

Opportunities in Indian Information Technology Sector

June 2020

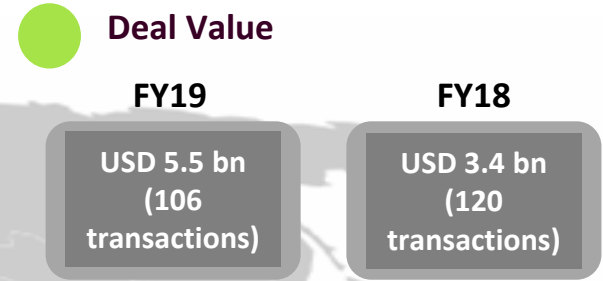
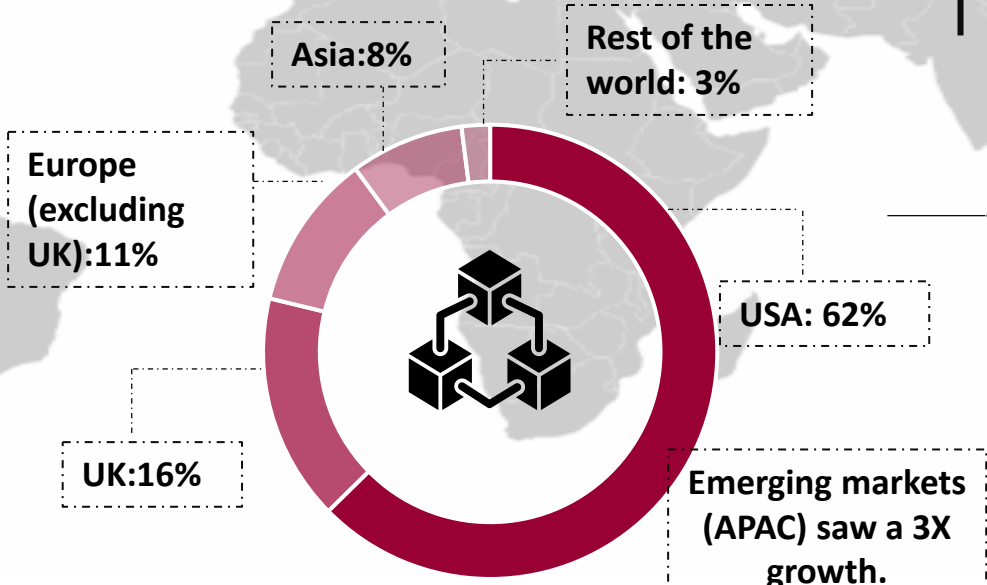
Industry snapshot

Overview of the sector

- India's IT sector was valued at USD 191 billion in FY2019-20.
- IT sector is expected to grow to USD 350 billion by 2025.
- The sector is growing at CAGR of 7.7%.
- IT-ITeS industry contributes 8% to India's GDP and plays a major role in offsetting India's import bill.
- IT sector created 205,000 new jobs in FY2020.
- The industry has added USD 105 billion in revenue and over 2 million employees during FY2009-19.

India's exports in the sector stood at **USD 147 billion** in 2019

Top countries of exports



Several international companies have set up in India to leverage the cost effectiveness, quality and, reliable delivery system India has to offer.

International companies investing in India:-

1. Accenture
2. Cognizant
3. Capgemini
4. Microsoft
5. Philips

Overview

Indian technology market size: USD 191 billion

USD 97 billion



7%

IT Services

USD 40 billion



11%

ER&D, Products

USD 38 billion



8%

BPM

USD 16 billion



7%

Hardware

USD 54 billion



26%

E-commerce

IT sector has moved from having five segments (IT services, BPM, ER&D, software products and eCommerce) a decade ago to embrace digital solutions across nine technologies.

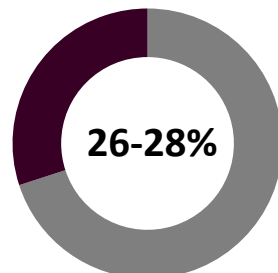
The nine areas includes:

Three foundational technologies – big data and analytics, cloud computing and cybersecurity

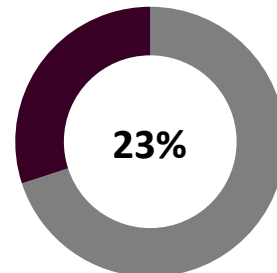
Six advanced technologies :

