



INFORMATION TECHNOLOGY

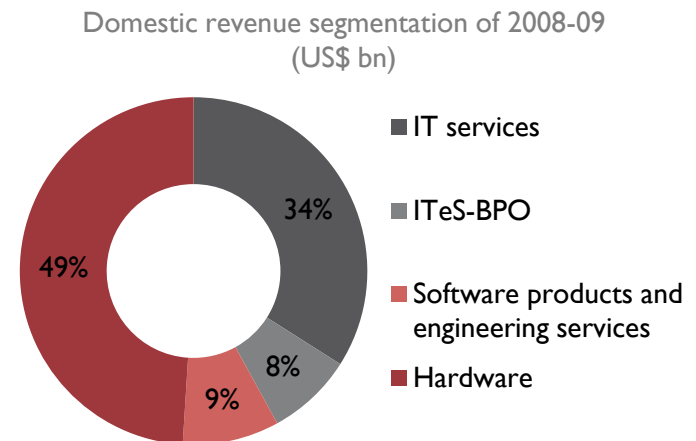
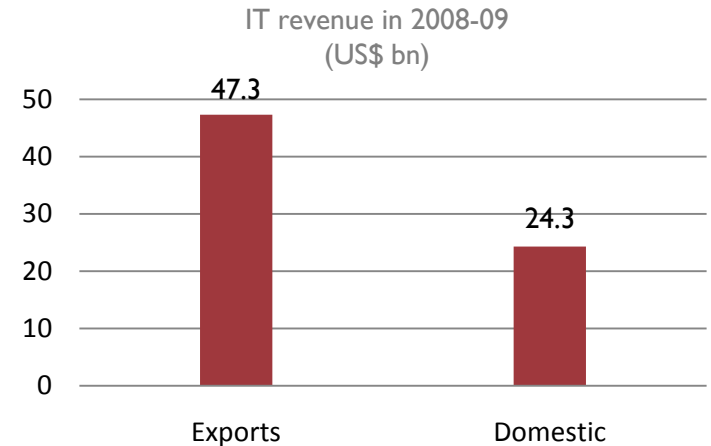
September 2009

The focus of this presentation is to discuss...

- ❖ Market overview
- ❖ Advantage India
- ❖ Policy
- ❖ Key trends and drivers
- ❖ Key players
- ❖ Key opportunities

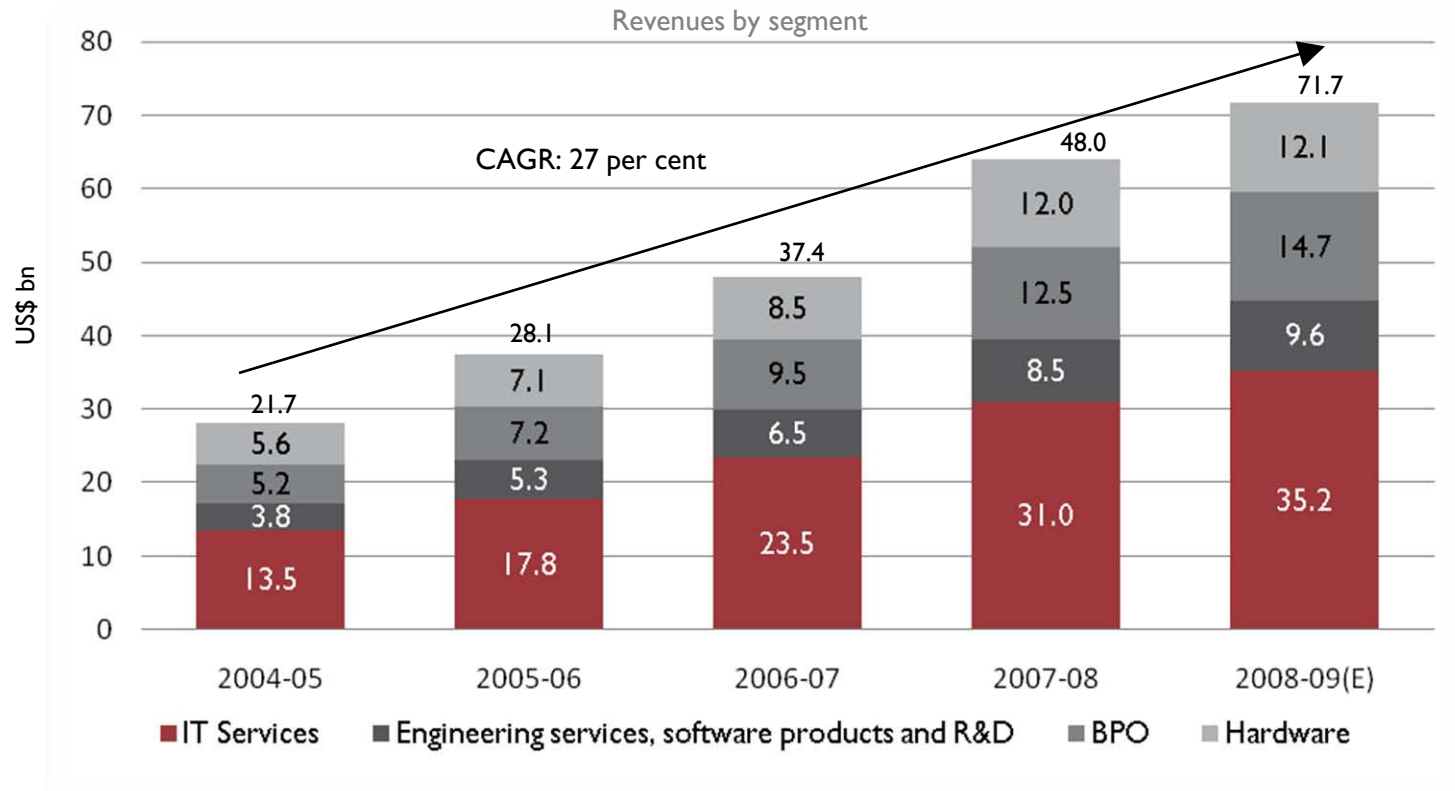
IT industry: on a steady growth track

- The total revenues for the Indian IT industry were estimated to touch US\$ 71.7 billion in 2008-09.
- The Indian IT industry has been growing at a compound annual growth rate (CAGR) of 27 per cent for the last five years.
- Contribution of IT industry to India's gross domestic product (GDP) has grown from 1.2 per cent in 1997-08 to an estimated 5.8 per cent in 2008-09.
- The total revenues from export were expected to reach US\$ 47.3 billion in 2008-09.
- The total exports have been growing at a CAGR of 28.7 per cent over the last five years.
- During this period 2008-2008, direct and indirect employment was expected to reach 2.23 million and eight million, respectively.
- Domestic market revenues were expected to touch US\$ 24.3 billion in 2008-09.
- Domestic market revenues have been growing at a CAGR of 24 per cent for the last five years.



