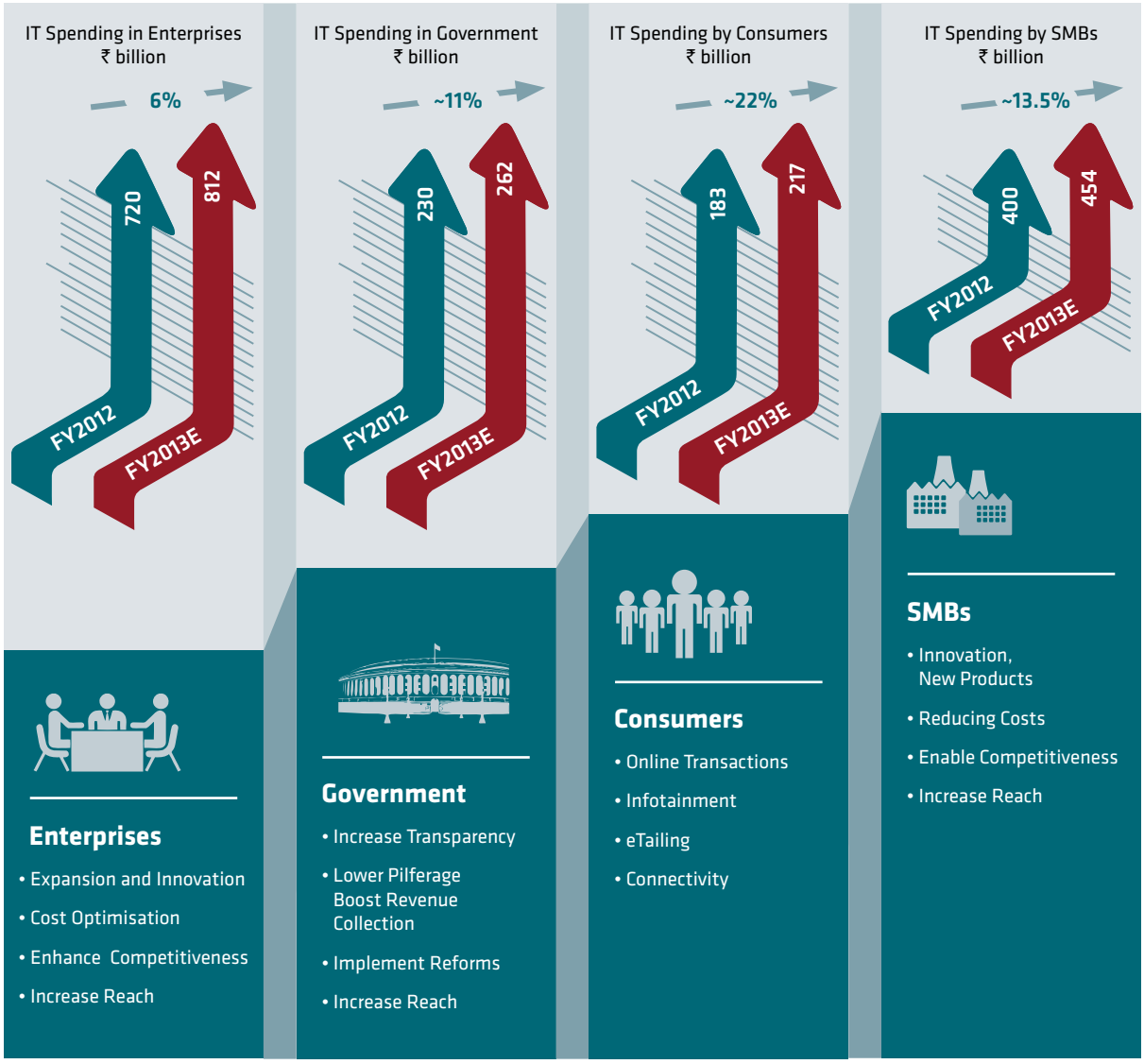


India's Connected Consumers: We are increasingly social!



Source: comScore, IAMAI, IMRB, socialbakers.com, TRAI, NASSCOM

India: Four segments driving technology adoption



Domestic IT-BPM End-user Trends

- Greater focus on software and services – process automation, innovation, analytics
- SI and managed services dominate
- Cloud seeing greater traction
- Retail, energy, healthcare - intensifying IT adoption

- Increased need for custom application development
- Solutions around cloud and mobility
- Shared IT infrastructure
- Use of GIS, RFID, GPS, biometrics, smart card, etc.

- Convergence and connected devices
- Growing demand for smartphones, tablets, iPads, etc.
- Growing eContent – music, books, news, education, games, etc.
- Demand for eCommerce, gaming, mobile applications

- India, a launch pad for global products
- Enhanced adoption of cloud, cluster area network
- SMAC being leveraged for differentiation
- Increasingly adopting websites and SEO to market themselves and compete

