About NASSCOM

Driving thought leadership and collaboration for 25 years

- Premier trade body and chamber of commerce of the IT-BPM firms in India
- Over 1,500 members – includes Indian firms, MNCs and GICs
- Access to an international network through 50 MoUs and linkages with 40 industry associations across the globe
Global economy: 2013 - Volatility; 2014 - Cautious optimism

World GDP growth - Set to increase

- 2012: 3.1%
- 2013: 3.0%
- 2014P: 3.7%

World Inflation - Set to reduce

- 2012: 4.0%
- 2013: 3.8%
- 2014P: 3.7%

Unemployment - Set to decline

- USA: 8.1% in 2012, 7.6% in 2013, 7.4% in 2014P

Commodity prices - Coming down

- World Crude Oil Price Index: 196.8 in 2012, 195.8 in 2013, 190.0 in 2014P

Source: IMF, NASSCOM
Worldwide IT-BPM spend crosses USD 2 trillion; global sourcing market growing 2X of global spend

USD billion

<table>
<thead>
<tr>
<th>Worldwide IT-BPM spend</th>
<th>Global sourcing market</th>
<th>India’s* share</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>IT services</strong></td>
<td><strong>BPM</strong></td>
<td><em><em>India’s</em> share</em>*</td>
</tr>
<tr>
<td>IT services</td>
<td>BPM</td>
<td><strong>Global sourcing market</strong>*</td>
</tr>
<tr>
<td>USD billion</td>
<td>USD billion</td>
<td>USD billion</td>
</tr>
<tr>
<td>IT services</td>
<td>BPM</td>
<td><em><em>India’s</em> share</em>*</td>
</tr>
<tr>
<td>IT services</td>
<td>BPM</td>
<td><strong>Global sourcing market</strong>*</td>
</tr>
<tr>
<td><strong>655</strong></td>
<td><strong>168</strong></td>
<td><strong>8-9%</strong></td>
</tr>
<tr>
<td><strong>635</strong></td>
<td><strong>159</strong></td>
<td><strong>8-9%</strong></td>
</tr>
<tr>
<td><strong>2013: USD 2.2 trillion</strong></td>
<td><strong>Growth: 4.5%</strong></td>
<td><strong>2013: USD 2.2 trillion</strong></td>
</tr>
<tr>
<td><strong>5.7%</strong></td>
<td><strong>5.7%</strong></td>
<td><strong>55% (2013)</strong></td>
</tr>
<tr>
<td><strong>5.9%</strong></td>
<td><strong>5.9%</strong></td>
<td><strong>55% (2013)</strong></td>
</tr>
<tr>
<td><strong>5.9%</strong></td>
<td><strong>5.9%</strong></td>
<td><strong>55% (2013)</strong></td>
</tr>
<tr>
<td><strong>4.8%</strong></td>
<td><strong>4.8%</strong></td>
<td><strong>55% (2013)</strong></td>
</tr>
<tr>
<td><strong>1,390-1,400</strong></td>
<td><strong>996</strong></td>
<td><strong>55% (2013)</strong></td>
</tr>
<tr>
<td><strong>1,375</strong></td>
<td><strong>951</strong></td>
<td><strong>55% (2013)</strong></td>
</tr>
<tr>
<td><strong>2013</strong></td>
<td><strong>2012</strong></td>
<td><strong>2013</strong></td>
</tr>
<tr>
<td><strong>2013</strong></td>
<td><strong>2012</strong></td>
<td><strong>2013</strong></td>
</tr>
</tbody>
</table>

• BFSI, manufacturing, healthcare offset reducing government IT spend
• New lines of businesses, CMOs, SMBs, emerging geographies/verticals driving IT adoption

* IT outsourcing numbers exclude ER&D; hence, not comparable with previous years Source: Booz & Company, Everest Research, IDC, NASSCOM

• Buyers seek more platform solutions for specific industry, geographic, and regulatory needs
• Outsourcing services based on cloud platform and cloud model increasingly become the trend
IT-BPM industry: Highest impact sector for India

- Relative industry share in national GDP: 8.1%
- Highest net value add sector: 60-70%
- Largest private sector employer: 3.1 mn
- Largest private sector women employer: >1 mn
- Offsets nearly half of India’s oil import bill: 45%
- Largest share in total services exports: 38%
- Spearheading the Indian MNC story: >60 Total cross border M&As; 28% share in total
- Promoting balanced regional growth: 99 Operational IT SEZs; 44% in Tier II/III
- Highest attractor of PE/VC investments: $2.4 bn Total investment; IT-BPM share: 47%

