

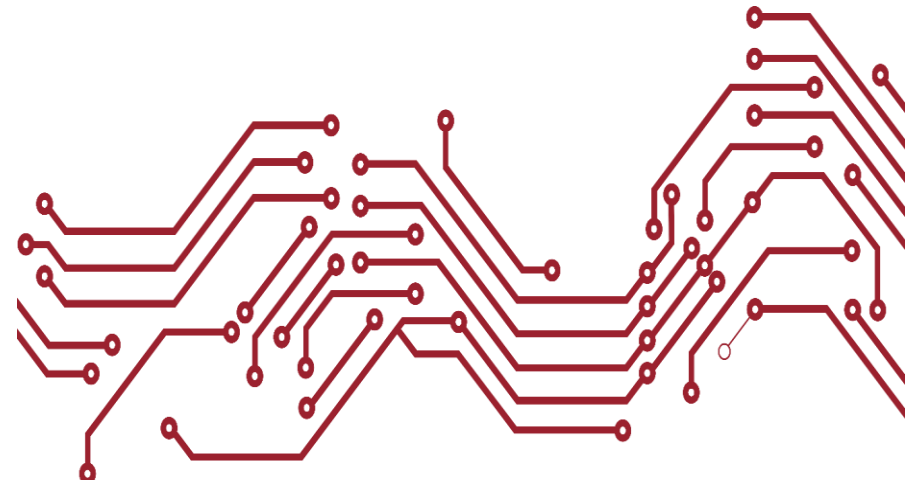
**NASSCOM®**

# Catalyzing the Ecosystem for A Trillion Dollar Digital Economy

**20 Feb 2018, Hyderabad**

# Agenda

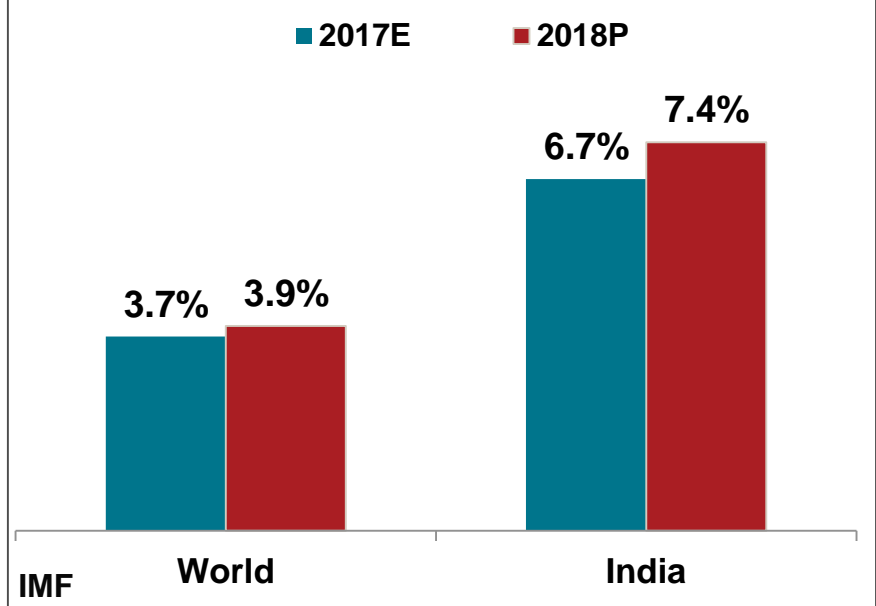
- 2017-18: Improving Global Scenario
- Expanding the Digital Ecosystem
- The Future is “Digital at Scale”
- Data & Internet driving New Age Companies
- Outlook FY 2018-19