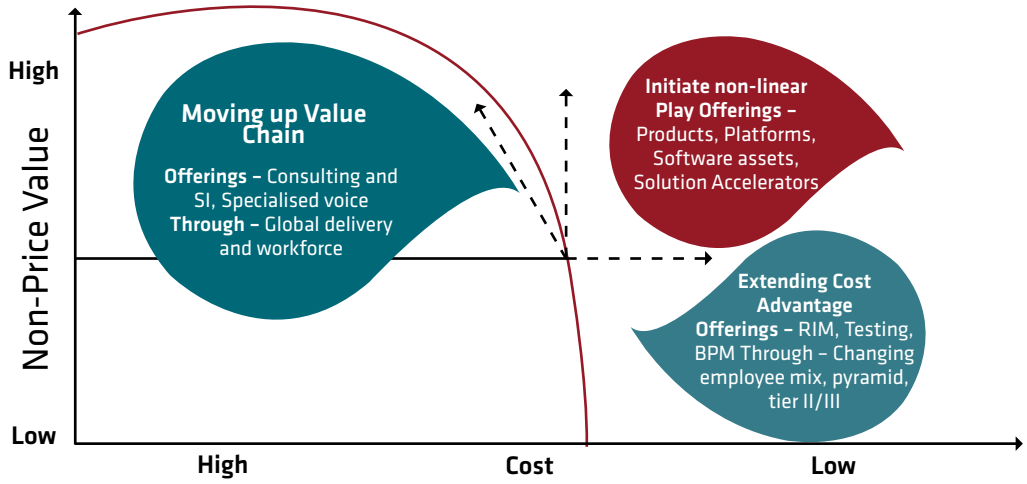
Source: NASSCOM

Customers: Cost to innovation – Technology providers to strategic business partners

Change in customer's business requirements

- Drive innovation from end customer point of view
- Focus on overall experience and service replacing product play in the customer value proposition
- Democratisation of empowerment in customers and internal employees
- Real-time insights and predicability through analytics

Industry moving up the value chain, initiating non-linear play and extending cost advantage



Industry offering Enterprising solutions- IP led, multi-platform, productised services

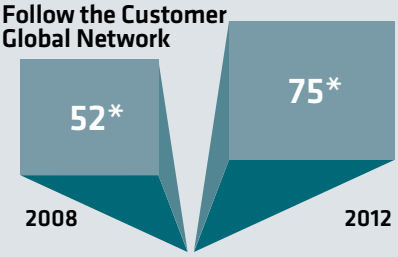
Parameters	Service Delivery	Pricing	Resourcing	Markets	Impact parameters
Enterprise Services	Custom/people-driven, India-centric, linear	Input-based, T&M	Build to order, vertical-specific	Developed geographies, Fortune 500, BFSI+ Telecom	Cost
Enterpris-Ing Solutions	Capacity/IP-driven, global delivery, multi-platform, customer-centric, transformative	Pay as you go, fixed, gainshare	Integrated, end-to-end, SMAC	Developed + developing geographies, Fortune 500+ SMBs, all verticals	Cost, revenues, profits, cash flows

Source: Wipro Ltd, NASSCOM

Industry looking to expand both customer base and focus

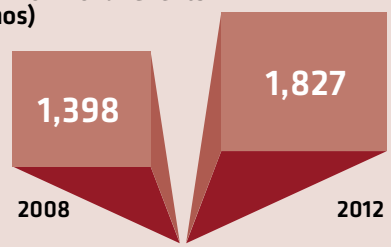
Globalisation, domain and innovation key focus

Follow the Customer Global Network



- Firms continually growing their global presence to leverage resources, skills – multi-location suppliers

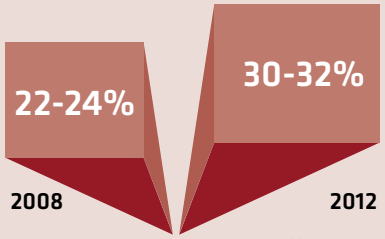
Million Dollar Clients* (nos)



- Steady increase in number of million dollar clients despite slowdown

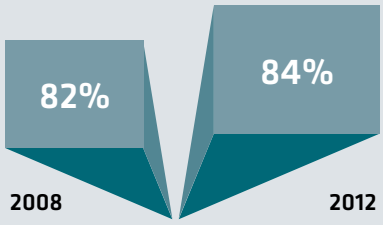
* Number of countries present

Verticalisation-BPM per cent Exports from Verticalised Services



- Verticalisation emerging as key differentiator – firms offering end-to-end services across specific verticals

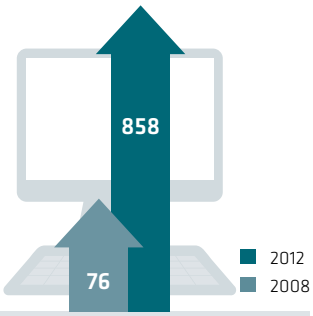
Strong Demand Pipeline* Non-Top five Client Contribution



- Firms expanding beyond large clients – many offer focused solutions for emerging, SMBs and start-ups

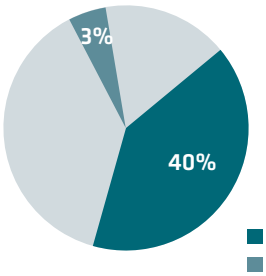
...And driving innovation and differentiation

IP Filed Top three IT Firms



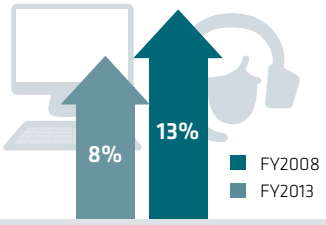
- Number of patents filed by Indian IT organisations grew at CAGR 83 per cent

Solutions around SMAC*



- Firms deploying SMAC offerings as adoption increases across both large enterprises and SMBs

