Industry Performance: 2018-19 and what lies ahead
2018-19: The year that was
   • Opportunities and new technologies
   • How did the Indian IT-BPM industry fare?

The changing narrative of the industry

2019 and beyond…
   • Economic and Political uncertainty
   • Rules of business are changing

What are our leaders saying – CEO survey highlights

NASSCOM key focus areas 2019-20
2018: A YEAR OF GROWTH

GLOBAL ECONOMY

- Global Economy Growth: 3.7%
- US Economic Growth: 2.9%
- Advanced Economies Growth: 2.3%
- Emerging Markets Growth: 4.6%

GLOBAL TECH SPENDING

- Global Technology Spending – USD 3.65 tn: 5-6%
- Growth in R&D Spending: 11%
- Growth in As-a-Service Economy: 15-20%
- Global Sourcing Market: $194-198 bn

INDIA ECONOMY

- India’s GDP Growth: 7.3%
- India’s Exports: $352 bn
- Foreign Direct Investment: $61 bn
- Ease of Doing Business Ranking: 77

NEW TECH CHANGING BUSINESSES

- AI and Advanced Analytics
- Blockchain
- Cybersecurity
- Devices and IOT
- AR/VR/Mixed Reality

Source: Everest Group, Forrester, Gartner, IDC, IMF, Ministry of Commerce, World Bank
Revenue¹: Industry expected to grow marginally above NASSCOM guidance of 7-9% in constant currency

USD billion

<table>
<thead>
<tr>
<th></th>
<th>Domestic</th>
<th>Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2018</td>
<td>41</td>
<td>126</td>
</tr>
<tr>
<td>FY2019E</td>
<td>44</td>
<td>137</td>
</tr>
</tbody>
</table>

Revenue Growth: 7.9% Domestic, 9.2% Exports

Diverse industry segments: Non IT Services almost half of industry revenues

Share of Export Revenue – well spread across Indian and MNC-GCC companies

| Solution Providers from India | 60-62% |
| MNCs and GCCs in India       | 38-40% |

¹: includes Hardware, exports include global revenues of Indian companies

Source: NASSCOM
## TRENDS THAT DEFINED THE YEAR

### Digital Acceleration

<table>
<thead>
<tr>
<th>$33 bn</th>
<th>Digital Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>30%</td>
<td>Growth rate YOY</td>
</tr>
</tbody>
</table>

### Skills

<table>
<thead>
<tr>
<th>170,000</th>
<th>Net new hires</th>
</tr>
</thead>
<tbody>
<tr>
<td>600,000</td>
<td>Digitally Skilled</td>
</tr>
<tr>
<td>20-25%</td>
<td>Increase in L&amp;D budget</td>
</tr>
</tbody>
</table>

### Startups

<table>
<thead>
<tr>
<th>7,200+</th>
<th>Tech Start-ups in 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>8</td>
<td>Unicorns added</td>
</tr>
<tr>
<td>50%</td>
<td>DeepTech Startups added</td>
</tr>
</tbody>
</table>

### E-commerce

<table>
<thead>
<tr>
<th>$43 bn</th>
<th>E-commerce Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>120 mn</td>
<td>Online Shoppers</td>
</tr>
<tr>
<td>$6.6 bn</td>
<td>VC / PE investment</td>
</tr>
</tbody>
</table>

### Innovation Hub

<table>
<thead>
<tr>
<th>40</th>
<th>New R&amp;D GCCs set up in 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st</td>
<td>SaaS unicorn from India</td>
</tr>
<tr>
<td>2,556</td>
<td>Patents filed in US in 3 years in digital</td>
</tr>
</tbody>
</table>

### CoEs / Partnerships

<table>
<thead>
<tr>
<th>25+</th>
<th>Innovation Hubs in US in the year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Academia partnerships in US, Europe, US, Australia</td>
<td></td>
</tr>
<tr>
<td>1000+</td>
<td>Startups in co-innovation programs</td>
</tr>
</tbody>
</table>

### M&A

<table>
<thead>
<tr>
<th>$10 bn</th>
<th>M&amp;As value in the year</th>
</tr>
</thead>
<tbody>
<tr>
<td>36%</td>
<td>Digital M&amp;As</td>
</tr>
<tr>
<td>45%</td>
<td>M&amp;As in e-commerce / startups</td>
</tr>
</tbody>
</table>

### AI/Automation

<table>
<thead>
<tr>
<th>400+</th>
<th>AI Startups</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st</td>
<td>Leading country in RPA deployment</td>
</tr>
<tr>
<td>#AI for ALL – National AI Strategy announced</td>
<td></td>
</tr>
</tbody>
</table>

Source: Everest Group, News Reports, Zinnov, NASSCOM
Indian IT sector was forecast to die. 4 ways IT companies changed in 2018 to deal with this.

Indian IT industry is making convincing strides as their clients demand digital transformation.

Business transformation deals surge in BPM companies. Unlike how it was in the past, Kapoor said that clients are asking firms to do much more comprehensive work and provide end-to-end business transformation.

Indian IT pushing the limits, on the cusp of a digital leap.

TCS crosses $100 billion market capitalization.

In a first, India enters $100 billion M&A club in 2018: Report.

Here’s how Indian IT firms are overhauling employee training process.

It’s aimed at ensuring they remain relevant at a time when demand for new tech is changing basic business.

