

## **2. COMPUTER SOFTWARE / SERVICES AND ITES EXPORTS**

### **OVERVIEW**

In recent times, Software development and information technology enabled services (ITeS) including business process outsourcing (BPO)/ knowledge process outsourcing services (KPO) industry in India has emerged as one of the most dynamic and vibrant sectors in India's economy. With a small beginning in early 80s, it has now grown into a broad based comprehensive industry.

Today, India's competence in IT, more significantly in computer software and information technology enabled services recognized globally.

India today is the global leader in the outsourcing industry with half of the world's back office being located here. Indian outsourcing revenues at US\$ 58 billion in 2011 accounted for over 50% of the global offshore market share as per a research.

Knowledge Process outsourcing (KPO) is one of the new dimensions of BPO that has given global outsourcing scenario a new meaning. Over a decade KPO has had a tremendous growth in India. Leading countries turn to India to get their job done when compared to other countries. The main reason for outsourcing to India is the highly rated knowledge pool and low costs as compared to other countries.

Indian IT firms and IT professionals have won world-wide recognition in terms of their technical competence, domain knowledge, experience and expertise for offering quality IT services, and their exposure to working on various platforms and systems.

### **Presence of Global IT players in India**

There are a large number of multi-national IT enterprises operating in India in sectors such as: Integrated Chip Design, System software, communication software, R&D Centres, Technology Support sector, captive support sector, BPO Sector etc reaping the cost and quality advantages.

These multinational include Siemens/Philips, Intel, Texas Instruments etc. (Chip Design); Siemens, Motorola, Lucent Technologies, Sony, Nortel etc. (Communication Software); Google, Yahoo etc. (R&D Centres); Axa Business Services, Swiss Shared Services, Siemens Shared Services etc. (BPO Sector); Accenture, DELL, HSBC, GE Capital, Fidelity (Captive Support Sector), Hewlett Packard, IBM, CISCO, Oracle, Microsoft, SAP, NOKIA, Vodaphone etc.

### **Spectrum of IT Services/ ITES from India**

India has already established her brand equity in the global IT market. Indian IT software and services firms offer software product/packages; a wide spectrum of IT services including system management and maintenance, mobile application

Cloud Computer, Next generation user interfaces, GPU computing, consultancy services, system integration, chip design, E-Governance, E-Commerce, IT enabled services covering banking/financial/insurance sector. Their IT enabled services also include CAD/CAM



Multimedia, animation work, BPO (Business Process Outsourcing) assignments, Call centre related assignments, as well as Knowledge Process Outsourcing (KPO) / Legal process Outsourcing (LPO), medical lab, diagnostic and dental services, medical transcription services, e-publishing data conversion or digitization, type-setting, copy editing, content and design, graphics etc.

The software industry is not only growing exponentially, it is moving up the value chain. It is evolving, from the initial staffing to software development - where it is currently the world's major supplier of engineers - to integration and IT business consulting.

## **STRENGTHS OF INDIAN IT INDUSTRY**

- One of the largest pool of technically qualified high class IT manpower
- Enormous skilled human resource compared to developed countries leading to lower manpower cost nearly one tenth of those in developed nations, thus giving India a comparative advantage.
- Offers a wide range of services from support / data processing to sophisticated software systems etc.
- Rich experience of working with large global companies and enjoy high credibility
- Expertise on a wide variety of platforms
- Accommodating nature of Indian IT workforce

## **QUALITY OF INDIAN IT EXPERTISE**

Today the world recognises India as a source of high quality IT manpower. Nearly 35 percent of world wide SEI CMM level 5 certified companies are Indian. The Capability Maturity Model (CMM) for Software describes the principles and practices underlying software process maturity and is intended to help software organizations improve the maturity of their software processes in terms of an evolutionary path from ad hoc, chaotic processes to mature, disciplined software processes.

Over 300 Indian computer software and services have already obtained ISO 9000 or CMM level 2 certification. It is because of this high quality of Indian IT sector that the majority of multinational companies in IT have either their software development or research center in India. One third of the e-commerce start-ups in the Silicon Valley continue to be lead by Indian. Over half of the Fortune 500 companies are outsourcing their software requirements to India.

High quality of IT services has put Indian companies in worlds Top 100 Outsourcing companies such as Infosys, Wipro Technologies, Tata Consultancy Services, ACS Genpact, Neusoft, HCL, Igate, Mindtree, Tech Mahindra, Mastek , ITC, HCL Technologies, Zensar Technologies, Patni computers

## **MANPOWER EMPLOYED AND EDUCATIONAL INSTITUTIONS**

Software is a knowledge driven industry. It requires a team of highly skilled professionals for

its success. Today, the Indian IT Services and ITES sector employs over 2.97 million knowledge professionals. The industry indirectly employees another 9 million people.

