

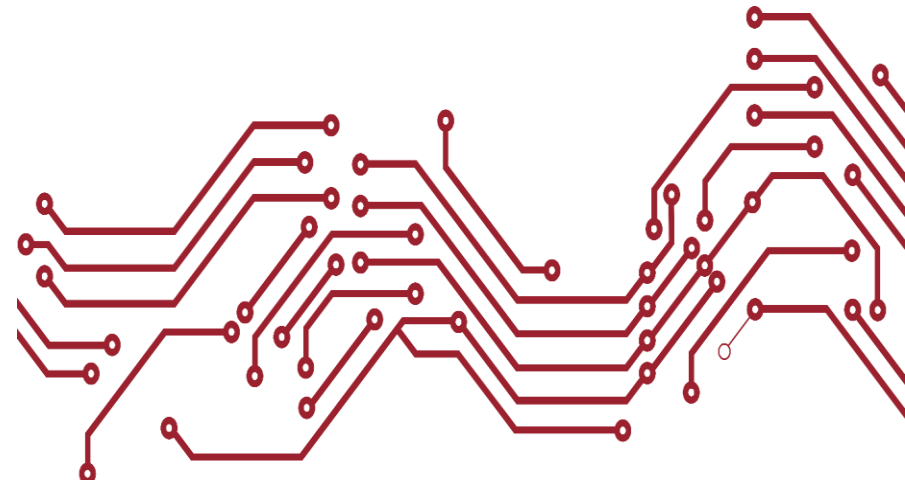
**NASSCOM®**

# **IT-BPM Industry in India: Sustaining Growth and Investing for the Future**

**22 June 2017,  
Hyderabad**

# Agenda

- FY 2016-17: Growth in a year of uncertainties
- The Digital Imperative
- Changing skills scenario
- Accelerating the India Opportunity
- Outlook FY 2017-18



### The Growth Drivers

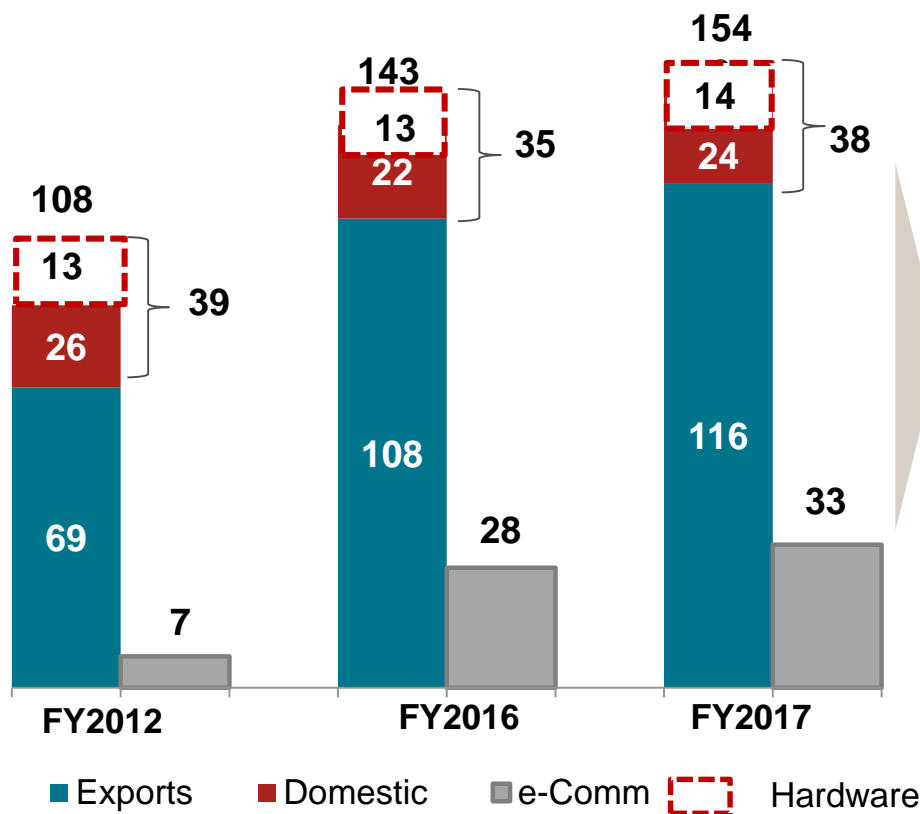
- Industry added **over USD 11 bn in revenue (8.6% in constant currency; 7.6% in reported currency)**
- **Digital became mainstream**; key differentiator for industry
- Focus on **skills in demand**, new **business models**
- Expanding opportunities in newer markets like **Continental Europe, Japan, China and Africa**
- **Acquisitions / Partnerships** to enhance **Digital capabilities, Domain and Consulting skills**

