

IT/ITES/BPM SECTOR IN INDIA



India Sector Notes

April 2014

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8.1%

Sector's share in
national GDP (2013)

3.1
mn

Largest private
sector employer

>1 mn

4th largest urban
women employer

35-38%
share in
total
employees

\$2.4
bn

Highest attractor of
PE/VC investments

IT-BPM
share: 47%

55%

Share in global
offshoring market

45%

Offsets **nearly**
half of India's oil
imports bill

38%

Largest share in
total services exports

>60

Spearheading
the Indian MNC
story

Cross border
M&A, 28%
share in total
M&As

99

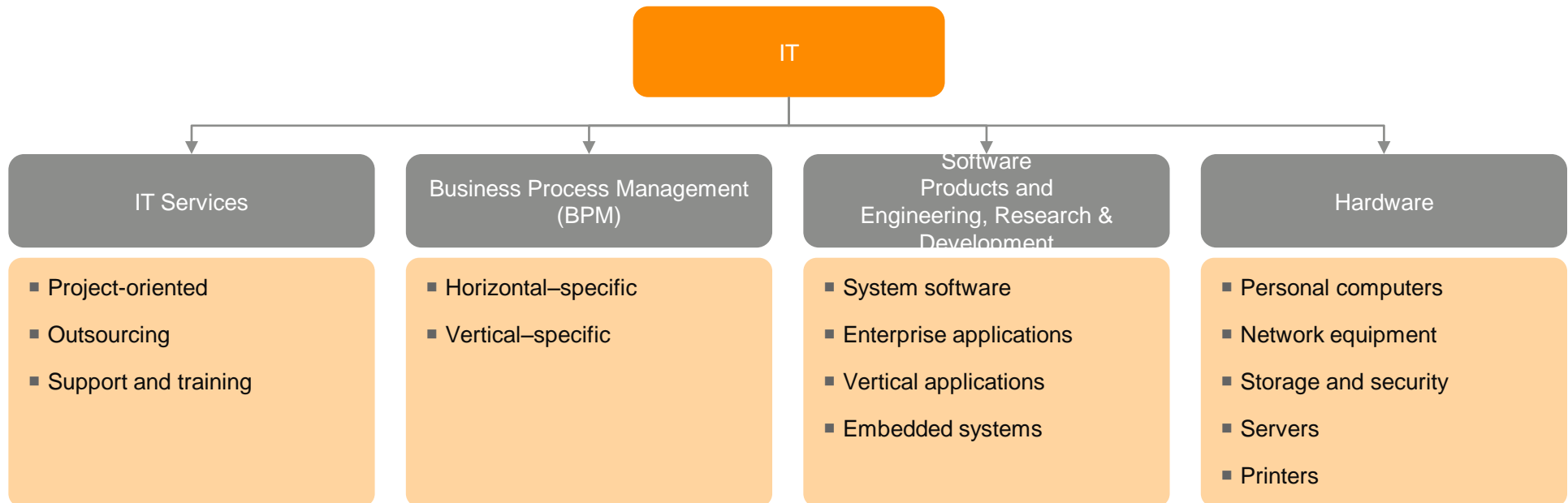
Promoting
balanced
regional growth

Operational
IT-SEZs;
30% in Tier
II/III cities

Source: National Association of Software and Services Companies (NASSCOM)

Note: 1) Data is for 2013 2) PE: Private equity 3) VC: Venture capital 4) SEZs: Special Economic Zones

STRUCTURE OF IT SECTOR

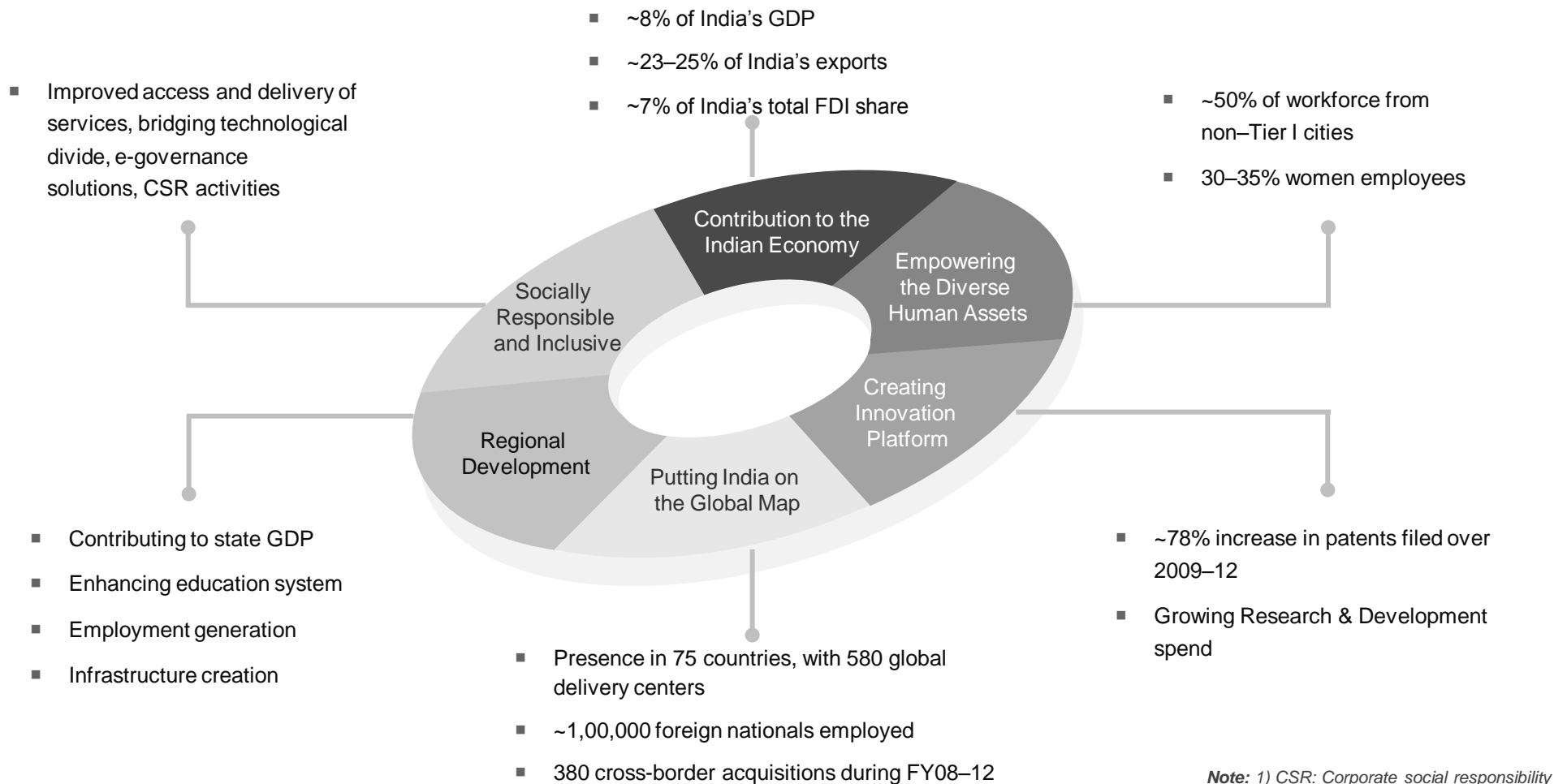


Note: 1) Horizontal-specific BPM services include customer interaction and support (CIS), finance & accounting (F&A) and other related processing services, knowledge services, human resource management (HRM), procurement BPM, etc.

2) Vertical-specific BPM services refer to offerings that require a high degree of vertical-specific knowledge that is not easily replicable across industries (e.g. insurance claims processing).

Source: NASSCOM

IMPACT OF IT SECTOR ON INDIAN ECONOMY

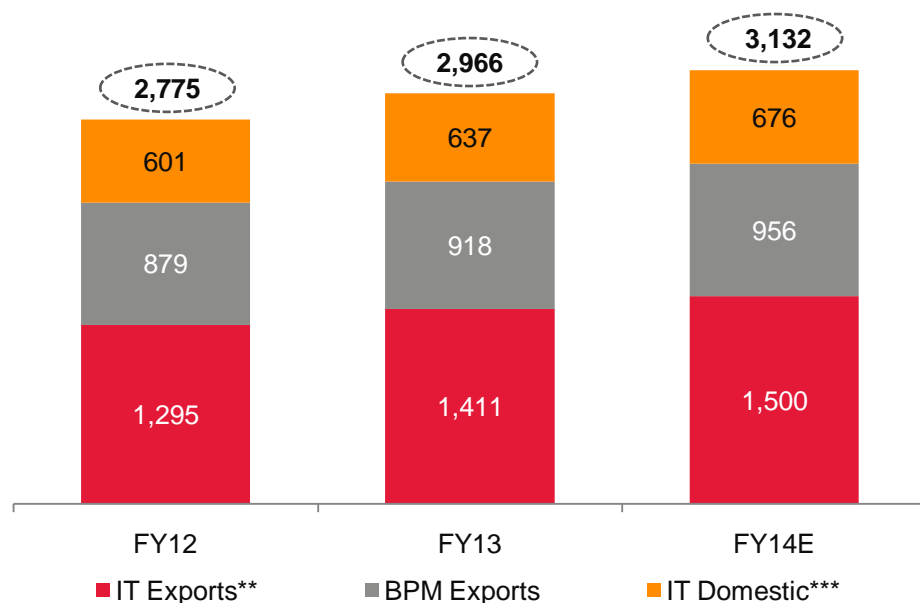


Source: Occupational Analysis–Business Process Management: National Skill Development Corporation (NSDC) and NASSCOM

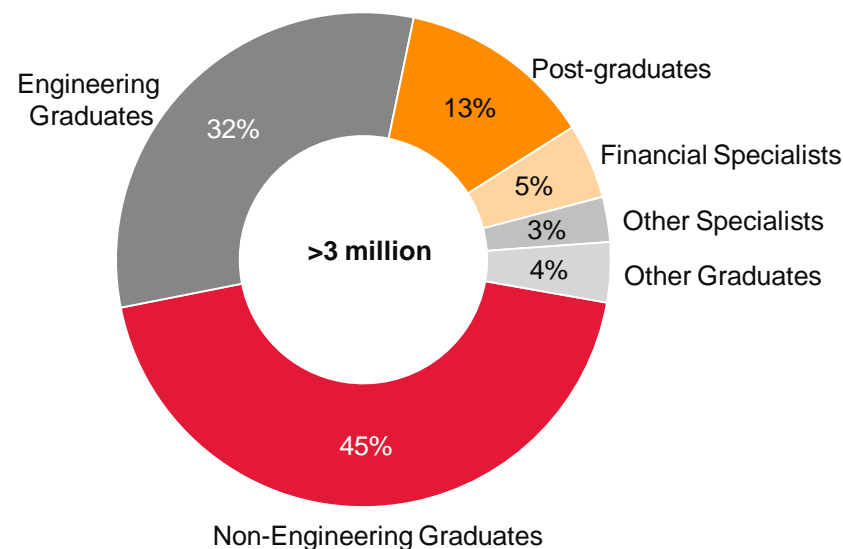
Note: 1) CSR: Corporate social responsibility
2) GDP: Gross domestic product
3) FDI: Foreign direct investment

DIRECT EMPLOYMENT*

('000)



INDUSTRY SKILL BASE (FY14E)



- The IT sector added 166,000 individuals to the workforce in FY14; there has been a focus shift from capacity to skill-based employment in hiring.
- The sector provides indirect employment opportunities to 10 million individuals in industries such as construction, catering, security services, retail, and transport. In addition, the IT sector provides employment to over 100,000 foreign nationals and ~30–35% (800,000) women.
- The sector has a diversely qualified workforce, with ~25% of the workforce being domain specialists (chartered accountants, doctors, lawyers, statisticians, mathematicians, etc.).