Source: "The IT-BPO Sector in India - Strategic Review 2009: Executive summary", NASSCOM website, www.nasscom.org, accessed 20 September 2009

Revenues by segment – Indian IT industry



Sources: IT: Industry profile, July 2009, CRIS INFAC

ITeS: Industry profile, April 2009, CRIS INFAC

Note: E – estimates

India maintains lead in ITeS - BPO

- Indian IT/ITeS sector has matured considerably with its
 - expansion into varied verticals
 - well differentiated service offerings
 - increasing geographic penetration
- India's importance among emerging economies, both as a supply and demand centre, is fuelling further IT/ITeS growth
- Continues to be one of the fastest growing industries in India; while India maintains its leading position as a strategic offshoring destination for multinationals worldwide
- The Indian ITeS- BPO (domestic and exports) revenues are estimated at US\$ 14.7 billion and the sector grew at a rate of 18.9 per cent in 2008-09



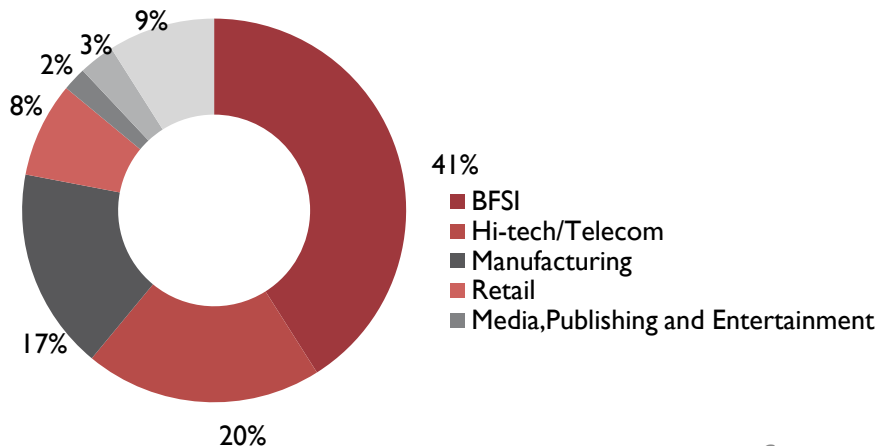
India topped the A.T. Kearney Global Services Location Index 2009, beating 49 other countries of the world, emerging to be the destination of choice as an offshoring location of global IT/ITeS powerhouses



IT services: anchor segment for the sector

- The Indian IT services market grew by 23 per cent between 2005-06 and 2008-09 and the revenues are estimated at nearly US\$ 8.3 billion in 2008-09.
- The banking, financial services and insurance (BFSI) vertical continues to account for the largest share of IT/ITeS services at 41 per cent.
- Hi-Tech/ telecom vertical accounts for the second-largest share of the pie at 20 per cent.
- Other verticals such as manufacturing, retail, media and healthcare are rapidly gaining pace.

Revenue by Verticals, 2008-09



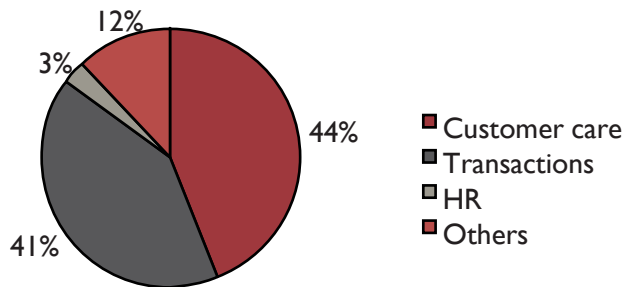
IT services export revenues (2008-2009 Estimates) US\$ bn	
Project oriented	12.9
IT consulting	0.65
Systems integration	0.75
Custom application development	11.12
Network consulting and integration	0.32
IT Outsourcing	11.02
Application management	7.21
Infrastructure management	3.80
Support and training	1.96
Total	25.88

- Domestic IT-ITeS market revenues have been growing at a CAGR of 23 per cent between 2005-2006 and 2008-09 and were expected to reach US\$ 24.3 billion in 2008-09.
- Domestic IT-BPO revenues grew by 24 per cent in and were expected to touch US\$ 2 billion in 2008-09.
- Hardware accounted for about 49 per cent of the total domestic IT-BPO spends in 2008-09.

ITeS-BPO: outsourcing growth story

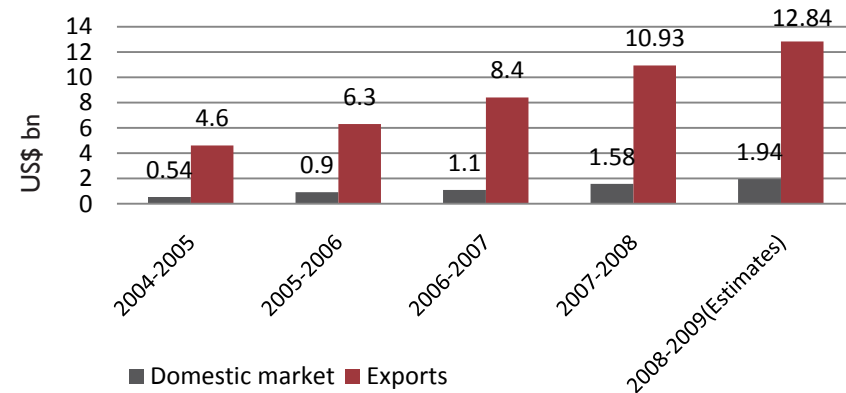
- Indian ITeS industry grew at a rate of 18.2 per cent in 2008-09 to reach revenues of US\$ 14.8 billion.
- Exports accounted for 87 per cent of the revenues and grew at a rate of 18 per cent in 2008-09 to reach US\$ 12.84 billion.
- Services exports account for nearly 67.7 per cent of total IT/ITeS sector exports in 2008-09.
- The concept of outsourcing is increasingly gaining acceptance even in the more conservative markets around the world.

Revenue by Segments, 2008-09



Source: ITeS: Industry profile, April 2009, CRIS INFAC

ITeS sector revenues

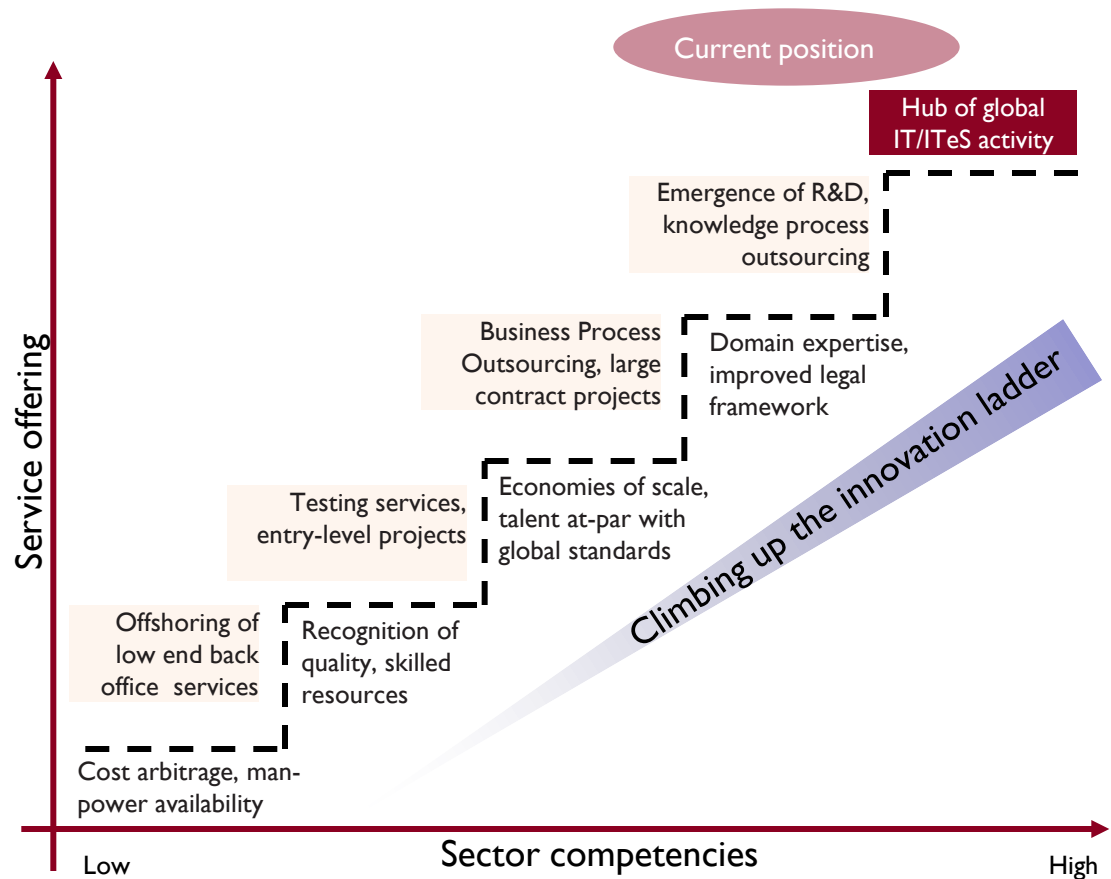


- Industry has graduated to providing a high proportion of voice-based services and a range of back-office processing activities.
- Scope of services have expanded in the last three to four years to include increasingly complex processes involving rule-based decision making and research services requiring informed individual judgment.

