

NEWSLINE

FROM THE EDITOR

Getting ready for GST and building skills for the DT opportunity

There are significant changes – both business related and technological – that are sweeping the world and the Indian subcontinent, greatly impacting the IT-BPM industry.

In India, for instance, there is the GST, a tax which will come into effect from July 1 and create a single, unified market. While the tax is expected to simplify life for citizens and corporations, the IT sector is concerned that it could create challenges for tech companies, especially smaller e-commerce players. The worry is that the overall competitiveness of the IT-BPM industry could be compromised owing to the complexities introduced by the policy measure.

The fact is that the GST has the potential to increase the pressure on the Indian IT-BPM industry which is already facing issues related to reskilling its manpower for the Digital era. It is becoming imperative for IT-BPM organizations to equip employees in Digital Transformation skills, in order to be future ready. Today, therefore, industry organizations are looking beyond the hype surrounding trends such as job cuts, and instead focus on finding the right people to sustain their advantages in the global markets.

Besides skilling, the Indian IT-BPM industry has to continue expanding into new high potential, hitherto untapped geographies, in order to reduce its dependence on the Western markets. Clearly, China presents a giant business opportunity to Indian IT-BPM companies, giving them a chance to build a new revenue stream in the most powerful of Asia's markets. Also, the fact is that China and India have traditionally been trading partners and going forward can create a win-win scenario for each other.

NASSCOM has been engaging closely with the Chinese and Indian governments, to catalyze ICT investment by Indian companies in China and Chinese companies in India. It has also been leading delegations to China to expose its member companies to the market.

In this issue of Newsline, we discuss the reforms and upgrades introduced by the Indian Government to the Maternity Benefit Act to make it more beneficial for the women professionals of the country. We discuss the policy and what it means to the women working in the IT sector.

Finally, Newsline brings you an update on the Smart Cities project launched by the Indian government in 2015 and talk about how NASSCOM has been mentoring policy makers to roll out this initiative successfully.

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GST: ALL IS NOT WELL FOR INDIAN IT-BPM INDUSTRY

NASSCOM welcomes implementation of GST but has concerns over some of its provisions.

RESKILLING TO REVIVE

Acquiring new skills in Digital technologies has become imperative for the Indian IT-BPM industry. Reskill or perish seems to be the new mantra for the sector.



ENCOURAGING ICT TRADE, INVESTMENT WITH CHINA

During roundtables and other interactions, a large number of Chinese companies explored trade & investment options with NASSCOM delegation that visited China recently.

MORE BENEFITS FOR WOULD-BE-MOMS

Government amends Maternity Benefit Act to provide greater benefits to India's women workforce



NASSCOM HELPING GOVERNMENT TO BUILD SMART CITIES

NASSCOM has taken a series of suo motu initiatives to augment the efforts of the central government towards building smart cities across the country.

GST: All is not well for Indian IT-BPM industry



With the GST policy getting implemented from July 1, 2017, India will have a new, reformed indirect taxation system. Union Finance Minister Arun Jaitley, who chairs the GST Council, has been talking about how, in a significant move, the government will now merge many state and central taxes into one, thereby eliminating the problem of double taxation and creating a common national market.

By simplifying the indirect tax structure through a single tax, the Union government is intending to improve administration and enforcement and enhance ease-of-doing business for large and small companies.

For Indian citizens, GST spells a lowering of the tax burden on goods, easy cross border movement without having to pay a state tax and reduced processes and paperwork.

India's top exporter of IT software and services, the IT-BPM sector, is additionally expected to feel the pinch of the GST (see box to gain a view of the taxes being imposed on IT under the proposed amendment).

Impact on the IT services segment

NASSCOM has been pointing out that it is imperative that India's regulatory environment remains future-ready and in sync with the emerging Digital economy. Also,

that the nation's taxation structure maintains the simplicity that it offered when being administered under a single authority in the center under the service tax regime. The IT industry has been asking for a GST law that retains this element of simplicity and certainty.

NASSCOM therefore, has expressed some concerns about the implementation of GST, stating that some of its provisions could:

- Encourage disputes and litigation even though it offers clarity on taxation of electronic downloads and subsumes multiple levies. The valuation of services provision as well as classification of services, it is believed can lead to issues
- Lead to a transfer pricing like situation for intra-company supplies and will necessarily require refunds
- Complicate taxation owing to more complex billing and invoicing needs and the supply and valuation provisions of the Bill. Here, the 'place of supply' provision may require multiple invoicing if services are delivered under a single contract but from various centers of the same organization
- Create around 111 points of taxation, with service providers having to register in 37 jurisdictions – 29 states, seven union territories, and the Center!

