

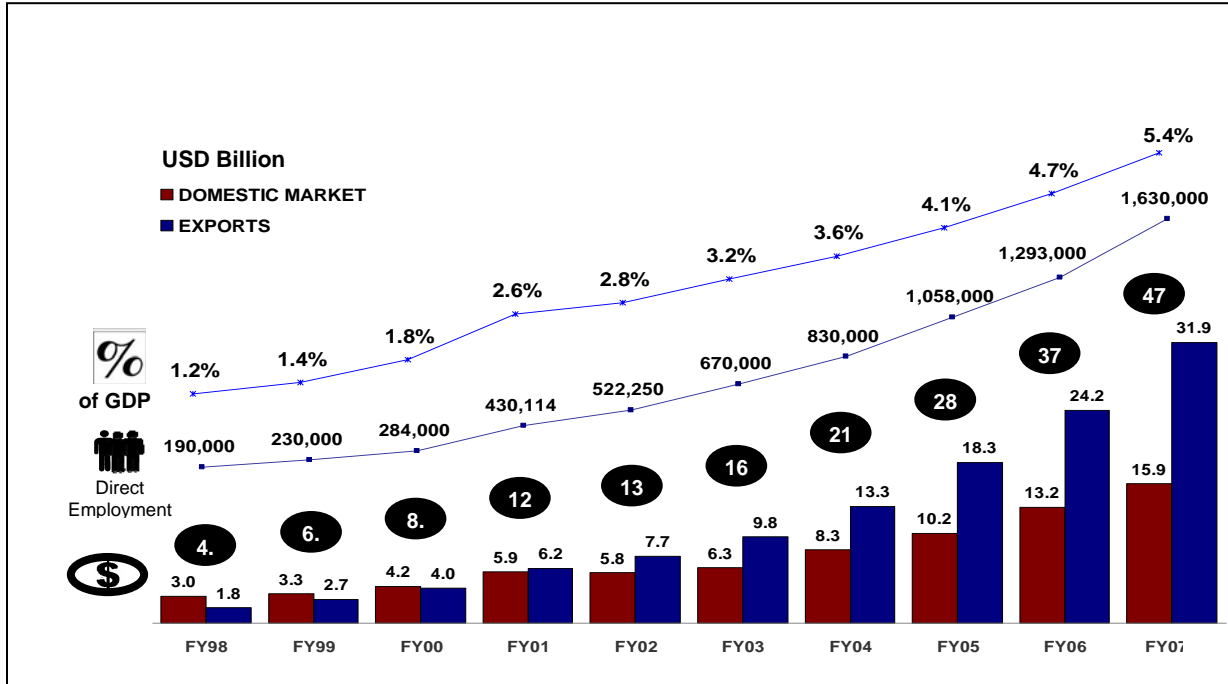
INDIAN IT INDUSTRY: NASSCOM ANALYSIS

I. Highlights

FY 2006-07 witnessed a revalidation of the Indian Information Technology – Business Process Outsourcing (IT-BPO) growth story, driven by a maturing appreciation of India’s role and growing importance in global services trade.

- Industry performance was marked by sustained double-digit revenue growth
- The sector closed the year at record levels, with the revenue aggregate growing by nearly ten times over the past ten years
- Positive market indicators include large unaddressed white-spaces and the unbundling of IT-BPO mega-deals with increasing shares of global delivery
- Strong optimism of the industry to achieve its aspired target of USD 60 billion in exports by 2010

II. Industry Performance over the Last Ten Years



IT Industry-Sector-wise break-up

USD billion	FY 2006	FY 2007	FY 2008 P
IT Services	17.8	23.6	30-31
Exports	13.3	18.0	-
Domestic	4.5	5.6	-
Eng Services and R&D, S/W Prods	5.3	6.5	~8
Exports	4	4.9	-
Domestic	1.3	1.6	-
ITES-BPO	7.2	9.5	11-12
Exports	6.3	8.4	-
Domestic	0.9	1.1	-
Total Software and Services Revenues	30.3	39.6	49-50
Of which, exports are	23.6	31.4	39-40
Domestic	6.7	8.2	~10
Hardware	7	8.2	-
Total IT Industry (including Hardware)	37.4	47.8	-

Total may not match due to rounding off

**NASSCOM estimates have been reclassified to provide greater granularity*

- Historical values for a few segments have changed due to availability of updated information

III. Growth in Revenues

- Revenue from the Indian IT software and services sector (including the domestic and exports segments and excluding hardware) touched nearly USD 40 billion during FY 07 and is expected to grow by nearly 27 percent to clock USD 49-50 billion in FY08.
- Contribution to GDP in FY 07 was 5.2% up from 4.8% last year.
- Service and software exports remain the mainstay of the sector contributing USD 31.3 billion during FY 07, beating forecast to register a 33% growth.
- Increasing traction in offshore product development and engineering services is supplementing India's efforts in IP creation. This segment has grown by 22-23 percent to report USD 4.9 billion in exports.
- MNC investments reach an unprecedented scale; over USD 10 billion announced in FY 2006-07, to be invested over the next few years.