IT/ITeS sector: moving up the value chain

IT/ITeS sector: From back-end services location to the global innovation hub

- India, the primary global offshoring destination for low-end back-office services earlier, is now emerging as an innovation and research hub.
- India is estimated to continue attracting substantial investments in the sector, with the cost arbitrage factor expected to prevail for another 10-15 years.
- The ITeS segment is expected to leverage on the penetration of the IT segment, complementing and completing end-to-end customer requirements with the aid of offshore and onshore service offerings.



Source: "A T Kearney Global Service Location index 2007", AT Kearney website, <http://www.atkearney.com/index.php/Publications/>

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India: value proposition

Breadth of service offering

- Service offerings have evolved from low-end application development to high-end integrated IT solutions
- Range of services offered by leading players span a wide spectrum cutting across multiple verticals

Quality/ maturity of processes

- Host to more than 85 global SEI- CMM level five firms
- Expected to host the highest number of ISO-certified companies

Global and 24/7 delivery capability

Source: "IT industry may create 40k jobs this fiscal: Nasscom", Economic Times website, www.economicstimes.indiatimes.com, accessed 20 September 2009

Note: SEI-CMM: Software engineering institute capability maturity model

Cost advantage

- Cost of an engineer is about 20 – 40 per cent of the comparable cost in European Union (EU)
- Selling, general and administrative costs approximately 80 per cent of comparable cost in EU
- Average offshore billing rate at US\$ 20 to 35 per hour; about 50 to 70 per cent lower than EU

Ease of scalability

- 6,75,000 technical graduates per annum, of which 4,00,000 are engineers
- Over 50,000 MBAs graduating per annum
- Indian IT industry is expected to add 40,000 employees in 2009-10.

India: strong offshoring credentials

Key offshoring destination

- India's share in the global market has increased to four per cent in the IT segment and close to 12 per cent in ITeS in 2008-09.
- India has maintained its position as the preferred outsourcing destination; Indian IT/ITeS companies are now offering a global delivery model, at par with leading global standards.
- India offers low costs, technical and language skills, abundant skilled pool, mature industry players and supportive government policies.

Top 5 global services location	
Country	Index on a scale of 10
India	6.91
China	6.29
Malaysia	5.98
Thailand	5.77
Indonesia	5.69

Sources: ITeS: Industry profile, April 2009, CRIS INFAC

"A T Kearney Global Service Location index 2009", AT Kearney website, www.atkearney.com, accessed 20 September 2009

Quality of services

- Demonstrated process quality, adherence to standards and expertise have been key to India's overall value proposition. Majority of Indian companies have aligned their operations to meet international standards in order to establish credibility in the global market.
- Currently, 85 of the world's SEI-CMM Level five companies are based out of India; India is host to second-highest number of ISO certified companies in the world.
- ITeS industry stakeholders recognise information security as a critical element of global service delivery. Individual firms' efforts are complemented by policy framework established by Indian authorities
- Initiatives include strengthening regulatory framework through proposed amendments, scaling up the cyber lab, and scaling up the National Skills Registry (NSR).

Firm foundations in talent and infrastructure

Infrastructure	Scalability
<ul style="list-style-type: none"> • Dedicated, cost effective, quality real estate in the form of Software Technology Parks (STPI) and Special Economic Zones (SEZs) • STPI infrastructure available across the country demonstrates government's support to the sector • High quality telecom infrastructure with cost of connectivity declining rapidly and service levels improving significantly • Real estate, air and road connectivity, hospitality registering impressive growth and providing supportive business environment to IT sector • Infrastructure availability is set to complement the industry growth, with the Government of India working towards capacity building 	<ul style="list-style-type: none"> • India's young demographic profile and academic infrastructure have potential to cater to the growing demand for IT-ITeS • An estimated additional demand for 0.4 million IT and 1.4 million ITeS professionals by 2009-10 • India possesses an abundant talent pool producing close to 6,75,000 technical graduates per annum, of which 4,00,000 are engineers • Industry stakeholders, including individual firms, associations are undertaking initiatives to address issues concerning suitability of talent • Some such initiatives include <ul style="list-style-type: none"> • National rollout of skill certification through NAC(NASSCOM Assessment of Competence) • Setting up finishing schools in association with Ministry of HRD to supplement graduate education

Source: "IT industry may create 40k jobs this fiscal: Nasscom", Economic Times website, www.economicstimes.indiatimes.com, accessed 20 September 2009

Value addition at competitive costs

Cost of operations

- Amongst the top five global services locations, India maintains a substantive lead with respect to the financial attractiveness index.
- Sourcing from India is estimated to deliver cost savings in the range of 25 – 60 per cent for global MNCs.
- Cost of an engineer is about 20 to 40 per cent, Selling, General and Administration (SG and A) about 80 per cent, and off-shore billing rates about 50 to 70 per cent lower than costs in EU.
- Average off-shore billing rate at US\$ 20 to 35 per hour is about 50 to 70 per cent lower than EU.
- Apart from lower administration and labour costs, the central and state governments offer fiscal and non-fiscal incentives to industry players further adding to the cost advantage.

Financial attractiveness of top 5 global services locations	
Country	Index on a scale of 4
India	3.13
China	2.59
Malaysia	2.76
Thailand	3.05
Indonesia	3.23

Source: A T Kearney Global Service Location index 2009, AT Kearney website, www.atkearney.com, accessed 20 September 2009

Value addition at competitive costs

Value addition

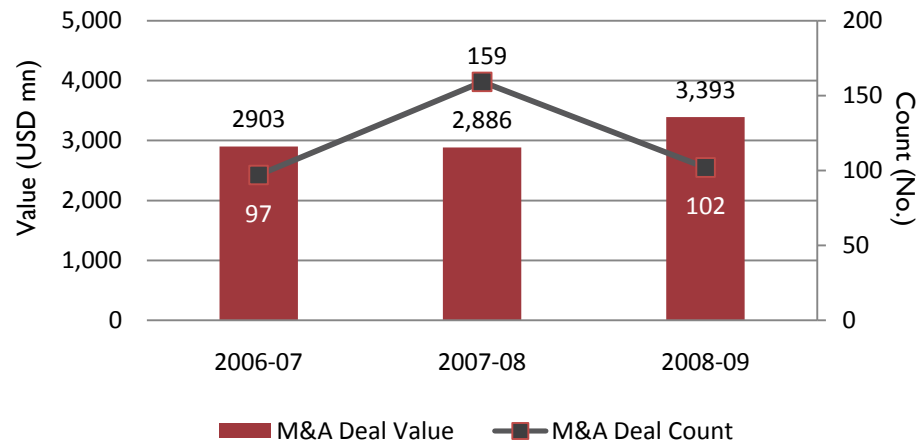
- Companies aggressively investing in innovation and R&D to differentiate their service offerings; change management and process consulting services increasingly becoming part of the end-to-end service requirements of clients
- R&D divisions of various MNCs being set up in India; number of patents and licenses being filed from Indian firms increasing rapidly; India's IPR (Intellectual Property Rights) laws are now compliant with WTO TRIPS (Trade-Related Aspects of IPRs)
- HP, Microsoft, Cisco, Oracle, Motorola, Qualcomm are some of the leading IT giants who have set up their R&D centres in India, with aggressive expansion plans in the pipeline

Increasing investment activity

Sustained investor confidence

- Indian technology sector witnessed M&A deals worth US\$ 3.4 billion in 2008-09, an increase of 17 per cent over 2007-08.
- The IT-BPO sector has consistently attracted the highest share of Private Equity (PE) and Venture Capital (VC) investments in the country.