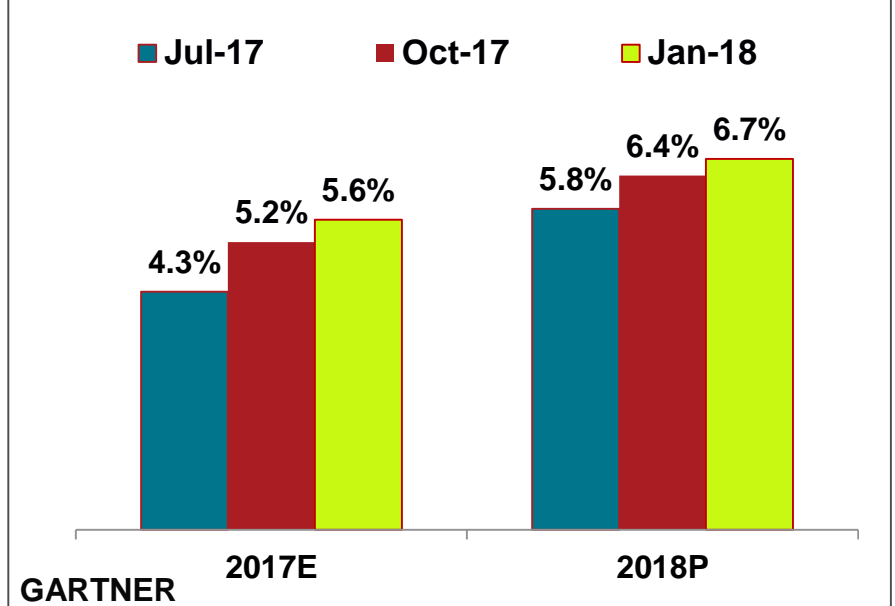
# Global Upswing in economic activity and increasing Digital spend defining the next phase of Industry growth



**GDP GROWTH RATES**



**TECHNOLOGY SPENDING GROWTH FORECAST<sup>1</sup>**



- **2017 witnessed improvement in world economic growth**
- IMF projects **India to grow at 7.4% in 2018** – Fastest growing economy globally
- Last 3 quarters **Technology growth forecast from Gartner (5.8 to 6.7%) and Forrester (3.9 to 5.1%) show upward revision – Digital spend to drive growth**
- **Global Digital spend<sup>2</sup> to increase from USD 180 Bn in 2017 to USD 310 Bn in 2020; Growing over 20% YoY; A key driver of global economic development**
- **USA – Biggest tax cuts in recent history, lowest unemployment in 45 years, increased retail spending, increasing wages BUT challenges wrt immigration reforms and impact of new tax reforms**

<sup>1</sup> Gartner (includes IT services and enterprise software revenues in reported currency terms), <sup>2</sup> Everest Research Source: Gartner, IMF, NASSCOM

### New Age Digital (Start-ups + eCommerce + Products + Digital Payments)

- **Start-ups: 5200 nos; 1000+ added in 2017; USD 40 Bn+ valuation**
- **eCommerce: USD 38.5 Bn GMV; 17% YoY growth**
- **Products: USD 7.7 Bn revenue; SaaS Hub**
- **Digital Payments: USD 145 Bn; 6% of GDP**

### Domestic Technology Adoption (Enterprise + MSMEs + Government)

- **Government:** Driving key initiatives including building digital ecosystem, skilling, and citizen services like **GST, DBT, Aadhaar**
- **Enterprises: 141 public listed companies with > USD 1 Bn revenue; 0.5-3% of revenue spent on Digital**
- **MSMEs: 51 Mn nos;** Key initiatives include online customer acquisition and online sales enablement

### Technology Services (Services + MNCs + GICs)

- **USD 167 Bn total revenue with Digital, ER&D and BPM key growth areas**
- **Accelerating influx of new GICs; 1140+ nos.**
- **India emerging as key hub for Digital@scale**

### The Growth Drivers

- Industry added **over USD 13 Bn; exports growing at 7.8%**
- **Digital revenues at ~20% (USD 22-25 Bn); Growing at 30% YoY**
- Solution portfolio expanding – **Hosted software, Products-as-a-Service, RPA, platforms, etc.**
- **SaaS** is the preferred model of **over 50%** of Indian product companies; **Cloud growing at 43%**
- **eCommerce grew at 17% YoY GMV** – Online hotel booking, Grocery, and Food-tech key drivers
- **Domestic technology services grew at 10%+** driven by **Enterprise Digital adoption** and increased focus on **Customer Experience initiatives**
- **Start-up sector maturing with greater focus on B2B**