- Mean that IT companies, along with other service providers, will have to register and file compliance reports at as many as 111 points
- Reduce the overall global competitiveness of Indian IT sector

Hitting at the heart of e-commerce

However, what could cause the most disappointment is the impact of the GST on India's burgeoning third-party e-commerce marketplace, owing to taxation requirements on businesses operating in the online space.

Smaller, innovative start-ups participating in the e-commerce arena too will face a negative fallout of the GST. The law, according to NASSCOM, will render selling online a relatively expensive channel. It will require registrations of all sellers even if they are below the income

threshold, leading to extra compliance and a greater burden for small enterprises.

IT units in special economic zones (SEZs) too are expected to lose some benefits as there is no provision for upfront tax exemptions (that they enjoyed until now) in the GST bill! This will require them to separately apply for refunds. Furthermore, the reverse charge of GST on the import of services used as input for exported services is expected to lock in working capital.

Clearly, the GST needs to be future-proof, in order to be valuable to Indian businesses. NASSCOM has been in conversation with the government on how GST could create crippling operational challenges for the IT sector. It has been urging the government to improve India's ease-of-doing-business climate, not diminish it. According to NASSCOM, the government must continue to incentivize and benefit the country's IT-BPM industry that has emerged as the poster boy of its exports and a major contributor to GDP growth.

Goods / Services category		GST rate	Indirect Tax rate under current regime*	Remarks
Electronic supply of software		18%	15% (service tax) plus 5% (VAT)	
Software services, ie, development, design, programming, customization, adaptation, upgradation, enhancement, implementation of information technology software		18%	15% (service tax)	
Temporary transfer or permitting use of IP		12%	15% (service tax)	
Shrink Wrapped software product (on media)		18%	15% (excise duty & VAT)*	Will increase cost
Laptops, desktops, peripherals, parts, etc		18%	15%*	Increased cost for companies
Printer, photo copying, fax machines, ink cartridges		Ambiguity on the type of printers, hence more details are awaited. Expected around 28%	13%* (ADP printers)	Increased cost for companies
Monitors and projectors (capable of connecting to ADP)		28%	13%*	Increased cost for companies
Majority of Networking products		18%	13%*	Increased cost for companies
Mobile phones	Imported	12%	19-23%*	
	Domestic manufacturing	12%	11%*	Slight increase in cost to end customer

*Please note that this effective rate of indirect taxes for products is a total of VAT and Excise duty (after considering abatement, where applicable)

Reskilling to Revive

Acquiring new skills in Digital technologies has become imperative for the Indian IT-BPM industry. Reskill or perish seems to be the new mantra for the sector

“The need for re-skilling talent is a reality that we have to address. To keep up in a fast-evolving technology environment, the IT industry must reinvent itself by re-skilling its employees in new and upcoming technologies. Looking at the future needs of the industry, NASSCOM will continue in its efforts to create opportunities for skilling and reskilling of employees to make them competitive for the industry.”

R. Chandrashekhar,
President, NASSCOM,



Separating the hype and hoopla regarding IT industry job losses from the reality of what's actually happening on-the-ground is proving to be a challenging task. In the last few weeks, there have been a deluge of reports in the media about how the IT-BPM industry is laying-off people and that there is a desperate need for the sector to build a pool of Digital skills, that can catalyze the growth of the sector in the years ahead.

The industry, especially the top seven companies (which are stated to be the ones on the job cutting spree) are however, denying these reports and stating that many of these figures are incorrect and not in line with industry statistics. NASSCOM and its member companies have shared that:

New talent: what it will look like

- There will be new talent addition around emerging job roles – subject matter experts and hybrid professionals (domain + tech + soft skills)
- The new job roles will be in the realm of Cyber security, Mobile App development, new User Interfaces, Social Media, Data Science, and Platform Engineering
- The new skills will be in areas like Big Data, Analytics, Cloud, Cyber Security services, Internet of Things (IoT), service delivery automation, Robotics, AI/Machine Learning/NLP, etc
- There will be subject matter experts in fields such as Design, Humanities, Sociology, Security, Finance, and Payments
- With 170,000 new jobs added in FY 17, the Indian IT-BPM industry remains a major net hirer; Q4 FY 2017 alone saw gross hiring of over 50,000 by the top five companies
- The net hiring trend is expected to continue during 2018 with numbers prudently and continuously calibrated by industry revenue growth
- While there is a gentle deceleration in the net hiring growth rate due to a shifting focus towards innovation, lower attrition and enhanced efficiencies, the industry continues to hire fresh as-well-as lateral employees in equal proportion thus indicating the opportunities for employment at the entry as well as the mid-management levels
- The sector has a current employee base of 3.9 million (of these there are around 950,000-100,000 people working in

Both skilling and talent re-deployment are part of a regular yearly cycle, as this enable companies to remain competitive. Companies evaluate their priorities based on the business needs and work towards making the necessary changes in their workforce planning. Therefore, it is important to look at the larger picture and the long-term roadmap to completely understand and appreciate the situation.

Raman Roy,
Chairman, NASSCOM

tech start-ups and approximately 500-600,000 employees working in e-commerce market

- The layoffs are a regular exercise - an internal annual performance appraisal process and competitive strategy of companies where they rework their priority. The exercise is stated to impact only 0.5-3 percent of the overall IT talent pool

Looking ahead

It is becoming clear that the Indian IT-BPM industry needs to reinvent itself and reskill its workforce to remain globally competitive and future-ready. Going forward, the focus for companies needs to be on skills and proficiency levels rather than scale. Hence, employees (both current and potential) must skill themselves in domain specific requirements.

They have to embrace new job roles in the emerging areas of cyber security, mobile app development, new User Interfaces, Social

Media, Data Science, Cloud, Consulting and Design, Platform Engineering, etc. in order to evolve into a new breed of domain and subject matter experts.

Many IT-BPM companies have already taken this path, establishing dedicated programs to re-skill existing employees. India today has over 300,000 such experts. The top players in the market in fact, claim that they have reskilled an average 50 percent of their employee base in Digital technologies.

NASSCOM explores the reskilling conundrum

NASSCOM has been closely looking at the skilling issue, suggesting ways in which IT-BPM organizations in India can align their employees with existing and emerging technology and business trends. Over the years, NASSCOM member companies too have done just that, keeping abreast of developments shaping the sector.

At its India Leadership Forum held in February this year, NASSCOM had shared that its future skills work group was engaging closely with global management consulting firm Boston Consulting Group (BCG), to find ways to enhance the industry's skills eco-system. The partnership has resulted in the development of a two-pronged approach, which is expected to improve the skills eco-system (the Skills versus 'Job-specific' Curriculum) and the tech-enabled Learning eco-system.

NASSCOM and BCG have suggested that:

- A skills versus job-specific curriculum be created that provides a blend of job roles for the future with a focus on skill-based learning and certification
- The Tech-enabled learning eco-system leverages technology for building skills. The eco-system has to be scalable and agile with Mobility and Analytics providing reach and efficiency
- Around 1.5-2 million people need to be skilled/reskilled (both aspirants and current employees) over the next 4-5 years

NASSCOM has begun working with over 20 companies to achieve this target. Additionally, it has launched NASSCOM Leadership Resource Center, a global collaborative learning community aimed at building differentiated leadership competencies in the future leaders of the industry.

Why slowdown in IT-BPM industry hiring

The slowdown is owing to:

- The slowdown in the industry growth rate though absolute revenues added by companies remain the same
- Muted industry net hiring numbers owing to an increase in utilization in companies and continued revenue shift to onsite
- Declining attrition, which has led to better utilization and delivery efficiency, especially in fixed priced projects
- Acceleration in localization programs, employee skilling, and changes in the marketplace. Indian IT companies have accelerated localization programs by stepping up local hiring and pursuing contracts that involve employee rebadging. This has led to a rise in local count in client geographies, without adding much headcount offshore
- Growth in Digital, which is being led, to a large extent, through onsite local resources
- The fact that companies are trying to reskill employees, but not all are reskillable
- The broad based shift to agile delivery, which has resulted in the loss of several managerial positions. In agile development, the role of the project manager is retained by clients and not outsourced. This has left Indian IT with excess supply of managerial talent as compared to opportunities

Encouraging ICT Trade, Investment with China

During roundtables and other interactions, a large number of Chinese companies explored trade & investment options with NASSCOM delegation that visited China recently.