Technology Sector M&A Deal Volume & Value

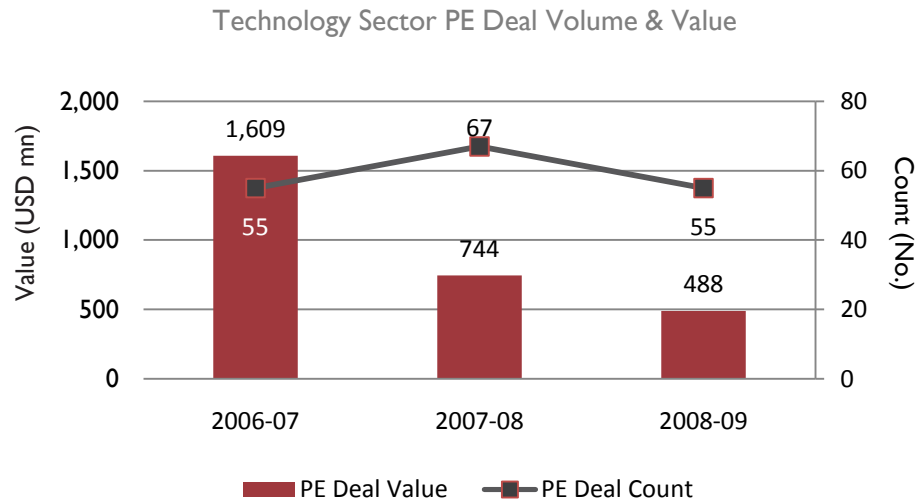


Sources: Private Equity Deals 2008-2009, Asian Venture Capital Journal, September 2009 (Data provided by CBK) Grant Thornton Deal Tracker

Increasing investment activity

Sustained investor confidence

- Indian technology sector witnessed Private Equity (PE) deals worth US\$ 488 million in 2008-09.



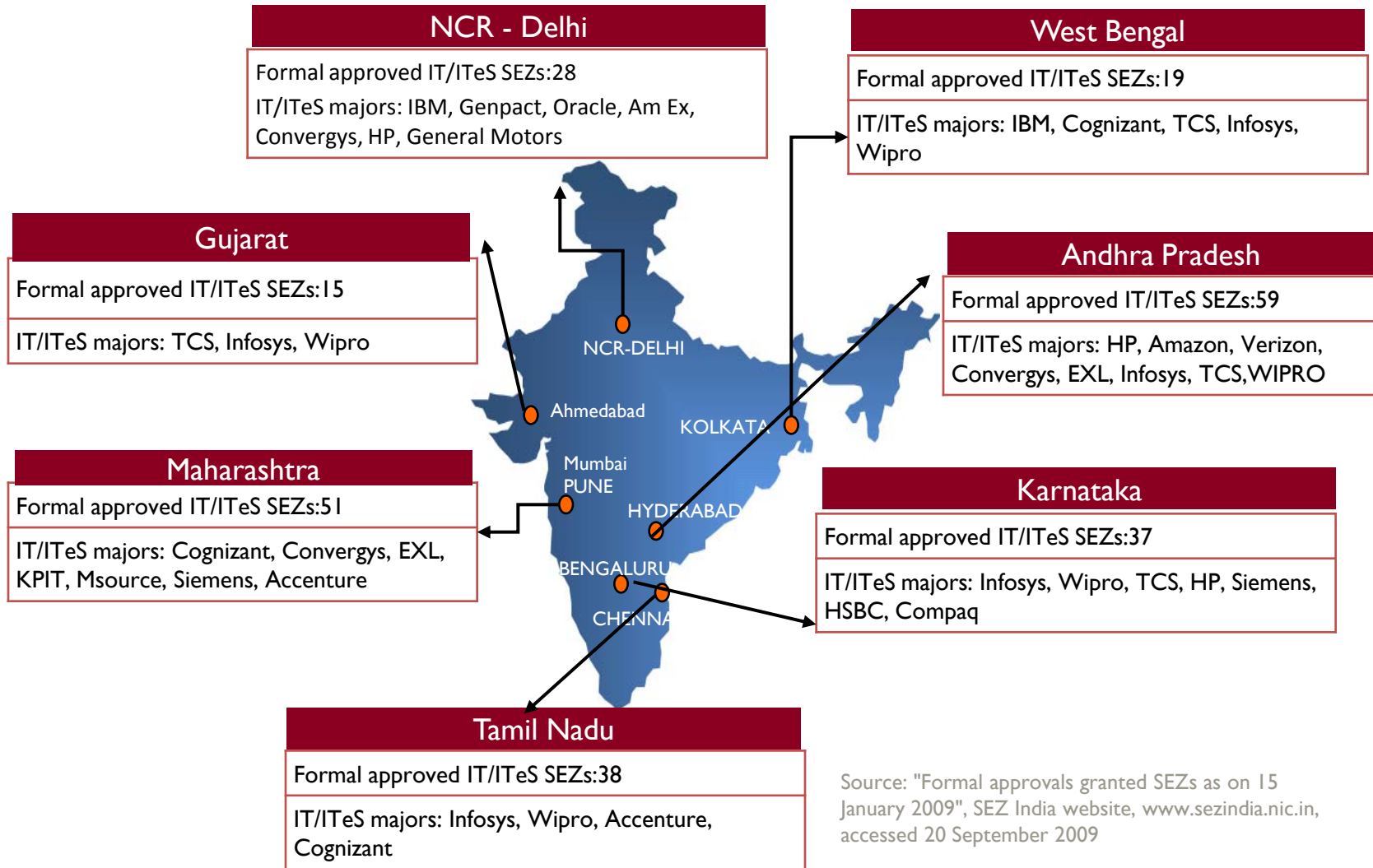
Sources: Private Equity Deals 2008-2009, Asian Venture Capital Journal, September 2009 (Data provided by CBK) Grant Thornton Deal Tracker

Some recent PE and M&A deals

Target	Acquirer	Value in US\$ mn
Prudential Capital Management Services	Capita India	100-150
HOV Services	Recap Partners-LLC	202
Aviva Global Services	WNS Holdings	230
People Soft Inc	Aegis BPO	250
MedQuist	CbaySystems Holdings Ltd	287
Intervoice Inc	Convergys Corporation	335
Accuro Healthcare Solutions Inc	MedAssets Inc	350
Citi Group Global Services	TCS, India	505
Axon Group PLC	HCL Technologies	731
Flextronics Software System	Kohlberg Kravis Roberts and Co	900

Source: Private Equity Deals 2008-2009, Asian Venture Capital Journal, September 2009 (Data provided by CBK)

Established IT/ITeS SEZs in India



Source: "Formal approvals granted SEZs as on 15 January 2009", SEZ India website, www.sezindia.nic.in, accessed 20 September 2009

Emerging IT/ITeS destinations

Expanding to Tier II and Tier III cities

- The Indian IT-ITeS industry is primarily concentrated in seven clusters: Bengaluru, NCR-Delhi, Hyderabad, Chennai, Pune, Mumbai and Kolkata.
- Most IT companies started their operations in India in tier I cities, and have subsequently expanded into tier II cities.
- Emergence of tier III cities like Chandigarh, Mysore is prominent in the ITeS-BPO segment
- Tier II and tier III cities are gaining importance in the IT/ITeS industry as these locations offer higher savings in administration, maintenance, real estate and infrastructure costs and human resource availability and costs.