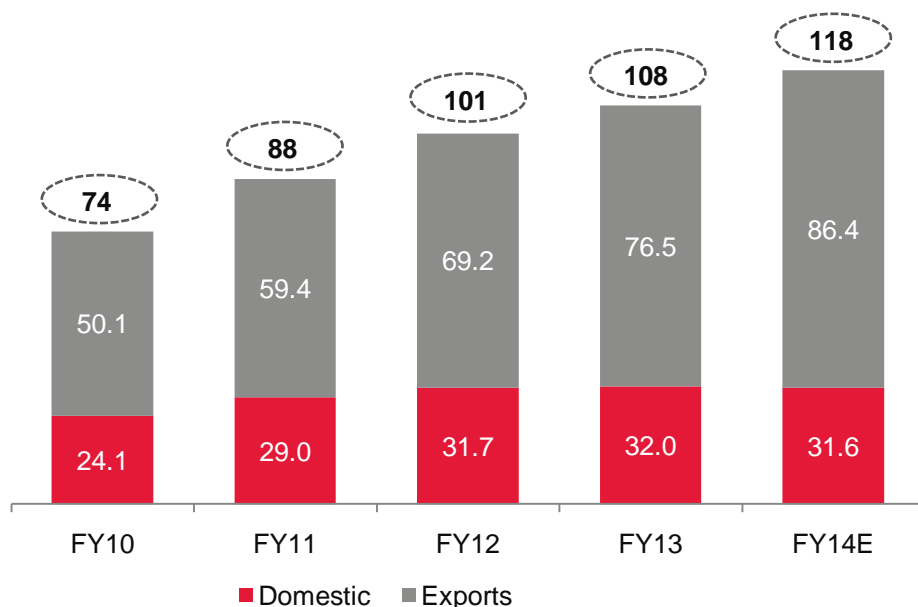
Source: NASSCOM

Note: * Excludes hardware ** includes IT services, ER&D and software products *** includes software products

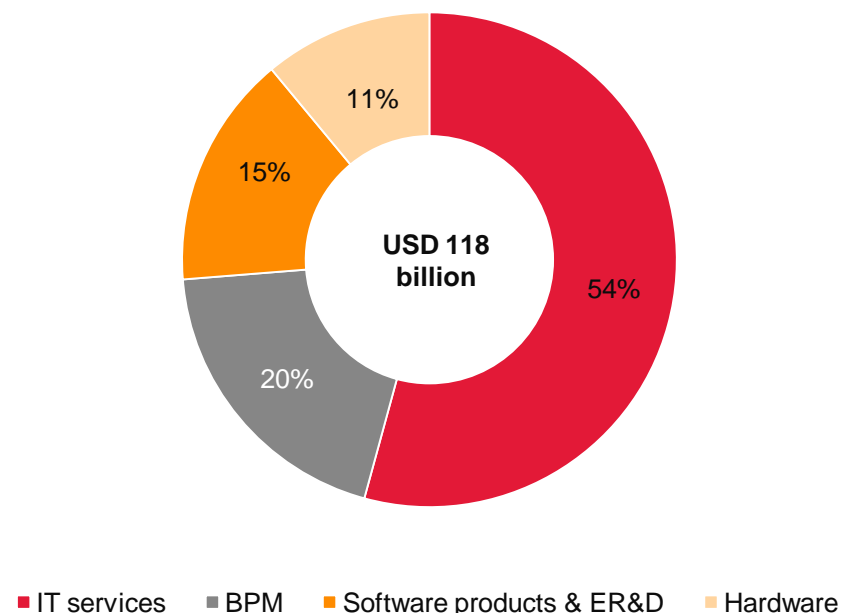
The sector has recorded a CAGR of 12% since 2010 to reach USD118 billion in FY14, primarily driven by exports and IT services segment

TOTAL IT SECTOR REVENUES

(USD billion)



REVENUES BY SEGMENT (FY14E)

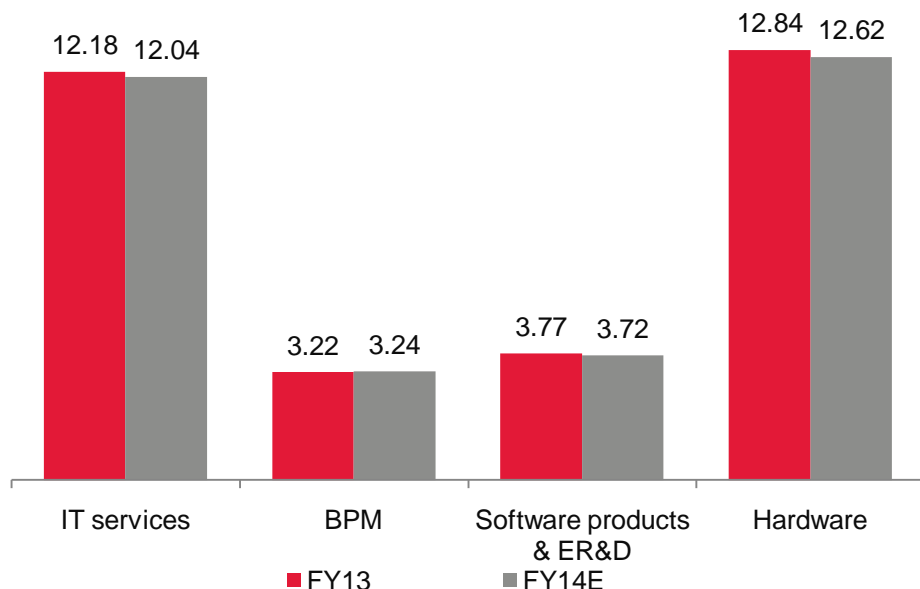


- Export revenues grew ~13% year-on-year (YoY) to reach USD86.4 billion in FY14, the highest in the last five years.
- Domestic market revenues declined ~1.3% in FY14 from FY13 due to economic uncertainties, currency fluctuations, inflation, slowdown in GDP, and the 2014 elections, which impacted total IT spending.
- Among the segments, IT services was the largest (54%) contributor, with its growth being driven by IT consulting, information systems (IS) outsourcing, and software testing.

Source: NASSCOM

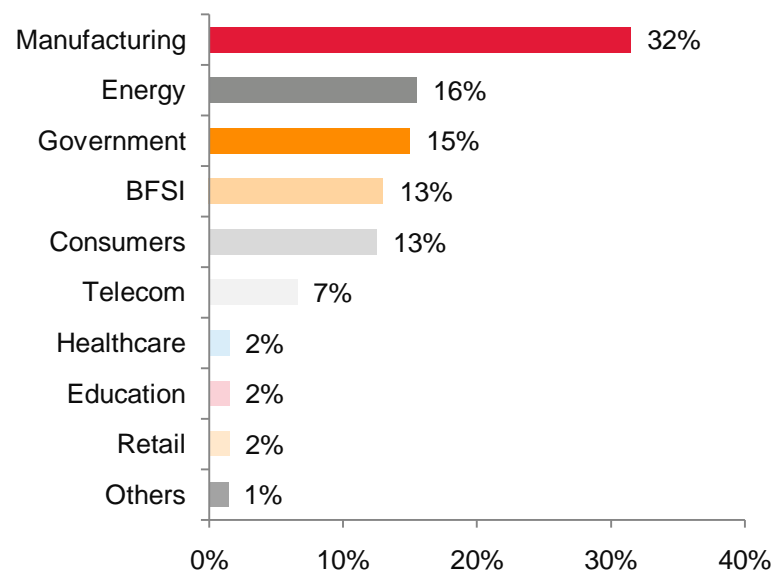
DOMESTIC REVENUES BY SEGMENT

(USD billion)



DOMESTIC REVENUE BREAK-UP BY VERTICAL (FY14E)

(% share)



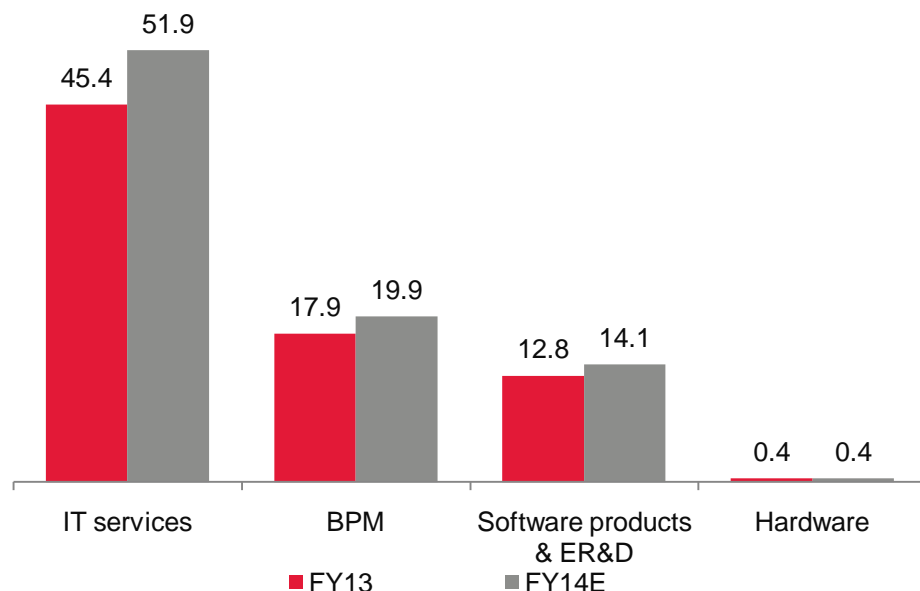
- Hardware revenues grew 9.2%* in FY14 driven by demand for storage and mobile computing devices. IT services recorded a 9.7%* YoY growth driven by technology upgrades in banking, financial services and insurance (BFSI), telecom, state governments, and compliance MIS investments.
- BPM services' growth of 12%* in FY14 was boosted by demand for outsourcing business process, especially from the BFSI, automotive, and retail sectors. Software products' growth of 9.8%* was led by increased demand for vertical-specific and social, mobile, analytics, and cloud (SMAC)-based solutions.
- Mature verticals of consumers, BFSI, government, energy, and manufacturing contributed to over 80% of domestic revenues.

