

Opportunities in Indian information technology and enabled services sector

June 2020

Snapshot



USD 84 billion

is the estimated incremental growth the sector will witness in 2020-2024

The market growth will accelerate at a CAGR of **~8%**

The year-on-year growth rate for the sector is estimated at **7%**

The sector contributes more than **45%** share to services exports

Major Contributor



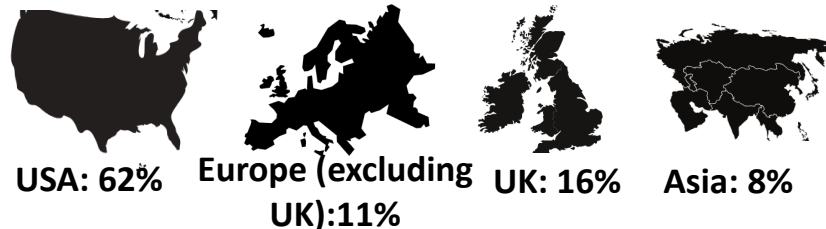
Banking and financial institutions were the **major contributor, 41%**, for the IT services market in 2019.

Workforce

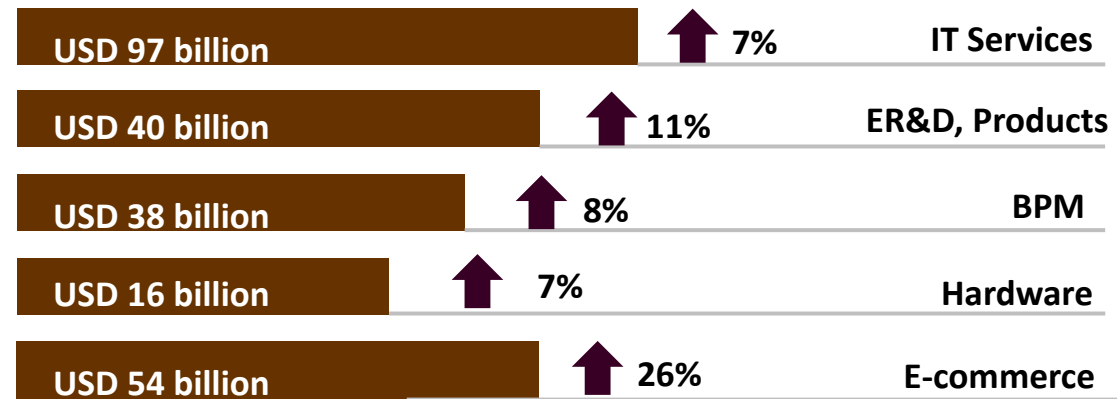


The sector has a total of **4.36 mn digitally skilled** professionals with a 20-25% hike in learning and development budget.

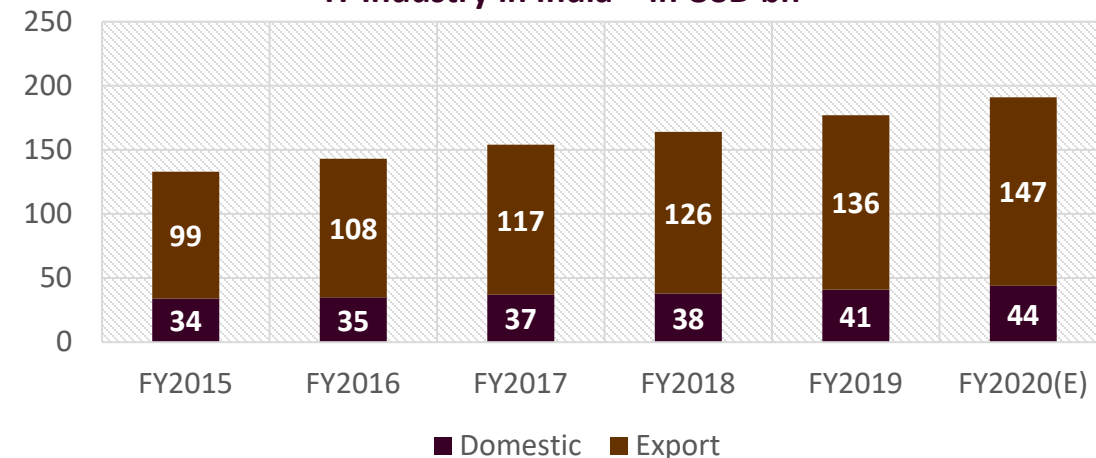
Exports



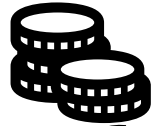
Indian technology market size: USD 191 billion