Source: NASSCOM
IT-BPM industry: Resilient, growing, evolving – a USD 118 billion behemoth

IT-BPM revenue break-up
USD billion

<table>
<thead>
<tr>
<th></th>
<th>Domestic</th>
<th>Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2010</td>
<td>50</td>
<td>24</td>
</tr>
<tr>
<td>FY2013</td>
<td>76</td>
<td>32</td>
</tr>
<tr>
<td>FY2014E</td>
<td>86</td>
<td>32</td>
</tr>
</tbody>
</table>

- Growth reflects variable impact of currency
- 1.7X growth and CAGR of 12.4 per cent in last 5 years – USD 50 billion added
- Software and services revenue in FY2014 - USD 105 billion
- SMAC revenue: 5-10 per cent of total

E: Estimate
Source: NASSCOM
Industry in a constant state of flux: Aligning to emerging trends and customer demands

- Basic IT services, maintenance, security
  - Till 1980’s
  - Support function, cost benefits
  - Maintain basic IT services

- Functional IT, networking
  - 1980-1990’s
  - Efficiency, workgroup decision
  - Productivity optimisation

- Productivity software + ERP
  - 1990-2012
  - Collaboration, standardisation, productivity improvement

- Mobile + cloud/SaaS + big data + social
  - 2012 onwards - Digital Era
  - IT - trusted strategic partner
  - Innovation through insight and rapid execution of ideas
  - Deliver business outcomes
  - Convergence of services

Source: NASSCOM
World’s largest number of IT-BPM firms - ~16,000; Indian, MNC, large & small firms dot landscape

% contribution to total IT-BPM revenues

- Large: >40 per cent (11 players)
- Mid-sized: ~35-40 per cent (120-150 players)
- Emerging: ~9-10 per cent (~1,000-1,200 players)
- Small sized: ~9-10 per cent (~15,000 players)

Entrepreneurial startups: New breed of firms infusing energy and innovation

- ~1,000 SMAC focused firms
- ~900 Internet/web/eCommerce firms
- ~400 firms focused on education
- ~100 firms on agri, BFSI, energy, healthcare

Technology enabling social innovations

- Etoilet from ERAM: Full cycle approach in sustainable sanitation
- RidingO: Online carpooling platform
- Nano Ganesh: Remotely operate irrigation pumps via mobile
- Saral Money: Handheld micro ATMs – for payment & other financial services

Leading to Increasing collaboration between large firms and startups

Notes:
Revenue: Large - >USD 1 bn; mid-sized – USD 100 mn-1bn; emerging – USD 10-100 mn; small - <= USD 10 mn
Source: NASSCOM
Industry a net hirer; focus shifting from capacity to skill

- Addition of 1.66 lakh in FY2014
- India epicenter of the technology world- 50 per cent of global tech MNC, 80 per cent of Indian tech companies, and 20-30 per cent of global tech R&D workforce based out of India
- World’s largest talent pool: >5 million graduates and post graduates, ~25 per cent domain specialists
- Employee growth supplemented by non-linear model
- Multiple hiring models - just in time hiring, global hiring, lateral, skill set focused

**Notes:**
* Excluding hardware; ** includes IT services, ER&D, S/w products; *** includes S/w products
Source: NASSCOM
Revival in discretionary spending driving exports growth – USD 10 billion added over FY2013

IT-BPM export revenues*
USD billion

<table>
<thead>
<tr>
<th>FY2013</th>
<th>FY2014E</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT services</td>
<td>76</td>
</tr>
<tr>
<td>BPM</td>
<td>13</td>
</tr>
<tr>
<td>S/W prod and ER&amp;D</td>
<td>45</td>
</tr>
</tbody>
</table>

• Y-o-Y estimated growth at 13 per cent, USD 10 billion added this year
  o IT service - 14.3 per cent
  o BPM - 11.4 per cent
  o ER&D - 11.1 per cent
  o Software products -10 per cent

• Growth segments
  o IS outsourcing and testing growing 40 per cent faster than overall IT-BPM growth
  o Data analytics driving BPM spend
  o UK and Europe: fastest growing
  o Manufacturing, retail, healthcare – driving new opportunities

Notes:
E: Estimate
* Excluding hardware
Source: NASSCOM
• UK, Continental Europe: Seeing increasing demand; fastest growing at 13.5%, 14.3% respectively

• Emerging segments fastest growing at >14%; demand for mobility, advanced analytics (retail, h’care); government mandates, green technology (utilities); digitisation (media)

E: Estimate; *Excludes hardware exports; ¹Emerging includes utilities & construction, retail, healthcare, services, transportation
Source: NASSCOM
IT service: USD 52 billion, 60% share in exports;
BPM: Driving user experience – key differentiator