Source: NASSCOM

Note: * YoY growth rates have been calculated based on rupee terms

EXPORT REVENUES BY SEGMENT

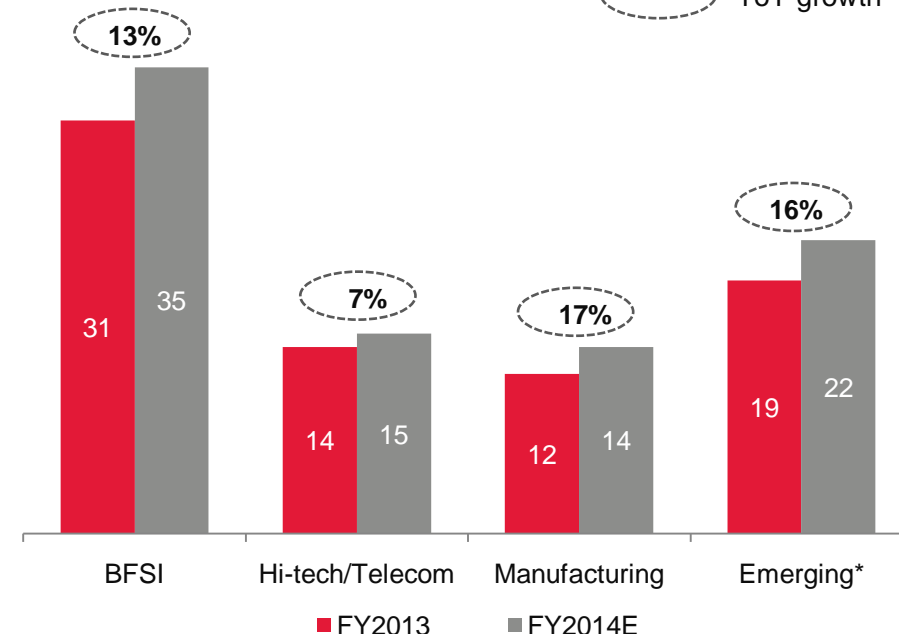
(USD billion)



EXPORT REVENUE BREAK-UP BY VERTICAL

(USD billion)

YoY growth



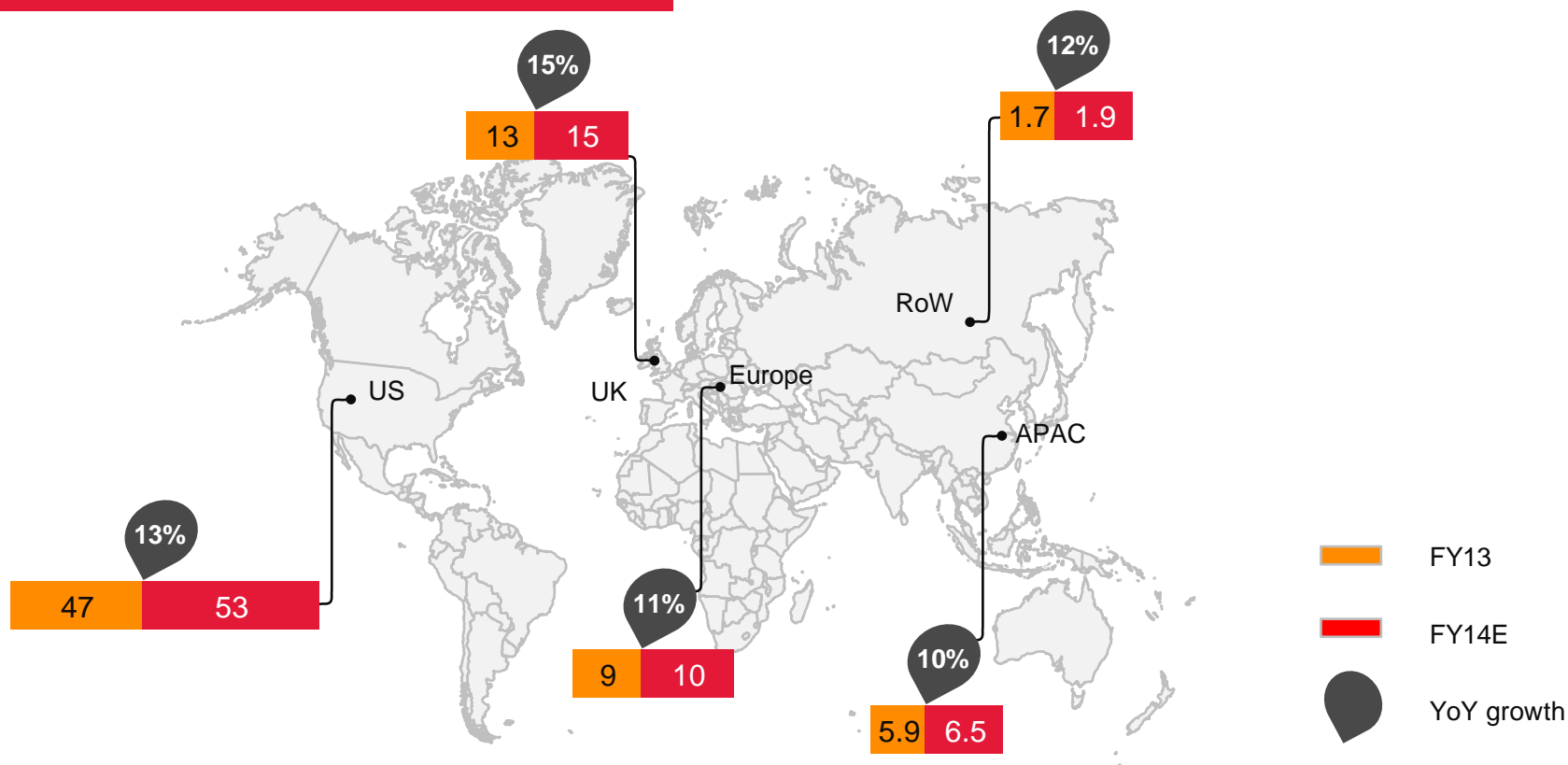
- IT services dominated with a YoY growth of ~14%, while BPM exports recorded a growth of ~11% over FY13.
- Software products & ER&D achieved a double-digit growth rate of ~10%.
- Manufacturing showed the highest YoY growth (17%) in exports in FY14 followed by the emerging verticals (retail, healthcare, and utilities) which grew 16% YoY and accounted for 26% share in exports. Growth in the emerging verticals was led by demand for mobility and advanced analytics (retail, healthcare); government mandates and green technology (utilities); and digitization (media).

Source: NASSCOM

Note: * Includes retail, healthcare and utilities

EXPORT REVENUES BY GEOGRAPHY

(USD billion)



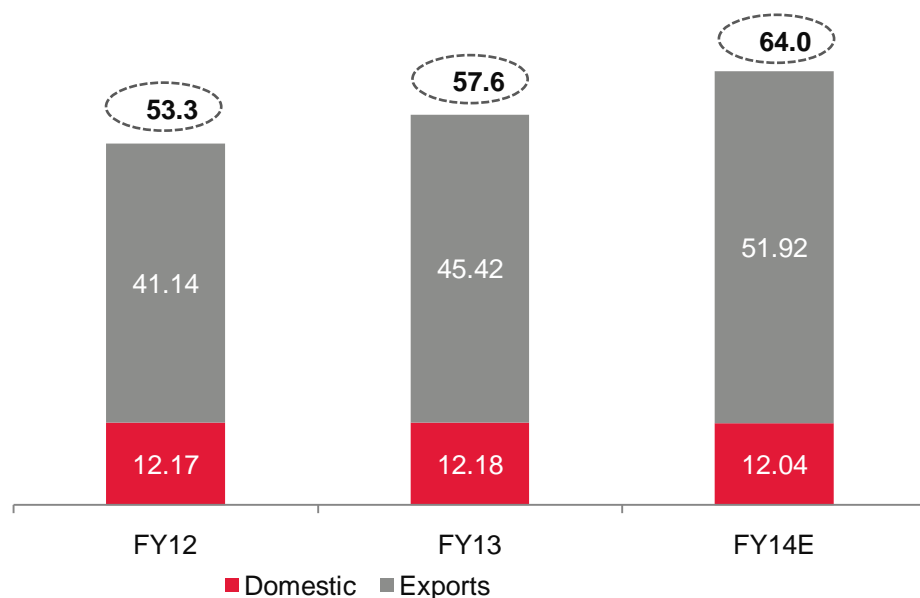
- The US, with a 61% share of total IT exports, continues to be the leading contributor to IT sector revenues. IT exports to US increased 13% YoY in FY14.
- The UK and Europe are witnessing increased demand, as observed from the higher YoY growth. The APAC market is relatively under-penetrated while RoW is an emerging market with growing IT adoption.