Offering Niche Solutions SMB-per cent of IT-BPM revenue

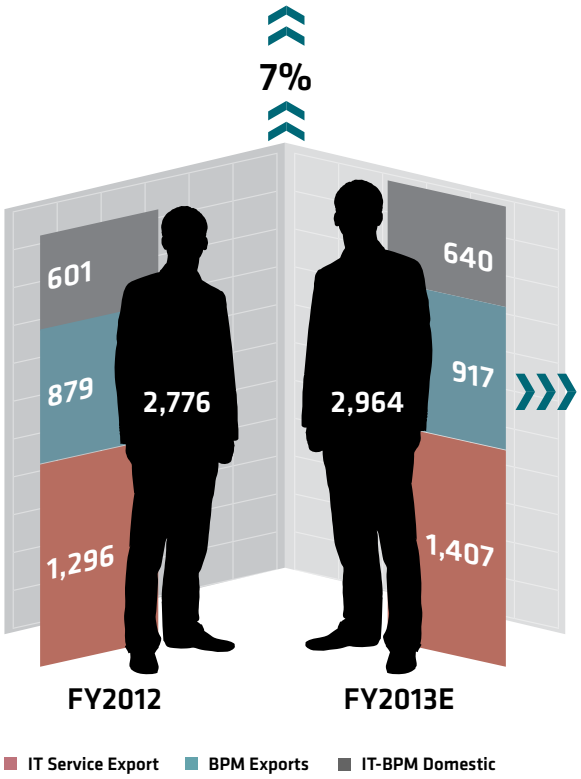


- SMB customers emerging as a key growth engine with suppliers adopting SMB-specific strategies – pricing, dedicated sales teams/channels, etc.

* Percentage of top 100 IT-BPM firms in India offering solutions around SMAC technologies
* Based on the data of top-four IT-BPM firms
Source: Industry reporting, secondary sources, press releases, company websites, NASSCOM

~3 million workforce contributing to industry growth

Direct Employment ('000)



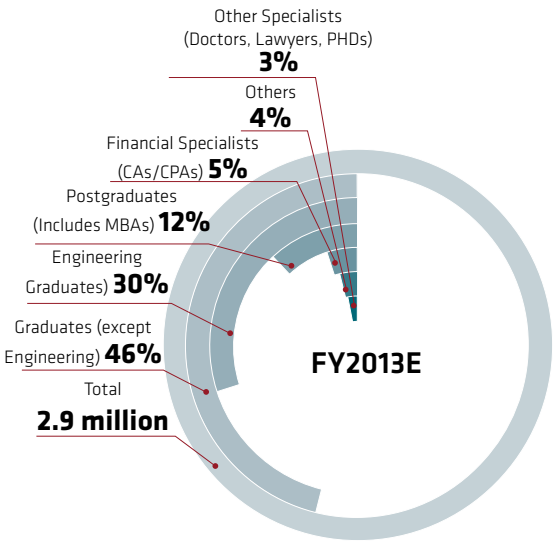
Foreign nationals employed
>100,000

Indirect **~9.5 mn**

Direct **~3.0 mn**

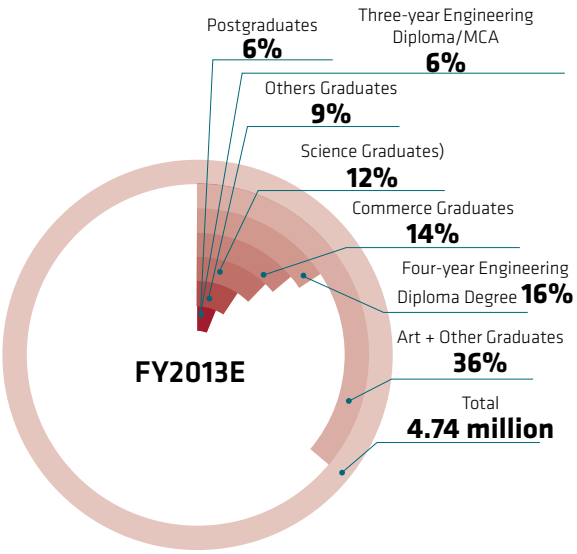
~30-35%
women employees

Industry Skill Base



Most diverse skill base

Talent Output

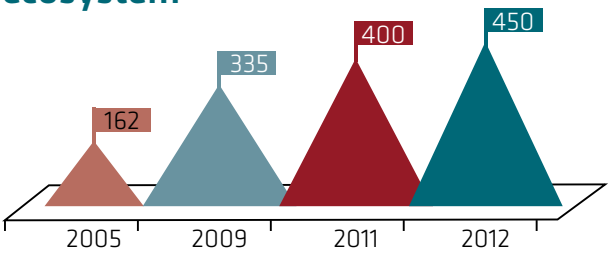


World's largest employable pool

E: Estimate
Source: NASSCOM

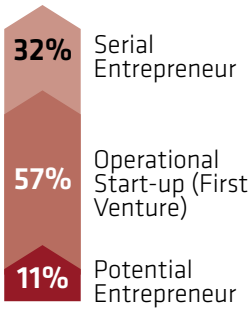
India emerging as hot-bed for technology start-ups