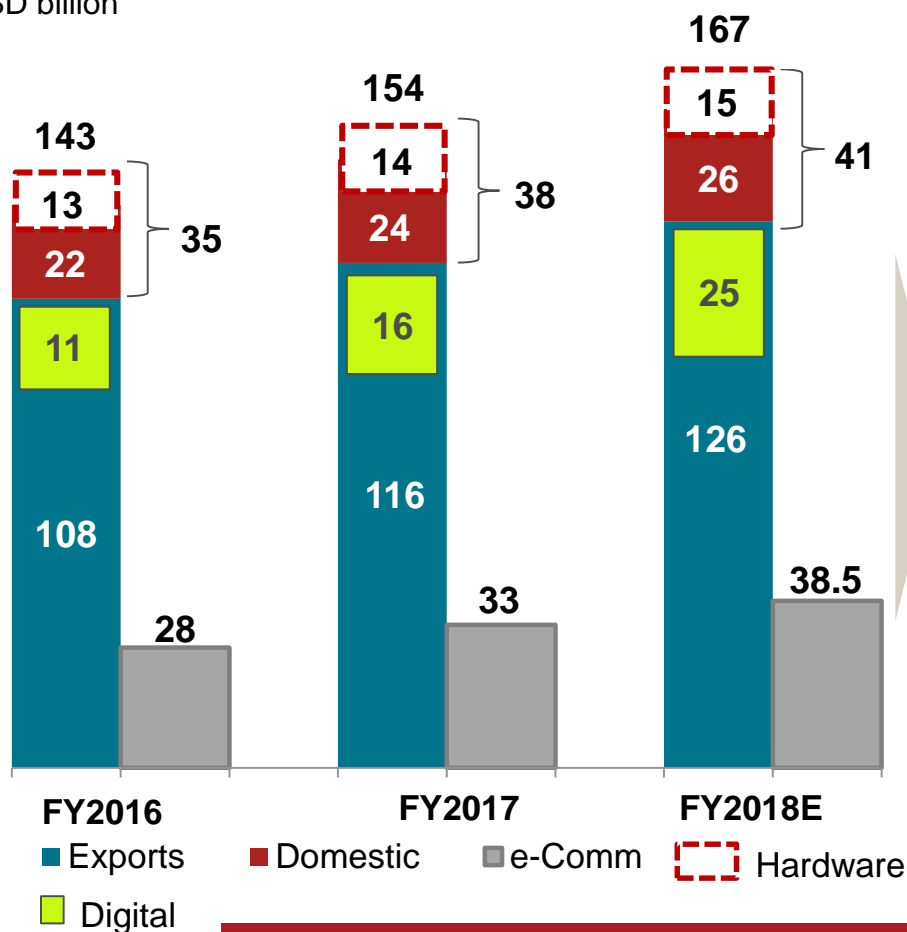
### The Headwinds

- Continued rhetoric on **Protectionism, Brexit** and labor mobility issues
- Uncertainty pertaining to exact implications of **US Tax reforms**
- **Delayed growth in US BFSI** despite improving macro-economic indicators
- **Global Stock market volatility** and associated impact adding uncertainties
- Key **Government Digital initiatives** like **Smart cities** and **Procurement reforms** still in early stages
- **Lack of adequate infrastructure** limits growth of eCommerce beyond Tier 1 and 2 cities
- **Digital projects more skill intensive than people intensive**; companies need continuous reskilling with consulting and design capabilities

**Despite multiple headwinds, Industry continues to grow and establish itself as a Digital partner for the world**

### IT Industry revenue break-up

USD billion



- **Software and Services revenue cross USD 150 Billion;** Largest export sector for the country; **24% of total exports;**
- **Digital fastest growing at 30% followed by ER&D at 13% and BPM at 8%+**
- **Expanding GIC base - 40 GICs added in 2017, 1/4<sup>th</sup> of total global additions**
- **Domestic market: India Fastest growing enterprise tech market in APAC**
- **Start-ups: 5200 nos.; 3<sup>rd</sup> largest Start-up hub**
- **eCommerce: e-travel (54% share) and e-tail (43% share) driving growth**
- **Employment – 100K+ new jobs created**
  - Tech employment expanding in non tech companies
  - **Platform players and industry creating 3-4X indirect impact on employment**

**Digital growing at 1.5x faster than global digital growth rates and now ~20% of Industry Exports**

- **Reskilling and innovative talent acquisition**
  - **450,000-500,000** digitally skilled employees
- **Digital Capabilities** – 110+ CoEs, 20 labs/innovation centers, 30+ Design studios, etc.
- **Partnerships by Service providers/GICs/MNCs with platform providers, start-ups, and academia etc.**
- **Technology investments** – Intellectual property solutions for AI, RPA, IOT, etc.
- **Changing Business Models for Service Providers** – 56% share of fixed price contracts, 59% Onshore revenues, 47 new M&As focused on Digital