Source: NASSCOM

Note: RoW–Rest of world, APAC–Asia Pacific

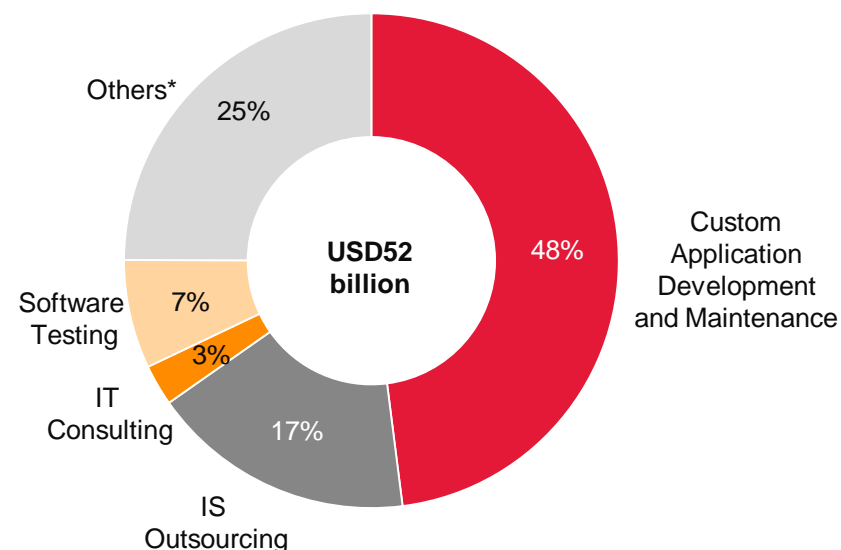
IT SERVICES REVENUES

(USD billion)



EXPORTS REVENUE MIX** (FY14E)

(% share)



- Total IT services revenues increased at a CAGR of 9.5% to reach USD64 billion in FY14. Domestic IT services market declined at a CAGR of 0.5%
- IT services export revenues grew at 14% YoY from USD45.4 billion to ~USD51.9 billion in FY14. The growth can be ascribed to revival in demand from the US and Europe.
- The custom application development & maintenance (CADM) sub-segment had the highest share (48%) in revenues, while IS outsourcing and software testing were the fastest growing sub-segments (over 15% growth).

Note: * Includes network consulting & integration, IT education/training, service-oriented architecture, web services, eBusiness/eCommerce

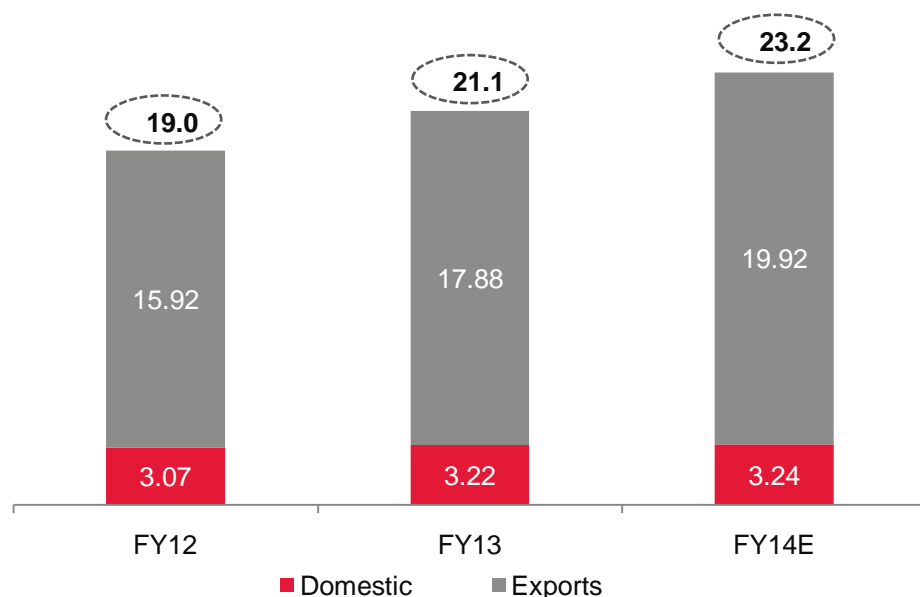
** Split for domestic revenues is not available

Source: NASSCOM

BPM revenues registered a CAGR of 10.5% during FY12–14 with exports having a 85% share (USD20 billion); CIS was the largest contributor to export revenues

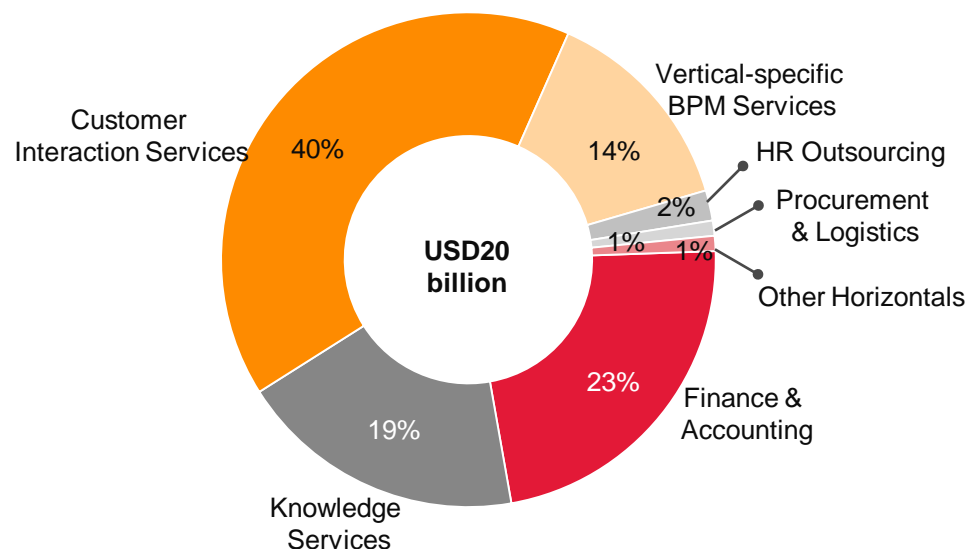
BUSINESS PROCESS MANAGEMENT REVENUES

(USD billion)



EXPORTS REVENUE MIX** (FY14E)

(% share)



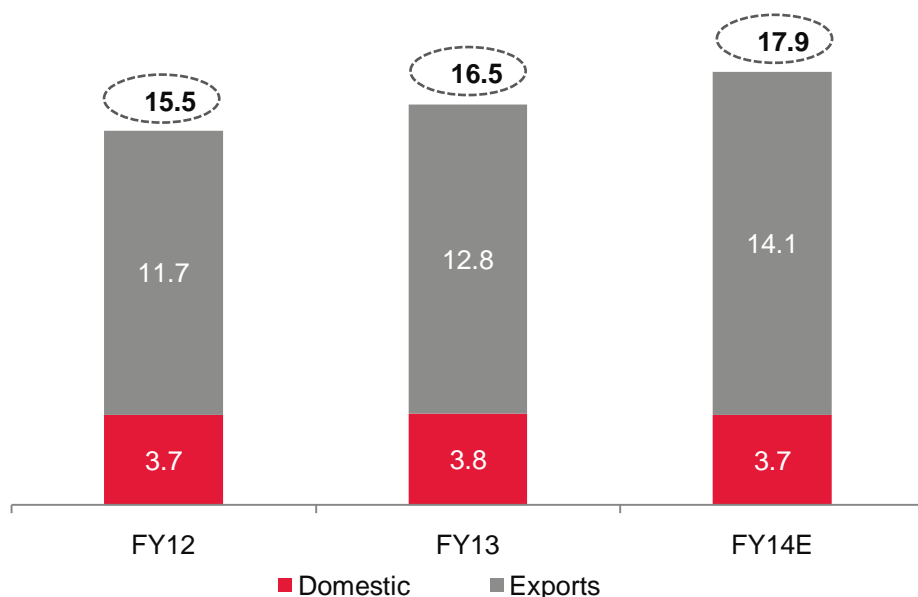
- Total BPM revenues grew at a CAGR of 10.5% totaling ~USD23 billion in FY14; the BPM domestic revenues increased at a CAGR of 2.8%.
- BPM export revenues rose at ~11% YoY over FY13 to reach ~USD20 billion in FY14, accounting for nearly one-fourth of total IT exports. The revenue growth was driven by knowledge services (data analytics, legal services) and vertical-specific BPM services.
- Customer interaction services (CIS), which includes tech-enabled solutions, interactive websites, smarter interactive voice response, virtual charts, and forums, accounted for the largest share of BPM export revenues, followed by finance & accounting (F&A) and knowledge services.

Source: NASSCOM

Note: ** Split for domestic revenues is not available

SOFTWARE PRODUCTS & ER&D REVENUES

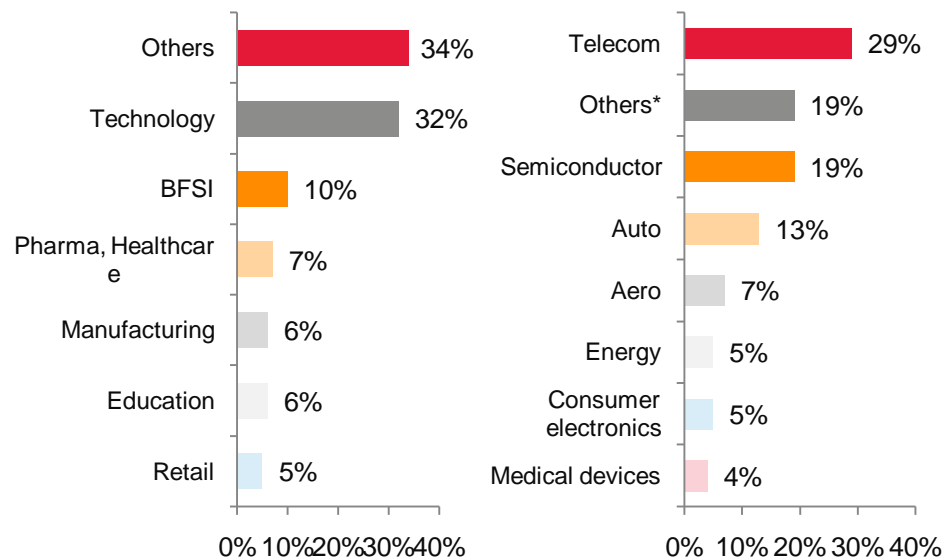
(USD billion)



EXPORTS REVENUE BREAK-UP BY VERTICAL ** (FY14E)

(% share) **Software = USD1.7 billion**

ER&D = USD12.4 billion



- Software products & ER&D revenues grew steadily at a CAGR of 7.5% to reach ~USD18 billion in FY14.
 - Software products revenues were driven by increased proliferation of mobile devices, advanced technologies, cloud computing, greater uptake of software products by small and medium businesses (SMBs) and enterprises. ER&D revenues were driven by engineering solutions (accounting for 55% of revenues) and embedded systems (accounting for 45% of revenues).
- Technology and BFSI were the top two contributors to software products revenues while telecom and semiconductors together contributed nearly 50% of ER&D export revenues.

