

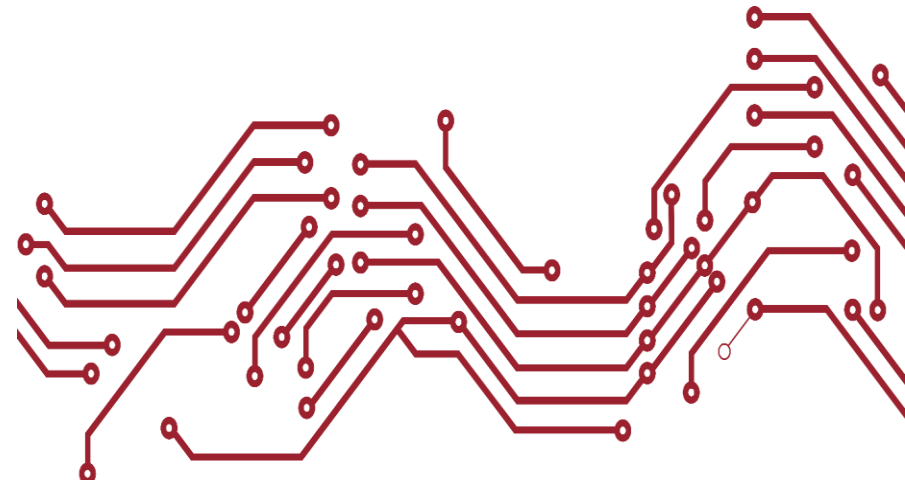
NASSCOM®

IT-BPM Industry in India: Sustaining Growth and Investing for the Future

**22 June 2017,
Hyderabad**

Agenda

- FY 2016-17: Growth in a year of uncertainties
- The Digital Imperative
- Changing skills scenario
- Accelerating the India Opportunity
- Outlook FY 2017-18



The Growth Drivers

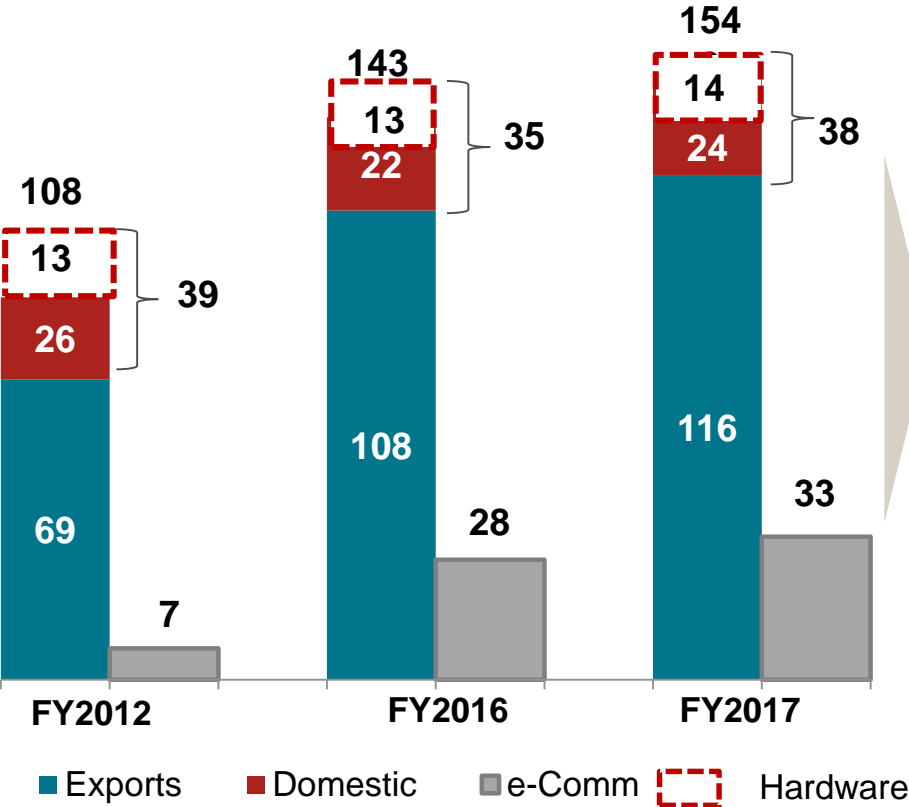
- Industry added **over USD 11 bn in revenue (8.6% in constant currency; 7.6% in reported currency)**
- **Digital became mainstream**; key differentiator for industry
- Focus on **skills in demand**, new **business models**
- Expanding opportunities in newer markets like **Continental Europe, Japan, China and Africa**
- **Acquisitions / Partnerships** to enhance **Digital capabilities, Domain and Consulting skills**

