

## Key Highlights of the IT-BPO sector performance in FY 2007-08

### IT Industry-Sector-wise break-up

USD billion	FY2004	FY2005	FY2006	FY2007	FY2008 E
<b>IT Services</b>	<b>10.4</b>	<b>13.5</b>	<b>17.8</b>	<b>23.5</b>	<b>31.0</b>
-Exports	7.3	10.0	13.3	18.0	23.1
-Domestic	3.1	3.5	4.5	5.5	7.9
<b>BPO</b>	<b>3.4</b>	<b>5.2</b>	<b>7.2</b>	<b>9.5</b>	<b>12.5</b>
-Exports	3.1	4.6	6.3	8.4	10.9
-Domestic	0.3	0.6	0.9	1.1	1.6
<b>Engineering Services and R&amp;D, Software Products</b>	<b>2.9</b>	<b>3.8</b>	<b>5.3</b>	<b>6.5</b>	<b>8.5</b>
-Exports	2.5	3.1	4.0	4.9	6.3
-Domestic	0.4	0.7	1.3	1.6	2.2
<b>Total Software and Services Revenues</b>	<b>16.7</b>	<b>22.5</b>	<b>30.3</b>	<b>39.5</b>	<b>52.0</b>
<i>Of which, exports are</i>	<b>12.9</b>	<b>17.7</b>	<b>23.6</b>	<b>31.3</b>	<b>40.3</b>
<b>Hardware</b>	<b>5.0</b>	<b>5.6</b>	<b>7.1</b>	<b>8.5</b>	<b>12.0</b>
-Exports	n.a.	0.5	0.6	0.5	0.5
-Domestic	n.a.	5.1	6.5	8.0	11.5
<b>Total IT Industry (including Hardware)</b>	<b>21.6</b>	<b>28.2</b>	<b>37.4</b>	<b>48.0</b>	<b>64.0</b>

N.A.: Not available

Note: Figures may not add up due to rounding off.

Source: NASSCOM

### GLOBAL SOURCING TRENDS IN 2007

- Worldwide technology products and related services sector spends are estimated to have grown at 7.3 per cent to nearly reach USD 1.7 trillion in 2007
- IT-BPO services, growing at an above-sector-average rate of nearly 8 per cent, remain the largest category, accounting for an increasing share of the worldwide technology sector revenue aggregate.
- Outsourcing continues to be the primary growth driver, sustained by gradual shifts in regional spending patterns – with increasing traction in Europe and Asia Pacific offsetting a marginal decline in share of the Americas.
- Underlying this steady growth in services spends is the increasing adoption and continued evolution of the global sourcing supply-chain. Global sourcing of technology related services is estimated to have grown by about 30 per cent to reach USD 70-76 billion in 2007.

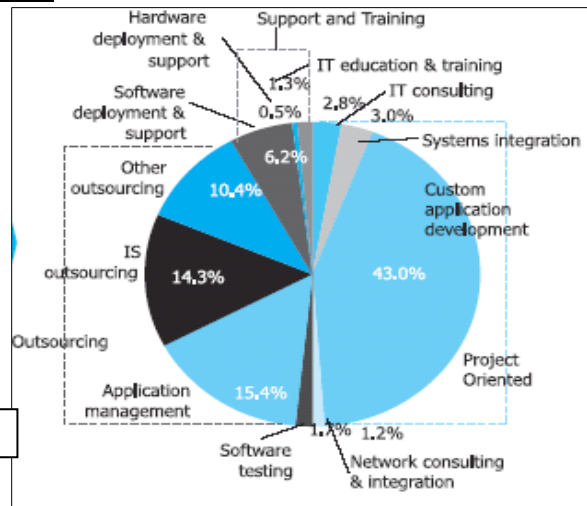
- Increasing emphasis on innovation-led growth added to the secular trend in technology related spending, with IT-enablement.
- Global delivery now being recognized as complementary means of effectively increasing productivity, reducing time-to-market and thereby increasing the returns on innovation investment.

**INDIAN IT-BPO PERFORMANCE IN FY2008**

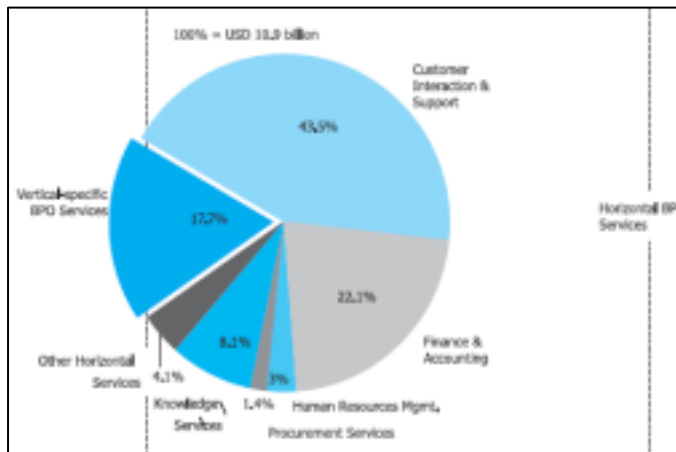
- The Indian IT-BPO revenue aggregate is expected to grow by over 33 per cent and reach USD 64 billion by the end of FY2008.
  - IT exports (including hardware exports) are expected to cross USD 40.8 billion in FY2008 as against USD 31.9 billion in FY2007, a growth of 28 per cent.
  - Domestic IT market (including hardware) is estimated to reach 23.2 billion in FY2008 as against USD 16.2 billion in FY2007, a growth of 43 per cent
- The direct employment in the sector is expected to reach nearly 2 million, an increase of about 375,000 professionals over FY2007.
  - IT services exports, BPO exports and Domestic IT industry provides direct employment to 865,000, 704,000 and 427,000 professionals respectively.
- As a proportion of national GDP, the Indian technology sector revenue has grown from 1.2 per cent in FY1998 to an estimated 5.5 per cent in FY2008.