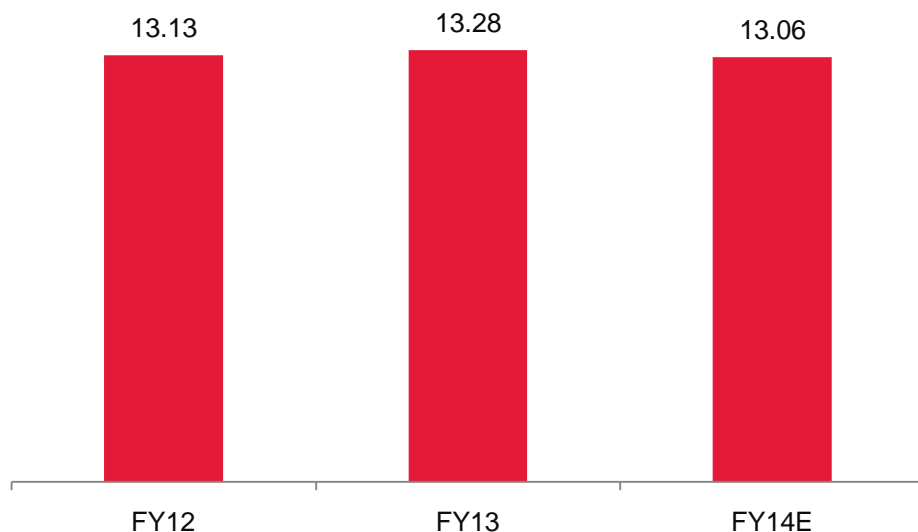
Note: * Includes computing systems, construction/heavy machinery, industrial automation, infrastructure

** Split for domestic revenues is not available

Source: NASSCOM

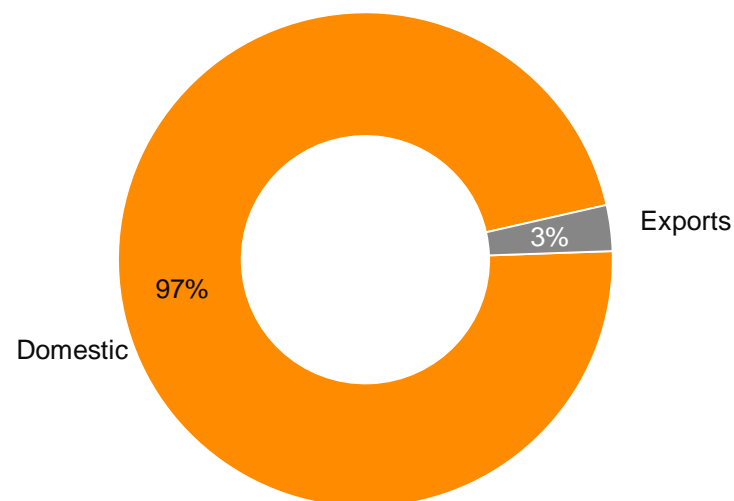
HARDWARE REVENUES

(USD billion)



REVENUE MIX (FY14E)

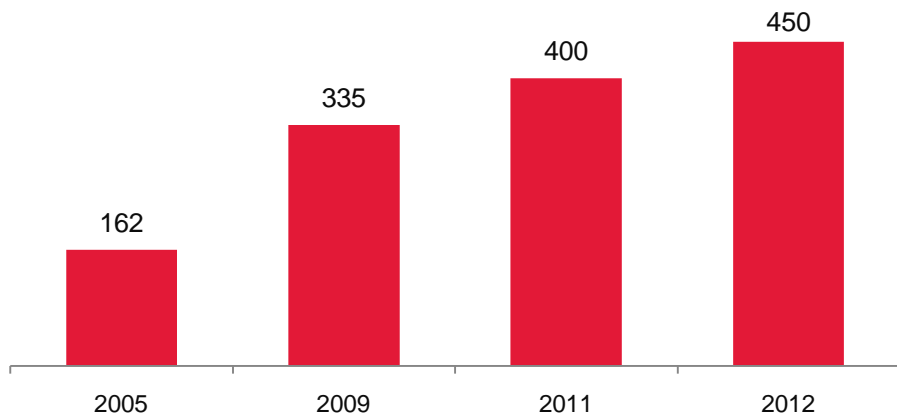
(% share)



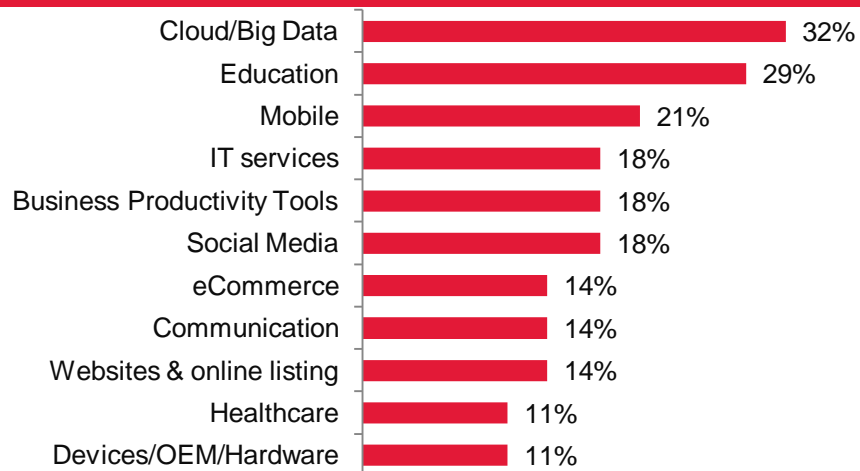
- Hardware revenues for FY14 stood at USD13.06 billion, a YoY decline of 1.7%. Domestic market contributed 97% to the total hardware revenues in FY14. The segment has been driven by demand for storage as enterprises are looking to expand their IT infrastructure, and mobile computing devices.
- The hardware market has evolved into a consumer-driven market over the last few years. Notebooks/laptop consumption has been the fastest while desktops have been seeing a decrease in their market share.
- Printer market is witnessing a slowdown due to the shift to digital documents.

Source: NASSCOM

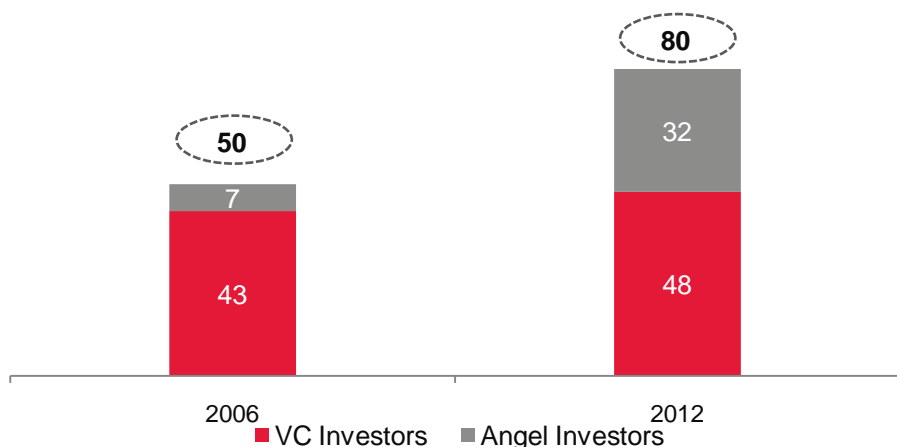
NUMBER OF START-UPS



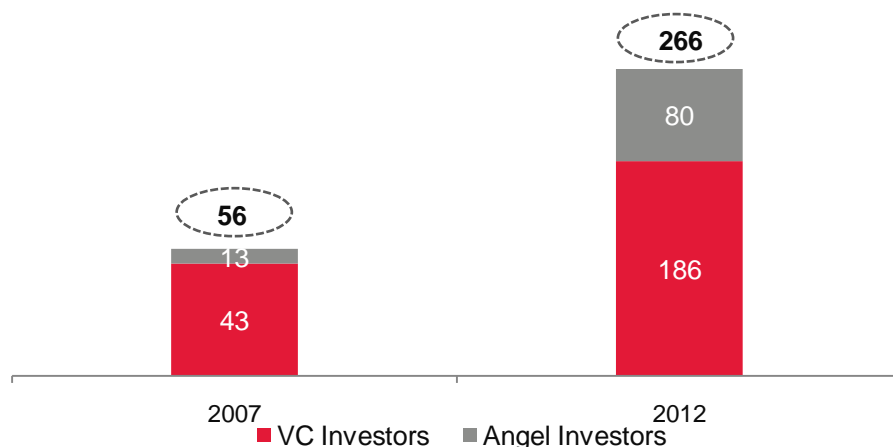
DOMAIN FOCUS BY START-UPS



NUMBER OF ACTIVE INVESTORS



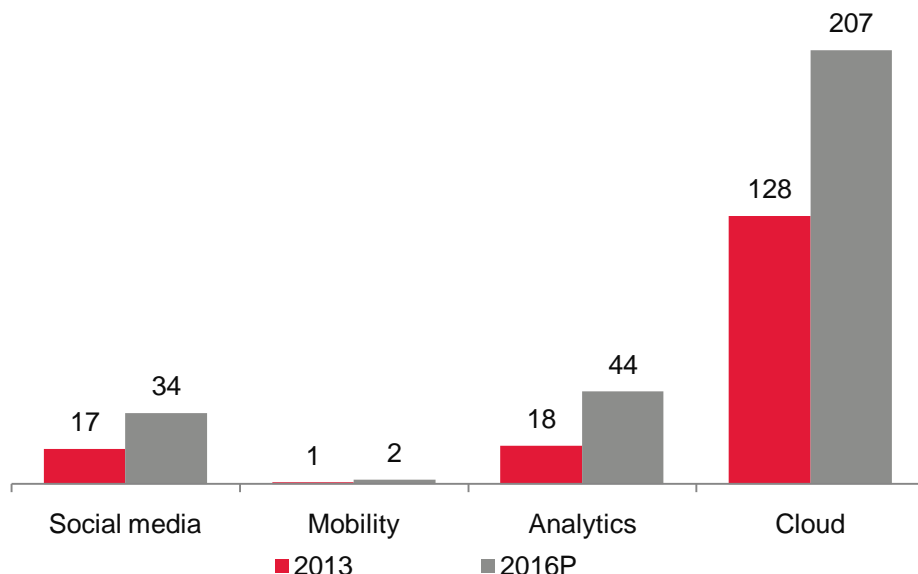
NUMBER OF DEALS



Source: NASSCOM

GLOBAL SMAC MARKET

(USD billion)



INDIA: A FAST GROWING DIGITAL ECONOMY (2013)



920 million

Telecom Subscribers



213 million

Internet users



40 million

Smartphone users



USD 13 billion

eCommerce revenue

- Among the SMAC technologies, cloud represents the largest opportunity, increasing to USD207 billion by 2016, followed by analytics/big data, which is estimated to offer a USD44 billion market opportunity by 2016.
- India has around 920 million telecom subscribers, 213 million internet users, 40 million smartphone users which form a part of its digital economy. Going forward, these would drive growth in SMAC technologies which currently account for 5–10% of the total IT sector revenues.
- As per International Data Corp.'s estimate, Indian IT vendors are expected to generate at least USD225 billion in SMAC-related revenues in 2020.