AI, IoT, 3D printing, robotics, blockchain and Immersive Media

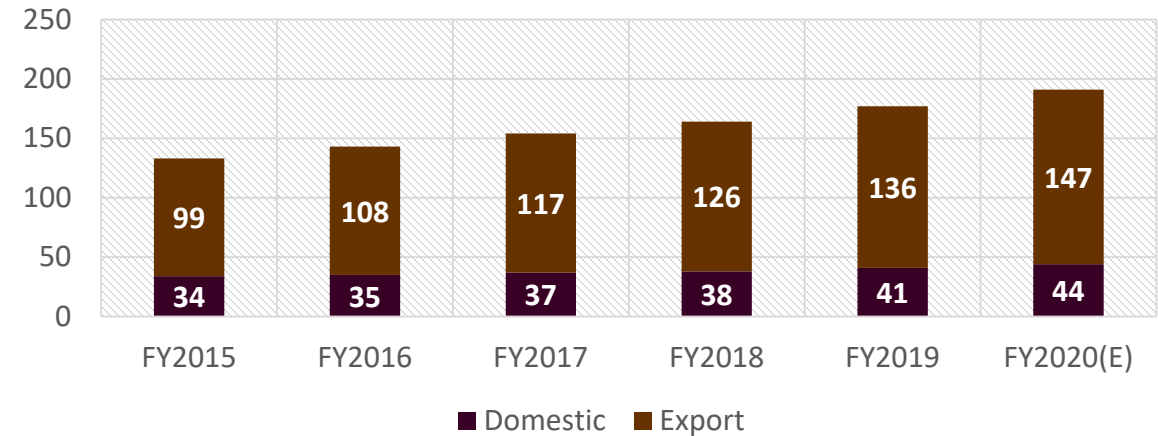
Digital Revenue



Growth in Digital Revenue



IT Industry in India – in USD bn



ER&D

It is the fastest growth segment, driven by digital engineering for better UX and personalization; greater adoption of platforms and cloud; and consolidation to build full stack capabilities.

Software products

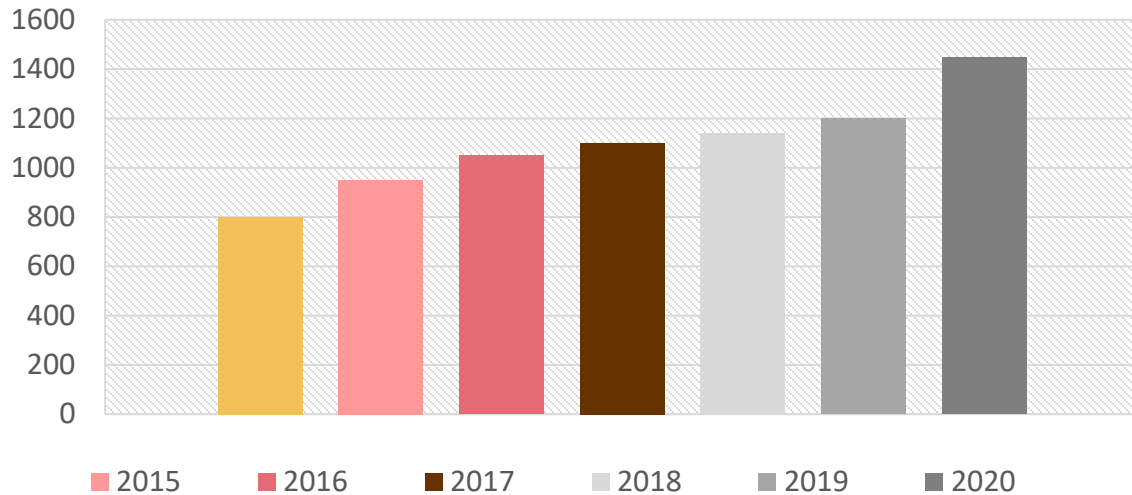
Grew at 9.5% in FY2020, driven by product development around AI, RPA, cloud and analytics; growth in ERM, CRM, collaborative apps and strong performance of B2B product-based startups

E-commerce

Grew at ~25% in FY2020, driven by penetration of m-commerce, increasing demand for niche products and easy and secure digital payment channels and social commerce gained traction

Snapshot of Companies in Indian IT industry

Number of GCCs in India



17,000 Number of IT ITeS firms in India	11 IT firms with revenue over USD 1 bn	780 Firms' offshore Development centre globally	1,000 Engineering/ R&D centres in India
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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.
20	20 global unicorns have their R&D centres in India.

>1,400
GCCs in
India

USD 23.5
Billion GCC
revenues

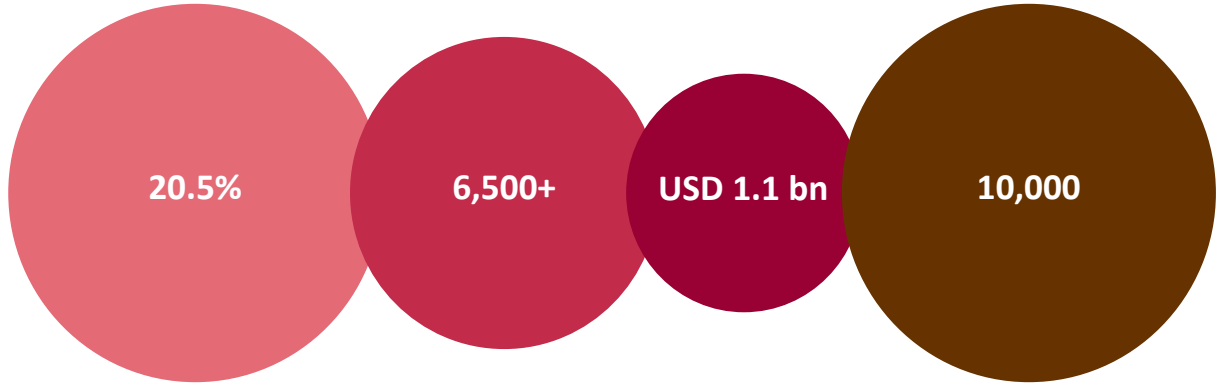
750
GCCs
focused on
IT services

59%
Share of
ER&D/SPD
GCCs

14%
GCCs with
>1,000
employees

Most of the GCCs are working towards usage of one or more exponential technologies such as RPA, Blockchain, IoT, Machine Learning, AI, AR/VR, and NLP.

Industry outlook



India removed the 20.5% dividend distribution tax levied on firms. Now, tax rates will depend on the country where the shareholders are located

of patents Indian firms filed in 2019. 150+ innovation centres of excellence as 20 global unicorns have their R&D centres in India.