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Government initiatives and progressive policy reforms

Establishment of a nodal agency - STPI

Software Technology Parks of India (STPI) was setup by the government in 1991 to provide:

- Fiscal benefits like tax holidays to attract investment into the industry
- Basic infrastructure
- Single–window clearances for setting up Export Oriented Units (EOUs)
- Virtual model allows firms to avail benefits without restrictions on location

Progressive policy reform (fiscal/trade/other)

- No FDI restrictions
- Fiscal reforms (international taxation, overseas investment, etc.) to facilitate ease of international transactions introduced

Telecom sector deregulation

- Sector deregulated in the 1990s to allow private sector and MNC participation
- Regulatory reform to allow adoption of new technologies
- Enable benefits of free market competition, improved service quality and declining tariffs

Government initiatives and progressive policy reform

Recent initiatives

- Area limit exemptions for the IT- BPO sector in the SEZ policy
- Special emphasis on talent and infrastructure development
- Infrastructure development; provisions designed to complement the STPI scheme

Source: Special Incentive Package Scheme to encourage Investments for setting up Semiconductor Fabrication and other micro and nano technology manufacturing industries in India, *Department of Information technology website*, www.mit.gov.in, accessed 20 September 2009

Special Incentive package for setting up semiconductor fabrication unit, 2007

- Encourages FDI investment in hardware production segment and provides lucid policy structure for attracting capital through focus policies
- Capital subsidy of 25 percent for 10 years to set up fabrication facilities and other high-end manufacturing units outside the special economic zones (SEZ), and 20 percent in SEZs, with exemption from countervailing duty (CVD) of 16 percent on capital goods.
- For semiconductor manufacturing (wafer fabs) plants, the policy proposes a minimum investment of US\$ 200 million and the same for ancillary plants would be US\$ 100 million.
- Emphasis on wafer fabrication and ancillary manufacturing plants

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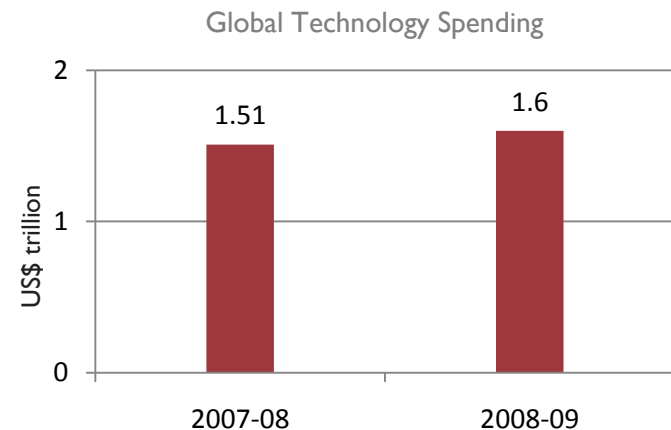
Increase in global IT services spend

Technology-related spending

- Worldwide technology products and related services sector spends are estimated to have grown at 5.6 per cent to reach nearly US\$ 1.6 trillion in 2008-09.
- Spend on IT-BPO services was estimated to grow by 6.3 percent and reach US\$ 967 billion in 2008-09.

Worldwide IT services spending

- IT services form the largest segment of the worldwide spend on technology products and related services
- Within IT services, outsourcing is the largest and fastest growing category
- Worldwide BPO spending grew by 12 per cent in 2008 registering the highest growth among all the segments
- IT BPO spending by developing countries has been on the rise
- Global sourcing market increased three fold from 2004-08, and the addressable market is more than five times the current market size

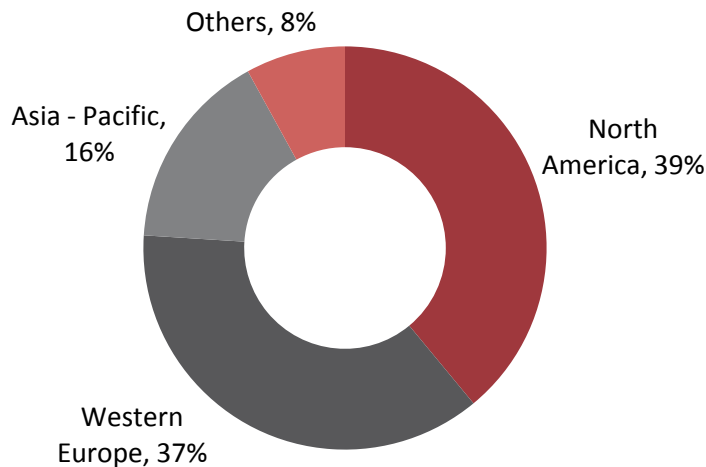


Source: The IT-BPO Sector in India - Strategic Review 2009: Executive summary, NASSCOM website, www.nasscom.org, accessed 20 September 2009

Increase in global spending on IT/ITeS

- In 2008-09, the worldwide spending on IT/ITeS was estimated at nearly US\$ 1.6 trillion
- Various factors leading to the sector's sustained growth are:
 - Increased reliance on IT for operational cost control
 - Increased requirement of IT for quality and regulatory compliance.
 - Large scale recruitment, variable pricing in service sector businesses

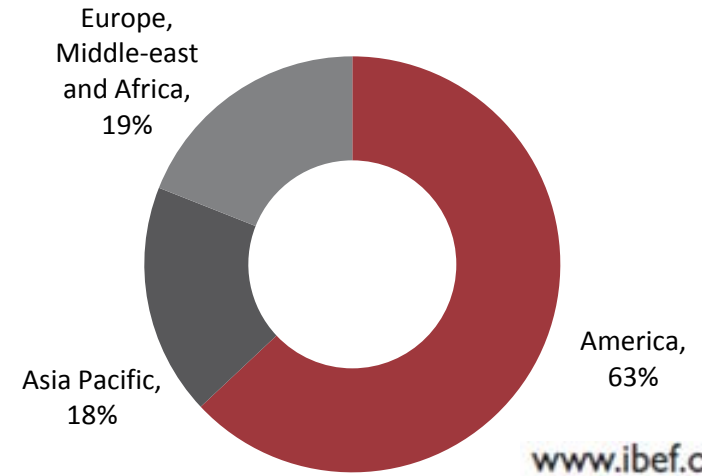
Global spending on IT Services, 2008-09 (in percentage)



Global spending on IT/ITeS in 2008-09		
Segment	Growth (per cent)	Aggregate (US\$ bn)
Hardware	4	594
Software	30	295
Services (IT)	5	557
Services (BPO)	12	115

Sources: IT: Industry profile, July 2009, CRIS INFAC
ITeS: Industry profile, April 2009, CRIS INFAC

Global spending on BPO sector, 2008-09 (in percentage)



Emerging countries – demand and supply centres

Increasing importance of emerging countries (BRIC nations)

- Importance of emerging countries as both supply and demand centres being recognised.
- As per IDC estimates, technology spending (on hardware) of Brazil, Russia, India and China (BRIC) together accounted for US\$ 110 billion in 2008-09.
- BRIC spending is estimated to contribute nine per cent of global technology spending by 2008-09.
- Global multinational corporations are increasingly focusing on tapping opportunities in these markets.