Almost all major IT players in the world have set up subsidiaries or collaborations in India. The major attraction being an "abundance of technically qualified and cheap software manpower". This may have been the case before the start of the growth phase, but now there is, in fact, an acute shortage of qualified and trained manpower. This is getting reflected in the spiraling salaries (one of the highest average starting salary today), and more importantly, a frequent job-hopping culture.

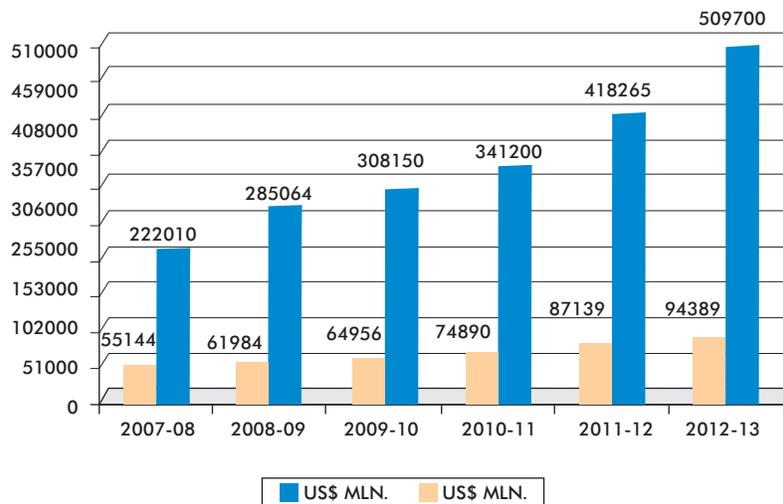
India, today have 7 Indian Institute of Technologies (IITs) and over 300 other Regional Engineering colleges / private colleges imparting IT education. As per a study approximately 5000 people are needed every year to meet the growth targets of the software industry. However, the total production from education and training institutions today is only about a third of this.

## PRODUCTION

Production of Computer Software and Services during the year 2012-13 is estimated to be Rs. 509700 crore (US\$ 94.34 billion) registering a growth of 22 percent (8 percent in US\$ terms) over the year 2011-12 when the total production of Computer software / Services was estimated to be Rs. 418265 crore (US\$ 87.14 billion).

Production of Computer Software / Services has been growing at an annual average growth rate of 18.08 percent ( 11.34 percent in US\$ terms) during the past five years.

### COMPUTER SOFTWARE / SERVICES PRODUCTION 2007-08 to 2012-13



## SHARE IN GDP

India's Gross Domestic Production (GDP) at current prices is estimated to be Rs. 10020620 crore (US\$ 1855.67 billion). Computer Software / Services production estimated at US\$

94.38 billion accounts for a share of 18 percent in India's GDP at current prices during the year 2012-13.

### DOMESTIC SOFTWARE / SERVICES INDUSTRY.

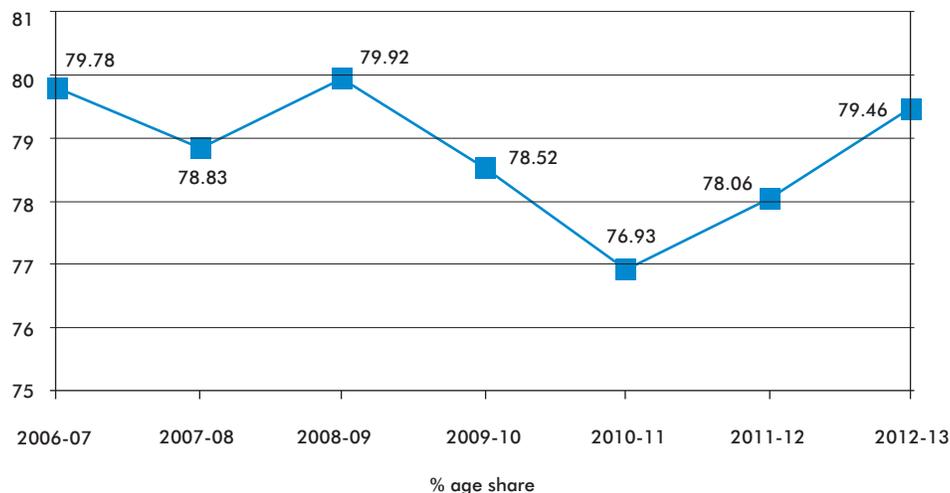
During the year 2012-13 India's domestic computer software / services market is estimated to be Rs. 104700 crore (US\$ 19389 million) registering a growth of 21.86 percent (8.32 percent in US\$ terms) over the year 2011-12 when the domestic software / services industry was estimated at Rs. 91765 crore (US\$ 87139 million).