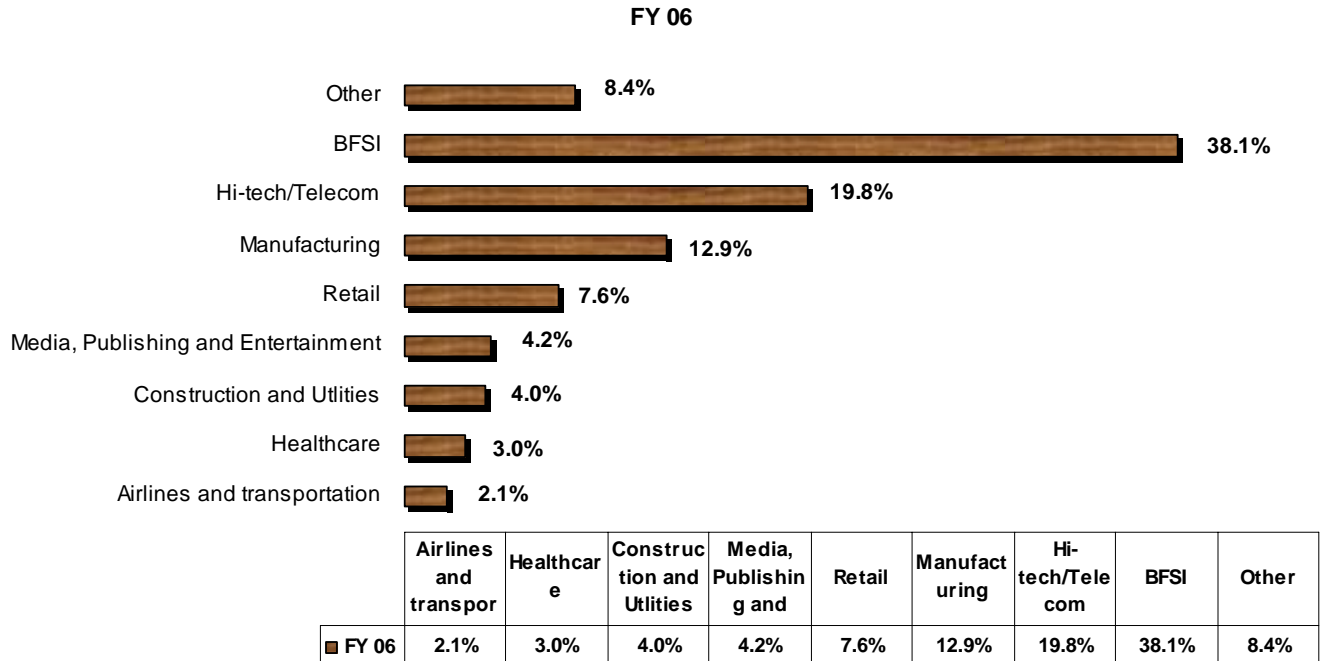
Global Markets

While US and UK remain the dominant markets for IT-ITES exports, revenues from newer markets are growing rapidly

Market	FY04	FY05	FY06
<i>Americas</i>	69.40%	68.30%	67.18%
<i>Europe</i>	22.60%	23.10%	25.13%
<i>Rest of the World</i>	8.00%	8.60%	7.69%

Growth Verticals

BFSI, Telecom and Hi-Tech continue to account for approximately 60% of the market. Other verticals such manufacturing, retail, transportation, healthcare and utilities are also growing rapidly



IV. Employment figures-Software and Services sector

Sector	FY 2006	FY 2007
IT Services	398,000	550,000
Engineering Services and R&D and Software Products	115,000	140,000
	513,000	690,000
ITES-BPO	415,000	553,000
Domestic Market (including user organizations)	365,000	378,000
Total	1,293,000	1,621,000

**Figures do not include employees in the hardware sector*

V. Domestic Market Matures

Complementing the continued growth in IT-ITES exports and for the first time ever in FY 2007 showed signs of breaking out of the hardware led growth and the trend of software and services gaining share is expected to continue

- The total size of the domestic market (including hardware) was USD 16.4 billion in FY 07

- Traditionally, this segment has been led by MNCs. However, Indian firms are gradually gaining ground. Overtime this segment could become a larger SME play, as the mid-sized firms increase their levels of IT adoption

VI. Going forward

For India to fully capitalize on the opportunity and sustain a disproportionate lead in the global IT-ITES space, stakeholders need to continue working towards timely and coherent execution of initiatives to address supply-side concerns across the following areas

- Augmenting Talent Supply
- Creating world-class infrastructure
- Strengthening information security
- Enhancing operational excellence
- Providing regulatory support
- Catalyzing domestic market development
- Fostering an ecosystem for innovation

INDUSTRY IS ON TRACK TO REACH THE TARGETED \$60BN IN EXPORTS BY 2010

CAGR	PERIOD	DOMESTIC MARKET*	EXPORTS*	TOTAL
10 YR TARGET	FY00-10	22.1%	31.2%	28.9%
ACHIEVED	FY00-07	23.3%	34.4%	31.4%
REQUIRED	FY07-10	19.3%	24.1%	23.2%

* Includes IT Software and Services, ES and Products.