Sources: News publications

"Ongoing analysis - BRIC", IDC website, www.idc.com , accessed 20 September 2009

Demand for offshoring accelerating

- Europe is witnessing increased offshoring of services and growth rates from Europe are expected to be higher.
- With increasing maturity in 'near-shore' delivery capabilities, European-language speaking countries like Hungary, Czech Republic, Russia, Poland, Bulgaria and Romania are expected to support this trend.
- European enterprises expected to offshore services to India, Philippines and China and other lower-cost locations, depending on the language and culture-dependence of the particular service.
- Customers' desire to focus on their 'core' services and utilise the benefits of globalisation in execution of their 'non-core' activities is expected to further drive adoption of outsourcing strategy.

Evolving nature of outsourcing contracts

Growth in number of multi-vendor contracts

- Deals signed in recent times indicate a growing customer preference for multi-sourced contracts; helps customer tap best of breed vendors and reduce the risk
- 2008 witnessed 15 mega deals (mega deals – contract value worth more than US\$ one billion)
- Large players scaling up, increasing credibility of large-cap companies for handling large global projects

Large long term off-shoring contracts 2008-09

- Subex won a US\$ 50 million deal with British Telecom
- Mindtree Consulting won a US\$ 50 million deal with ArcelorMittal
- Tech Mahindra won a US\$ 700 million deal with BT to provide systems and process transformation
- Infosys won a five year contract with US insurer Consec
- Wipro won a nine year IT infrastructure management deal with Aircel, estimated at US\$ 500 million

Evolving nature of outsourcing contracts

Emergence of vendor consolidation

- Large MNC clients are outsourcing their global IT requirements to limited number of vendors, who in turn, execute by themselves, or outsource it to third parties, e.g., Vodafone and EDS' deal.
- Clients expecting the status of 'client of choice' to ensure greater attention, increased responsiveness and high service levels

Source: News publications

Demand through renewals

- Significant value of outsourced agreements coming up for renewal in 2007; estimates indicate the number to be approximately US\$ 100 billion
- Alternatives for renewal of these contracts expected to drive increased share of the business to 'offshore-based' service providers

Increasing presence across the globe

Global IT vendors increasing their India presence	Emergence of Indian IT multinationals
<ul style="list-style-type: none"> • Global vendors (such as Accenture, HP, EDS, IBM, Cap Gemini) looking at India with a long term view by enhancing their offshore delivery capability through the organic and/or inorganic route • Growing onshore presence of service providers who are able to deliver seamless hybrid onshore-offshore services at a lower cost. • Global vendors with limited or no India presence losing opportunities/contracts • Large players scaling up dramatically in locations such as China and India with plans to add thousands of people to their off-shore resources • Large number of India based employees : Accenture (16,000+), IBM (39,000+), EDS (15,000+) and Cap Gemini (4,000+) 	<ul style="list-style-type: none"> • Expansion of global footprint by Indian IT companies through the Global Delivery Model (GDM), to service client needs seamlessly across the globe • Indian firms gaining a global foothold, with giants like TCS, Wipro, Infosys and Satyam expanding their overseas presence, particularly in Asia and Europe • Drivers for expansion are language requirements other than English; need to cater to 'near-shore' markets • Increased M&A activity to be driven by the need for global service delivery capabilities while mitigating risks and timelines involved in moving to new geographies • HR strategies of firms are geared towards building a workforce comprising diverse cultures

Mergers and acquisitions

Industry consolidation through acquisitions

- In 2008-09, the technology sector accounted for 11 per cent of M&A and 4.6 per cent of PE overall M&A in value terms.
- In terms of number of transactions, the technology sector contributed 22 per cent of M&A and 18 per cent of PE deals in 2008-09.
- Industry estimates suggest that total number of software product development startup companies have crossed 500.
- Enhanced M&A activity has been witnessed by service providers seeking to add expertise in specific industry verticals or add domain areas to their portfolio of services; this enables service providers to move up the value chain.
- Relatively smaller service providers are now actively looking for opportunities to be acquired by larger firms or to form partnerships.
- Companies based in the West are expected to take a keen interest in organisations in India to stay competitive as well as explore local markets, which is now not only a cost effective delivery location but also a rapidly emerging market by itself.

Sources: News publications "Private Equity Deals 2008-2009", Asian Venture Capital Journal, September 2009 (Data provided by CBK) Grant Thornton Deal Tracker

Mid-cap growth story

Mid-caps: building market competitiveness			
Niche service providers	Multi-domain players	Consolidators	Solution providers
<ul style="list-style-type: none"> • Focussed on developing capability in a specific domain to compete with large-cap players • Aztec, Hexaware 	<ul style="list-style-type: none"> • Multi-domain capabilities across high growth verticals • KPIT Cummins, Mastek, Zensar 	<ul style="list-style-type: none"> • Growth through equal - sized mergers and significant acquisitions • Scandent Solutions (merged with SSI Tech) 	<ul style="list-style-type: none"> • Growth through well-defined target product /solution segments • Crane Software, Geodesic, Polaris

- Mid-cap companies (US\$ 50 to US\$ 250 million) are growing at an aggressive pace, with well-defined strategies, rivalling large-cap credentials and capabilities in attracting clients.
- Mid-cap companies also following a strategy of exploring new markets to insulate themselves against over-dependence on the US market, and to shield themselves from price competition with the large-caps.
- Companies are increasing their focus on the domestic market, especially in emerging sectors such as retail, logistics, telecommunications and SMEs.
- Companies leveraging their outsourced testing services and Offshore Product Development (OPD) capabilities have played a key role in development of other service line revenues like engineering, manufacturing and design.

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Indian IT/ITeS industry structure

Leading Indian IT/ITeS firms (by revenue 2007-08)	
Tata Consultancy Services	Tech Mahindra Ltd
Infosys Technologies Ltd	Patni Computer Systems Ltd
Wipro Technologies Ltd	Oracle Financial (I-Flex Solutions Ltd)
Mahindra Satyam Computer Services Ltd	Mphasis, an EDS company
HCL Technologies Ltd	Larsen & Turbo Infotech Ltd

	Revenue	Key characteristics – business model
Large cap	Revenue > US\$ 250 million	<ul style="list-style-type: none"> • Mainly concentrated on application development and maintenance, package implementation, business process outsourcing (BPO) and consulting • Well positioned to bag large IT contracts with scalable capabilities • Strong delivery capabilities across multiple verticals • Low client concentration • Competes with global IT vendors such as Accenture, IBM, EDS, Cap Gemini
Mid cap	US\$ 50 million to US\$ 250 million	<ul style="list-style-type: none"> • Mainly concentrated on specific domain capabilities • Scale and margin pressures • Increasing competition from both small cap and large cap players
Niche players	Focussed on key niche areas of operations	<ul style="list-style-type: none"> • Focussed on developing capabilities around a specific niche domain and aspire to be leader in that domain • Scale and growth pressures; limited growth available in specific niche areas • High client concentration • Threat from large cap/ middle cap players entering the niche areas

