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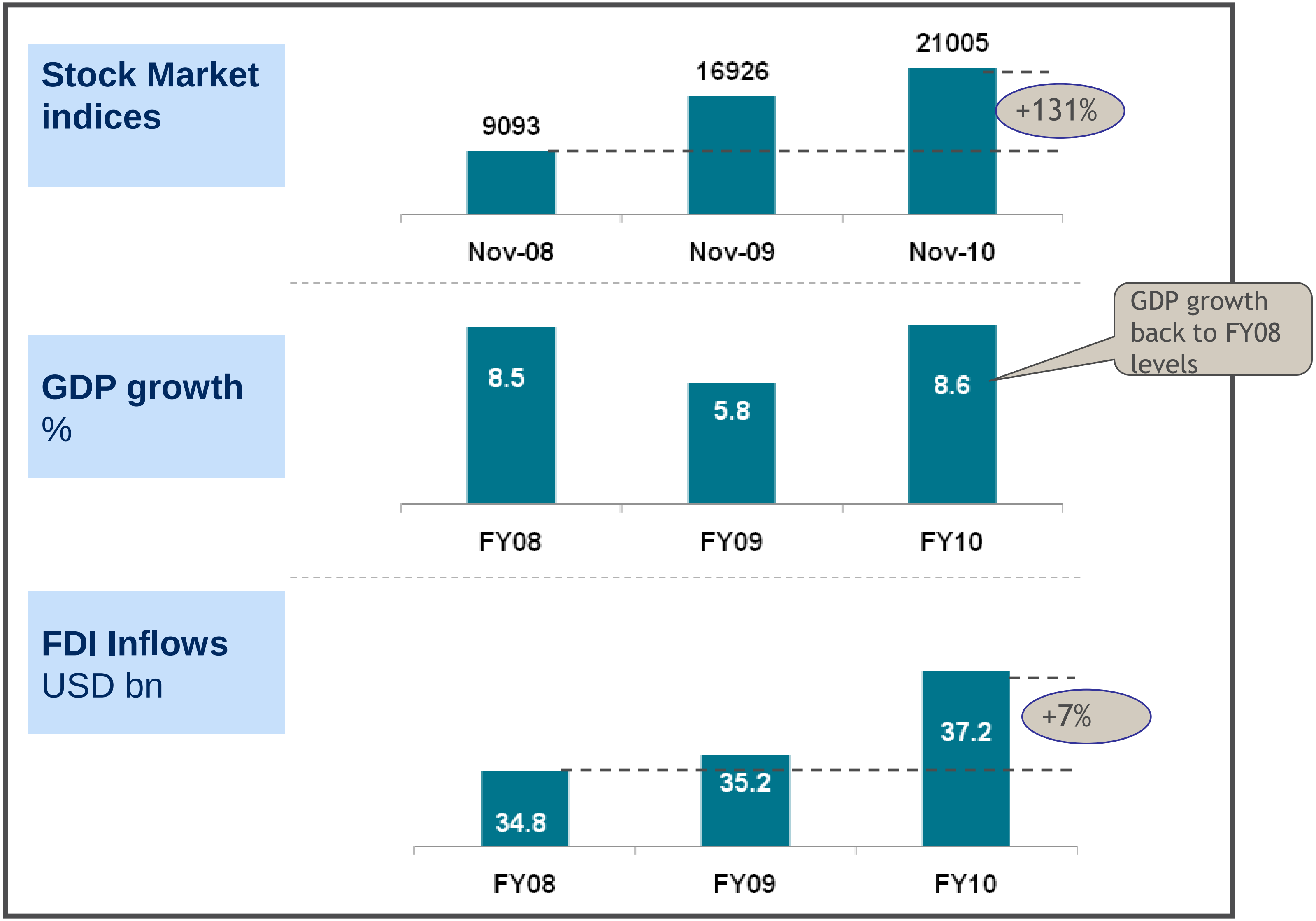
IT-BPO industry in India
Transforming global businesses