Source: NASSCOM, Livemint



KEY GROWTH ENGINES

↑ Growth in global IT spending

- With the global economy showing signs of a gradual recovery, worldwide IT spending is expected to grow 3.2% to reach USD3.8 trillion in 2014 compared with 2013, according to the latest Gartner forecasts.
- Global sourcing would be a major driver of technology spending, thus positively impacting the Indian IT industry.

↑ Emergence of Disruptive technologies

- Services around emerging technologies such as cloud, mobility, analytics, social media, and flexible product portfolios and verticalized solutions are reshaping the Indian IT industry.
- According to estimates from the McKinsey Global Institute, these new disruptive technologies and their applications could have a global economic impact of USD14–33 trillion in 2025.

↑ Growth in markets beyond the US and EU

- Markets beyond the US and EU, especially BRIC and APAC, are expected to be the major growth areas in the future.

↑ Growth in government investments

- Government in India is expected to spend USD6.4 billion on IT products and services in 2014, a 4.3% increase over 2013, according to Gartner.
 - This includes expenditure by state, regional, and central government agencies on internal IT systems (including personnel), hardware, software, external IT services, and telecommunications.



KEY GROWTH INHIBITORS

↓ Weaker infrastructure

- Currently, over 95% of India's exports originate from nine Tier-I cities, whose infrastructure is heavily constrained.
- In addition, the recommended move to Tier-II and Tier-III cities has not gathered pace due to poor access, local infrastructure, and talent issues.

↓ Competition from other low-cost countries

- Competition from other low-cost countries could reduce India's market share.
 - The Philippines has already overtaken India in terms of 'voice' revenues, and China, with its cost and infrastructure benefits, is emerging as a favorable outsourcing destination.

↓ US Immigration Bill and EU Data Protection Bill

- The US Immigration Bill limits the number of temporary, foreign worker visas that a company can hold, potentially compelling Indian organizations to hire local talent in the US.
- The EU Data Protection Directive governs trans-border data flows and lays down conditions for transfer of personal data of EU citizens outside the region.
- These legal instruments put considerable obligations on businesses, especially SMBs.

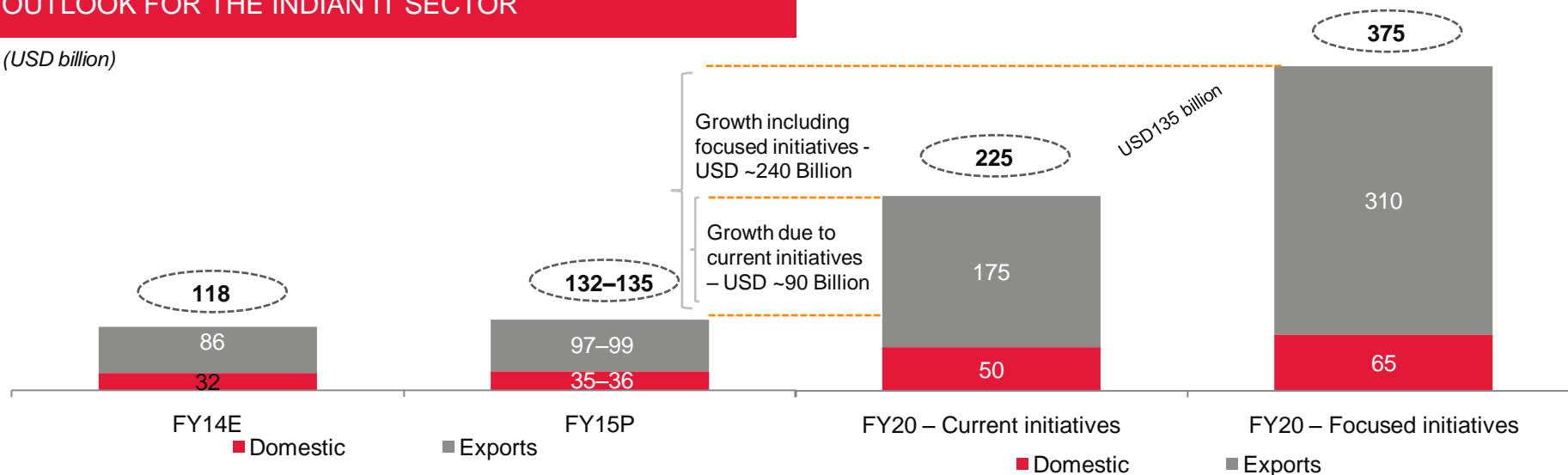
↓ High attrition

- Attrition (ranging from 25% to 40%) poses a major challenge to the BPM segment. An average Indian call center employee works with a company for 11 months, whereas an average UK call center employee stays in a company for three years.
- Apart from a loss of skill sets, the cost of recruitment and training represents an additional expenditure for Indian BPM firms.

Source: NASSCOM Perspective 2020, The Hindu, ZDNet, Gartner, ChannelWorld, Livemint

OUTLOOK FOR THE INDIAN IT SECTOR

(USD billion)



FY14 brought optimism for the Indian IT sector, driven by an improvement in the global economic climate and rise in technology spending.

In FY15, NASSCOM expects the sector's overall revenues to increase by USD13-14 billion to cross USD130 billion.

- Export revenues would grow 13-15% YoY to reach USD97-99 billion in FY15.
- Domestic market revenues are expected to rise 9-12% YoY to reach USD35-36 billion.

By 2020, the IT sector's revenues is expected to reach USD310 billion. The sector is expected to witness significant opportunity across new geographies, including BRIC, GCC, Japan, and RoW; SMBs; and new verticals such as public sector, media, healthcare, and utilities.

- The exports market is projected to expand three-fold and reach USD175 billion in revenues by 2020, under the current-initiatives scenario. Focused initiatives could result in additional revenues of up to USD135 billion by 2020.
- The domestic market is expected to grow to USD50 billion under the current-initiatives scenario. Focused initiatives could drive an additional USD15 billion in revenues by 2020.

Source: NASSCOM, NDTV Profit, Times of India, NASSCOM Perspective 2020

Note: 1) BRIC: Brazil, Russia, India and China 2) GCC: Gulf Cooperation Council

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IT SECTOR STRUCTURE – BY SIZE (FY14E)

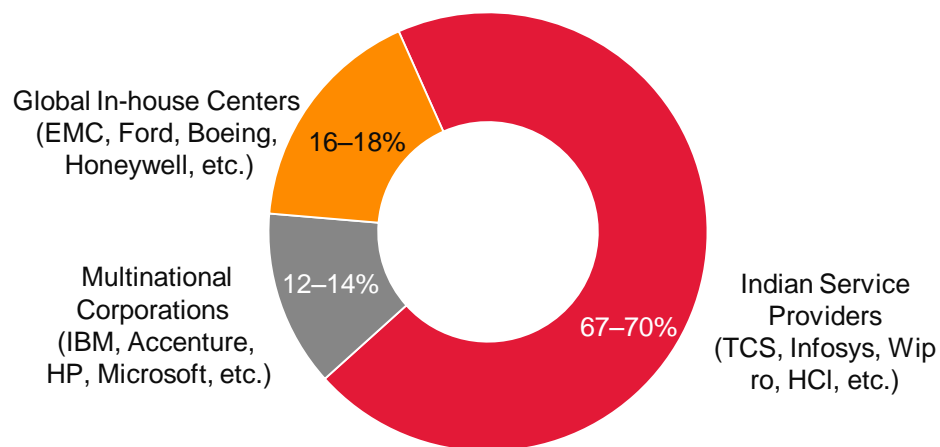
| Category | No. of Players | % contribution to total IT revenues | % of total employees |
|-------------------------|----------------|---|----------------------|
| Large-sized | 11 | >40% (> USD1 billion) | ~35–38% |
| Mid-sized | 120–150 | ~35–40% (USD100 million–USD1 billion) | ~28–30% |
| Emerging players | ~1,000–2,000 | ~9–10% (USD10–100 million) | ~15–20% |
| Small-sized / Start-ups | ~15,000 | ~9–10% (≤USD10 million) | ~15–18% |
| End-use sectors | 250+ | MPE, Professional services, retail, travel & hospitality | |
| | 120–150 | Telecom, real estate, manufacturing, animation & gaming, transportation | |
| | ~500 | eCommerce | |
| | ~400+ | Education, internet | |
| | 100+ | Agriculture, BFSI, energy, government | |

- In terms of the provider size, the industry structure is fairly concentrated with the top 11 players accounting for over 40% of the total IT revenues, while the mid-sized segment contributes ~35–40%.
- Also complementing the growth of the large players is the small and medium enterprises (SME) segment comprising >16,000 small players and emerging start-ups that are a potential growth segment for the sector.
- The sector also has a mix of Indian service providers (ISPs), multinational companies (MNCs), and global in-house centers (GICs).

Source: NASSCOM

IT SECTOR STRUCTURE – BY OWNERSHIP (FY14E)

(% share)



TOP 15 PLAYERS IN IT SERVICES*

| Sr. No. | Company Name |
|---------|--|
| 1 | Tata Consultancy Services Ltd |
| 2 | Infosys Ltd. |
| 3 | Wipro Ltd. |
| 4 | HCL Technologies Ltd. |
| 5 | Tech Mahindra Ltd. |
| 6 | iGate |
| 7 | Mphasis Ltd. |
| 8 | L&T Infotech Ltd. |
| 9 | Syntel Ltd. |
| 10 | CSC, India |
| 11 | Genpact India Pvt. Ltd. |
| 12 | MindTree Ltd. |
| 13 | Robert BOSCH Engineering and Business Solutions Ltd. |
| 14 | KPIT Technologies Ltd. |
| 15 | Polaris Financial Technology Ltd. |

TOP 15 BPO COMPANIES**

| Sr. No. | Company Name |
|---------|---|
| 1 | Genpact India Pvt. Ltd. |
| 2 | Tata Consultancy Services Ltd. |
| 3 | Serco Global Services |
| 4 | Aegis Ltd. |
| 5 | Wipro BPO |
| 6 | Infosys BPO |
| 7 | Firstsource Solutions Ltd. |
| 8 | WNS Global Services (P) Ltd. |
| 9 | Aditya Birla Minacs Worldwide Ltd. |
| 10 | EXL |
| 11 | Hinduja Global Solutions Ltd. |
| 12 | HCL Technologies Ltd. - Business Services |
| 13 | Tech Mahindra Limited |
| 14 | Hero Management Service Ltd. |
| 15 | Mphasis Ltd |