The gov has announced funds to initiate investment in quantum computing.

The number of IT firms created, including 27 unicorns, and attracted USD 50 bn in FDI and created 2 mn jobs during 2009-19.

Outlook: Average Revenue Growth		
	Large IT firms	Mid-tier IT firms
0-2%		
2020-21	6-8%	10-12%

USD 100 trn

Megatrends 2030 will create business and consumption shifts, pushing digitalisation-led global output to 40% of 2030 global GDP.

India is deploying colocation setups with cloud computing architecture to emerge as the biggest hubs for colocation data centres globally

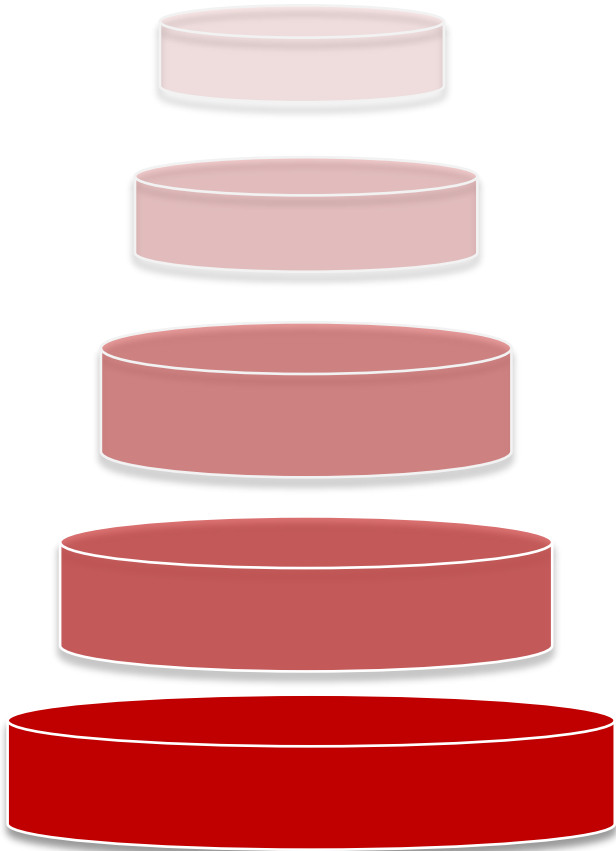
Data Centre

Current Value	2023-24	CAGR 25%
USD 2 bn	USD 5 bn	

- For example. Juniper Networks has seen the transition from 90% of early internet content hosted outside India to almost 70% domestically. It is working on making the data centre infrastructure invisible for applications to ride demand without being constrained by defined network.

Key segments

Software Industry:



Software products industry generated a domestic revenue of USD 5.5 billion in 2019.

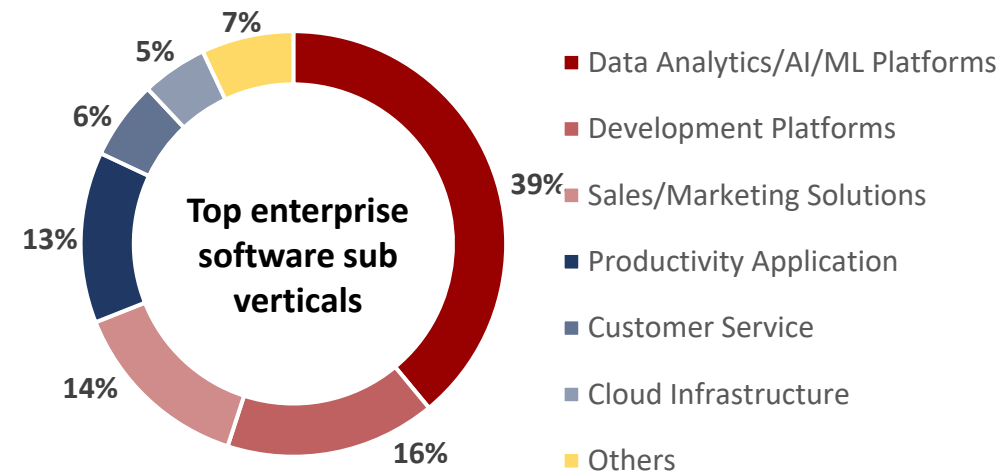
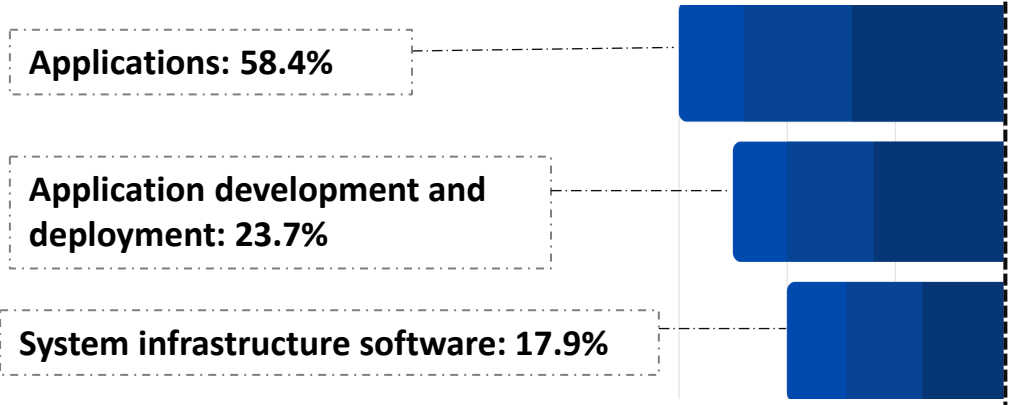
The export revenue generated by the industry was USD 2.7 billion in 2019.