IT Industry in India – in USD bn



Business Process Management - Key segments



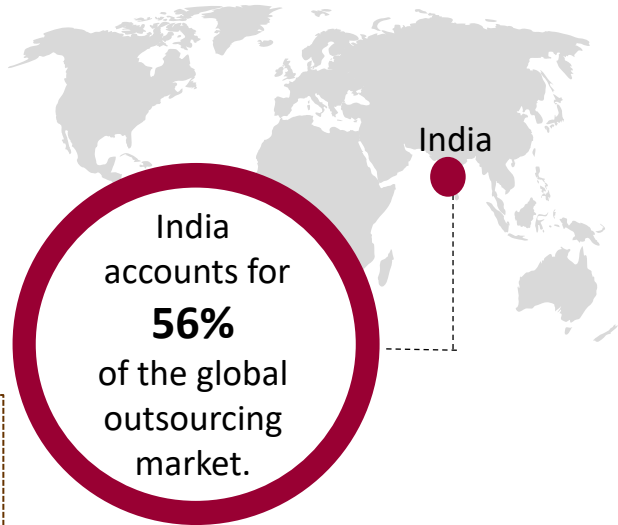
USD 38 billion worth revenue was generated by the BPM industry in FY2019-20



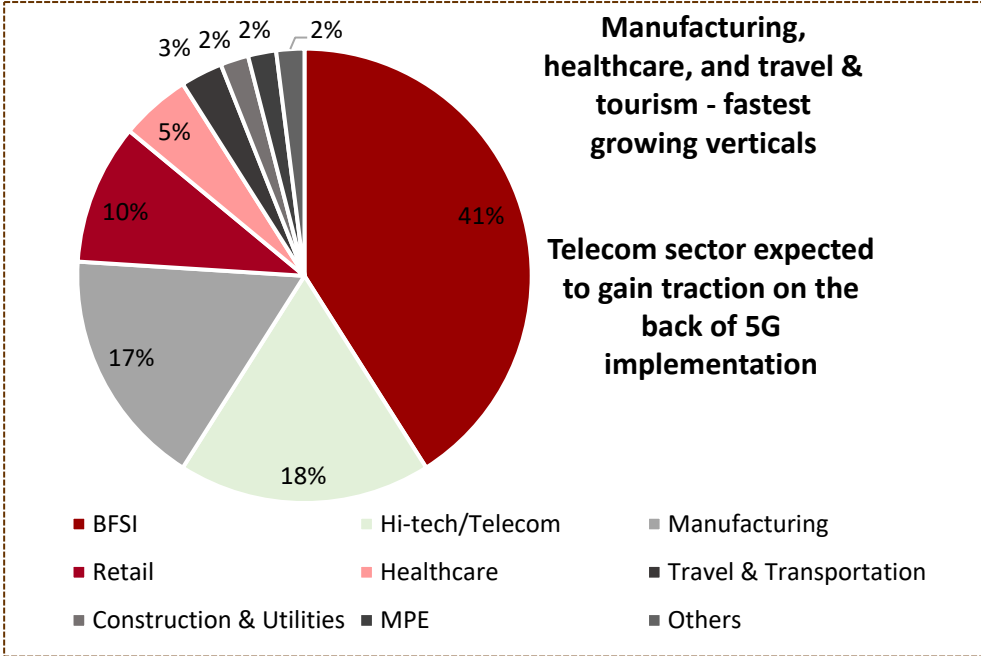
The revenue grew at **8.2%**



The share in exports grew at **8.3%**



- Fastest Growing Segments**
- Knowledge services
 - Data analytics
 - Legal services
 - Business process as a service (BPaaS)
 - Cloud-based services
 - SMAC (social, mobility, analytics, cloud)



Exports revenue: CAGR (FY14-19)

IT services :	8%
ITeS- BPO :	9%
Software products, ER&D:	19%

India's overall IT-ITeS export revenues has grown at a CAGR of 10% in the past 5 years. Software products, engineering services, and R&D (ER&D) is the fastest growing segment.