Source: News publications

Indian IT giants



TATA CONSULTANCY SERVICES



Tata Consultancy Services	Wipro Technologies Ltd	Infosys Technologies Ltd
<ul style="list-style-type: none"> • Revenues of US\$ 5.94 billion in 2008-09, recording a three per cent growth over revenues of US\$ 3.79 billion in 2007-08 • Profitability (operating margin) for the year (2008-09) was at 25 per cent of revenues • Workforce of over 126,150 professionals by 2008-09, with growth of 17 per cent over 2007-08 employee base of 107,698 • With a strong foothold in Indian market, global presence is being established primarily by acquisitions; expanding business verticals and exploring opportunities in the western and BRIC markets 	<ul style="list-style-type: none"> • Revenues of US\$ 5.58 billion in 2008-09 recording a 12 per cent growth over revenues of US\$ 4.96 billion in 2007-08 • Profitability (operating margins) for the year (2008-09) was at 18 per cent of revenues • Workforce of over 97,810 professionals by 2008-09, with growth of 19 per cent over 2007-08 employee base of 82,122 • Acquired six companies and entered into a joint venture (JV) with another two, increasing offshore delivery centres and expanding service offerings 	<ul style="list-style-type: none"> • Revenues of US\$ 4.40 billion in 2008-09 recording a 13 per cent growth over revenues of US\$ 3.88 billion in 2007-08 • Profitability (operating margin) for the year (2008-09) was at 34 per cent of revenues • Workforce of over 104,900 professionals by 2008-09, with growth of 15 per cent over 2007-08 employee base of 91,187 • Infosys has chosen primarily the organic route for developing its overseas operations

Source: Respective company annual reports

International players



Hewlett-Packard India	IBM India
<ul style="list-style-type: none"> • The total revenue from HP's businesses in India was valued at US\$ 3,422 million in 2008-09 and includes India sales US\$ 2,806 million, and exports of US\$ 616 million. • Sales grew by nearly two per cent in 2008-09 in INR terms over 2007-08 • Workforce of over 31,656 professionals, constituting nearly ten per cent of the global workforce of HP in 2008-09 • Focusing more on penetration into class-C and -D cities by launching mobile vans, and linking them with channel network 	<ul style="list-style-type: none"> • Revenues of US\$ 2616 million in 2008-09 recording a four per cent growth (in dollar terms) over revenues of US\$ 2508 million in 2007-08 • The share of the domestic revenue increased from 42 per cent in 2007-08 to 48 per cent in 2008-09 • Workforce of over 76,000 professionals in 2008-09 with 11 per cent in Global IT delivery, 49 per cent in Indian domestic delivery and 40 per cent in IBM Daksh • Asia-Pacific recorded the strongest revenue growth of IBM, with Indian revenues being the top contributor

Source: "Company ranking 2009", Dataquest website, www.dqindia.ciol.com, accessed 20 September 2009

ITeS giants



Genpact	Aditya Birla Minacs	IBM Daksh
<ul style="list-style-type: none"> • Workforce of over 36,200 employees in 2008-09 • Spread across more than 35 global delivery centres • Revenues of US\$ 1040 million in 2008-09, recording 26 per cent growth over revenues of US\$ 823 million in 2007-08 	<ul style="list-style-type: none"> • Workforce of over 12,584 employees in 2007-08 • Spread across 30 global delivery centres • Revenues of US\$ 392 million in 2007-08, recording 14 per cent growth over revenues of US\$ 343 million in 2006-07 	<ul style="list-style-type: none"> • Workforce of over 31,200 employees in 2007-08 • Spread across 21 global delivery centres • Revenues of US\$ 321 million in 2007-08, recording 12 per cent growth over revenues of US\$ 286 million in 2006-07

The focus of this presentation is to discuss...

- ❖ Market overview
- ❖ Advantage India
- ❖ Policy
- ❖ Key trends and drivers
- ❖ Key players
- ❖ Key opportunities

Domestic market

India - one of the emerging markets

- Overall size of the domestic market in 2008-09 was estimated to grow by 20 per cent and reach be US\$ 24.3 billion
- Domestic IT BPO spending grew by 40 per cent during 2008-09
- The domestic market is picking-up, showing definite signs of breaking-out of the trend of hardware linked growth with the contribution of software and services exceeding that of hardware
- Government is taking up e-governance initiatives and increasing its IT spends/ outlays; allocation has increased from US\$ 96 million in 2006-07 to US\$ 175 million in 2007-08, indicating increasing IT spends.
- Demand for domestic BPO services increasing rapidly, with niche verticals like healthcare and retail fast gaining traction apart from the traditional verticals of BFSI and manufacturing.

Prominent domestic IT services deals in 2008-09

Vendor-client	Engagement type
IBM – Idea Cellular	IT integration and support
TCS- Ministry of External Affairs, Government of India	Passport seva contract
Wipro – Government of India	Employee State Insurance corporation – IT integration
HCL – National Insurance	IT Deployment
Infosys Technologies – Bharti Airtel	Product support, application management
HP India – Godrej, India	IT Outsourcing

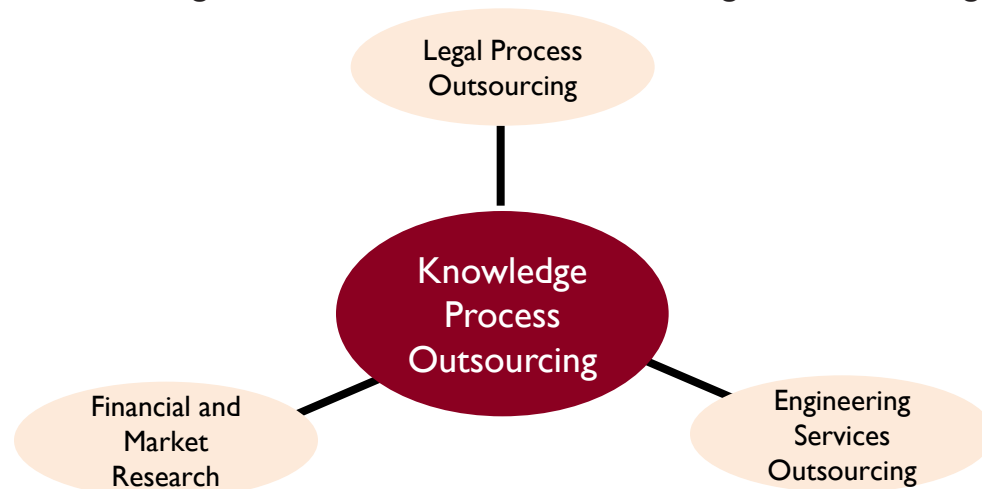
Sources: News publications

The IT-BPO Sector in India - Strategic Review 2009: Executive summary, NASSCOM website, www.nasscom.org, accessed 20 September 2009

Knowledge Process Outsourcing (KPO)

Knowledge Process Outsourcing – growth driver for ITeS sector

- The genesis of KPO followed BPO services in India, however KPO is now growing at a rapid pace with MNCs setting up third party captive units for data analytics, data modeling, etc.
- CRISIL estimates that the Indian KPO export market constitutes about eight percent of Indian ITeS revenues and employs nearly three percent of the work force
- Growth drivers for this business include high productivity of Indian resources and growing adoption of KPO by Small and Medium Enterprises (SMEs).
- Opportunities span across several service offerings: legal process outsourcing (LPO), financial and market research and engineering services outsourcing, which are considered fast moving service offerings.



Sources: Global Offshore Outsourcing Summit, EY-IACC, 2006.