### The Headwinds

- Increased rhetoric on **protectionism**, Elections, **Brexit** and visa issues
- Delayed decision making due to **macro-economic uncertainties**
- Slower growth in traditional services, **focus on cost optimization**
- **Currency** volatility led to difference of **1–3%** between constant currency and reported currency growth
- Longer gestation period for enhanced R&D investments for products and platforms **led to some impact on margins**

### IT-BPM revenue break-up

USD billion



- **USD 11 billion** incremental revenue added in FY 2017. Consistent performance - added over **USD 60 billion** in last 5 years
- **Exports** – Largest export sector for the country; **exports doubled over last 6 years**. Expanding base – In FY 2017, grew 7.6% vis-à-vis India's merchandise exports (3.1%) & invisibles (2.1%)
- **Domestic market:**
  - **Fastest growing** tech market in APAC; Grew over **11% (in INR)** in 2016-17
- Significant **Impact** on the Economy
  - Export revenue equivalent to **20% of forex reserves**<sup>1</sup>
  - **FDI share** of the sector **>7%** of total FDI inflows

<sup>1</sup> Government Sources as of Jan 27, 2017  
Source: NASSCOM

### Segments

- **ER&D** growing fastest at **10.5%** - focus on high-end services
- **ISO, Testing and Analytics >9%** – focus on embedding digital solutions
- **Digital projects – 15-20%** of revenues for large companies

### Verticals

- **Manufacturing, Healthcare, Travel & Transportation** grew **over 8%** driven by new technologies
- **BFSI, Hi-tech, Retail and Utilities** affected by slowdown in discretionary spending

### Sectors/ Markets

- **Expanding GIC base. 15+ GICs** added in India in Q1 2017; **30+** in FY 2016-17<sup>1</sup>
- **Continental Europe** grew over **8%**<sup>1</sup> - Industry 4.0, Product Engineering driving growth

# KPIs that matter today are very different from past



	KPI	FY2012	FY2017	Implications
EFFICIENCY	Fixed price contracts <sup>1</sup> (% of revenue)	42%	55%	Rising trend of investing jointly with clients and sharing risk & reward
	Million Dollar clients <sup>1</sup> (% of active clients)	48%	46%	Digital driving smaller deal values; trend expected to accelerate
INNOVATION	Onshore revenues <sup>1</sup>	48%	59%	Digital projects require co-innovation with customers
	Platform revenues <sup>1</sup> (% of revenues)	4-7%	7-10%	IP based solutions and services – focus on value added services
	Digital revenues <sup>1</sup> (% of revenues)	4%	15-20%	Digital revenue growth faster than projected in the 2025 vision
	Digital M&As <sup>2</sup> (Numbers)	39	64	M&As to enhance digital competencies – design, cloud, AI solutions

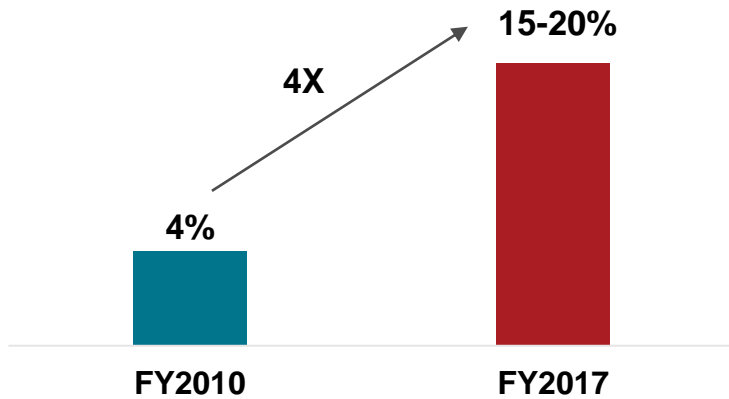
**Industry clearly on a transformation journey to capture the Digital revolution**