Fast maturing start-up ecosystem

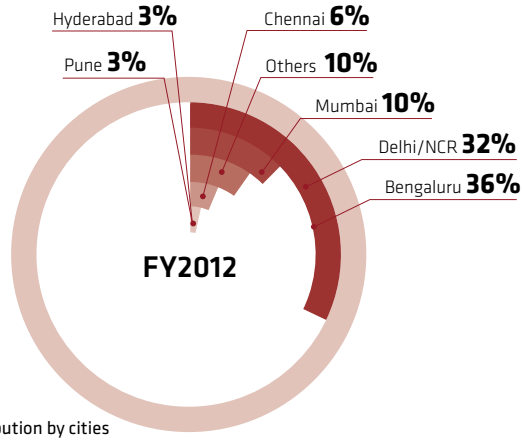


Number of start-ups

Entrepreneurship on the rise

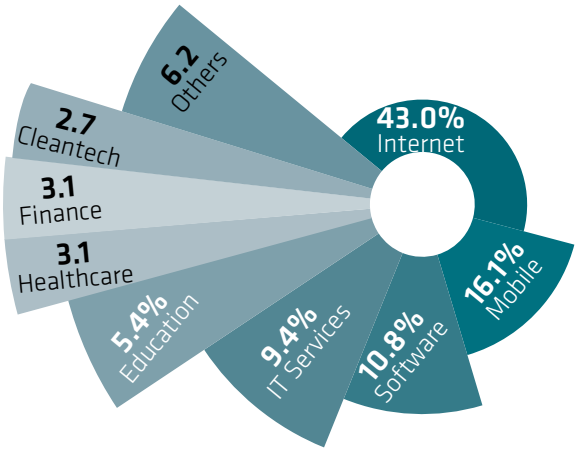


Bengaluru, NCR leading the start-ups destination

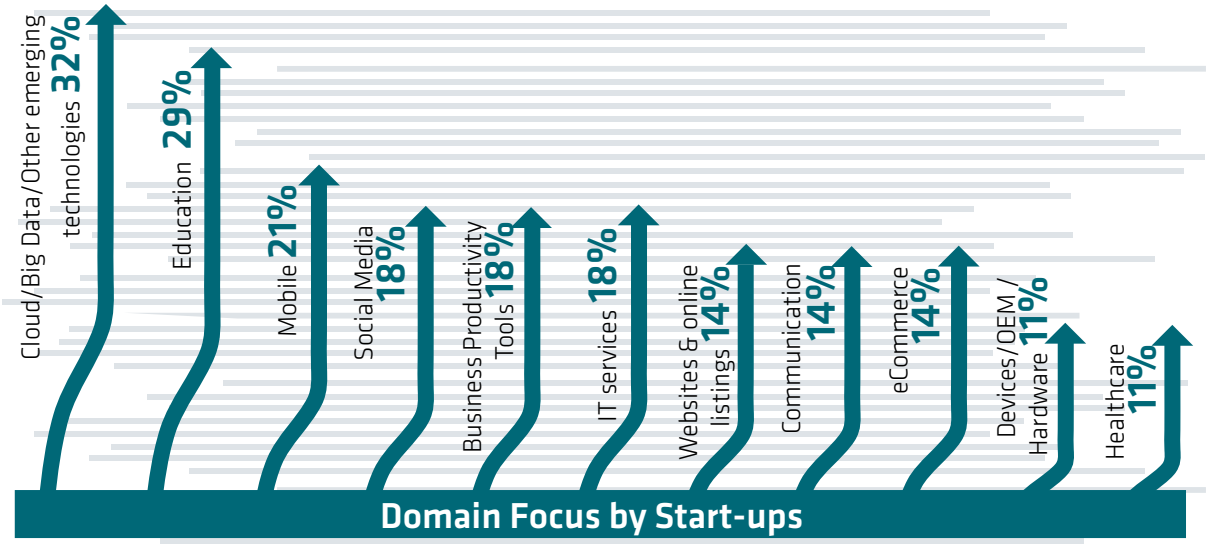


Distribution by cities

VC/Angel investment driving growth



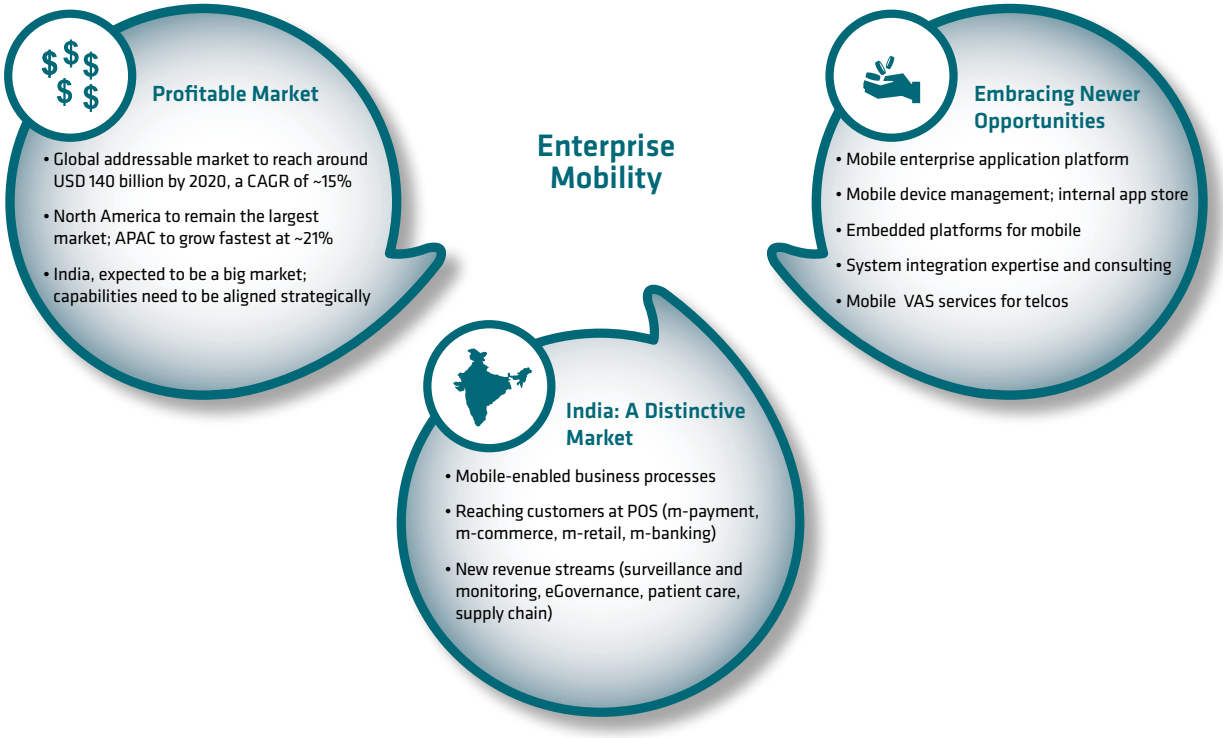
Emerging opportunities driving growth



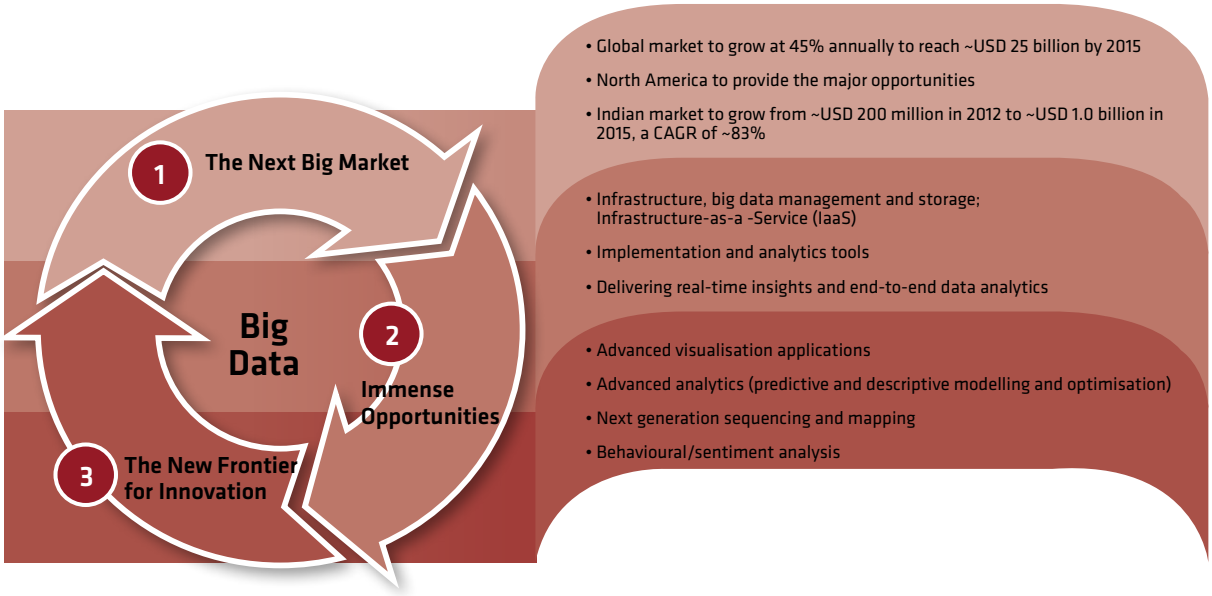
Source: NASSCOM, Zinnov

Indian providers are creating new business streams, enabling consumerisation and enhancing process through mobility

New business streams, consumerisation and process efficiency: Building blocks of enterprise mobility



Advanced Analytics for distilling better Intelligence gained from customer and enterprise data



Source: NASSCOM

Indian Enterprises are leveraging cloud to monetise Business (cost and productivity) and identify new delivery models (innovation)

The global cloud opportunity expected to reach USD 650-700 billion while domestic opportunity to reach USD 15-18 billion by 2020

- Global SaaS to be largest segment contributing USD 230-245
- IaaS and PaaS to touch USD 140-150 billion and USD 40-45 billion, respectively

01 Monetising existing resource base

Indian providers are considerably enhancing their revenue generating potential by monetising the existing resources

- Leveraging cloud as Business Process-as-a-Service
- Cloud-enabled processes/solutions through pay-per-use-model

02 Developing new industry specific applications

Cloud computing offers significant potential to innovate and achieve market facing differentiation