The opportunity in software products industry is expected to grow upto USD 13 billion by 2025.

The enterprise software market has grown significantly and generated a revenue of USD 4.1 billion in 2019.

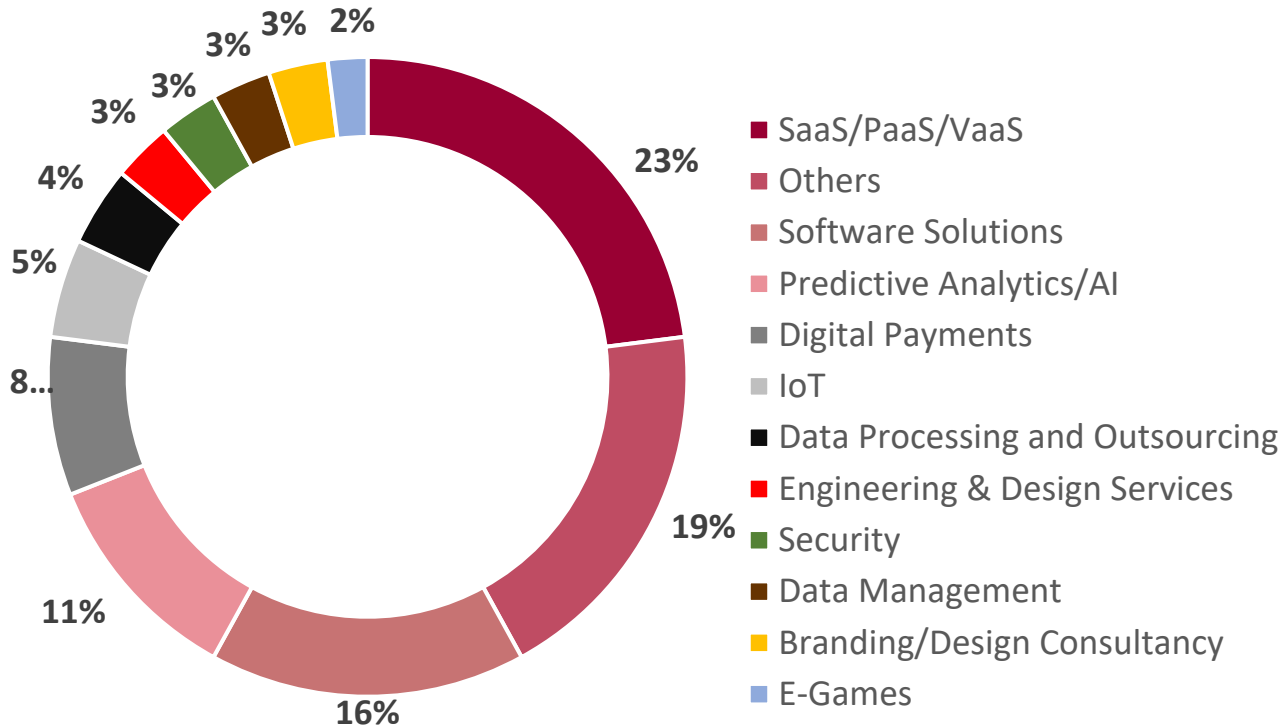
India is the fastest growing SaaS market in the world and is expected to generate a revenue of USD 3.4 billion in 2022.

Major segments in software industry, 2018 (market share)



'Others' include: Resource Management, Lead Generation, and Feedback Platform

Investment Opportunities



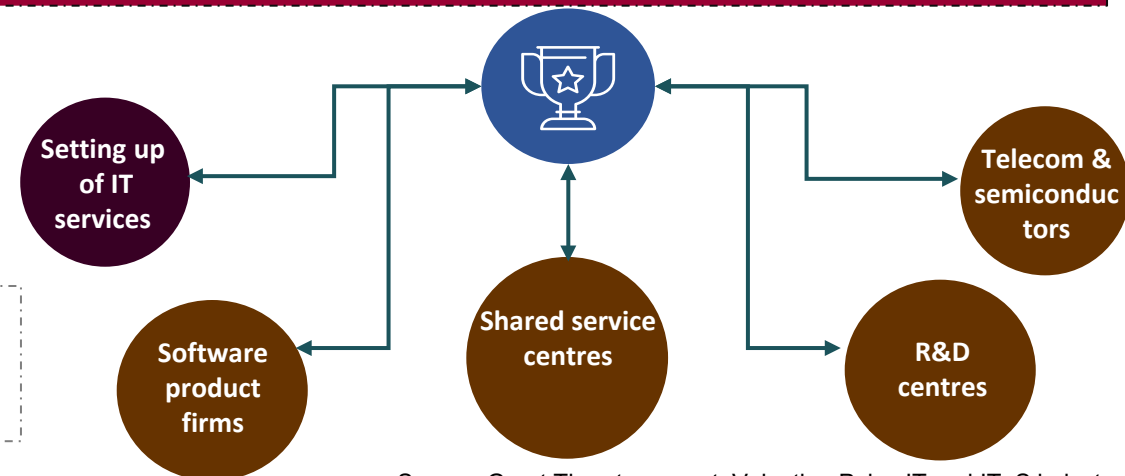
'Others' majorly includes deals which took place in sub-segments such as IT consultancy, blockchain technologies, HR solutions, system software, cloud communications, drone technology, network solutions and implementation services.