27 Oct, 2010

Key agenda

- **An overview**
- Indian IT-BPO industry
- Focus on Transformation and Innovation
- Looking Ahead

India – The growth engine



Source: BSE, Ministry of Commerce and Industry

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Increasing connectivity driving demand for technology

Telecom growth

Fastest growing telecom market in the world; 670 mn telecom subscribers (wireless & wireline) in June 2010 with 10-15 mn mobile subscribers being added every month

Growth in PC sales

From 3 mn units in FY04 to 8 mn units in FY10 at a CAGR of 17%

Internet growth

17 mn internet subscribers and 9.5 mn broadband subscribers in June 2010; likely to have 200 mn high speed subscribers by 2015

Govt. leveraging technology

250,000 panchayats (village councils) to be connected through broadband

Infrastructure

Ever improving air, surface and ports infrastructure facilities

Source: MAIT, Frost & Sullivan and TRAI

IT-BPO Industry diversified across service lines and ownership

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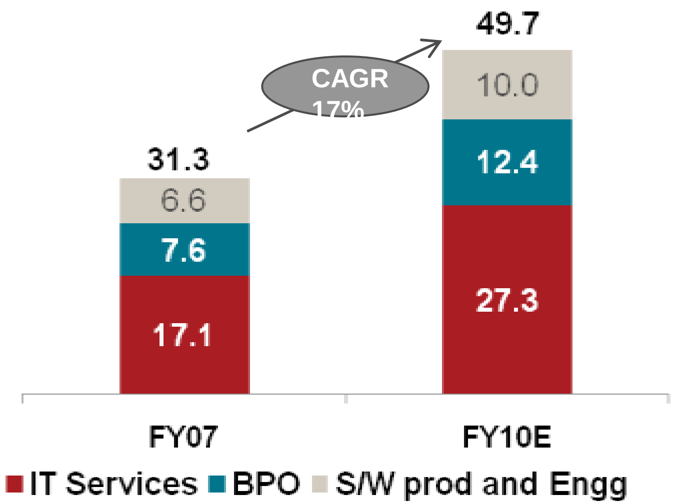
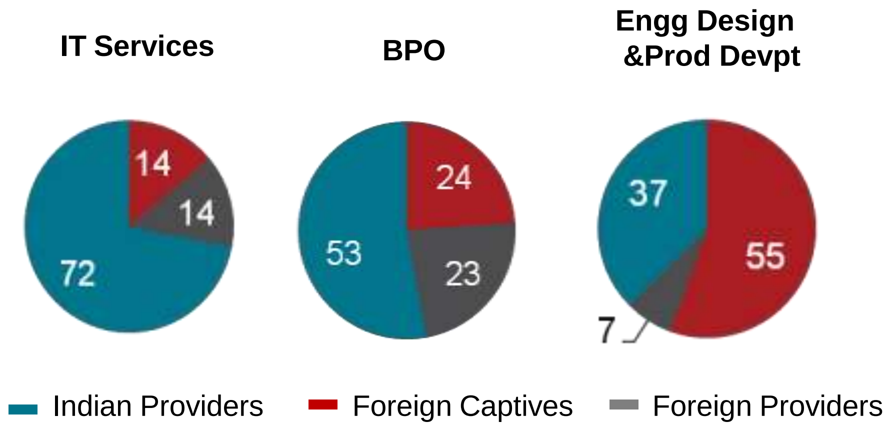
IT-BPO Export revenues sector- wise break-up, USD bn