Source: <sup>1</sup> Company financials of top listed companies  
<sup>2</sup> Venture Intelligence Industry number

# Going Digital: Where are we today?

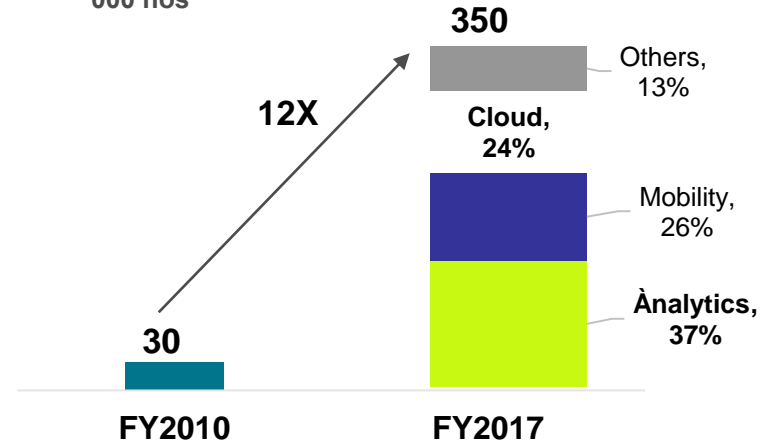
## Digital revenues: rapid growth<sup>1</sup>

% of industry export revenues



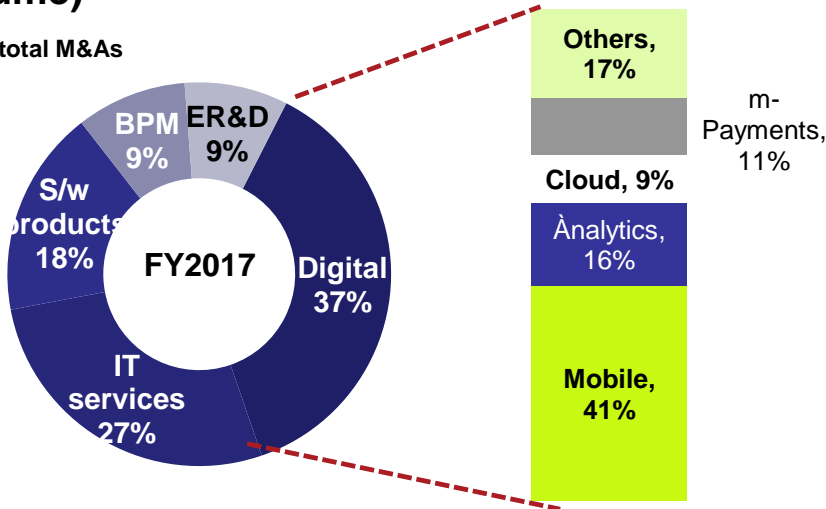
## >50% employees from top firms already trained in Digital<sup>1</sup>

'000 nos



## Digital driving more than 1/3<sup>rd</sup> of M&As (by volume)<sup>2</sup>

% of total M&As



- **8,000+** firms offering digital solutions<sup>1</sup>
- **2,000+** digitally focused start-ups<sup>3</sup>
  - **250+** Cloud, **240+** Big Data/Analytics, **150+** IoT, **135+** ML/AI
- **100+ CoEs** (Blockchain, IoT, Analytics)<sup>1</sup>

- **New talent addition around emerging job roles:** Subject matter experts and hybrid professionals (domain + tech + soft skills)
- **New job roles:** Cybersecurity, mobile app development, new user interfaces, social media, data scientists, platform engineering
- **New skills:** Big data analytics, cloud & cybersecurity services, IoT, service delivery automation, robotics, AI/machine learning/NLP, etc
- **Subject matter experts:** Graphic designers, humanities, sociology, security, finance, payments