Business Process Management

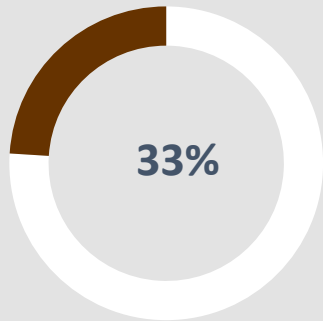
- 87% of revenue comes from exports.
- Market size to reach USD 54 billion by FY2025.
- BPM segment has an estimated 19% share in Indian IT sector revenues in FY18.
- BPM sector has over 1.3 million employees, representing ~30% of IT-BPM workforce.
- Leading five BPM firms employ about 20% of total BPM workforce in India.

Source: Make in India, CARE Ratings, and Times of India

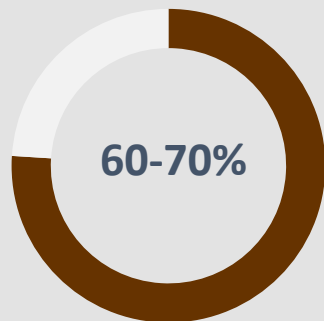
Industry trend

What will drive Indian ITeS sector?

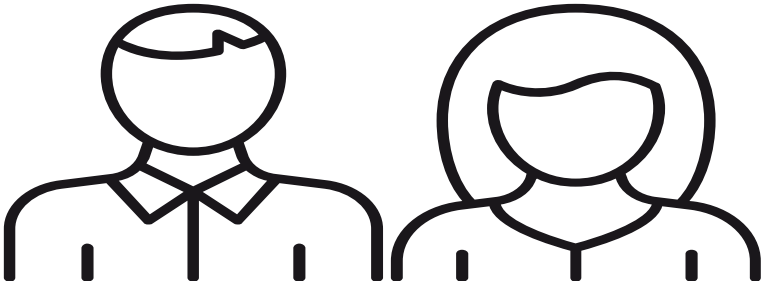
IT services	IT services being driven by cloud services
BPM	Higher implementations of chatbots, RPA, AI-based automation
ER&D	Digital engineering share to increase driven by IoT and Ind 4.0
Ecommerce	Niche verticals to gain traction - grocery, pharmacy, food and cosmetics



Digital technologies such as AI, ML and RPA are core to BPM firms' operations; accounts for about one-third of their revenue



RPA adoption in BPM growing at a CAGR of over ~60-70%



A leader in digital skills, India has 75% share of global digital talent

Top 5 Indian firms together have over 50,000 local employees in USA

Women employees account for 35%+ (1.4 million) share in industry employee base

Recent Activity

Made in India for the world

21%

Indian start-ups are focusing on global markets

20+

Global unicorns have R&D centre in India

50%

GCCs driving digital change initiatives from India

1,000

Engineering/R&D centres in India

- Since 2018, MNCs such as OnePlus, Oppo, Mondelez and Intel have opened new R&D centers in India. Microsoft “Kaizala”, a made in India product, is exported globally post India testing
- **GCCs are now increasingly driving digital change initiatives from India, for example, Tesco’s center driving global RPA adoption**

IT Startups in India

9,000+

More than 9,000 IT startup have been incepted during 2014-19

12-15%

Y-o-Y growth in the number of unicorns and startups in India in 2019-20

24

India has 24 unicorns at present with over 50 soon to be unicorn in the industry

6,550+

Patents were filed by Indian IT firms in 2019-20 by over 150 innovation centres of excellence