The transactions in IT and ITeS sector during April 2018 to March 2019 increased to USD 5.5 billion with 106 transactions.

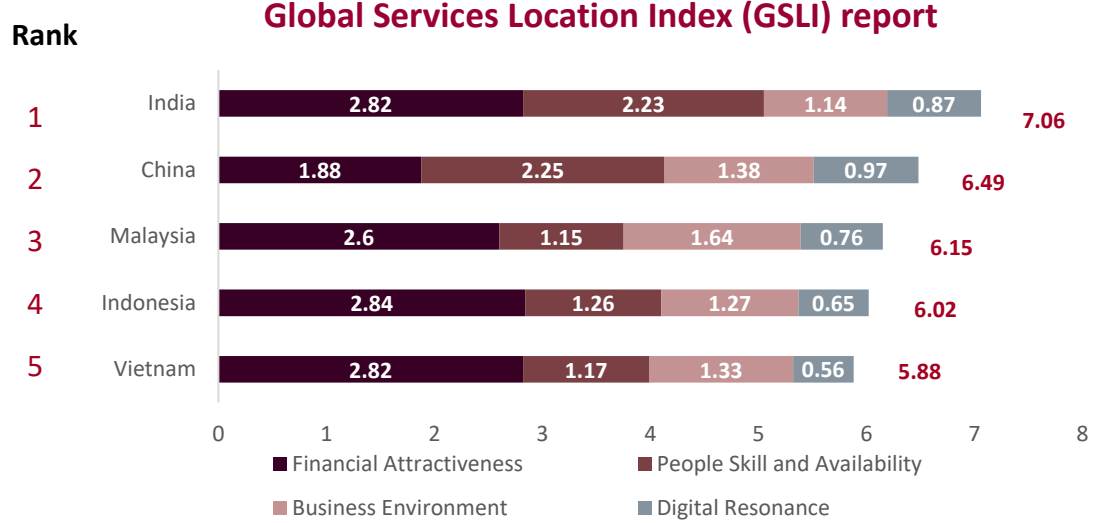
HCL Technologies acquired eight software products from IBM for USD 1.8 billion.

SaaS and software solutions firms witnessed the most transactions in 2018-2019.

IT companies have shown an interest in acquiring design studios to enhance their digital offerings and provide interactive customer experiences.



