Catalyzing the Ecosystem for A Trillion Dollar Digital Economy

20 Feb 2018, Hyderabad
• 2017-18: Improving Global Scenario
• Expanding the Digital Ecosystem
• The Future is “Digital at Scale”
• Data & Internet driving New Age Companies
• Outlook FY 2018-19
Global Upswing in economic activity and increasing Digital spend defining the next phase of Industry growth

### GDP Growth Rates

<table>
<thead>
<tr>
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<th>2017E</th>
<th>2018P</th>
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<tbody>
<tr>
<td>IMF</td>
<td>3.7%</td>
<td>3.9%</td>
</tr>
<tr>
<td>World</td>
<td>6.7%</td>
<td>7.4%</td>
</tr>
<tr>
<td>India</td>
<td>4.3%</td>
<td>5.2%</td>
</tr>
<tr>
<td></td>
<td>5.6%</td>
<td>5.8%</td>
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<tr>
<td></td>
<td>6.4%</td>
<td>6.7%</td>
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- **2017 witnessed improvement in world economic growth**
- **IMF projects India to grow at 7.4% in 2018** – Fastest growing economy globally
- **Last 3 quarters Technology growth forecast** from Gartner (5.8 to 6.7%) and Forrester (3.9 to 5.1%) show upward revision – Digital spend to drive growth
- **Global Digital spend** to increase from USD 180 Bn in 2017 to USD 310 Bn in 2020; Growing over 20% YoY; A key driver of global economic development
- **USA – Biggest tax cuts** in recent history, lowest unemployment in 45 years, increased retail spending, increasing wages **BUT** challenges wrt immigration reforms and impact of new tax reforms

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1 Gartner (includes IT services and enterprise software revenues in reported currency terms), 2 Everest Research Source: Gartner, IMF, NASSCOM
# Digital Ecosystem in India expanding beyond the Core

## New Age Digital
(Start-ups + eCommerce + Products + Digital Payments)

- **Start-ups:** 5200 nos; 1000+ added in 2017; USD 40 Bn+ valuation
- **eCommerce:** USD 38.5 Bn GMV; 17% YoY growth
- **Products:** USD 7.7 Bn revenue; SaaS Hub
- **Digital Payments:** USD 145 Bn; 6% of GDP

## Domestic Technology Adoption
(Enterprise + MSMEs + Government)

- **Government:** Driving key initiatives including building digital ecosystem, skilling, and citizen services like GST, DBT, Aadhaar
- **Enterprises:** 141 public listed companies with > USD 1 Bn revenue; 0.5-3% of revenue spent on Digital
- **MSMEs:** 51 Mn nos; Key initiatives include online customer acquisition and online sales enablement

## Technology Services
(Services + MNCs + GICs)

- **USD 167 Bn** total revenue with Digital, ER&D and BPM key growth areas
- **Accelerating influx of new GICs:** 1140+ nos.
- **India emerging as key hub for Digital@scale**

Source: ASSOCHAM, Google, KPMG, Zinnov, NASSCOM
# FY 2017-18: A Quick Recap

## The Growth Drivers

- Industry added **over USD 13 Bn**; exports growing at 7.8%
- Digital revenues at ~20% (USD 22-25 Bn); Growing at 30% YoY
- Solution portfolio expanding – **Hosted software**, **Products-as-a-Service**, **RPA, platforms**, etc.
- **SaaS** is the preferred model of **over 50%** of Indian product companies; **Cloud** growing at 43%
- **eCommerce** grew at 17% YoY GMV – Online hotel booking, Grocery, and Food-tech key drivers
- **Domestic technology services** grew at 10%+ driven by **Enterprise Digital adoption** and increased focus on **Customer Experience initiatives**
- **Start-up sector** maturing with greater focus on **B2B**

## The Headwinds

- Continued rhetoric on **Protectionism, Brexit** and labor mobility issues
- Uncertainty pertaining to exact implications of **US Tax reforms**
- **Delayed growth in US BFSI** despite improving macro-economic indicators
- **Global Stock market volatility** and associated impact adding uncertainties
- Key **Government Digital initiatives** like **Smart cities** and **Procurement reforms** still in early stages
- **Lack of adequate infrastructure** limits growth of eCommerce beyond Tier 1 and 2 cities
- **Digital projects more skill intensive than people intensive**; companies need continuous reskilling with consulting and design capabilities

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Despite multiple headwinds, Industry continues to grow and establish itself as a Digital partner for the world

Source: NASSCOM
Emergence of Digital at Scale projects driving growth across segments...