**IT services**: Fastest growing segment
FY2014E: USD 52 billion

- **CADM**: 37.1%
- **High-end services**: 19.1%
- **IS outsourcing**: 19.1%
- **S/w testing**: 7.3%
- **Others**: 18.8%

**BPM**: Nearly one-fourth of exports
FY2014E: USD 19.9 billion

- **CIS**: 41%
- **F&A**: 23%
- **Knowledge services**: 19%
- **Vertical specific**: 14%
- **Others**: 4%

- **Y-o-Y growth of over 14 per cent**
- **IS outsourcing**: Fastest growth 18.5 per cent
- **Software testing**: 18 per cent growth
- **CAD/M and IT consulting**: Driven by SMAC, vertical-specific solutions

E: Estimate
Source: NASSCOM

1) High-end services include IT consulting, system integration and offshore software product development
2) Others include network consulting & integration, IT education/training, SOA, web services, eBusiness/eCommerce
3) Others include HRO, procurement, other horizontal services
Software products, ER&D: Growth driven by demand for domain-specific solutions

Software product exports
USD billion

<table>
<thead>
<tr>
<th>Year</th>
<th>Software Product Exports USD billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2013</td>
<td>1.6</td>
</tr>
<tr>
<td>FY2014E</td>
<td>1.7</td>
</tr>
</tbody>
</table>

ER&D exports
USD billion

<table>
<thead>
<tr>
<th>Year</th>
<th>ER&amp;D Exports USD billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2013</td>
<td>11.2</td>
</tr>
<tr>
<td>FY2014E</td>
<td>12.4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Embedded s/w+h/w USD billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2013</td>
<td>5.8</td>
</tr>
<tr>
<td>FY2014E</td>
<td>6.5</td>
</tr>
</tbody>
</table>

- Bengaluru, NCR-leading product regions; Tier II/III cities – viable product hubs
- Enterprise apps, communication & collaboration, mobility, analytics – leading areas of development
- Maturity: Firms set up post 2006 crossing INR 5 crores in 4 years; >2X faster than firms set up pre-2006

E: Estimate
Source: Booz & Company, Zinnov, NASSCOM

- ~200 R&D centres by G500 firms
- ~50% of exports from telecom, semiconductors
- Focus on convergence, efficiencies, customisation/localisation
- Mobility, analytics – for enhanced UX
- M2M – new opportunities in eng. analytics
Domestic IT-BPM: Slowing demand, high volatility

IT-BPM domestic revenues*
INR billion

FY2013  FY2014E

- IT Services
  - 663
  - 727
- BPM
  - 205
  - 196
- S/W products
  - 175
  - 225

~10% growth

• Below NASSCOM guidance: Expected to achieve Y-o-Y growth 10 per cent (INR); negative growth in dollar terms due to rupee depreciation
• Economic uncertainties, slowdown in decision making, inflation, rupee volatility, 2014 elections, etc. impacting discretionary IT spend for both government and enterprise sector
• Segments: IT services growth 9.7 per cent, BPM fastest growth at 11.9 per cent
• Internet, eCommerce firms driving IT adoption
• SMBs: IT adoption growing ~15 per cent

E: Estimate
* Excluding hardware
Source: NASSCOM
Industry 3.0 model focused on transformation impact ...

<table>
<thead>
<tr>
<th>1. Offerings</th>
<th>2. Solutions Focus</th>
<th>3. Delivery</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capacity to <em>IP Focused</em></td>
<td>Efficiency to Transformation</td>
<td>Globalised to ‘Glocalised’</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Standalone to <em>Bundled</em></td>
<td><em>From Fixed to Differentiated Pricing Strategy</em></td>
<td><em>From Known and met to Unmet and Unknown</em></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Skill over Scale</em></td>
<td><em>CIO, CMO, SMB, Non Fortune 500</em></td>
<td><em>Size to Agility</em></td>
</tr>
</tbody>
</table>

Source: NASSCOM
Global presence: Anytime, anywhere services

- >140 ODCs added
- ODC locations in 78 countries

Million $ clients*: Confidence in India outsourcing model

- Million dollar clients increased by 50 per cent in last 5 years

Verticalisation – BPM: Aligned to clients’ needs

- Vertical-specific solutions driving increased specialisation

Higher revenue per client: Strong demand pipeline

- Increasingly mining client base – cross-sell, up-sell services / products

Notes:
* Based on the data of top 4 IT-BPM firms
Source: Industry reporting; press releases, Company website, NASSCOM
## Use cases: From cost savings to impacting both top-/bottom-lines