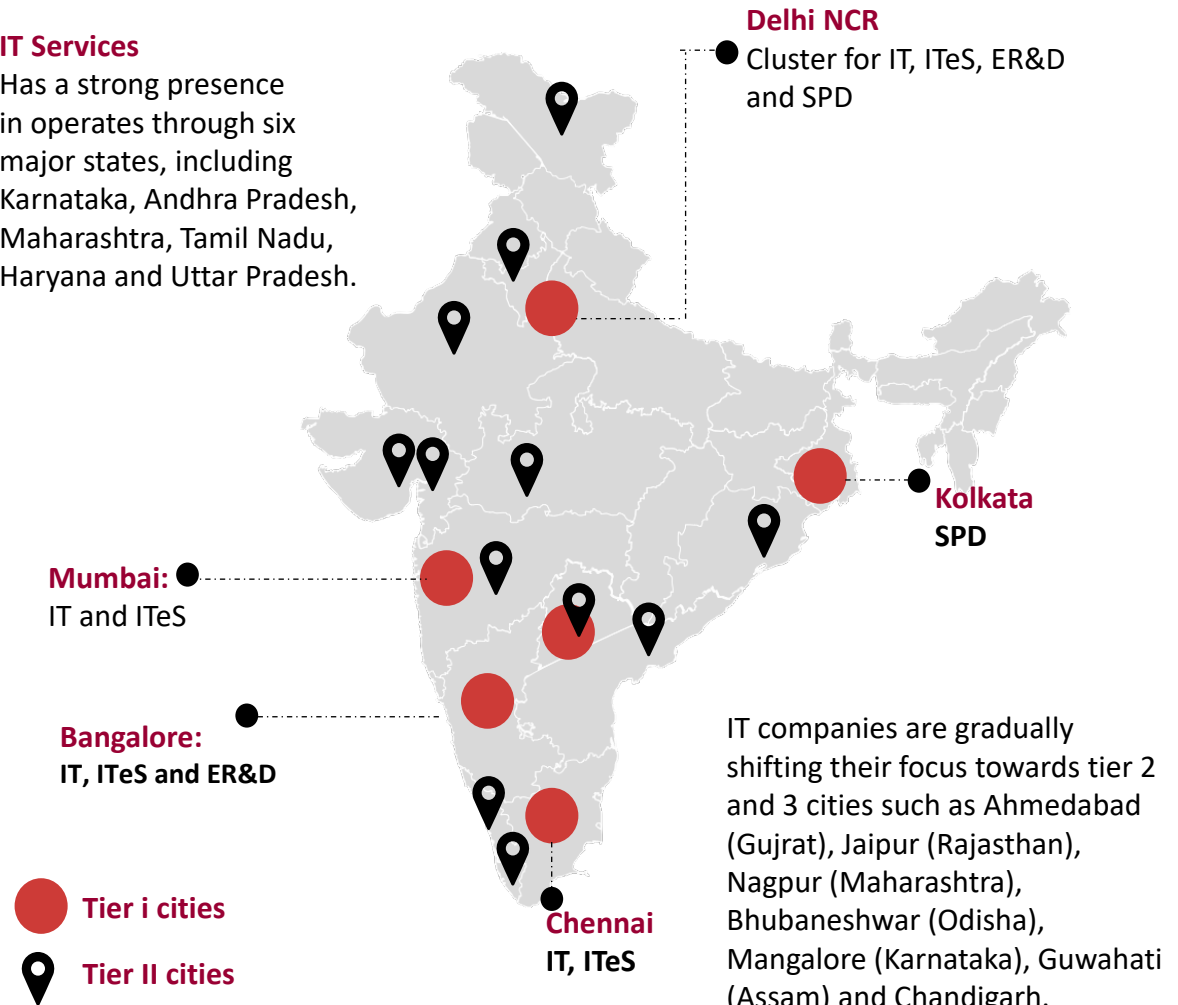
Geographical hotspots



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

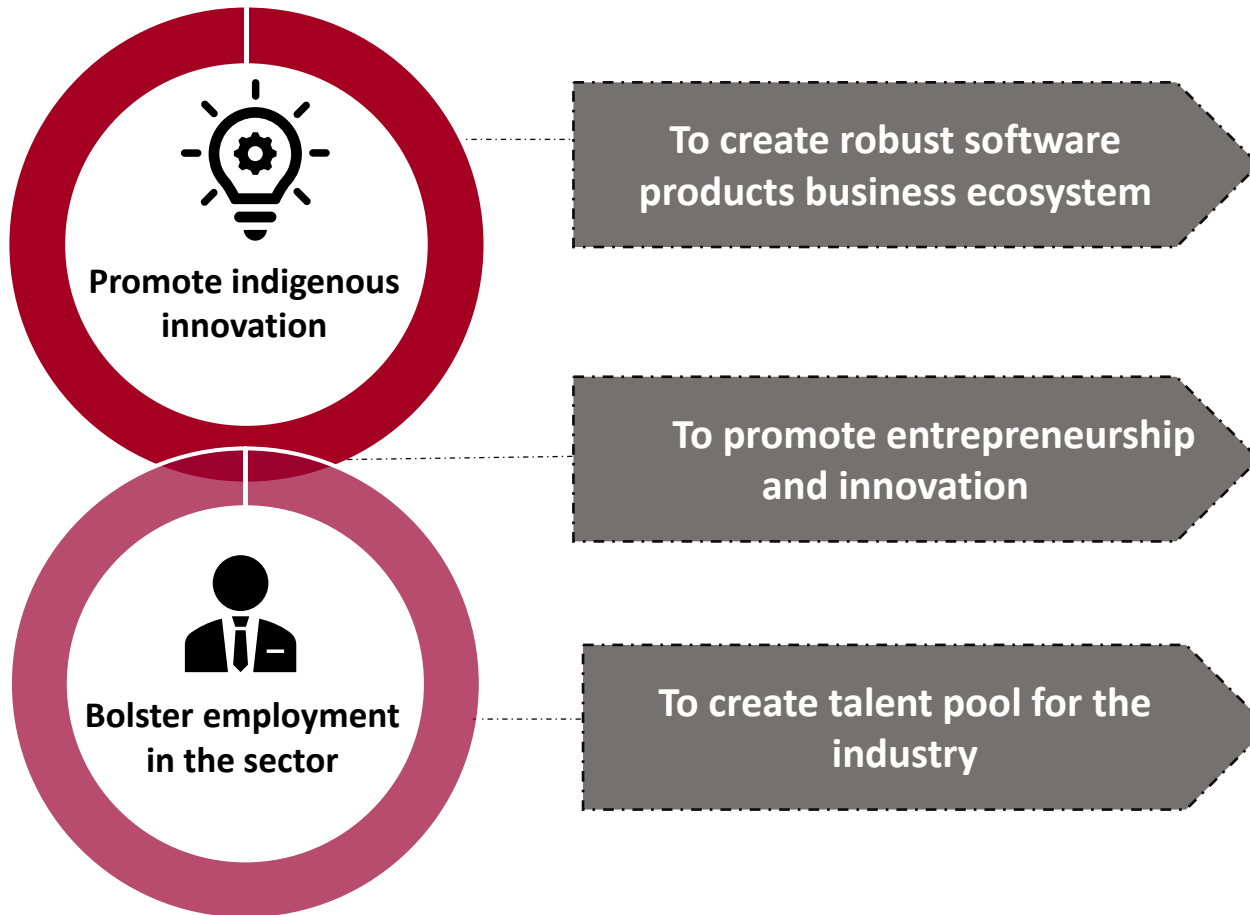
Source: Kearney GSLI Index 2019







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



Government policies


National Policy on Software Products, 2019





-  **10x** increase in global software market share by 2025..
-  Create a **cluster based innovation system** with participation from government, academia and industry.
-  Classification of software products using **HS code** to ease tracking, exports and promotions.
-  **Single window platform** to fast track legal and regulatory issues regarding import/export and opening/shutting software product enterprises
-  **FutureSkills** programme to upskill/re-skill 3 million IT professionals in emerging technologies.
-  Create a pool of IP utilizing budgetary outlay of **USD 66.07 million** to support R&D.

Government policies



Software Technology Parks (STPs)

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0% custom duty on imports and excise duty exempted on indigenous procurement.