The Headwinds

- Increased rhetoric on **protectionism**, Elections, **Brexit** and visa issues
- Delayed decision making due to **macro-economic uncertainties**
- Slower growth in traditional services, **focus on cost optimization**
- **Currency** volatility led to difference of **1–3%** between constant currency and reported currency growth
- Longer gestation period for enhanced R&D investments for products and platforms **led to some impact on margins**

IT-BPM revenue break-up

USD billion



- **USD 11 billion** incremental revenue added in FY 2017. Consistent performance - added over **USD 60 billion** in last 5 years
- **Exports** – Largest export sector for the country; **exports doubled over last 6 years**. Expanding base – In FY 2017, grew 7.6% vis-à-vis India’s merchandise exports (3.1%) & invisibles (2.1%)
- **Domestic market:**
 - **Fastest growing** tech market in APAC; Grew over **11% (in INR)** in 2016-17
- Significant **Impact** on the Economy
 - Export revenue equivalent to **20% of forex reserves**¹
 - **FDI share** of the sector **>7%** of total FDI inflows

¹ Government Sources as of Jan 27, 2017
Source: NASSCOM

Segments

- **ER&D** growing fastest at **10.5%** - focus on high-end services
- **ISO, Testing and Analytics >9%** – focus on embedding digital solutions
- **Digital projects – 15-20%** of revenues for large companies

Verticals

- **Manufacturing, Healthcare, Travel & Transportation** grew **over 8%** driven by new technologies
- **BFSI, Hi-tech, Retail and Utilities** affected by slowdown in discretionary spending

Sectors/ Markets

- **Expanding GIC base. 15+ GICs** added in India in Q1 2017; **30+** in FY 2016-17¹
- **Continental Europe** grew over **8%**¹ - Industry 4.0, Product Engineering driving growth

KPIs that matter today are very different from past



	KPI	FY2012	FY2017	Implications
EFFICIENCY	Fixed price contracts ¹ (% of revenue)	42%	55%	Rising trend of investing jointly with clients and sharing risk & reward
	Million Dollar clients ¹ (% of active clients)	48%	46%	Digital driving smaller deal values; trend expected to accelerate
INNOVATION	Onshore revenues ¹	48%	59%	Digital projects require co-innovation with customers
	Platform revenues ¹ (% of revenues)	4-7%	7-10%	IP based solutions and services – focus on value added services
	Digital revenues ¹ (% of revenues)	4%	15-20%	Digital revenue growth faster than projected in the 2025 vision
	Digital M&As ² (Numbers)	39	64	M&As to enhance digital competencies – design, cloud, AI solutions

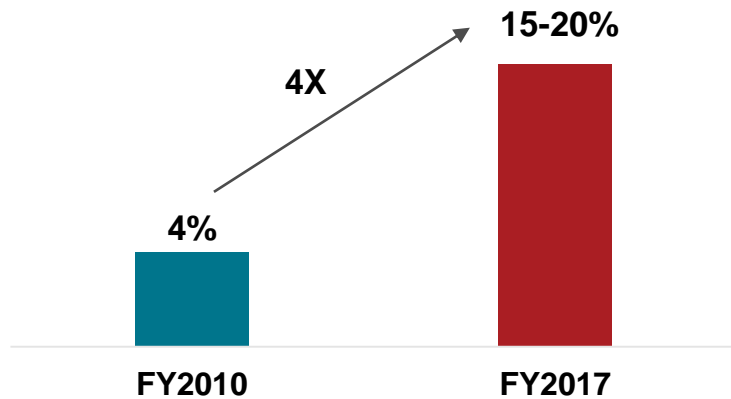
Industry clearly on a transformation journey to capture the Digital revolution