**Industry poised to capitalize on the increasing demand from Digital**

# Digital ecosystem driving growth in consumption and new age companies

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*Start-ups*

**700+ advanced tech start-ups**, growing at 25-30%

**17% YoY to USD 38.5 Bn**

*eCommerce*

**E-travel largest segment with 54% share**

**HealthTech, FinTech, and Aggregators** fastest growing segments

**AI and BlockChain** - fastest growing tech

*Ecosystem*

- **Internet Subscribers: Global – 3.2 Bn; India - 465 Mn** (8% growth)
- **Smartphone Users: Global - 3.3 Bn; India - 300 Mn+** in 2017 to over **800 Mn** by 2020
- **Data consumption: 7X** mobile data growth
- **Local Language: 10X** growth in 18 months
- **Online Video: 225 Mn+** Smartphone users on YouTube per month
- **App downloads: #1** country in app downloads on Google Play store

**180% growth in funding**

**90%+** of Indian product companies **sell globally**

**50%+** firms implementing **AI** into their products

**Mobile wallet transactions** grew from **INR 532 Bn** in 2017 to **INR 793 Bn**

**Digital transactions:** Grew from **5 to 6%** of GDP in 2017

*Products*

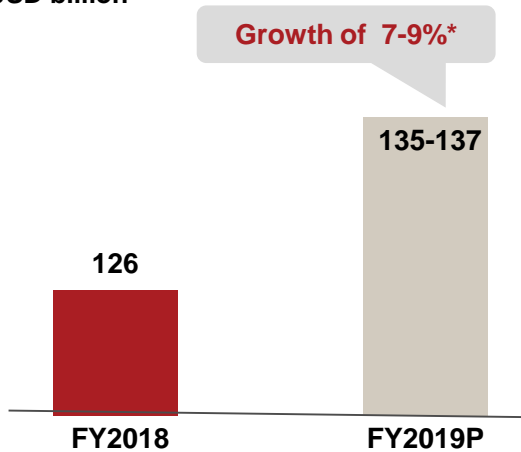
**USD 2 Bn** invested in Indian SaaS companies since 2010

*Payments*



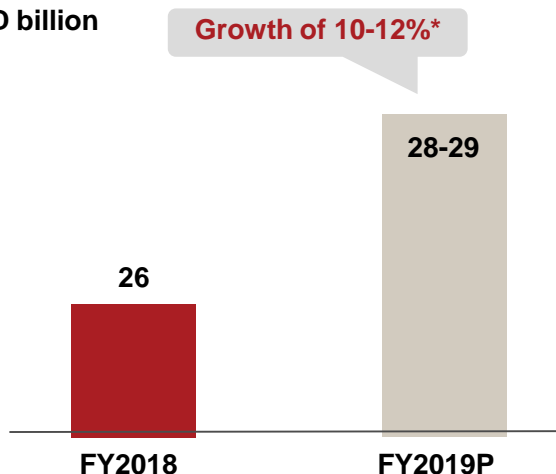
### India IT Industry Export Revenues\*

USD billion



### Domestic (excl. Hardware) Revenues\*

USD billion



#### • FY 2019 – Key trends

- Industry expected to add USD 14-16 billion in revenue
- New Age Digital to grow 1.5-2X of industry growth
- Domestic Technology adoption to continue with double digit growth
- Growth of **Digital at scale** projects
- Expected **large deal closures**
- India market driven by **enterprise digital adoption** and **tech savvy consumers**

#### • The Skills Imperative

- **FY 2019** – Hiring similar to FY2018; Tech jobs in related sectors will grow faster
- Increased **decoupling of revenue and headcount** lead by productivity gains + automation solutions + efficiency + onshoring
- Continued focus on reskilling and academic partnerships

- 1 Digital becoming all pervasive blurring IT industry sector boundaries**
- 2 Changing business and employee models – Agile global teams, expectation of risk sharing, etc.**
- 3 Re-skilling an ongoing prerequisite; important to build a continuous learning culture**
- 4 Service excellence alone is not enough in a digital world; Products and platform portfolio key to success**
- 5 Partnerships for IP, talent and market must to scale**
- 6 Huge potential for growth in Indian domestic space; Needs innovative business and service models and supportive Government policies**



10,000 Start-ups  
– Incubate,  
Connect, Scale



NASSCOM Industry  
Partner Program



Centre of Excellence  
IOT / Data Sciences  
and AI / Cybersecurity



Design4India Initiative



India as a hub for  
Digital Solutions



Future Skills-  
Technology Reskilling  
Platform

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**Thank you**