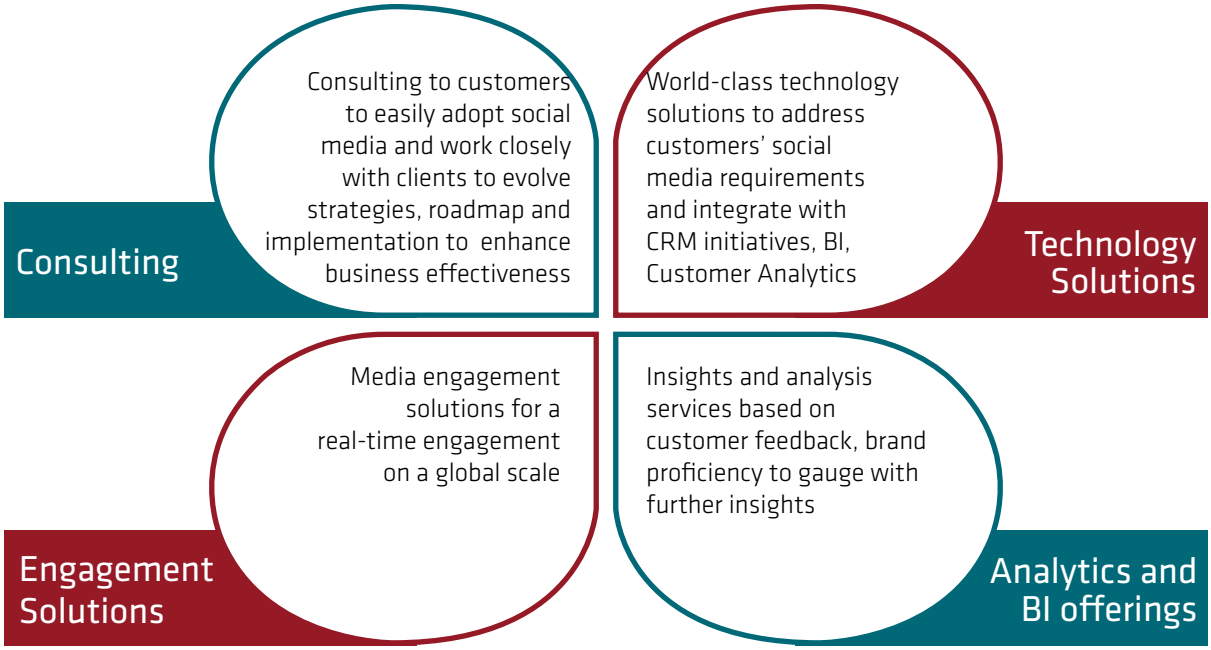
- Scalable test beds for cloud-specific software testing and management
- Virtualised and cloud-ready hardware; Infrastructure-as-a-service, computing platforms and datacentres

03 Building new business models

Indian organisations are modifying their businesses and operating models to leverage maximum synergies from cloud

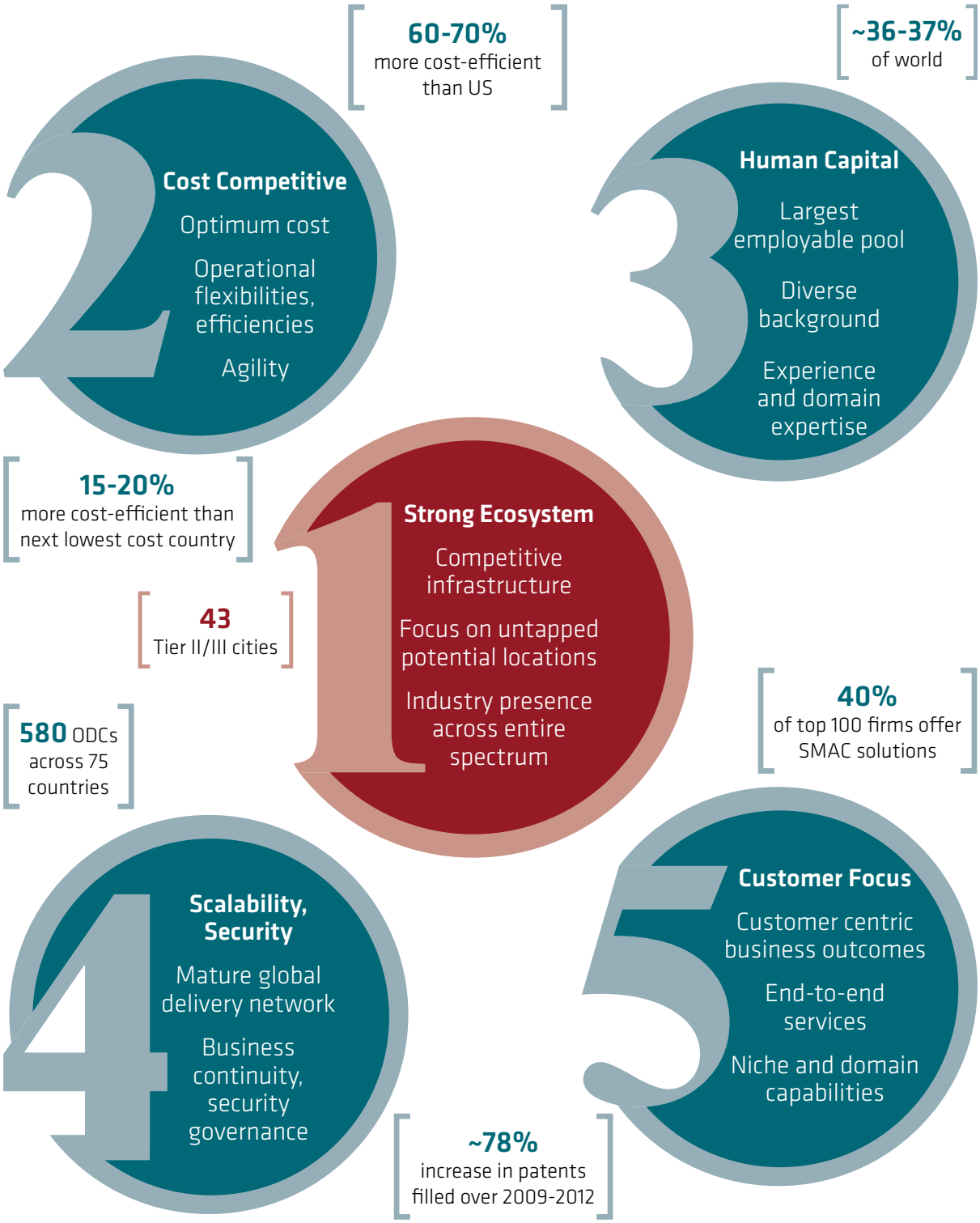
- Self-service BPM platform models enabled by cloud and automated service delivery mechanisms
- Licensed to subscription based software deployment models