#### Share of Export & Domestic Segments in Computer Software / Services Production

SEGMENT	Export 2012-13		Export 2011-12		Growth in 2012-13 Over 2011-12 (%age)	
	US\$ MLN.	RS. CR.	US\$ MLN.	RS. CR.	US\$ MLN.	RS. CR.
Software for export	75000	405000	68021	326500	10.26	24.04
Domestic	19389	104700	19118	91765	1.41	14.09
<b>TOTAL</b>	<b>94389</b>	<b>509700</b>	<b>87139</b>	<b>418265</b>	<b>8.32</b>	<b>21.86</b>
1 US\$ = Rs.	54		48			

### EXPORT OF COMPUTER SOFTWARE / SERVICES INCLUDING ITES / BPO.

#### GROWTH IN %AGE SHARE OF EXPORT IN PRODUCTION OF SOFTWARE / SERVICES 2006-07 TO 2012-13

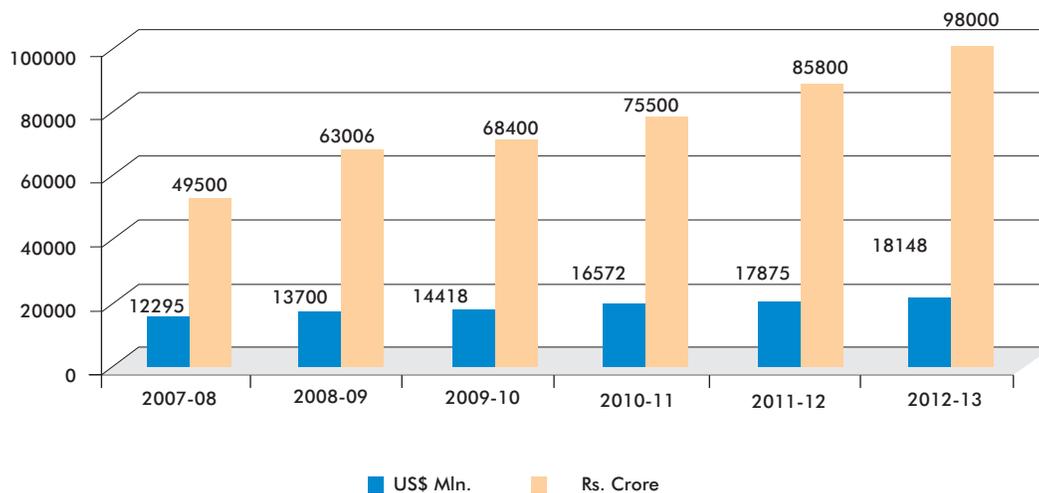




services because it is able to offer a 24X7 service and reduction in turnaround times by leveraging time zone differences. While customers are initially attracted by low costs, they stay on and expand because of the quality and productivity that India offers. India will remain a popular offshore Country. Outsourcing to India is turning out to be a blessing for the top companies. India's edge in quality and cost benefit is what is drawing organizations towards her. The level of excellence India has attained in this field has not come overnight. Government policies, infrastructure, large number of people who can speak fluent English, who can adapt to western accents, have all played a pivotal role in India's success.

During the year 2012-13, export of ITES/BPO registered a growth of 14.22 percent (1.53 percent in US\$ terms) over the year 2011-12. In value terms, export of ITES/BPO is estimated to be Rs. 98000 crore (US\$ 18.15 billion) up from Rs. 85800 crore (US\$ 17.87 billion) estimated in the year 2011-12.

### GROWTH IN EXPORTS OF IT-ENABLED SERVICES 2007-08 TO 2012-13



### EXPORT OF COMPUTER SOFTWARE / SERVICES & IT-ENABLED SERVICES EXPORT 2012-13

SEGMENT	Export 2012-13		Export 2011-12		Growth in 2012-13 Over 2011-12 (%age)	
	US\$ MLN.	RS. CR.	US\$ MLN.	RS. CR.	US\$ MLN.	RS. CR.
Computer Software & Services	56852	307000	50146	240700	13.37	27.54
ITES	18148	98000	17875	85800	1.53	14.22
<b>TOTAL</b>	<b>75000</b>	<b>405000</b>	<b>68021</b>	<b>326500</b>	<b>10.26</b>	<b>24.04</b>
1 US\$ = Rs.	54		48			

## **INDIA'S ITES-BPO SUPPORTING OTHER LANGUAGES.**

The Indian BPO industry is now tapping global markets. After acquiring businesses from major English-speaking markets, especially Britain and the US, the Indian BPO companies are now looking towards non-English speaking markets to tap their potential in these unexplored terrains.