<table>
<thead>
<tr>
<th>Step</th>
<th>Lower cost</th>
<th>Operational excellence</th>
<th>Technology redesign</th>
<th>Business process improvement</th>
<th>Business innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Client needs</strong></td>
<td>Central electronic care record for patients</td>
<td>IT service integration for manufacturing major</td>
<td>Cloud based operation centre for canned food major</td>
<td>Integrated digital marketing platform for beverages major</td>
<td>Remote clinical monitoring centre for medical device co.</td>
</tr>
<tr>
<td><strong>Scope</strong></td>
<td>Implementation of sub systems of the entire solution</td>
<td>Designing &amp; operating IT service processes based on ITIL v3 - QPM &amp; SAP monitoring tools</td>
<td>Cloud application lifecycle from application migration implementation &amp; support</td>
<td>Designing, hosting &amp; managing platform; customer data repository; analysis</td>
<td>End-to-end ownership of clinical outsourcing facility; analyse/ provide reports to patients &amp; physicians</td>
</tr>
<tr>
<td><strong>Engagement model</strong></td>
<td>• Operated under input based pricing &amp; TAT SLAs</td>
<td>• Operated under hybrid pricing model &amp; TAT SLAs</td>
<td>• Operated under as-a-service pricing model &amp; TAT SLAs</td>
<td>• Operated under outcome linked pricing &amp; business KPIs</td>
<td>• Operated under outcome linked pricing &amp; BLAs</td>
</tr>
<tr>
<td></td>
<td>• Limited client interaction</td>
<td>• Managed by CIO &amp; IT line manager</td>
<td>• Managed by CIO &amp; BU head</td>
<td>• Joint planning with CIO &amp; BU heads</td>
<td>• Joint planning with CIO &amp; BU heads</td>
</tr>
<tr>
<td><strong>Impact</strong></td>
<td>• Cost saving to client</td>
<td>• Reduced cost</td>
<td>• Significant top-line &amp; bottom-line impact</td>
<td>• Significant top-line &amp; bottom-line impact</td>
<td>• Pioneering remote patient monitoring services – reduced healthcare cost and increased customer satisfaction &amp; revenue</td>
</tr>
<tr>
<td></td>
<td>• Low processing time and manual effort</td>
<td>• Lower downtime improved business continuity</td>
<td>• Zero downtime – elastic demand management</td>
<td>• Lower campaign lead time</td>
<td></td>
</tr>
</tbody>
</table>

Source: BCG
The India Leadership Story: Numero uno destination across all parameters

<table>
<thead>
<tr>
<th>BENEFITS</th>
<th>IMPACT ON CUSTOMERS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost Competitive</strong></td>
<td>3-4X cheaper than US</td>
</tr>
<tr>
<td></td>
<td>• Optimum cost</td>
</tr>
<tr>
<td></td>
<td>• Operational flexibilities, efficiencies</td>
</tr>
<tr>
<td><strong>Human Capital</strong></td>
<td>&gt;5 million graduates</td>
</tr>
<tr>
<td></td>
<td>&gt;3 million workforce</td>
</tr>
<tr>
<td></td>
<td>• Largest employable pool</td>
</tr>
<tr>
<td></td>
<td>• Diverse background</td>
</tr>
<tr>
<td><strong>Customer First</strong></td>
<td>100% coverage of outsourcing engagements</td>
</tr>
<tr>
<td></td>
<td>• Customer centric business outcomes</td>
</tr>
<tr>
<td></td>
<td>• End-to-end services</td>
</tr>
<tr>
<td></td>
<td>• Niche, domain capabilities</td>
</tr>
<tr>
<td><strong>Scalability, Security</strong></td>
<td>~75 countries</td>
</tr>
<tr>
<td></td>
<td>~600 ODCs</td>
</tr>
<tr>
<td></td>
<td>• Global delivery network</td>
</tr>
<tr>
<td></td>
<td>• Best-in-class governance frameworks</td>
</tr>
<tr>
<td><strong>Strong Ecosystem</strong></td>
<td>43 Tier II/III cities</td>
</tr>
<tr>
<td></td>
<td>• Competitive infrastructure</td>
</tr>
<tr>
<td></td>
<td>• Emerging potential locations</td>
</tr>
<tr>
<td><strong>Maturity</strong></td>
<td>USD 118 billion industry</td>
</tr>
<tr>
<td></td>
<td>• Scale: 16,000 firms</td>
</tr>
<tr>
<td></td>
<td>• Depth of services: across IT-BPM</td>
</tr>
<tr>
<td></td>
<td>• Vertical-wide presence</td>
</tr>
</tbody>
</table>