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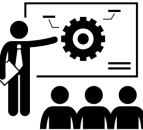

All equipment including second hand goods can be imported (except prohibited items)


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100% FDI permitted through automatic route


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Equipment imported for training is permissible. It can also be imported on load/lease


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Sales in the DTA up to **50%** of the FOB value of exports permissible.





Special Economic Zones (SEZ) Scheme

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Duty free import/domestic procurement of goods for development and operation of SEZ units


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100% income tax exemption on export income for SEZ units for first 5 years; 50% for subsequent 5 years


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0% central sales tax, service tax and state sales tax as these have now subsumed into GST


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Other levies are imposed by the respective State Governments

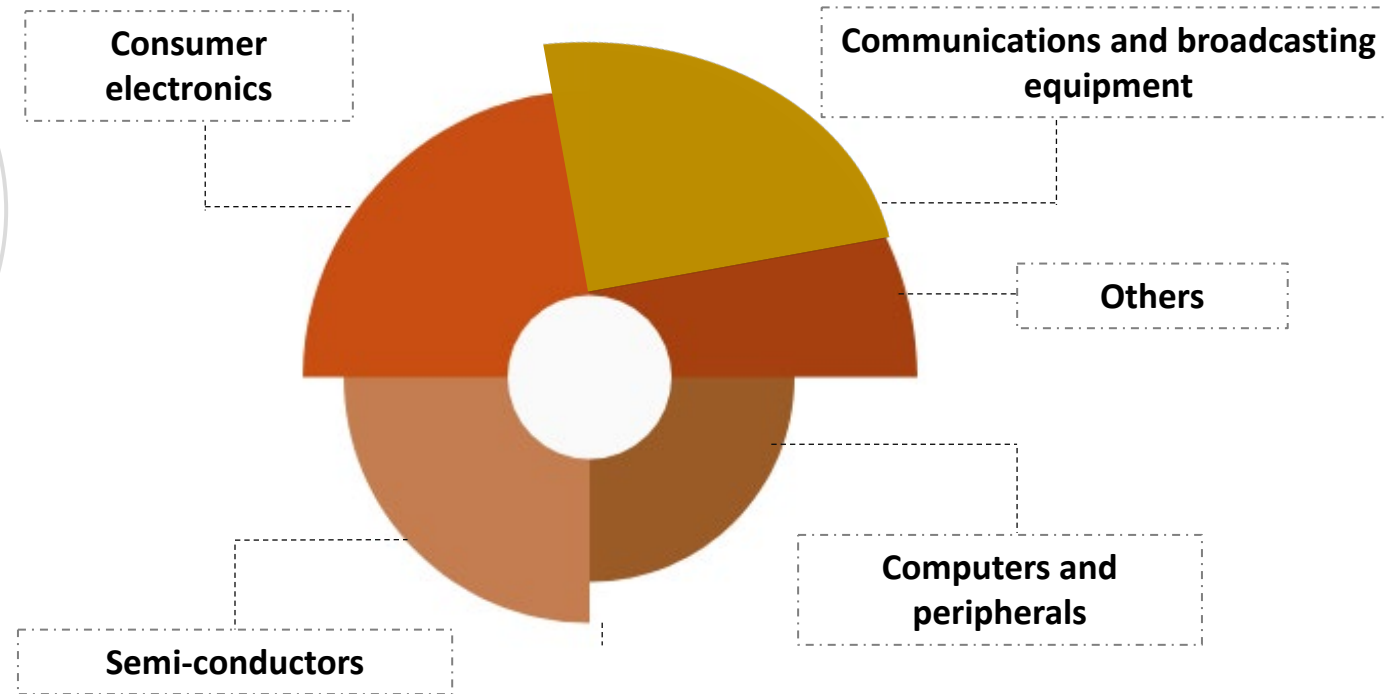
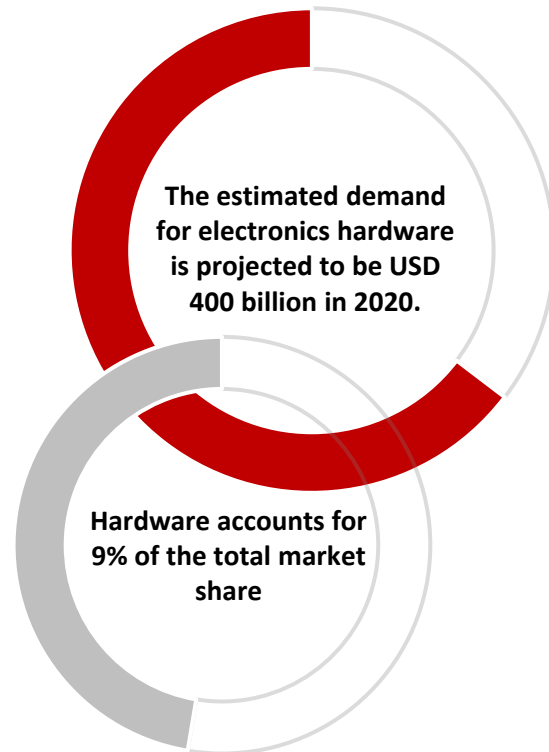
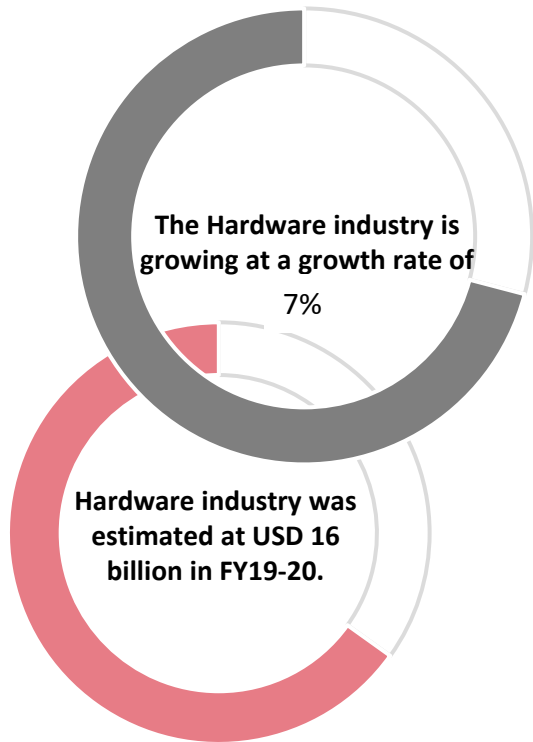