China, a huge and untapped export market for the Indian IT-BPM industry, is becoming a hot bed of investment for the sector. India meanwhile, is also opening its doors to Chinese companies, encouraging them to invest in the country and sharing with them the key areas where business opportunities are immense.

The Indian IT-BPM industry, led by NASSCOM, has been visiting China over the past few years. During its most recent tours in May and June, 2017, NASSCOM's delegation focused its energies on exploring business possibilities that exist between players on both sides.

The Indian tech sector managed to draw significant interest, particularly from Chinese automobile manufacturers for such investments. Take the instance of BAIC, a premier electric car maker of Beijing, which has an IT budget of USD 5 billion and will be looking to purchase technologies from India. BAIC has additionally sought the help of NASSCOM in finding quality partners on the R&D side in India for its investments.

Similarly, Changan Motor, the second largest auto company of China with revenues of USD 30 billion, is another organization that is considering investing in an R&D center in India. It is currently in the process of setting up a factory in Pune in a JV with Ford.

The Indian tech industry is also interacting with companies such as Mobike (a cycle sharing provider), Didi (which bought Uber), SAIC, LeCO, and Xiaomi, among others. NASSCOM has established connects with two Venture Capital firms – Dema International Capital (known to invest in early start-ups) and Sinova Capital Group Ltd., which has already made preliminary offers to two companies that were part of NASSCOM delegations to China. Mobike, meanwhile, is looking to enter the Indian market with operations in Pune and Bengaluru.

Similarly, three SOEs (Unicom, the State Grid and Aviation) have shown interest in working with Indian companies going forward. NASSCOM interacted with these new economy organizations as part of the second Round Table it hosted in China.

Through its engagement with Chinese government officials (especially of the tech focused Guizhou province), the Indian Ambassador to China, and IT organizations in the country, NASSCOM has got the ball rolling on large projects. It is expected that over the next few months, at least five to six projects will come the way of Indian IT-BPM organizations on a preferential basis. These companies will be expected to establish their operations in Guizhou. According to sources, several Indian technology companies have evinced interest in setting up local shops in Guizhou and agreements are likely to be inked soon. On the Indian side, the government is looking to provide all assistance and incentives (including free office space, free accommodation, no taxes for five years, etc) to Chinese companies keen to invest in the country.

The tech delegation which NASSCOM spearheaded in May, 2017, held an interactive discussion with the Indian Ambassador to the country who shared insights on India-China relationship. Later, as the delegation toured Ghizhou, it was accompanied by the Economic Counsellor of the Indian Embassy.

While in Guizhou, the NASSCOM delegation attended the largest Big Data show in China and participated in an India-China sub forum at the expo. Led by Rajendra Pawar, Chairman, NIIT, it also met with the Guizhou Governor who is said to enjoying huge discretionary powers.

During interactions with NASSCOM, the Indian Ambassador pointed out that tech companies needed to be more articulate while placing their demands before the

Chinese government. He shared that 'Make in China' focus of the government would require China to spend a lot more on technology purchases in the future. The Ambassador advised Indian IT-BPM organizations to enhance their engagement with Chinese provinces and cities, and keep Beijing informed. He also stated that large IT companies would need to implement programs for training people who spoke Chinese.

As part of its May and June, 2017 visits to China, NASSCOM hosted two Round Tables in partnership with centrally-owned State Run Corporations. In the first instance, 20 large SOEs participated in the discussions through their 30 executives (who were either CIOs or CTOs). The organizations included Bank of China, China Electronics Corporation, China Aerospace Science and Technology Corp., CNPC, Sinopec, State Grid, Shenhua Group, China Unicom, among others.

Interestingly, the 102 centrally-owned companies in China contribute 50 percent of the nation's GDP. Each of the ventures has at least 3-15,000 that do the IT work for them besides collaborating with many outsourcing agencies. They also own the bulk of the data generated in China for analytics.

The second Round table was rolled out by NASSCOM with new economy companies, 24 of which attended the event. A visit to BAIC Motors was organized for the delegates, besides meetings with MIIT and NDRC, to understand their Smart Manufacturing and Industry 4.0 initiatives.