Social Media Analytics: Newer Opportunities to expand market to USD 6.4 billion by 2016



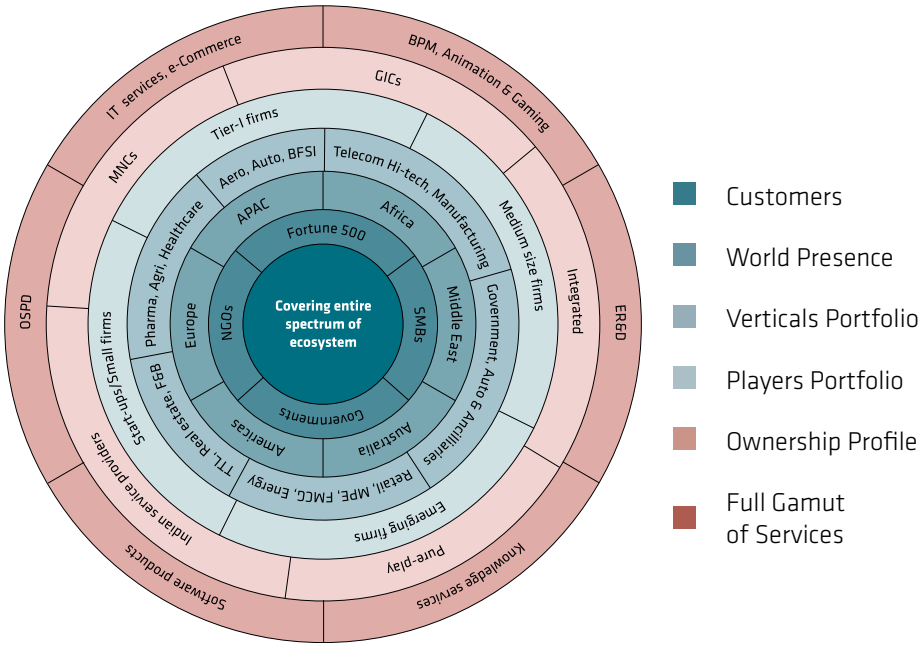
Source: Press Release, Industry Press, NASSCOM

India's value proposition built across five parameters



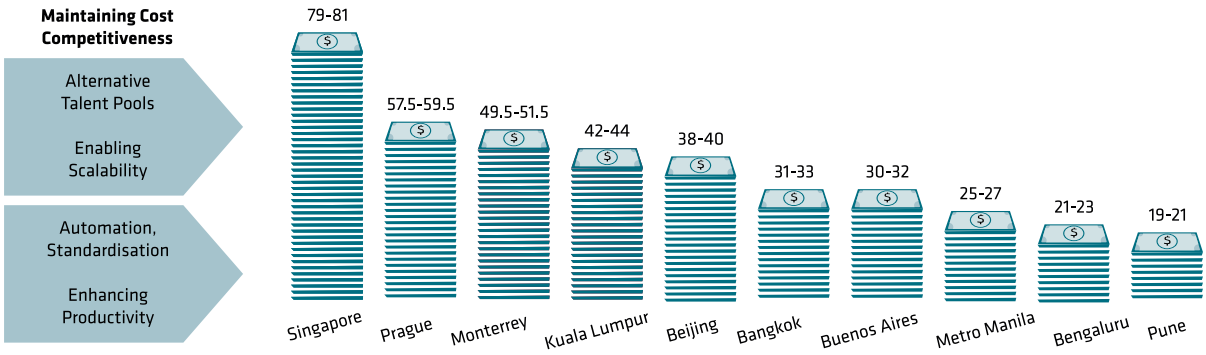
Source: Everest Research, NASSCOM

India: Only country to offer full spectrum of IT-BPM services

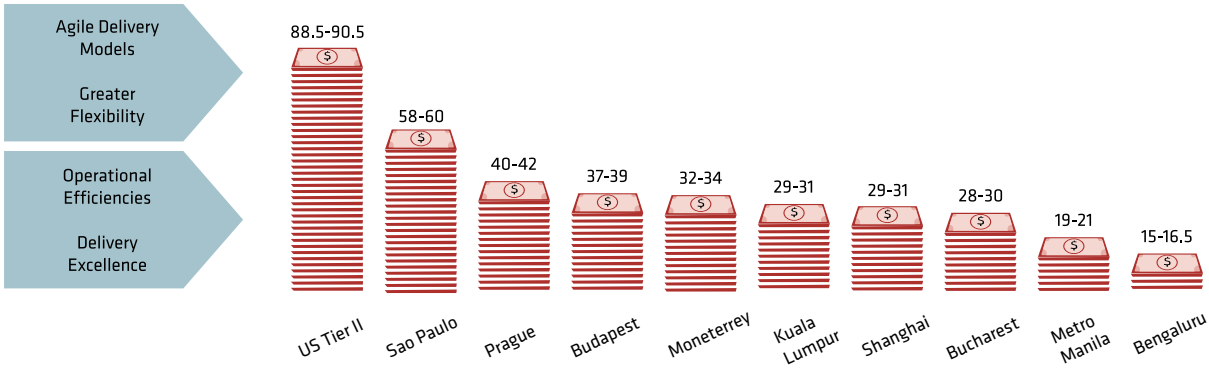


India continues to be the lowest cost location for IT-BPM services

Operating cost per FTE for IT Services: ADM 2012 USD '000/per annum



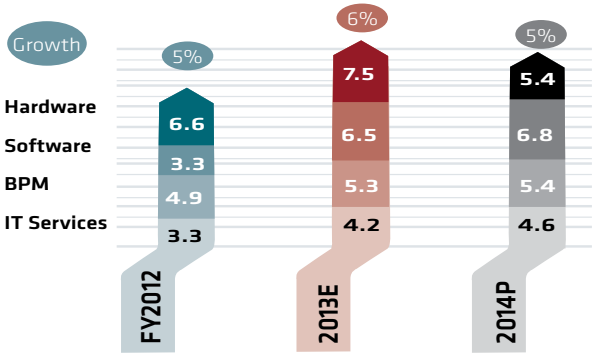
Operating cost per FTE for BPM Services: Transactional F&A 2012 USD '000/per annum