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Single window clearance for Central and State level approvals



Hardware Industry: Key Segments

Major segments in hardware industry



Computer hardware production was valued at USD 2 billion in year 2018-19.

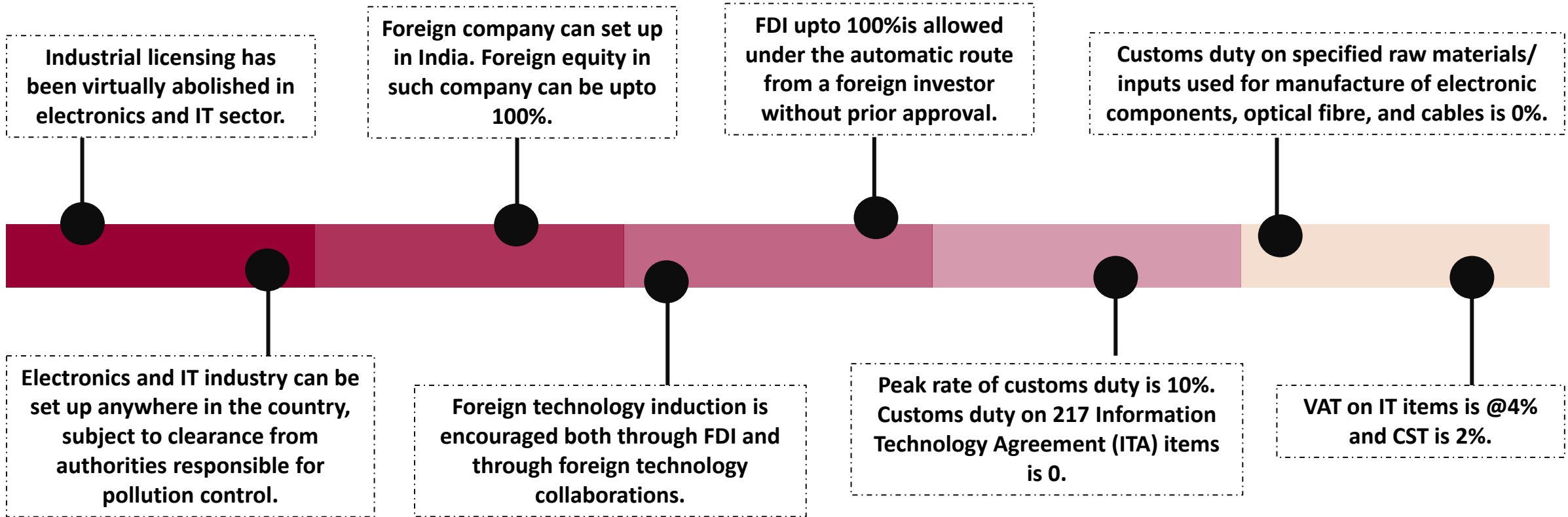
Electronic components production was valued at USD 8 billion in 2018-19.

Total import of electronics in 2018-19 (till February) was valued at USD 52 billion.

India is largely dependent on imports for personal PC/laptop.

Government Policies

National Policy on Hardware



India set-up: case studies



Avaloq



Zurich based Avaloq is a leading wealth management company

Offering: Core banking software, wealth management platform and centralized data platform solutions such as mobile banking, SaaS or/and BPaaS

Avaloq has 150+ clients in 30+ countries



Recently, Indian IT major Infosys has partnered with Avaloq to provide end to end wealth management capabilities through digital platforms to its clients

WISeKey



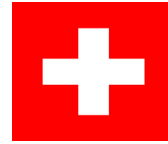
WISeKey is a Geneva-headquartered global cybersecurity company

The company caters to multiple industries including automotive, government, financial and luxury

The firm has partnered with Indian Potash limited to create a cybersecurity/IoT platform to connect 140 million farmers and 200 companies using WISeKey Digital Identities

WISeKey has established an AI and Blockchain Centre of Excellence (CoE) based in India to support its global projects

India Set-up: Case Studies



Securiton



- Headquartered in Zollikofen, Switzerland, Securiton delivers full spectrum of security software services and IT solutions

Offering: Real time systems, database solutions, application software, client server technologies and project management

- Securiton entered India in 1997. The firm has set up operations in Malaysia, China, Russia, Hungary, Germany and Serbia

Colayer



- Headquartered in Zurich, Colayer is a software product company and has a subsidiary in Pune, India

Offering: Colayer provides a context driven platform to build social interactive *Web 2.0* environments and virtual workspaces for enterprises

- Colayer caters to various sectors including pharma, life sciences, and healthcare

Indian IT industry

THANK YOU