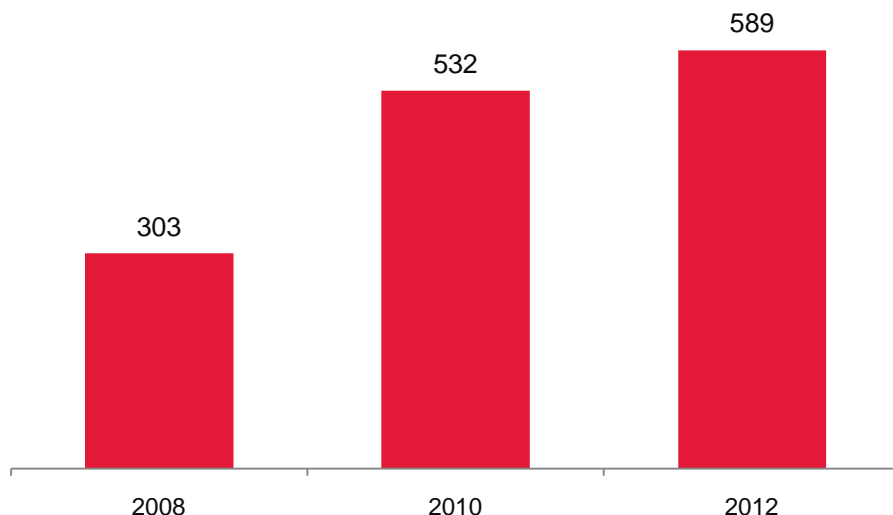
TOP 15 IT SECTOR EMPLOYERS

| Sr. No. | Company Name |
|---------|--|
| 1 | Tata Consultancy Services Ltd. |
| 2 | Infosys Ltd. |
| 3 | Cognizant Technology Solutions India Pvt. Ltd. |
| 4 | Wipro Ltd. |
| 5 | HCL Technologies Ltd. |
| 6 | Tech Mahindra Ltd. |
| 7 | Genpact |
| 8 | Serco Global Services |
| 9 | Cap Gemini India Pvt. Ltd. |
| 10 | Mphasis Ltd. |
| 11 | Aegis Ltd. |
| 12 | iGATE Global Solutions Ltd. |
| 13 | CSC India |
| 14 | Firstsource Solutions Ltd. |
| 15 | WNS Global Services |

Source: NASSCOM

Note: 1) Tabulated data is for 2012-13 2) BPO: Business process outsourcing
 */** Does not include some companies headquartered outside India, but have significant India-centric delivery capabilities, and have not shared their India-centric revenue figures. Had they been ranked based on their India revenues, companies such as Accenture, Cognizant, HP, Capgemini, Oracle, and IBM (for IT services) and Convergys, IBM Daksh and Sutherland Global Services (for BPO) would have appeared in these rankings.

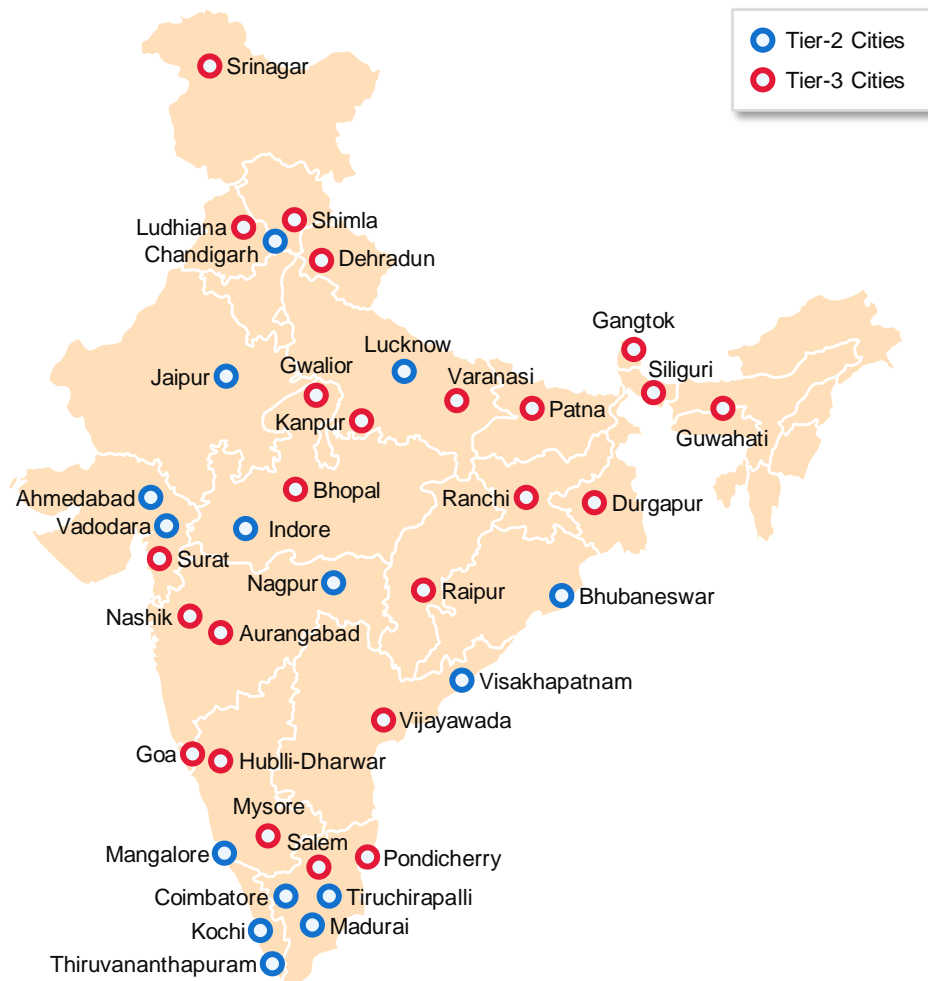
IT SEZ UNIT GROWTH



- SEZs have grown at a CAGR of ~18% during 2008–12 totaling 589 units in 2012. Around 30% of all operational IT SEZs are present in Tier II/III cities.
- Tier II/III cities offer advantages such as low attrition, affordable real-estate, local government support, and access to untapped SMB market that are rapidly adopting technology.
- Further, this is giving rise to the domestic hub and spoke model with Tier I cities as hubs and a network of Tier II, III, and IV cities as spokes.

Source: NASSCOM

NEW EMERGING IT CENTERS IN TIER II/III CITIES



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| Particulars | Description | Implications |
|---|---|---|
| Software Technology Parks (STPs) | <ul style="list-style-type: none"> STPs were set up as autonomous societies under the Department of Electronics and Information Technology in 1991 to promote software exports from India. STPs enjoy a number of benefits, including exemptions from service tax and excise duty, and rebate for payment of Central Sales Tax. The most important incentive is 100% exemption of export profits from income tax. | <ul style="list-style-type: none"> STPs have been instrumental in boosting India's IT and ITeS exports. |
| Special Economic Zones (SEZs) | <ul style="list-style-type: none"> The SEZ scheme was enacted by the Government of India in 2005, with an objective of providing an internationally competitive and hassle-free environment for exports. The scheme provides drastic simplification of procedures and a single-window clearance policy on matters relating to central and state governments. Under the scheme, the exemption from income tax is tapered down over 15 years from the date of commencement of manufacture. There is 100% exemption of export profits from income tax for the first five years, 50% for the next five years, and 50% for next five years subject to transfer of profits to special reserves. | <ul style="list-style-type: none"> The SEZ policy aims at creating competitive, convenient, and integrated zones offering world-class infrastructure, utilities, and services for globally oriented businesses. The SEZ Act 2005 envisages key role for the state governments in export promotion and creation of related infrastructure. |

Source: Invest India, Ministry of Communications & Information Technology : Government of India, Press Information Bureau : Government of India

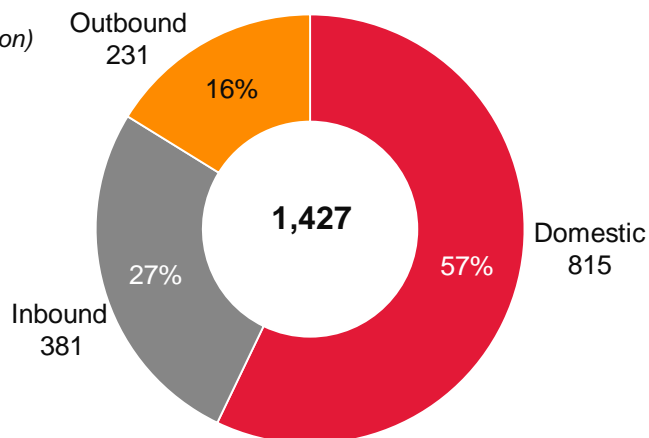
| Particulars | Description | Implications |
|--|--|---|
| Export Oriented Units (EOUs) | <ul style="list-style-type: none"> ■ The EOU scheme, introduced in early 1981, is complementary to the SEZ scheme. ■ The basic premise of the scheme is that the exporters are treated as a special class and given the required tariff, non-tariff and policy support to facilitate their export efforts. | <ul style="list-style-type: none"> ■ EOUs provide an internationally competitive duty-free environment, along with better infrastructural facilities for export production. ■ The scheme has resulted in growth in exports and foreign exchange, transfer of latest technologies to stimulate FDI, and generated additional employment. |
| Information Technology Investment Regions (ITIRs) | <ul style="list-style-type: none"> ■ ITIRs were notified in 2008 to address the IT sector's infrastructure needs. ■ According to plans, these regions are endowed with excellent infrastructure and supported through investor-friendly policies. | <ul style="list-style-type: none"> ■ ITIRs were conceptualized considering the need to boost the growth of IT/ITeS and electronic hardware manufacturing units. ■ These regions would become major attraction for investment, creating employment opportunities and economic growth in the area. In addition, it would reduce the pressure on existing urban centers by enabling growth of new townships and dispersal of industry. |

Source: Invest India, Ministry of Communications & Information Technology : Government of India, Press Information Bureau : Government of India

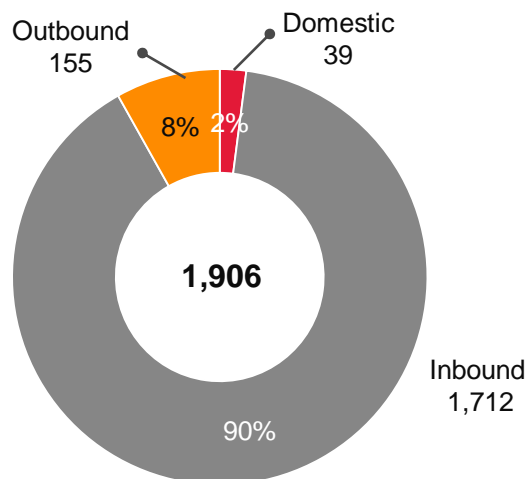
M&A DEALS IN THE IT SECTOR

2009

(USD million)

**2013**

(USD million)



SIGNIFICANT DEALS IN THE IT SECTOR (2013)

| | Acquirer | Target | Amount (USD million) |
|----------|------------------------------|-----------------------|----------------------|
| Domestic | Info Edge | Zomato Media | 16 |
| | Genpact | Felix Software | 2.5 |
| | Barring Asia | Hexaware Technologies | 465 |
| Inbound | ODSA Topco Limited | GlobalLogic | 420 |
| | Partners Group | CSS Group | 270 |
| | TCS | Alti | 98 |
| Outbound | Eka Software Solutions | Matrix Group | 20 |
| | Geometric Software Solutions | 3Cap Technologies | 15 |

- M&A activity in the IT sector has grown at a CAGR of ~7.5% in total value over the last four years. There were a total of 100 M&A deals in 2013.
- Inbound M&A deals accounted for 90% of total M&A value in 2013 led by innovative firms.
- Domestic deals declined in 2013 compared to 2009. The deals focused largely around mobile value-added and online services.
- Outbound deals focused on access to domain expertise, geographies, key customers, etc.