Source: Everest Research, NASSCOM

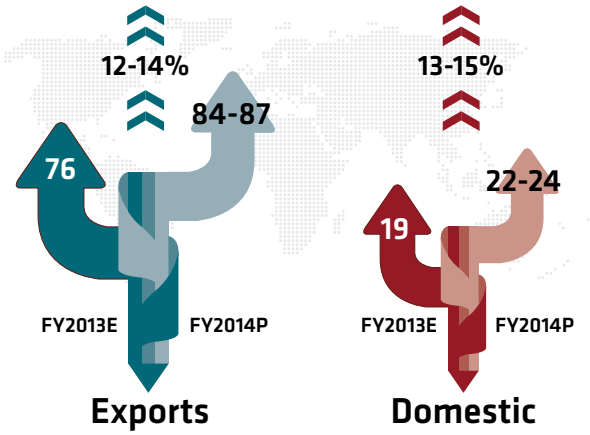
Global tech spend set to improve – grow ~6 per cent in 2013...

Global Technology Spend growth per cent

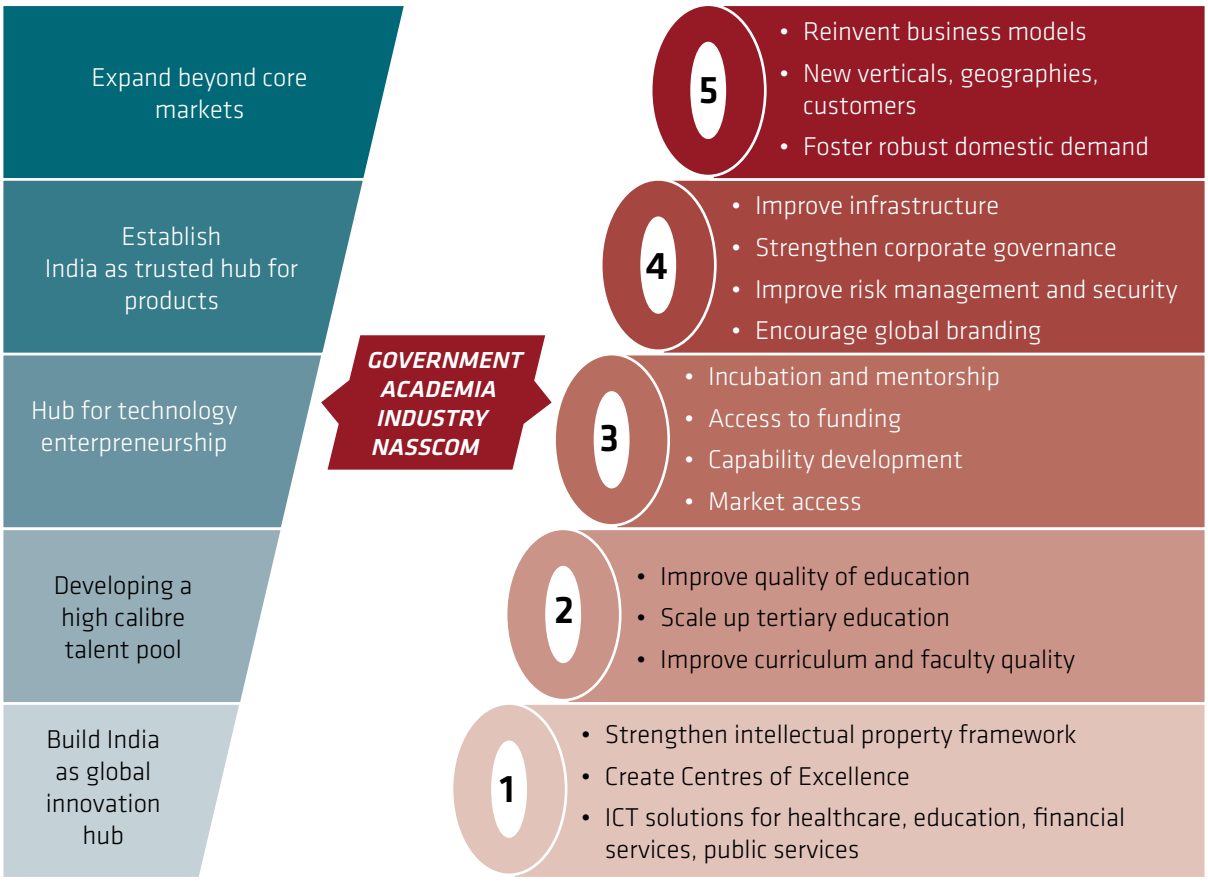


Indian IT-BPM Revenues*

USD billion



Stakeholders' five-point agenda



*Exclude hardware; E: Estimate; P: Projection
Source: Computer Weekly, Everest REsearch, NASSCOM Forrester, Gartner, IDC, IMF, NASSCOM

Notes:

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