Sourcing model for Exports FY2010

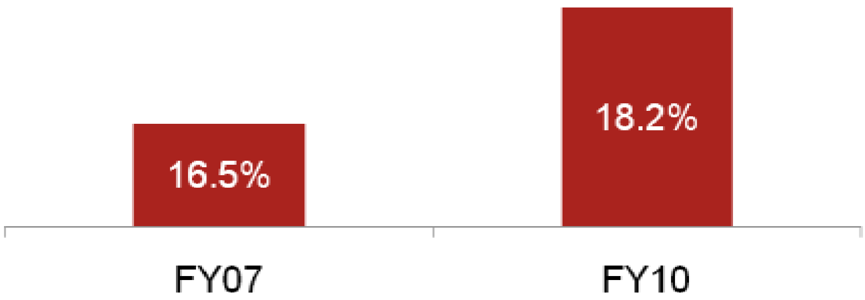


- *51% of total global sourcing market*
- *25% of India's exports; 10.5% of services revenues*
- *Foreign providers accounting for over 30% of the total market*
- *Services delivered from 50+ locations and 20+ villages (Rural BPO)*
- *Transformation, new business models, driving organization wide efficiencies*

Increasing breadth of services – New markets, New services, New verticals

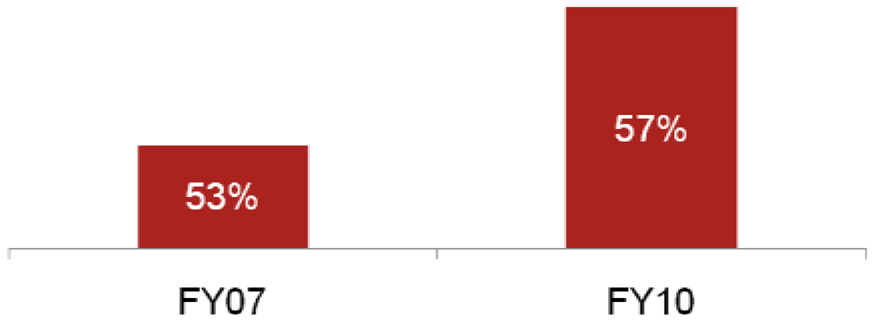