150+

The number of CoEs in India focusing on IoT, AI, cognitive, mobility

>1,400
GCCs in India

USD 23.5
billion GCC
revenues

750
GCCs focused
on IT services

59%
Share of
ER&D/SPD
GCCs

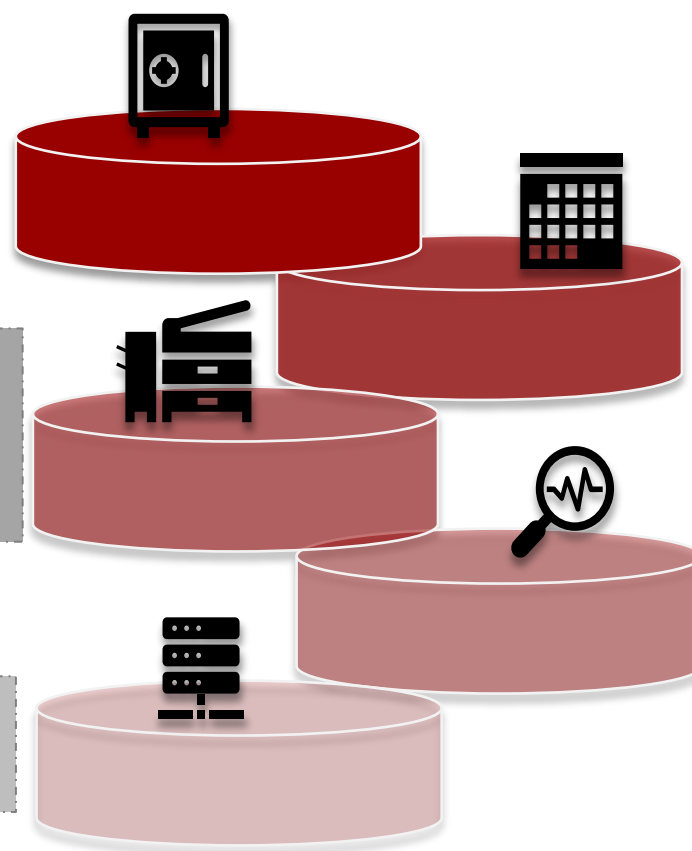
14%
GCCs with
>1,000
employees

9.7%

Analytics drove BPM industry growth because of an increased demand for cloud-based (SaaS) and predictive analytics solutions and rapid advances in adoption of IoT, AI, deep learning. Startup firms created new focused revenue streams and business models and were a key contributor in this segment

Key segments

Engineering R&D industry



Engineering R&D services & products constituted USD 40 billion in 2020

USD 18 billion of the ER&D revenue came from the 1,567 MNC captive centres and USD 14 billion from Indian service providers

Engineering R&D products generated a revenue of USD 3.5 billion in 2018-2019

Engineering R&D market to grow to USD 48 billion by 2022

Accounts for 16% of the IT-BPM sector and growing at a CAGR of 13%

Top sectors using ER&D Services

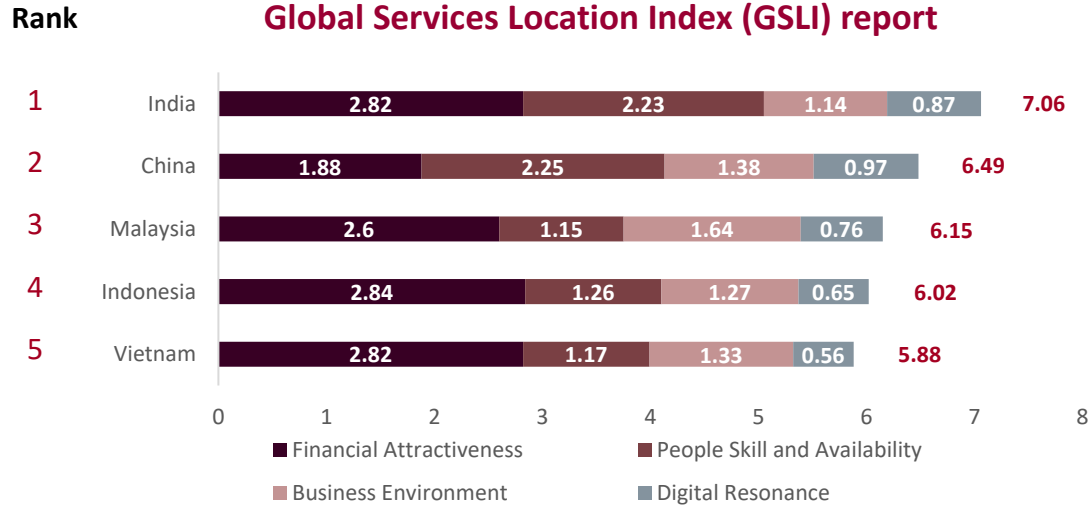
- Healthcare** → Focused on personalised medicines and AI in drug discovery
- Automotive** → Focused on electronics software and autonomous vehicles
- Consumer electronics** → Focused on connecting smart devices

→ Engineering companies are expected to witness higher demand fueled by 5G deployment, IoT, analytics for product development and increased spending in digital engineering

→ ER&D has created new revenue growth possibilities by providing a “connected ecosystem” with the intent of monetizing data, base services, and value-added services