Source: Strategic Review 2014 – NASSCOM, Venture Intelligence, The Economic Times

Note: M&A–Mergers & acquisitions

| | |
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INDIA – A PREFERRED DESTINATION

| BENEFITS | | IMPACT ON CUSTOMERS | |
|----------|------------------|--|---|
| 1 | Cost Competitive | 3-4X Cheaper than US | <ul style="list-style-type: none">Optimum costOperational flexibilities, efficiencies |
| 2 | Human Capital | >5 million graduates >3 million workforce | <ul style="list-style-type: none">Largest employable poolDiverse background |
| 3 | Customer First | 100% Coverage of outsourcing engagements | <ul style="list-style-type: none">Customer centric business outcomesEnd-to-end servicesNiche, domain capabilities |
| 4 | Scalability | ~75 countries ~600 ODCs | <ul style="list-style-type: none">Global delivery networkBest-in-class governance frameworks |
| 5 | Strong Ecosystem | 43 Tier II/III cities | <ul style="list-style-type: none">Competitive infrastructureEmerging potential locations |
| 6 | Maturity | USD118 billion Industry | <ul style="list-style-type: none">Scale: 16,000 firmsDepth of services: across IT-BPMVertical presence |

Source: NASSCOM

Note: 1) ODCs–Offshore Development Centers 2) Data for FY14E

ATTRACTIVE OPPORTUNITIES

Social Media Analytics

- An explosive growth opportunity for Enterprise Social Software with the global market exceeding USD6.4 billion by 2016.
- According to Forrester Research, spending on social business software is expected to grow at a CAGR of 61% during 2013–16.

Big Data / Analytics

- The global market is estimated to grow 45% annually to reach ~USD25 billion by 2015.
- Indian Big Data industry is expected to grow from ~USD200 million in 2012 to ~USD1 billion in 2015, a CAGR of over 83%.
- Emergence of niche start-ups and technological developments would foster growth.

Enterprise Mobility (EM)

- Global revenues are estimated to reach around USD140 billion by 2020, a CAGR of ~15%.
- North America is expected to remain the largest market while APAC is expected to grow the fastest at ~21%.
- Existing spend of less than 5% on EM is expected to grow to 10-12% by 2020.

Source: NASSCOM

Cloud Computing

- Market is expected to reach USD650–700 billion globally and USD15–18 billion in India by 2020.
- Cloud penetration in hardware is expected to show a major shift from 8–10% in 2012 to 22–24% in 2016.

SMBs

- SMBs are emerging as key stakeholders for India's IT sector. Despite being large (47 million units) and highly unorganized, this segment is witnessing rapid IT adoption.
- The key to exploiting the SMB opportunity is to offer cloud models (SaaS, PaaS, IaaS), bundled end-to-end offerings, bundled pricing, and intuitive solutions.

Emerging geographies

- 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 by 2020.

Note: SaaS—Software as a Service, PaaS—Platform as a Service, IaaS—Infrastructure as a Service

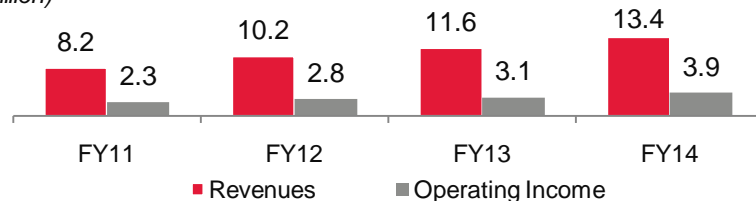
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KEY COMPANY FACTS

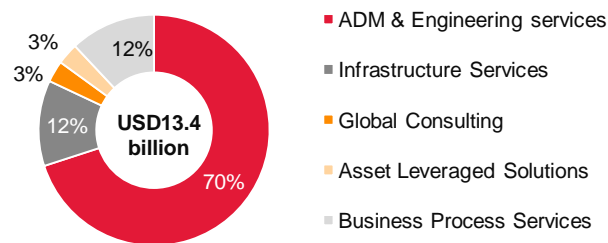
| | |
|-----------------------------------|---------------|
| Incorporation date | 1968 |
| Headquarters | Mumbai, India |
| Employee Headcount | 2,76,196 |
| No. of Customers | 1,208 |
| Market Cap (As on April 23, 2014) | USD71 billion |
| Presence | Worldwide |
| Website | www.tcs.com |

FINANCIAL PERFORMANCE

(USD billion)



Revenue Mix by Service Offering – FY14



KEY DIFFERENTIATING STRATEGIES

- **Company Strategy:** TCS's strategy of strengthening the current business and investing in the future revolves around (1) customer centricity, (2) full services portfolio, (3) global network delivery model (4) non-linear business models and (5) strategic acquisitions.
- **Focus on Co-innovation:** TCS formed Innovation Labs and Co-Innovation Network (COIN) to bring together academic institutions, start-ups, venture funds, and clients to create new ideas, concepts, and intellectual property.
- **Investment in digital technologies:** TCS has significantly invested in digital technologies – mobile, cloud, big data, analytics, and social media.
- **Geographic diversity:** The company strategically invests in Asia-Pacific, Latin America, and Middle East & Africa markets in order to de-risk geographical concentration.
- **Strategic partnerships for sustainable business:** TCS has strategic partnerships with major global technology players including Alcatel-Lucent, Cisco, EMC, Google, HDS, HP, IBM, Microsoft, etc. for dealing with ever-changing markets, technologies, and customers.

Source: TCS website, Annual Report 2012–13

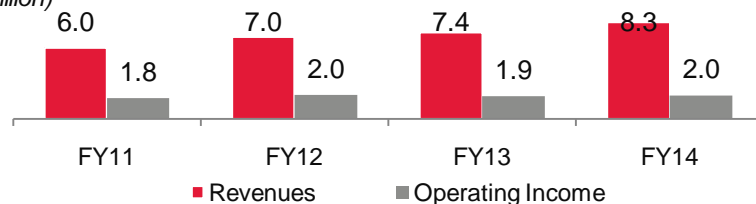
Note: Financials for fiscal years ended March 31

KEY COMPANY FACTS

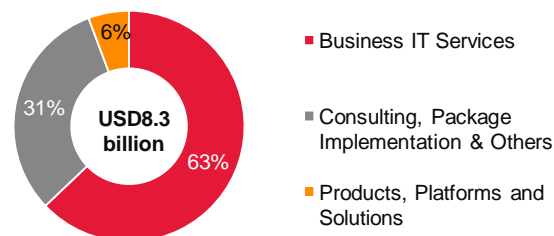
| | |
|-----------------------------------|------------------|
| Incorporation date | 1981 |
| Headquarters | Bangalore, India |
| Employee Headcount | 160,405 |
| No. of Customers | 1,128 |
| Market Cap (As on April 23, 2014) | USD30 billion |
| Presence | Worldwide |
| Website | www.infosys.com |

FINANCIAL PERFORMANCE

(USD billion)



Revenue Mix by Service Offering – FY14



Source: Infosys website, form 20F 2013, 4Q FY14 factsheet

Note: Financials for fiscal years ended March 31

KEY DIFFERENTIATING STRATEGIES

- **Innovation fund:** Infosys has set up a USD100 million fund to invest in start-ups, besides funding internal innovation.
- **Focus areas of Innovation:** Infosys, as part of Building Tomorrow's Enterprise strategy, identified seven game-changing trends – digital consumers, emerging economies, sustainable tomorrow, smarter organizations, new commerce, pervasive computing, and healthcare economy – which are key to IT-led innovations.
- **Infosys 3.0:** Infosys 3.0 (products, platforms and solutions) was set up to focus on innovation-led business growth for its clients. Along with the IT services, the company works with the business side of clients.
- **Modular Global Sourcing framework:** Infosys assists clients in segmenting their internal business processes and applications and outsourcing these segments selectively on a modular basis to reduce risk and cost and to increase operational flexibility. This approach has enabled the company to retain leadership position in the industry.
- **Infosys Labs:** Infosys Labs focuses on developing significant new Intellectual Property to enable new and differentiated products, platforms, solutions, and services by Infosys business groups.

IMPORTANT NOTES

- The IT sector referred to in this report provides coverage on IT, ITeS & BPM segments.
- Figures may not add up to the total due to rounding off to the nearest whole number.
- FY refers to fiscal year from April to March.
- CAGR refers to compounded annual growth rate.
- Business Process Management (BPM) is the refined term for Business Process Outsourcing (BPO) and includes processes that may be IT-enabled, do not necessitate on-shore presence and are hence, offshore-able.
- Small and medium business (SMBs) are demand-side enterprises with average employees of less than 1,000 who are potential users of IT-BPM services.
- Small and medium enterprises (SMEs) refer to supply-side enterprises that offer IT-BPM services and have annual revenues of less than INR500 million.
- Multinational Corporations (MNCs) are firms with headquarters outside India. These firms would have their branch offices and/or subsidiaries in India that cater to global customers.
- Global In-house Centers (GICs) include both MNC-owned units that undertake work for the parents' global operations and the firm-owned units of domestic companies.
- Indian Service Providers (ISPs) are firms with their headquarters in India. These may cater to domestic or international customer base.

Source: NASSCOM



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