*BPO Exports only

Non-English speaking geographic revenues



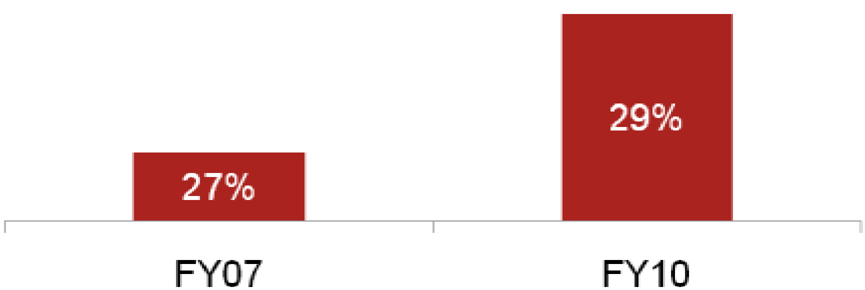
Building language capabilities

Non Voice revenues



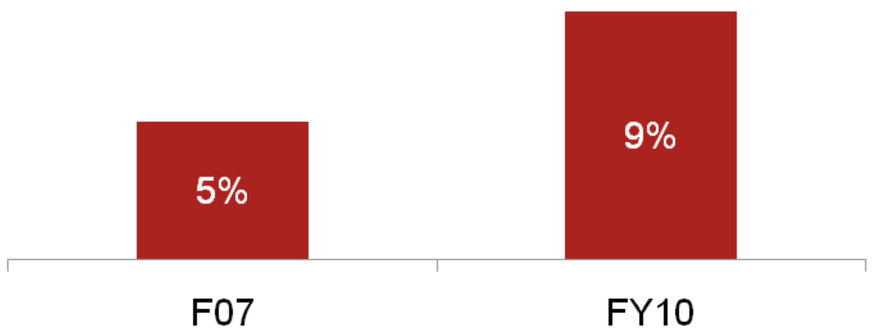
Growth of Non voice services

Revenues from New verticals



Greater Diversification

SMB revenues

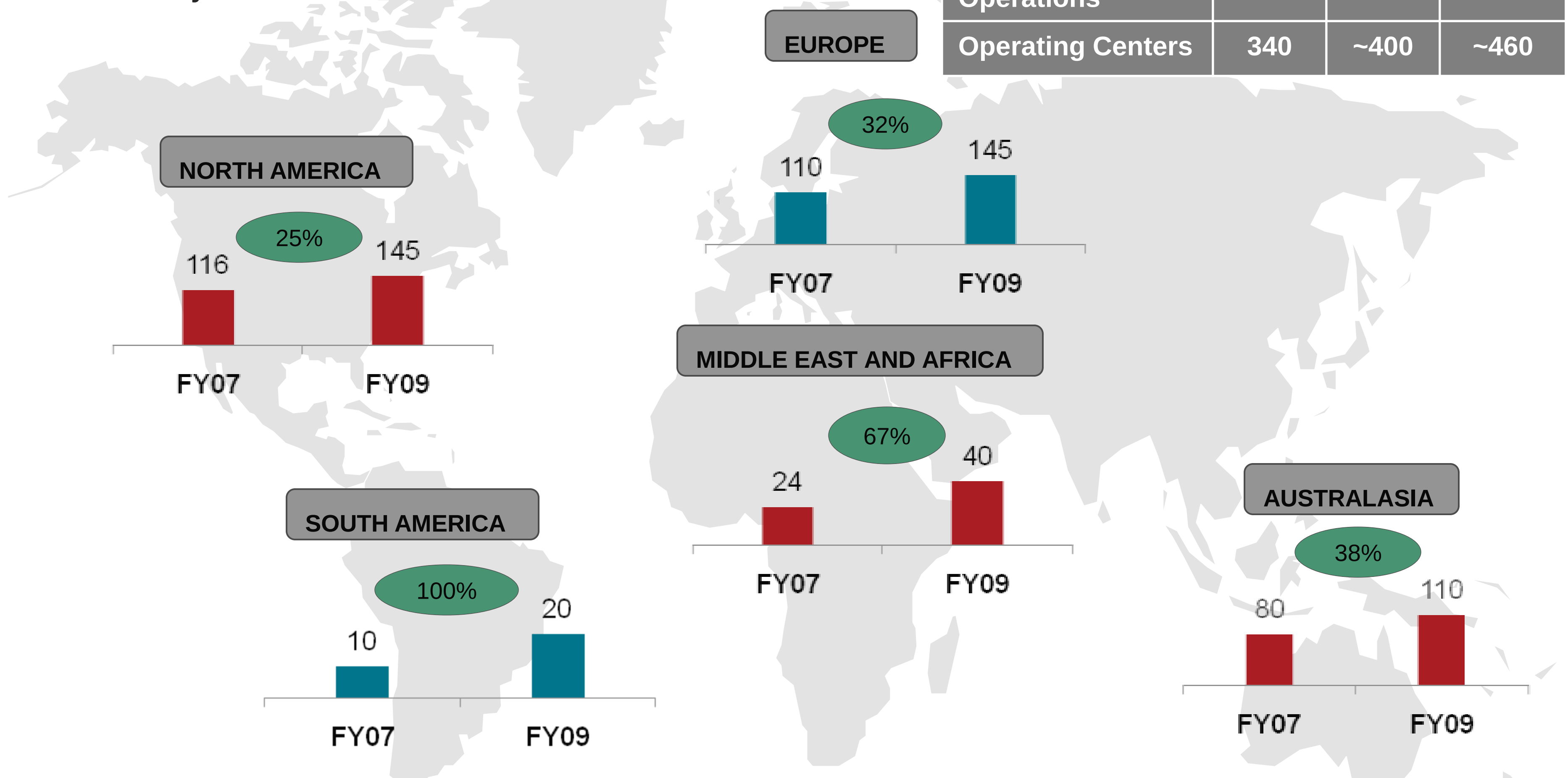


New customer segments

A global and diversified delivery model

(nos)	2007	2008	2009
Countries of Operations	~48	~52	~60
Operating Centers	340	~400	~460