**SOFTWARE AND SERVICES EXPORTS FY 2008:**

- Exports remain the mainstay of the sector and are estimated to reach USD 40.3 billion in FY2008, contributing nearly 64 per cent to the overall revenue aggregate
- IT services (excluding BPO, product development and engineering services), contributing to 57 per cent of the total software and services exports, remains the dominant segment and is expected to cross USD 23 billion, a growth of 28 per cent in FY2008.

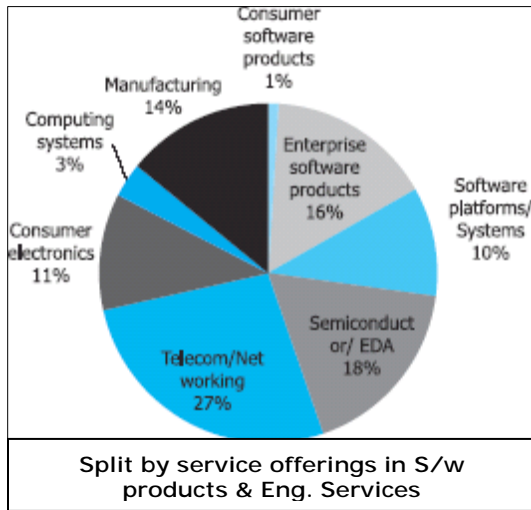


Split by service offerings in IT Services



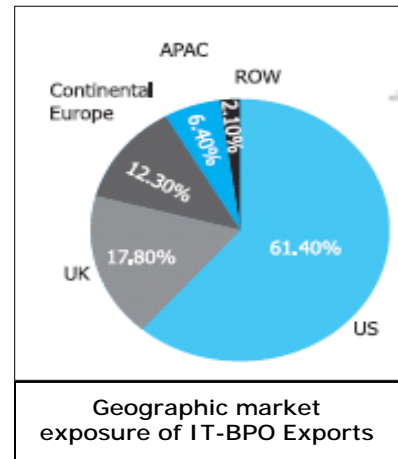
Split by service offerings in BPO services

- BPO services, accounting for over 27 per cent of the export aggregate, is the fastest growing segment across software and services exports driven by scale as well as scope. Export revenues for this segment are expected to cross

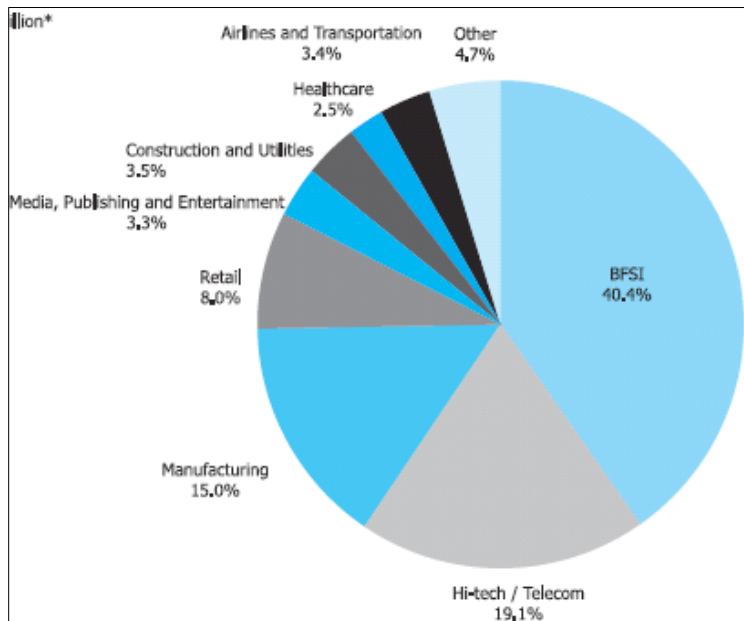


USD 10.9 billion, a growth of 30 per cent in FY2008.

- Export revenues from relatively high-value-added services such as engineering and R&D, offshore product development and made-in-India software products is estimated to be growing at over 27 per cent, and are forecast to reach USD 6.3 billion in FY2008.



- While US & UK remained the largest export markets (accounting for about 61 per cent and 18 per cent respectively, in FY2007), the industry is steadily increasing its exposure to other geographies. Exports to Continental Europe in particular have witnessed notable gains, growing at a CAGR of more than 55 per cent over FY2004-2007.



- Banking, Financial Services and Insurance (BFSI) remains the largest vertical market for Indian IT-BPO exports, followed by High-technology and Telecom accounting for nearly 60 per cent in FY2007. Manufacturing and Retail followed, contributing 23 per cent to the aggregate. Other key segments include Media, Healthcare, Airlines and Transportation, and Utilities.

**DOMESTIC IT MARKET IN FY2008**

- Technology adoption in the domestic market also reported steady gains in 2007. This segment is expected to cross USD 23 billion in FY2008, reporting healthy growth across all key segments.
  - Hardware remains the largest segment of the domestic market, and is expected to grow at 44 per cent in FY2008.

Vertical Split for Indian IT-BPO Exports

- Domestic IT services spends are estimated to be growing at about 43 per cent in FY2008.
- Software and services and BPO spending growth in the domestic market is being supported by increasing adoption, and is expected to grow by over 42 per cent and 45 per cent, respectively.
- Growing levels of technology adoption are now accompanied by a steady appreciation of the rupee, is also making India more attractive as a market – even for players that had earlier maintained a stricter focus on exports.