→ Paradigm shift in consumption pattern as consumers want to consume an experience ‘as a service’

Geographical hotspots



Parameters	India	China
Labour Pool	Medium	High
Infrastructure	Medium	Medium
Quality of output	Low	High
Business and political environment	Low	High
Government support	Medium	High
Educational Support	High	High
Cost advantage	High	High
English proficiency	Low	High

Source: Kearney GSLI Index 2019

IT Services

Has a strong presence in operates through six major states, including Karnataka, Andhra Pradesh, Maharashtra, Tamil Nadu, Haryana and Uttar Pradesh

Top 4 India cities house 1400+ GCCs in India

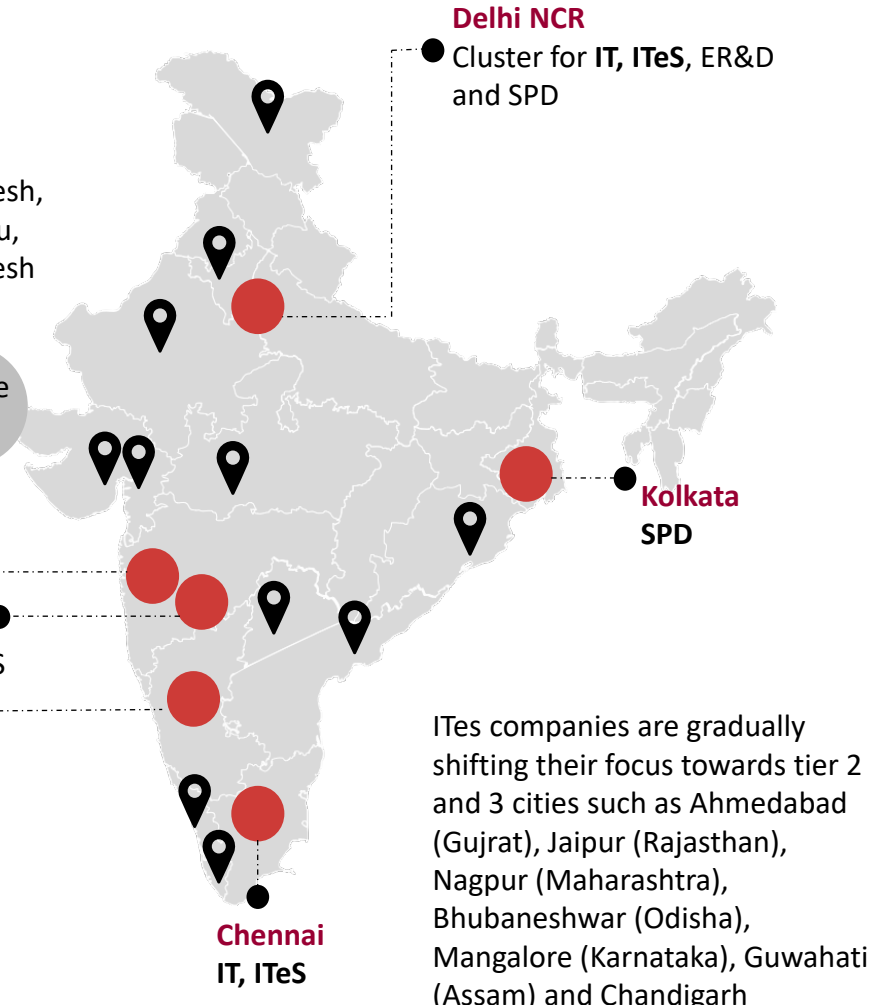
Mumbai
IT, ITeS, GCCs

Pune
IT and ITeS

Bangalore:
IT, ITeS and ER&D, GCCs





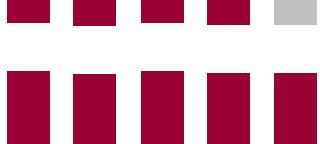
Tier I cities

Tier II cities








Opportunity: Government created



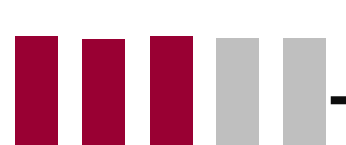

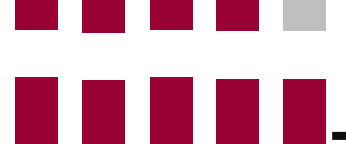
Software Technology Parks (STPs)