Source: ¹ Company financials of top listed companies
² Venture Intelligence Industry number

Going Digital: Where are we today?

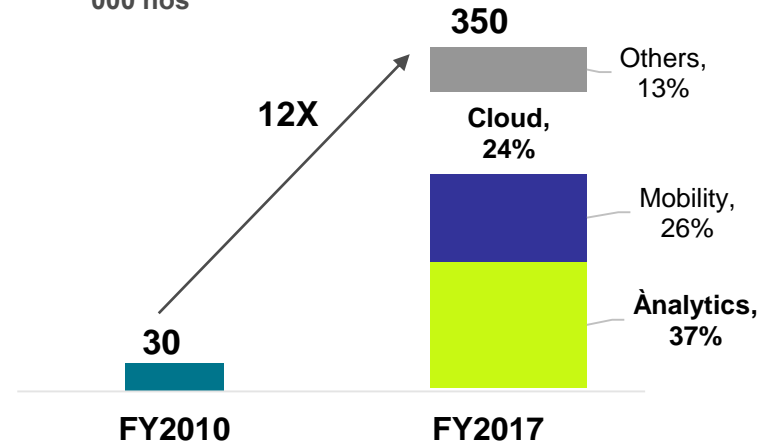
Digital revenues: rapid growth¹

% of industry export revenues



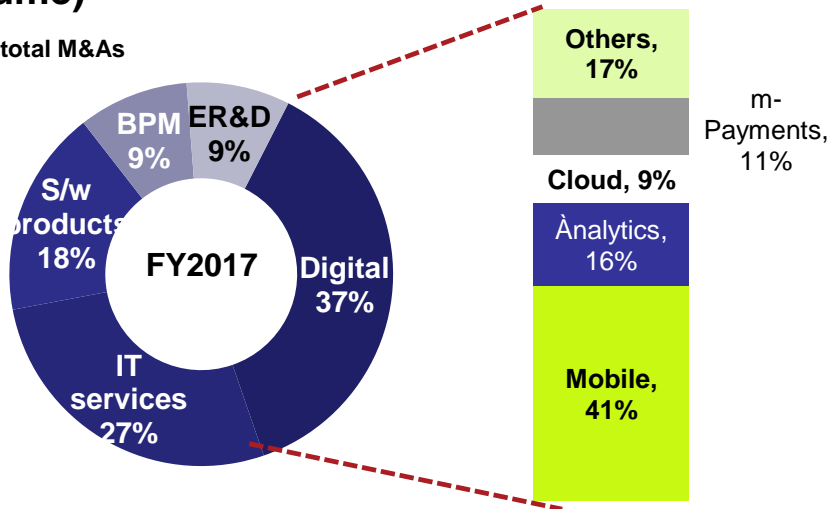
>50% employees from top firms already trained in Digital¹

'000 nos



Digital driving more than 1/3rd of M&As (by volume)²

% of total M&As



- **8,000+** firms offering digital solutions¹
- **2,000+** digitally focused start-ups³
 - **250+** Cloud, **240+** Big Data/Analytics, **150+** IoT, **135+** ML/AI
- **100+ CoEs** (Blockchain, IoT, Analytics)¹

- **New talent addition around emerging job roles:** Subject matter experts and hybrid professionals (domain + tech + soft skills)
- **New job roles:** Cybersecurity, mobile app development, new user interfaces, social media, data scientists, platform engineering
- **New skills:** Big data analytics, cloud & cybersecurity services, IoT, service delivery automation, robotics, AI/machine learning/NLP, etc
- **Subject matter experts:** Graphic designers, humanities, sociology, security, finance, payments