**NASSCOM working with its members/partners to establish a comprehensive digital skilling platform to reskill 1.5-2M workforce in next 4-5 years**






### Enterprises driving the Digital Agenda<sup>1</sup>

#### BFSI, Healthcare – leading investors

- **2/3rd** of private banks & **~20-30%** of public banks to adopt digital technologies in 2-5 years
- As per Gartner's 2016 CIO Survey, **20%** of Indian firms opting for **CDO roles** compared to 9% globally

### Digital Economy as a growth enabler

-  <sup>2</sup> Mobile banking transactions' volume: **Increase by 40X** in last 3 years
-  <sup>1</sup> **eComm: \$33 bn (FY2017); YoY growth of 19%**
-  <sup>2</sup> Digital transactions:
  - **USD ~9 billion nos.** (FY2017)
  - **CAGR 50%** (FY2014-17)

### Progressive Policies



#### Smart cities<sup>1</sup>

- 100 nos. by 2020
- INR 2 billion/city/year

#### #startupindia<sup>3</sup>

- 4,750+ nos.
- ~USD 4 bn funding

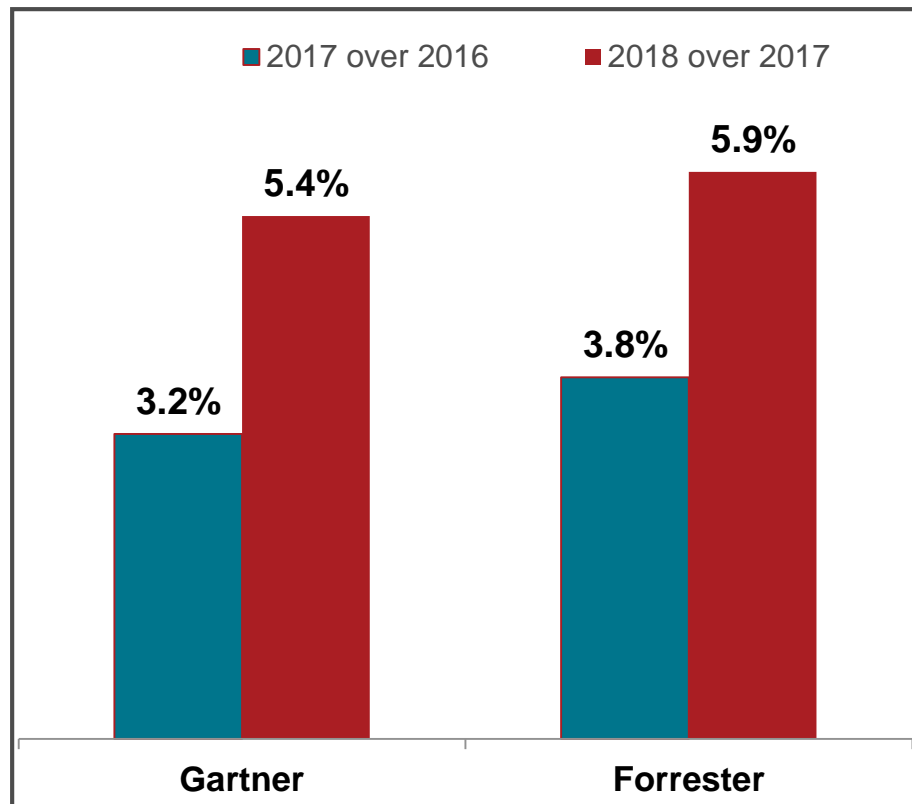


- Vision to be a trillion Dollar Digital economy by 2022 (Government data)

### Growing Internet Economy key to success

-  <sup>4</sup> **432 mn** Internet subscribers; 2<sup>nd</sup> largest after China
-  <sup>5</sup> **300+ mn** smartphone users; **800+ mn** by 2020
-  <sup>1</sup> **>6 bn** Google Play downloads (2016) India surpassed the US