-  → **0%** custom duty on imports and excise duty exempted on indigenous procurement
-  → At present, more than **5,000 units** are registered with STPI
-  → **100%** FDI permitted through automatic route
-  → A total of **60 STPI** centres/subcentres are operational, out of which 51 centres are in Tier II and Tier III
-  → Sales in the DTA up to **50%** of the FOB value of exports permissible

Special Economic Zones (SEZ) Scheme

-  → Duty free import/domestic procurement of goods for development and operation of SEZ units
-  → **100%** income tax exemption on export income for SEZ units for first 5 years; 50% for subsequent 5 years
-  → **0%** central sales tax, service tax and state sales tax as these have now subsumed into GST
-  → Other levies are imposed by the respective State Governments
-  → Single window clearance for Central and State level approvals

India BPO Promotion Scheme (IBPS)

-  → **50%** expenditure incurred on BPO/ITeS will be incentivized; upper ceiling of USD 1320.
-  → Special incentive for units providing employment to women and persons with disability
-  → Special incentive for units providing employment beyond employment target
-  → Incentive for wider dispersal within state including rural areas
-  → Special Package for Hilly Region (Himachal Pradesh, Uttarakhand and Jammu & Kashmir)

Source: Ministry of Electronics and Information Technology

Opportunities

FDI

FDI Policy

100%

In the electronics and IT sector, 100% FDI is permitted under the automatic route

FDI Inflow-bn

USD 43.58

Computer software and hardware sector attracted cumulative FDI inflows during April 2000-Dec 2019

Why Invest in India?



India has made substantial investment in R&D over the years. The overall spending on R&D has tripled in the last 15 years



Availability of highly qualified talent pool at lower rates helps cut cost by about 60-70% to source countries and has enabled IT firms to help clients save USD 200 billion in the last 5 years



Significant investment in infrastructure, and in IT in emerging verticals (retail, healthcare, utilities) are driving growth



Fueled by the adoption of next-gen technologies such as machine learning, AI, IoT, social media, mobility, analytics and cloud (SMAC), and embedded systems

Partnerships with global firms for expertise in:

- ◆ Design Thinking
- ◆ Experience Design
- ◆ UX
- ◆ Domains & verticals

Shifting to augmented CX offering delivering 'Exponential Value'

- 50-55%+ firms focusing on digital CX, building omni-channel experiences

Record demand for Content moderation services:

Cognizant's exit from the business has opened USD 250+ mn a year opportunity for other BPM players