Infosys helps employees upskill, doubles salary.

India and its growing role as a future engineering R&D powerhouse.

The $75-80 billion ER&D global services industry is expected to grow at a rapid pace (14-16 percent YoY) and reach a valuation of USD 145-155 billion by 2020. This growth is fueled by an interplay of Digital and ER&D.
2019: GLOBAL OUTLOOK CAUTIOUS

GLOBAL ECONOMY

- 3.5% Global Economy Growth
- 2.5% US Economic Growth
- 2% Advanced Economies Growth
- 4.5% Emerging Markets Growth

TECHNOLOGY SPENDING

- 4-6% Global Technology Spending
- 8% Growth in Software Spending
- 15-20% Growth in As-A-Service Economy
- 4.8% Growth in IT Services

INDIA ECONOMY

- 7.5% India’s GDP Growth
- $400 bn India’s Exports

EMERGING CHALLENGES

- Trade Wars and Policy uncertainty
- Currency Fluctuations
- No Deal Brexit
- Weakening Financial Market Sentiment
- Regulatory changes in new tech

Source: Everest Group, Forrester, Gartner, IDC, IMF, Ministry of Commerce, World Bank
KEY TRENDS CHANGING THE RULES OF COMPETITION

Product/ Services Centric Business Model to Experience First

Rise of Ecosystem / Collaborative Economy

The More we know... the Less we can Predict!
Yuval Harari

Talent, Culture, Agility driving competitive advantage...

Never Before Pace of Change
Digital Revenues / Margins
Measure and disclose Digital revenues
Metrics: Growth in Digital revenue

Client Mining
Actively mining targeted clients to drive Digital revenue (E.g. Targeting clients based on spending propensity & industry).
Metrics: Large deal tracking, Digital Share of the deal

Driving Automation Internally
Deploying automation to boost productivity.
Metric: Bots deployed

Digital Skilling
Re-skilling existing employees and disclosing percentage of digitally skilled employees
Metric: Digital Workforce

Customer Satisfaction
Measuring customer satisfaction emerges as a key metric for Digital growth
Metrics: CSAT Scores

Investments in Digital
Investing into building capabilities on Digital platforms and services
Metrics: Investment in CoEs, Domain Talent, IP

IP Monetization / Patents Filed
Increased focus on creating products / platforms on new age technologies
Metrics: No. of Products / Platforms created, Patents filed

EVOLVING DIGITAL METRICS
NASSCOM CEO SURVEY: WHAT ARE OUR LEADERS SAYING?
MESSAGE 1: Uncertainties Prevail

Global economic uncertainties are leading to a divided outlook, wherein 50% CEOs believe that the global economic and business outlook will be lower than 2018 and 50% believe it will be similar or better.

MESSAGE 2: Tech Spending to grow and is likely to be less impacted by global uncertainties

Most CEOs feel that there will be growth in technology and BPM spending, though 13% believe that it may be somewhat lower.

Source: NASSCOM Survey of 100 CEOs
MESSAGE 3: CX and Digital: The value levers
Digitizing the business than just silos and enhanced customer experience are the top 2 spending areas for IT and BPM. Cost optimization was a much lower priority across the sample size.

MESSAGE 4: AI and Data is the game changer for business
Advanced Analytics and AI is the no. 1 priority for over 50% of the CEOs. Hybrid Cloud and Cybersecurity to also witness increased spending.
MESSAGE 5: Sentiment for 2019 divided
While, 51% of CEOs feel that the year ahead will be similar or somewhat lower than 2018, 49% believe that the year will be better. Digital transformation journey likely to be less impacted from global macroeconomics.

MESSAGE 6: Tech Talent with right skills will continue to be in high demand
Almost 90% of the CEOs feel that tech hiring will be similar or somewhat better than 2018. Increased focus on skilling and reskilling as businesses deal with the global tech skills shortage.

Source: NASSCOM Survey of 100 CEOs
MESSAGE 7: Digital @ Scale to grow in 2019

Industrialization of Digital with large digitization deals is seen as the no. 1 growth driver for business in 2019. Growth in mature verticals and less penetrated markets also business drivers.

MESSAGE 8: Innovation – Build, Buy and Partner key focus

Investments in Products and Platforms, Co-innovating with start-ups and building the right talent pool is what dominates CEOs attention in 2019.

Source: NASSCOM Survey of 100 CEOs
MESSAGE 9: Globalization in transition and skills shortage can impact industry growth

Increased protectionist policies and lack of digital skills are the two key risks that can hinder the growth of the sector.

MESSAGE 10: Cautious optimism, cloud of global macro-economic risks loom

In summary, CEOs are cautiously optimistic about the sector and expect digitization initiatives to continue. However, impact of global macro economic risks can pose challenges for growth.
Strengthen the Indian IT Narrative Globally – Preferred partner for Digital Transformation

The Re-skilling Imperative

Strengthen India’s Deep Tech Ecosystem and Build India’s AI Thought Leadership with focus on Talent, Innovation and Ecosystem

Continue to expand Indian IT footprint globally

Gov’t Partnerships in India to scale tech adoption and usage in Healthcare, Agriculture & Manufacturing

Enable the Right Tech Regulatory Framework with focus on Trust, Innovation and Security
THANK YOU

QUESTIONS