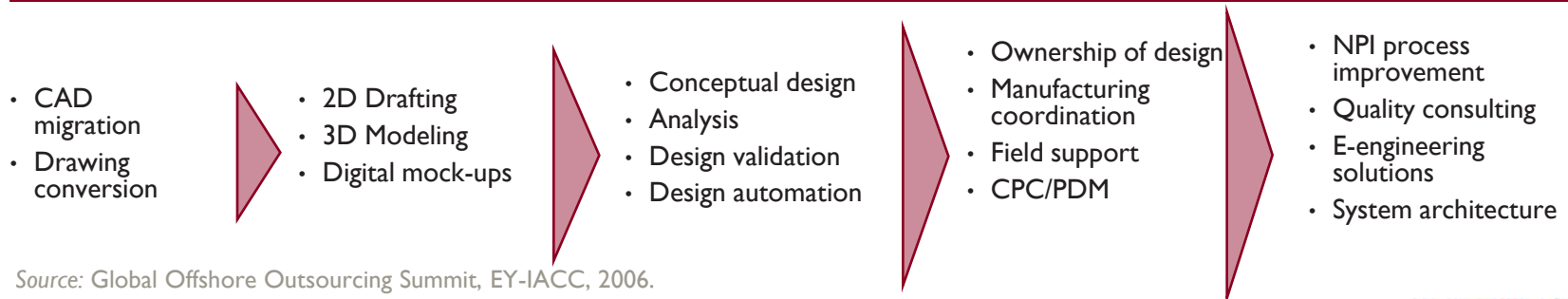
ITeS: Industry profile, April 2009, CRIS INFAC

Engineering: a new outsourcing opportunity

Engineering services outsourcing

- Global engineering services spend estimated at US\$ 750 billion which is expected to increase to more than US\$1 trillion by 2020
- India's share is about US\$ 4.9 billion of the US\$ 12.8 billion outsourced services in 2008-09; India is estimated to garner a share of about US\$ 50 billion by 2020
- Range of services include engineering and designing solutions across diverse industry verticals like telecommunications, automotive, construction, aerospace, utilities and industrial design
- Labour cost arbitrage in this sector is about 60 per cent of the US counterparts
- Bechtel, General Motors, Ford, John Deere, Caterpillar, Silicon Automation Systems, John Brown Engineering are a few global giants that have set up their engineering services divisions in India

Migration of engineering services from low-end designing to complete product designing



Source: Global Offshore Outsourcing Summit, EY-IACC, 2006.

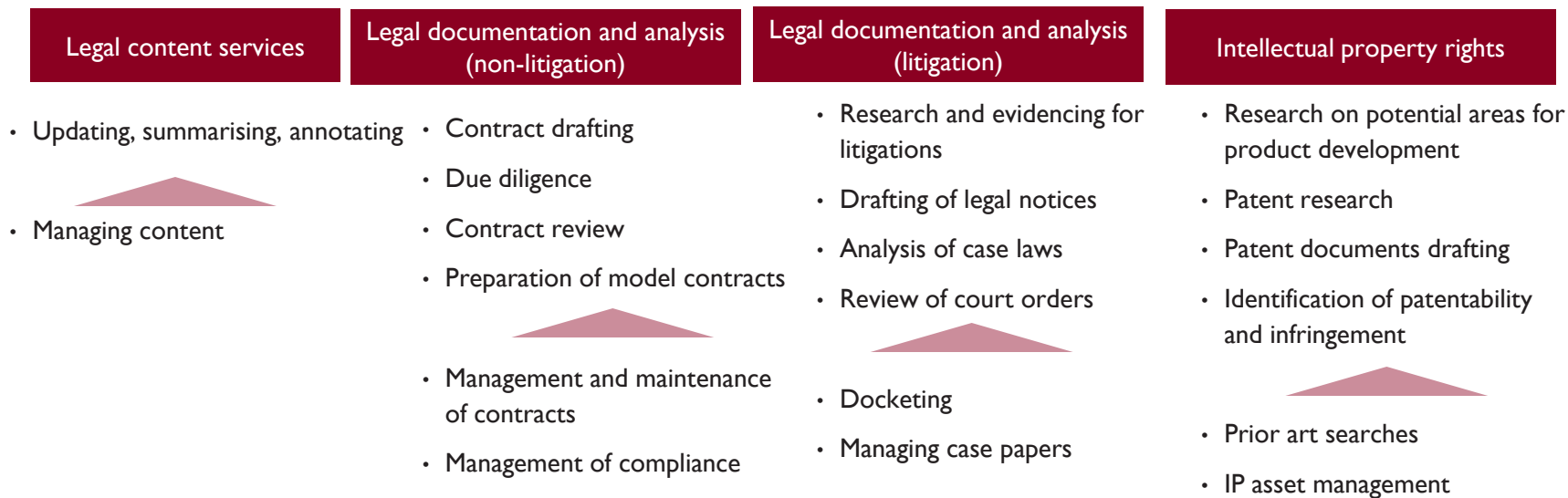
Legal Process Outsourcing

Legal process and Intellectual Property (IP) research outsourcing

- Outsourcing of legal and IP research is presently at a nascent stage with tremendous growth potential. India offers the advantage of employing full-time legal professionals, resulting in higher efficiencies, compared to the temporary paralegals employed overseas for a large quantum of work.
- India offers impressive opportunities to scale up, with a large pool of legal professionals (over 1 million lawyers and over 70,000 law graduates passing out every year) and cost arbitrage, with Indian lawyers billing one-tenth of their US counterparts (US\$ 40 to 60 in India compared to US\$ 350 per hour in the US)
- While most of the business presently comes from the USA, there is huge untapped opportunity in Europe (especially UK), Canada and Australia.
- Firms like SDD Global Solutions, JuriMatrix, Integreon, Pangea3, RR Donnelly are mushrooming, with increasing venture capital investment, tapping the vast market opportunities.

Legal Process Outsourcing

Migration of legal and IP services from low value addition to creative services



Source: Global Offshore Outsourcing Summit, EY-IACC, 2006.

Research and analytics

Business, financial and market research

- Wave of new entrants comprising captive research centres set up by leading global investment banks, foreign banks and consulting firms, as well as several third-party service providers and leading BPO players
- Players aggressively ramping up their employee base, with captive centres by McKinsey (for business and financial research) and General Electric (for financial research)
- Leading third-party service providers reported growth of over 100 per cent per annum over the past four to five years
- Three of the Big Four of accountancy and professional services firms – Ernst & Young, Deloitte, KPMG have their global shared services delivery centers in India, along with other leading firms like Datamonitor, Standard & Poor's
- India emerged as the choice destination for their front-end research and analysis divisions, migrating from back-room services offshoring

Research and analytics

Spectrum of offerings

Business research

- Industry research
- Company research
- Situation analysis
- Database building

Financial research

- Equity research
- Company research
- Credit analysis
- Instrument analysis
- Portfolio valuation
- Financial modeling
- Comparable valuation analysis

Market research

- Market research and analysis
- Market segmentation
- Secondary research and surveys
- Forecasting through predictive modelling
- Data analytics

Continuing growth opportunities

Testing services outsourcing	Software products
<ul style="list-style-type: none"> • Indian export revenues from custom application development, software testing services were estimated at US\$ 11.2 billion in 2008-09, an eight per cent increase from US\$ 10.3 billion in 2007-08. • Leading players like Infosys and Wipro obtained 7-10 per cent of their revenues from quality assurance and software testing. • Functional testing of software and applications has gained critical importance with progression towards service oriented architecture. • Shrinking software product release cycles and increasing complexity of requirements is resulting in the outsourcing of bulk assignments and also fuelling this segment's growth. 	<ul style="list-style-type: none"> • Indian software products segment presently forms a very small percentage of the overall Indian IT-ITeS industry. • Several large and small niche players are developing and marketing indigenous software products, deployed both in the domestic as well as international markets. • Indian software product vendors recorded revenues of US\$ 9.6 billion in 2008-09, a 12 per cent increase over 2007-08 and the figure is expected to grow by nearly 25-30 per cent in the next five years. • Firms are fuelling demand by making software affordable and easily available. • Besides scouting for opportunities in Europe, Indian companies are making inroads into the Middle East, North Africa and Latin America.

Source: IT: Industry profile, July 2009, CRIS INFAC

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