NASSCOM working with its members/partners to establish a comprehensive digital skilling platform to reskill 1.5-2M workforce in next 4-5 years

Enterprises driving the Digital Agenda¹

BFSI, Healthcare – leading investors

- **2/3rd** of private banks & **~20-30%** of public banks to adopt digital technologies in 2-5 years
- As per Gartner's 2016 CIO Survey, **20%** of Indian firms opting for **CDO roles** compared to 9% globally

Digital Economy as a growth enabler

-  ² Mobile banking transactions' volume: **Increase by 40X** in last 3 years
-  ¹ **eComm: \$33 bn (FY2017); YoY growth of 19%**
-  ² Digital transactions:
 - **USD ~9 billion nos.** (FY2017)
 - **CAGR 50%** (FY2014-17)

Progressive Policies



Smart cities¹

- 100 nos. by 2020
- INR 2 billion/city/year

#startupindia³

- 4,750+ nos.
- ~USD 4 bn funding



- Vision to be a trillion Dollar Digital economy by 2022 (Government data)

Growing Internet Economy key to success



- ⁴ **432 mn** Internet subscribers; 2nd largest after China

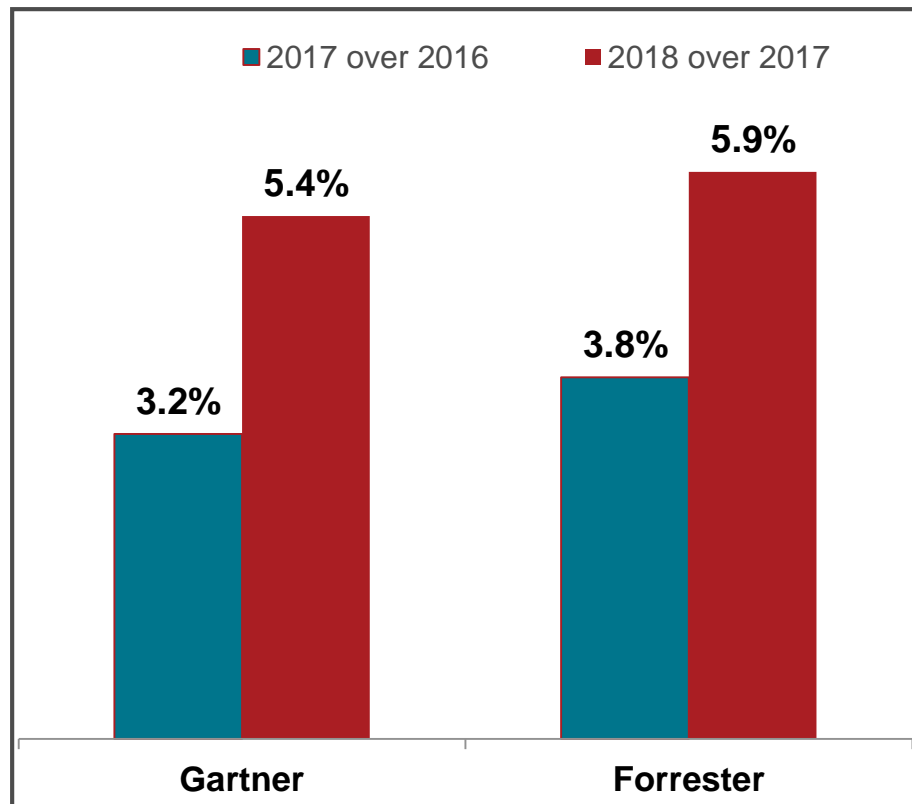


- ⁵ **300+ mn** smartphone users; **800+ mn** by 2020



- ¹ **>6 bn** Google Play downloads (2016) India surpassed the US

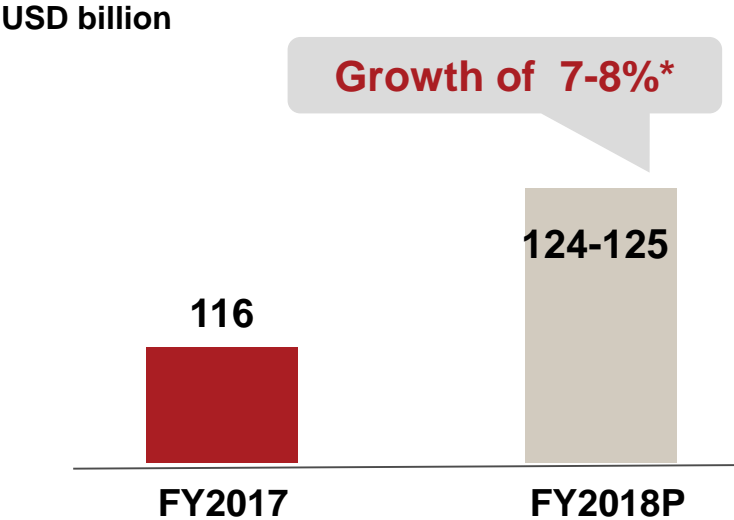
Worldwide IT (software and services) growth



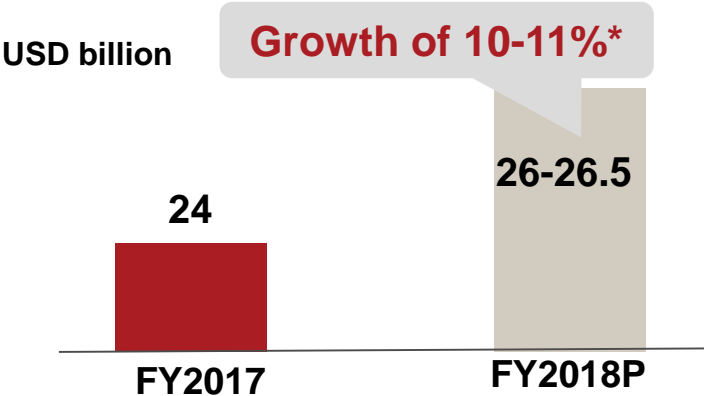
- **Cautious tech investments** in 2017
 - Rhetoric on local first policies
 - Exponential Technology changes – leading to longer decision making processes
 - Smaller projects to determine ROI