Source: NASSCOM
Created significant impact for customers

- Savings of **USD 200 billion** for clients in last 5 years
- **USD 120 billion** invested by clients in new, high return projects
- **Clients able to set up business 30 per cent faster** in India
- **100 per cent** clients gained productivity improvements from India
- **Over 70 per cent** clients have derived global emerging market solutions from India
- **Average client productivity up by 20-40 per cent**
- **Enabled 80 per cent clients** expand to new geographies
- **Solutions from India 50 per cent faster time to market** for clients
The digital wave - defining India, defining business

The SMAC Opportunity

• SMAC reshaping businesses; consumers and all traditional approaches - the foundation for a Digital enterprise
• Consumerisation of IT driving growth
• Startups setting the pace in SMAC solutions

INDIA: FAST GROWING DIGITAL ECONOMY

920 million telecom subscribers
40 million smartphones
213 million internet users

3rd fastest growing app market
INR 300 crore+ app market
300 million+ app downloads

USD 13 billion eCommerce revenue in 2013
36 per cent CAGR for 4 years

USD billion

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2016P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social</td>
<td>16.9</td>
<td>34</td>
</tr>
<tr>
<td>Mobility</td>
<td>0.8</td>
<td>2.1</td>
</tr>
<tr>
<td>Analytics</td>
<td>18.4</td>
<td>44.2</td>
</tr>
<tr>
<td>Cloud</td>
<td>128</td>
<td>207</td>
</tr>
</tbody>
</table>
FY2015: Continued momentum, optimistic outlook

IT-BPM export revenues*

USD billion

<table>
<thead>
<tr>
<th></th>
<th>FY2013</th>
<th>FY2014E</th>
<th>FY2015P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth of</td>
<td>76</td>
<td>86</td>
<td>97-99</td>
</tr>
</tbody>
</table>

IT-BPM domestic revenues*

INR billion

<table>
<thead>
<tr>
<th></th>
<th>FY2013</th>
<th>FY2014E</th>
<th>FY2015P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth of</td>
<td>1,043</td>
<td>1,148</td>
<td>1,251-1,286</td>
</tr>
</tbody>
</table>

Customer outlook

- 78% of decisions makers confident investment and growth in 2014

Indian IT-BPM sector

- Exports expected to grow by 13-15 per cent, domestic by 9-12 per cent in FY2015; revenues to cross USD 130 billion

- Industry prerogatives - a) Help clients go digital, b) Understand and acquire new customers for clients, c) Grow their business

- Transformational outsourcing (value, technology, innovation and cost) will drive future growth

E: Estimate, P: Projected
* Excludes hardware
Source: NASSCOM
However, concerted efforts required to mitigate challenges and build emerging opportunities

1. **Political uncertainty diverting attention**
   - Key decisions required to support industry await new government

2. **Stability of macro-economic variables (currency, inflation, trade flows)**
   - Reduce volatility, boost growth

3. **Delay in decision making slowing government projects**
   - Stronger partnership with government and industry
   - Change procurement norms

4. **Immigration bill**
   - Work with relevant stakeholders to ensure negative provisions are addressed

5. **Skills in demand**
   - Digital technologies; domain skills
   - Create competencies, develop collaborations

6. **Leading in an uncertain world**
   - Develop a robust value proposition
   - Rearticulate India brand

Source: NASSCOM
Key Takeaways

• With 55 per share in global sourcing market, India continues to be a leading offshoring location

• Industry continues to march ahead – adds USD 10 billion over FY2013; to aggregate USD 118 billion in FY2014

• Indian IT-BPM exports to grow 13 per cent in FY2014 – USD 86 billion; industry continues as a net hirer with 166,000 people added

• Emergence of the ‘Digital Enterprise’ shifting services from standardisations to enabling innovation through insight and rapid execution of ideas

• Customers demand greater innovation: industry responding with IP-led, multi-platform, productised services; buy-side influencers expanding beyond CIOs to CMOs, other lines of businesses

• India value proposition enabling customers multi-billion dollar cost savings, faster time-to-market, productivity improvements, access to new geographies, localised solutions, etc.

• Next level of offerings would be around enabling a digital enterprise – adoption of SMAC-enabled technologies for customers

• Leading to transformational changes in business models - IP-based solutions, glocalisation, differentiated pricing strategy, address unmet, unknown needs, develop domain expertise and agility

• FY2015 – an optimistic outlook; exports (USD terms) to grow 13-15 per cent, domestic (INR terms) set to grow 9-12 per cent
THANK YOU