**IT Industry revenue break-up**

USD billion

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<tr>
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<th>FY2016</th>
<th>FY2017</th>
<th>FY2018E</th>
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<tbody>
<tr>
<td><strong>Exports</strong></td>
<td>143</td>
<td>154</td>
<td>167</td>
</tr>
<tr>
<td><strong>Domestic</strong></td>
<td>13</td>
<td>24</td>
<td>15</td>
</tr>
<tr>
<td><strong>e-Comm</strong></td>
<td>116</td>
<td>33</td>
<td>126</td>
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<tr>
<td><strong>Digital</strong></td>
<td>108</td>
<td>116</td>
<td>38.5</td>
</tr>
<tr>
<td><strong>Hardware</strong></td>
<td>22</td>
<td>38</td>
<td>41</td>
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- Software and Services revenue cross USD 150 Billion; Largest export sector for the country; 24% of total exports;
- Digital fastest growing at 30% followed by ER&D at 13% and BPM at 8%+
- Expanding GIC base - 40 GICs added in 2017, 1/4th of total global additions
- Domestic market: India Fastest growing enterprise tech market in APAC
- Start-ups: 5200 nos.; 3rd largest Start-up hub
- eCommerce: e-travel (54% share) and e-tail (43% share) driving growth
- Employment – 100K+ new jobs created
  - Tech employment expanding in non tech companies
  - Platform players and industry creating 3-4X indirect impact on employment

Digital growing at 1.5x faster than global digital growth rates and now ~20% of Industry Exports

Source: NASSCOM
Key Digital initiatives across Indian Service providers, GICs, and MNCs

- **Reskilling and innovative talent acquisition**
  - 450,000-500,000 digitally skilled employees

- **Digital Capabilities** – 110+ CoEs, 20 labs/innovation centers, 30+ Design studios, etc.

- **Partnerships by Service providers/GICs/MNCs** with platform providers, start-ups, and academia etc.

- **Technology investments** – Intellectual property solutions for AI, RPA, IOT, etc.

- **Changing Business Models for Service Providers** – 56% share of fixed price contracts, 59% Onshore revenues, 47 new M&As focused on Digital

Industry poised to capitalize on the increasing demand from Digital
Digital ecosystem driving growth in consumption and new age companies

**Start-ups**
700+ advanced tech start-ups, growing at 25-30%

**HealthTech, FinTech, and Aggregators** fastest growing segments

**AI and BlockChain** - fastest growing tech

**90%+** of Indian product companies **sell globally**

**50%+** firms implementing AI into their products

**Products**
USD 2 Bn invested in Indian SaaS companies since 2010

**Ecosystem**

- Internet Subscribers: Global – 3.2 Bn; India - 465 Mn (8% growth)
- Smartphone Users: Global - 3.3 Bn; India - 300 Mn+ in 2017 to over 800 Mn by 2020
- Data consumption: 7X mobile data growth
- Local Language: 10X growth in 18 months
- Online Video: 225 Mn+ Smartphone users on YouTube per month
- App downloads: #1 country in app downloads on Google Play store

**Payments**

17% YoY to USD 38.5 Bn

**Digital transactions**: Grew from 5 to 6% of GDP in 2017

**E-travel largest segment with 54% share**

**Mobile wallet transactions** grew from INR 532 Bn in 2017 to INR 793 Bn

**180% growth in funding**

USD 2 Bn invested in Indian SaaS companies since 2010

Source: NASSCOM, KPMG, Google
India IT Industry Export Revenues*
USD billion
- FY2018: 126
- FY2019P: 135-137
  Growth of 7-9%*

Domestic (excl. Hardware) Revenues*
USD billion
- FY2018: 26
- FY2019P: 28-29
  Growth of 10-12%*

FY 2019 – Key trends
- Industry expected to add USD 14-16 billion in revenue
- New Age Digital to grow 1.5-2X of industry growth
- Domestic Technology adoption to continue with double digit growth
- Growth of Digital at scale projects
- Expected large deal closures
- India market driven by enterprise digital adoption and tech savvy consumers

The Skills Imperative
- FY 2019 – Hiring similar to FY2018; Tech jobs in related sectors will grow faster
- Increased decoupling of revenue and headcount lead by productivity gains + automation solutions + efficiency + onshoring
- Continued focus on reskilling and academic partnerships

* In constant currency
<table>
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<th>SUMMARY</th>
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<tbody>
<tr>
<td>1</td>
<td>Digital becoming all pervasive blurring IT industry sector boundaries</td>
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<td>2</td>
<td>Changing business and employee models – Agile global teams, expectation of risk sharing, etc.</td>
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<td>3</td>
<td>Re-skilling an ongoing prerequisite; important to build a continuous learning culture</td>
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<td>4</td>
<td>Service excellence alone is not enough in a digital world; Products and platform portfolio key to success</td>
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<td>5</td>
<td>Partnerships for IP, talent and market must to scale</td>
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<td>6</td>
<td>Huge potential for growth in Indian domestic space; Needs innovative business and service models and supportive Government policies</td>
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NASSCOM catalysing the change…

10,000 Start-ups
- Incubate, Connect, Scale

NASSCOM Industry Partner Program

Centre of Excellence IOT / Data Sciences and AI / Cybersecurity

Design4India Initiative

India as a hub for Digital Solutions

Future Skills-Technology Reskilling Platform
Thank you