 - Do more with less in traditional services
- **Growth areas:** SaaS applications, cloud platforms, BI, cognitive, embedded analytics
- **India:** Fastest growing due to firms modernizing their operations
- **2018 outlook:** Optimistic as enterprise customers scale digital projects

Industry Growth Drivers: Technology + Skills + Market

India IT-BPM Export Revenues*



India IT-BPM Domestic (excl. Hardware) Revenues*



- **FY 18 – key trends**
 - Financial services revival with Fed increasing rates
 - Higher growth in Digital
 - Legacy business improvement
 - Increased automation based projects driving deals
 - India market growth driven by enterprise digital adoption
- **The Skills Imperative**
 - Net hirer adding 1.3 - 1.5 lakh jobs
 - Decoupling of revenue and headcount growth - non linear growth
 - Technology skills demand in other sectors to grow at a higher rate
 - Focus on reskilling and academic partnerships

* Excludes hardware
Source: NASSCOM

* In constant currency

1 Build India as the Digital Innovation Hub

2 Accelerate the Technology Skilling / Reskilling platform

3 Centers of Excellence / Initiatives – IOT, Design, Data Sciences, Cybersecurity

4 Digital Ecosystems – Connect Startups with Enterprises

5 Partner for domestic technology adoption to accelerate India's transformation

6 Outreach to newer markets – Japan, Germany, Middle East, Africa, and China with focus on Digital solutions, Industry 4.0

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Thank you