More benefits for would-be-Moms

Government amends Maternity Benefit Act to provide greater benefits to India's women workforce

The Indian IT-BPM industry remains one of the most gender inclusive sectors of the country's economy. With a total workforce of 3.9 million, the segment is additionally the largest private sector employer of women!

IT organizations have consistently remained committed to introducing HR policies that benefit their women employees. Over the years, by providing women with perks related to flexible working hours, 'work from home options', equal pay for equal work, in-house creches and maternity sops, the industry has established itself as one that is at the forefront of promoting gender equality. The industry has also been leveraging the steps taken by the Indian government to protect the interests of women employees.

Recently, the Maternity Benefit (Amendment) Bill 2016 ("Maternity Bill") was passed by the Lok Sabha (Rajya Sabha had passed the Bill earlier) and after the assent of the Hon'ble President, the Act has come into force from April 1, 2017. The provision regarding the crèche facility however, will become effective from July 1, 2017. The Amendment Act has modified the Maternity Benefit Act, 1961 and has added some new provisions.

Under the Amendment Act:

- The period of maternity leave now is 26 weeks (12 weeks earlier) for the first two children. For subsequent children, however, the period of maternity leave remains unchanged i.e. 12 weeks. Out of the 26 weeks of maternity leave, not more than eight weeks can be taken before the date of expected delivery. Earlier, the pre-natal period was prescribed to be not more than six weeks.
- There is a provision now for nursing mothers to work from home.
- Employers are required to provide 12 weeks of maternity leave to 'commissioning mother' and 'adopting mother', starting from the date the child is handed over to such mother.
- Establishments having 50 or more employees are required to provide creches,

either individually or as a shared common facility, within the distance as may be prescribed by the Government. Women employees may make four visits to the crèche in a day which also includes the time allocated for rest.

- Employers may allow women to work from home based on the nature of work. This may be mutually agreed upon by the employers and their employees.
- Women employees need to be informed of the applicable maternity benefits in writing and electronically, at the time of appointment.

After the enforcement of the Amendment Act, the Ministry of Labour & Employment received numerous queries regarding some amended provisions of the Act and has issued following clarifications.

- The Act is applicable to contractual or consultant women employees (women who are employed in any capacity, directly, or through any agency) as per the provisions of the earlier Act. The Amendment Act does not stipulate any change in this regard.
- Women who are already under maternity leave at the time of enforcement of the Amendment Act will be entitled to the extended leave of 26 weeks. However, those women who have already availed of 12 weeks of maternity leave before enforcement of amendment Act 2017, shall not be entitled to avail the extended benefit of 26 weeks leave.
- Under Section 12 of the Act, 1961, it is emphasized that any dismissal or discharge of a woman during pregnancy is unlawful and such employers can be punished under Section 21 of the Act.

NASSCOM is keen that member companies make a note of the provisions of the Amendment Act and clarifications issued by the Ministry of Labour & Employment for compliance purposes. They also need to share relevant information about the Act among women employees to make them aware of their rights.

NASSCOM helping government to build Smart Cities



It was in June, 2015 that the Indian government formally launched the Smart Cities Mission, with a view to establishing 100 Smart Cities across the country. Around Rs. 1000 crore was earmarked for each city by the policy makers.

Smart Cities are broadly defined as those that:

- Offer citizens cutting-edge, advanced core infrastructure – including adequate water and electricity supply, proper sanitation including waste management, an efficient transportation system, and affordable housing
- Create good governance, a sustainable environment and real estate, safety, health and education
- Deploy 'Smart' Solutions – basically state-of-the-art Digital and communications technologies that are the backbone for essential services being provided to residents

- Encourage greater citizen involvement in implementing Smart Solutions

Last year the government announced a list of 20 Smart Cities, out of the 98 shortlisted, that would be the first to receive funds to begin their transformation.

Recognizing that IT will be a primary catalyst for the Smart Cities project, and the massive domestic business opportunity that it offers to the Indian IT-BPM industry, the sector has been actively participating in the execution and promotion of the initiative.

NASSCOM, as the representative and spearhead of the sector, has been advising and mentoring the government on what it needs to do to successfully build India's 100 Smart Cities.