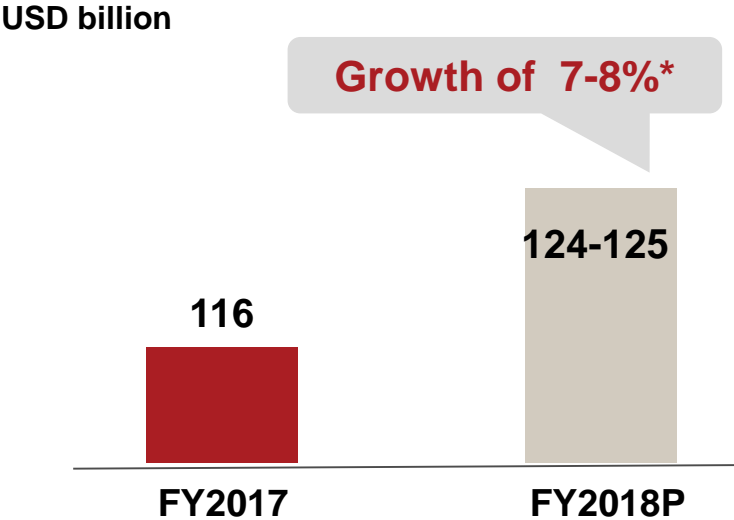
### Worldwide IT (software and services) growth



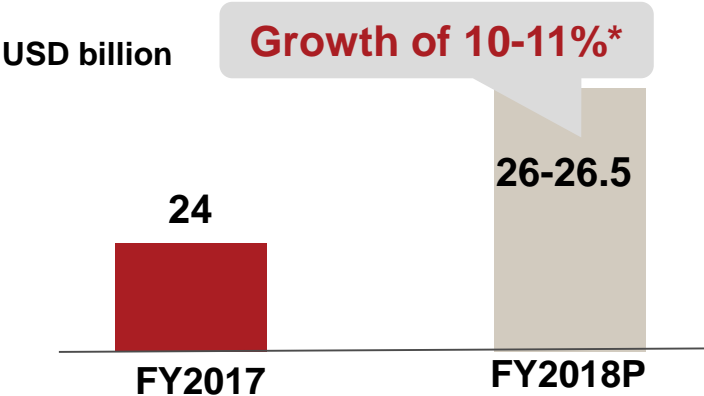
- **Cautious tech investments** in 2017
  - Rhetoric on local first policies
  - Exponential Technology changes – leading to longer decision making processes
  - Smaller projects to determine ROI
  - Do more with less in traditional services
- **Growth areas:** SaaS applications, cloud platforms, BI, cognitive, embedded analytics
- **India:** Fastest growing due to firms modernizing their operations
- **2018 outlook:** Optimistic as enterprise customers scale digital projects

## Industry Growth Drivers: Technology + Skills + Market

### India IT-BPM Export Revenues\*



### India IT-BPM Domestic (excl. Hardware) Revenues\*



- **FY 18 – key trends**
  - Financial services revival with Fed increasing rates
  - Higher growth in Digital
  - Legacy business improvement
  - Increased automation based projects driving deals
  - India market growth driven by enterprise digital adoption
- **The Skills Imperative**
  - Net hirer adding 1.3 - 1.5 lakh jobs
  - Decoupling of revenue and headcount growth - non linear growth
  - Technology skills demand in other sectors to grow at a higher rate
  - Focus on reskilling and academic partnerships

\* Excludes hardware  
Source: NASSCOM

\* In constant currency

**1 Build India as the Digital Innovation Hub**

**2 Accelerate the Technology Skilling / Reskilling platform**

**3 Centers of Excellence / Initiatives – IOT, Design, Data Sciences, Cybersecurity**

**4 Digital Ecosystems – Connect Startups with Enterprises**

**5 Partner for domestic technology adoption to accelerate India's transformation**

**6 Outreach to newer markets – Japan, Germany, Middle East, Africa, and China with focus on Digital solutions, Industry 4.0**

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**Thank you**