No of Delivery Centers



2.3 million employees;~60 countries; 35+ Languages; 5% Foreign nationals

Reinventing, transforming in a short span

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Discrete Processes → End-to-end Development

Scale and complexity

	Late 80's-Mid 90s	Late 90s	Early 2000s	Mid 2000 to present	Going Forward…
IT-BPO Product and Service Offerings	▪ Data Entry ▪ Customer support ▪ Software development ▪ ADM ▪ Transaction Processing	▪ Y2K contracts ▪ ADM ▪ IT support ▪ Integration projects	▪ New service lines such as KPO, LPO ▪ Large scale ADM	▪ IT strategy and consulting ▪ High-end services such as analytics ▪ Engineering design services	▪ Product innovation ▪ End to end product development ▪ Business transformation and re-engineering
Business needs	▪ Scalability ▪ Lower operating costs	▪ Legacy migration ▪ Y2 K deadlines	▪ Access to new capabilities ▪ Accelerate time to market	▪ Domain expertise ▪ End to end services	▪ Access to R&D capabilities ▪ Value creation

Changing client relationships – industry emerging as a strategic partner

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New Business Models	1 Shift towards managed services model 2 Shift from FTE based to outcome based, pay per use model
Innovation and Transformation	3 IP Led innovation 4 Innovation through process re-engineering
Service delivery across value chain	5 Top-line impact in addition to bottom-line 6 Competency creation

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Creating Business impact across the value chain

LABOUR ARBITRAGE

Outsourcing Savings > $30 Million

$30 Million

EFFICIENCY

Process improvements $ 1.5 Million

Staff optimization $ 5 Million

$5 Million

$1.5 Million

EFFECTIVENESS

Re-engineering & End to end projects

$100 Million

$40 Million

Value

2006 - 2009

$146 Million business impact over $30 Million outsourcing benefit

Cash Flow: **$140 Million**

EBIT Impact: **$6.5 Million**

$100 Million

✓Branch opening cycle time
-20% reduction in cycle time, revenue addition- $21 Mn

-$21 Mn reduction in net market risk, unmatched bond trades reduced to 10% from 22%

✓Banking operations
-Efficiency up by 30%, 12% additional space creation, improved workflow and layouts

✓Improved customer experience
- C-SAT score up by 40 bps

Transformational Business Impact has realized the true potential of off-shoring

Increasing focus on frugal engineering

1 Low Cost Design and Target-contenting

I. New Baseline Platform
II. Optimize customer interface features and eliminate non-value add features
III. Efficient design with low cost base

Tandberg's small & portable USB Webcam

2 Value Chain Optimization

I. Utilize lowest labor cost in the region
II. Co-locate suppliers
III. Co-development of parts with suppliers
IV. Utilize non-traditional supply base

3 Capital Efficiency

I. Manufacturing simplicity
II. Reduced capital through incentives
III. Optimal balancing of capital and labor costs

4 Product Development Efficiency

I. Lower factor costs
II. Organizational efficiency
III. Process efficiency
IV. Sharing Testing Costs

Source: NASSCOM - Booz report

Future Outlook for the industry- a redefined market with tremendous potential

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Global Megatrends	1	Demographic shifts will fuel the growth of new sectors (healthcare), markets (BRIC, Japan, Germany) and service lines (process transformation for productivity improvement)
	2	Social, environmental and technology trends will create hitherto unseen opportunities (e.g., climate change, servicing SMBs) and risks (automation of core service lines) that could endanger up to a third of today's market
A Redefined Market	3	The addressable market for global sourcing will triple in size from USD 500 billion today to USD 1.5-1.6 trillion in 2020.
	4	80% of incremental growth will be driven by opportunities outside the current core markets, verticals and customer segments
Industry Outlook	5	The exports component of the Indian industry is expected to expand three-fold and reach USD 175 billion in revenues by 2020.
	6	The domestic component will grow to USD 50 billion, equal to today's exports revenues.