In the last two years, NASSCOM has:

- In partnership with Accenture, AGI and Orkash, launched a report titled "Integrated ICT and Geospatial



Technologies Framework for the 100 Smart Cities Mission". The report was developed in consultation with the IT industry and used by Municipal Commissioners and consultants

collectively undertaken by various members of the taskforce in those states/cities where funds have already been allocated or where there is a sound 'business' logic for the same

- Made a presentation on Smart City Solutions during the formal launch of Smart Cities Mission by the Prime Minister
- Hosted Smart City Solutions workshops in partnership with the state governments of Tamil Nadu, West Bengal, Madhya Pradesh, Karnataka, Maharashtra and others during the Smart City Plan and Proposal preparation stage. These workshops were attended by Municipal Commissioners of all cities in these states and their teams from Urban Local Bodies. They provided a platform for the exchange of ideas on ICT in the city domains/sub domains
- Worked closely alongside its Cyber Security arm DSCI and the National Cyber Security Council Secretariat, Government of India to prepare the Cyber Security Model Framework for the 100 Smart Cities project. The framework was issued as an advisory by the Ministry of Urban Development (MoUD) to all the participating cities in the Smart Cities Mission in early 2016
- Been evangelizing IT procurement best practices with the Municipal Commissioners of cities
- Involved itself as a member of the BIS committee, in developing standards for the Smart Cities Mission
- Undertaken pilots in a particular state/city. These pilots are being
- Undertaking Solution Scoping for 3-4 key areas under the Smart Cities Mission. This scoping has been submitted to the MoUD for issuance as an advisory to various states with regard to their respective Smart Cities projects
- Prepared an IT Roadmap for a particular City (in continuation of the ICT Framework which it prepared in 2016)
- Been analyzing previously undertaken e-Governance/reform projects in the urban management space (to elicit learnings and to avoid repeat of previous mistakes)
- Been developing a macro-level Framework for PPP in Smart Cities. This has sample PPP Models, procurement guidelines, etc.
- Launched capacity building efforts for creating IT-proficient people for Smart Cities (CTOs/IT Officers). The aim is to enable these officers in effectively managing the implementation of various components/pieces, monitoring SLAs, etc.

Of the 98 cities and towns that will evolve into Smart Cities, 24 are capital cities. The first 20 Smart Cities in India will include: Bhubaneswar, Pune, Jaipur, Surat, Kochi, Ahmedabad, Jabalpur, Visakhapatnam, Solapur, Davangere, Indore, Coimbatore, New Delhi, Kakinada, Belagavi, Udaipur, Guwahati, Chennai, Ludhiana and Bhopal.

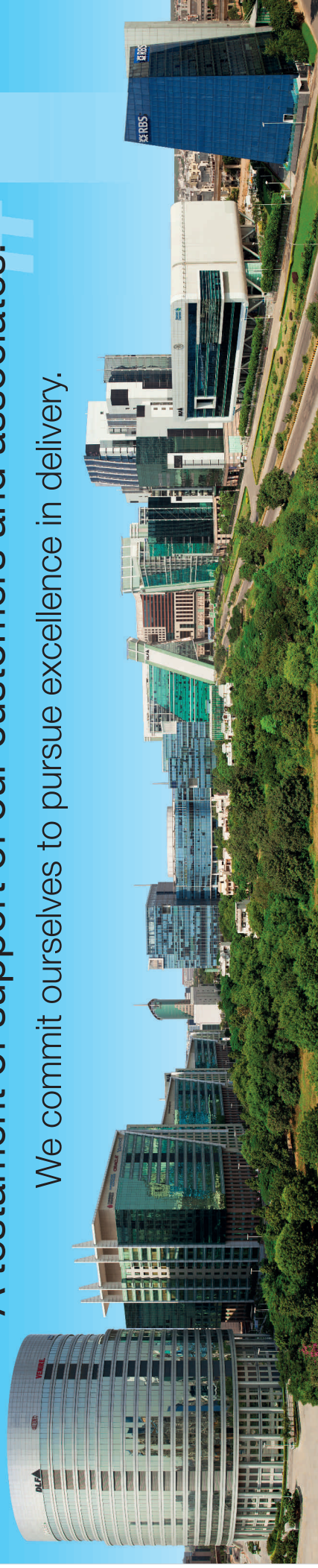


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14 DLF Office Buildings in Gurgaon
US Green Building Council
2014-15

Sword of Honour & 5 Star Rating
DLF Offices, Gurgaon
British Safety Council
2014-15

Best Commercial Project in NCR
DLF iQ (Bldg #14), Gurgaon
CNBC Awaaz Real Estate Awards
2013-14

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