Specific opportunity

USD 84 mn

Equity funding for a rural BPO in Assam

USD 3 mn

Equity funding for a BPO centre in Assam

USD 1.32 mn

Equity funding for innovation centre in AP

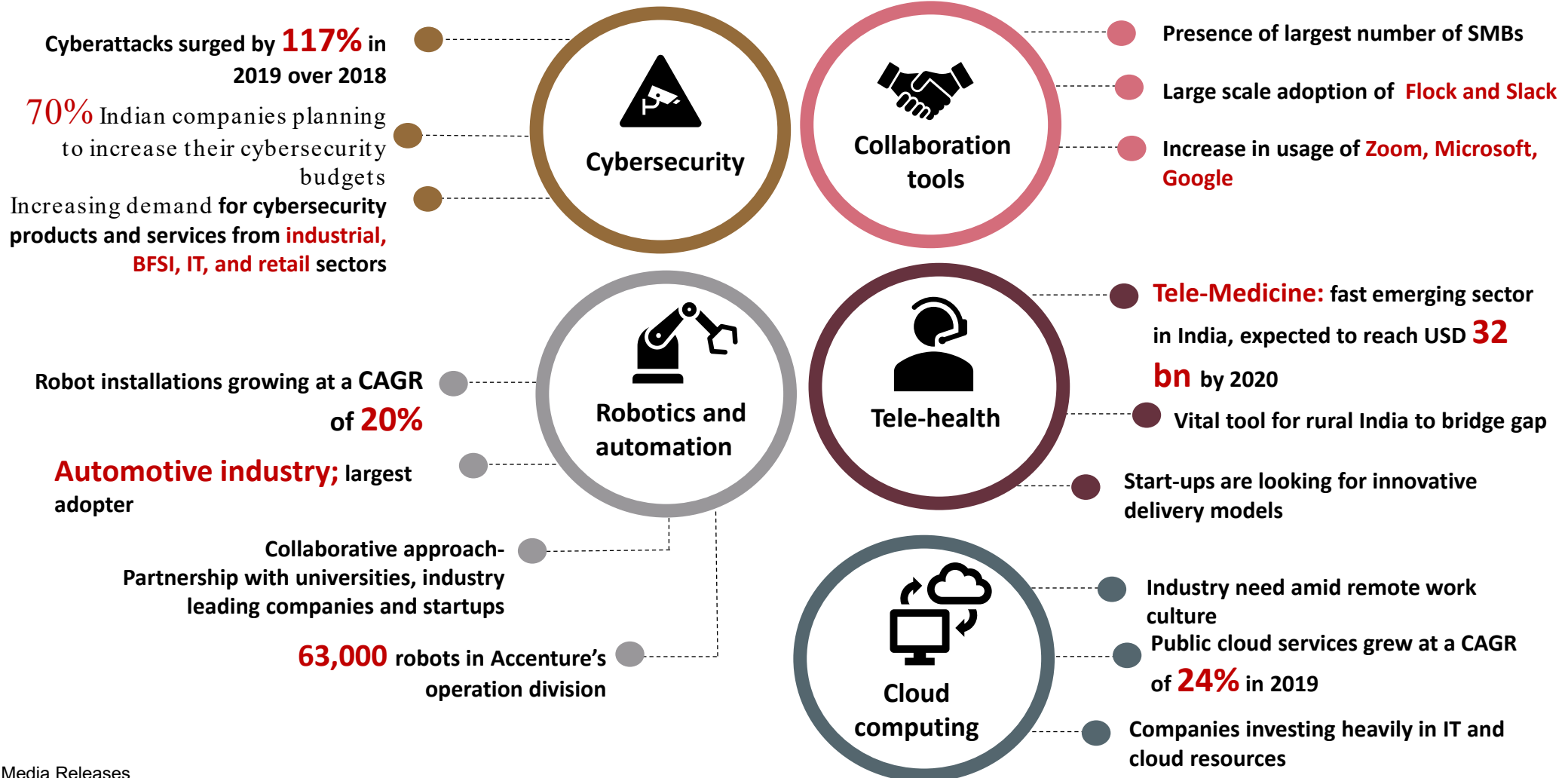
USD 3.31 mn

Equity funding for smart data centre in J&K

The sector in FY2020 saw 205,000 new hires and a 20-25% growth in learning & development budget of IT-BPM firms.



Opportunity: Industry created



India Set-up: Case Studies



PIT Solutions



● Switzerland and India-based PIT Solutions is a leading IT and IT enabled services company

The firm specializes in developing individual software, web and mobile application- flexible online shopping solutions, custom made websites, custom software, iOS and android apps for its clients

● The company has primary offices in Switzerland, India as well as subsidiaries in the USA and Dubai

PIT Solution has solution development office in Kerala



Source: www.pitsolutions.in

Novartis



● Switzerland-headquartered pharma firm Novartis launched a digital innovation hub, Novartis Biome, India in Hyderabad in February 2020

The digital lab bring together and empower technology companies and people through data and digital technologies

● The firm will combine its scientific know-how with the expertise of tech players in India to create digital solutions for patients

Novartis will also provide sandbox infrastructure to promote collaboration and innovation in the healthcare sector

Source: www.Novartis.in

India Set-up: Case Studies



TOKEN DEVELOP



Token Develop is a leading blockchain development company based in Switzerland

The firm offers cryptocurrency exchange software development, decentralized crypto exchange software, STO development, ICO development, cryptocurrency trading app, master card white label solutions and fintech license provides

Token Develop has presence in Spain, Panama, Turkey, India and Singapore

Swiss Re



Headquartered in Zurich, Swiss Re is one of the world's leading providers of reinsurance and insurance provider

Swiss Re has a global capability centre in Bangalore, which also works like a transformation and innovation hubs for its clients

The company has set up an insurtech accelerator in Bengaluru with focus on AI, data analytics and IoT to disrupt insurance practices

Swiss Re has also invested in six Indian Tech start-ups Arya.ai, Niki.ai, eKincare, Touchkin, Datasigns and GOQii

Indian IT industry

THANK YOU