A large number of companies from non-English speaking European countries too are eyeing the Indian BPO industry for outsourcing their work, leading to a spur in the demand for persons proficient in foreign languages.

Today all the major ITES-BPO companies are offering multi language support and thus expanding the horizon of their services to the global markets.

## **INDIA – THE MOST PREFERRED ITES-BPO DESTINATION**

- Two million students graduate each year
- 122,000 Engineers every year
- English speaking and IT savvy
- Cost reduction upto 50 per cent
- Wage Differential.
- Lower Infrastructure Costs
- Favourable time lag: 12 hours with US & 5 hours with Europe
- Overnight turnarounds possible.
- Resources with experience of industrial, financial and legal systems similar to the west.
- Strong domestic IT services industry to support IT led BPO.
- largest SEI CMM companies worldwide

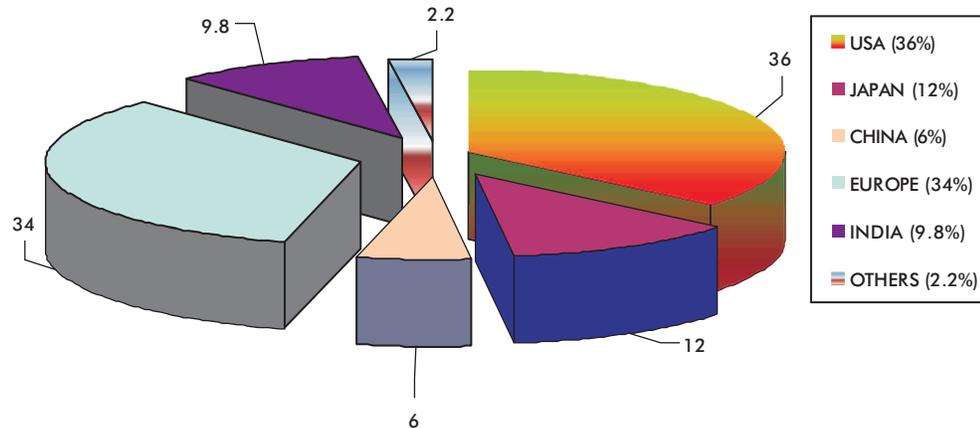
US will continue to be the source of major business opportunities in ITES, followed by Europe. However, Asia Pacific is expected to be the region with maximum growth potential. Major verticals, which are expected to grow substantially, include finance and accounting, sales and marketing, logistics, purchasing, administration and legal services.

## **INDIA'S SHARE IN WORLD SOFTWARE / SERVICES MARKET**

World software and services market is dominated by USA with the share of 39 percent followed by Japan with the share of 12 percent. World total Software / Services market during the year 2012-13 is estimated to be US\$ 960 billion. India's share in the world market during the year 2012-13 is estimated to be 9.8 percent as compared to 9 percent estimated in the year 2011-12.

## WORLD MARKET OF COMPUTER SOFTWARE / SERVICES : 2012-13

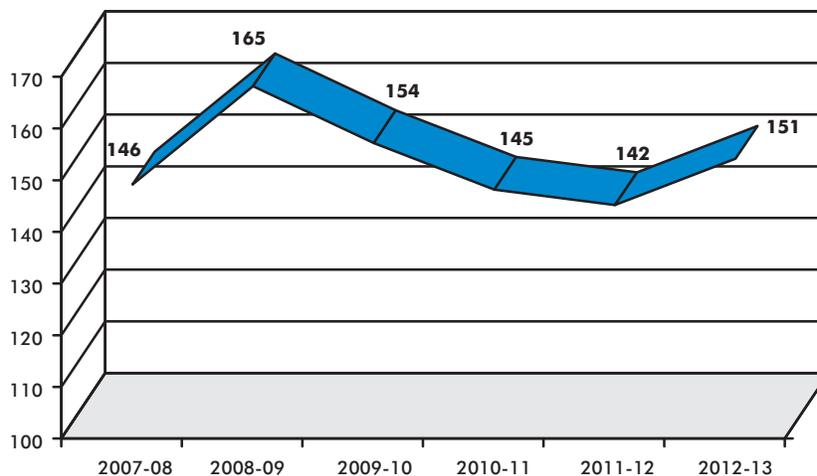
Total estimated world market = US\$ 960 billion



### NUMBER OF COUNTRIES OF EXPORT

The preference of India as a preferred IT destination for software outsourcing and ITES / BPO is revealed from the total number of countries to which India is exporting its software and services. On an average India has been exporting Computer Software / Services to over 151 countries in the past five years. During the year 2011-12 India Exported Computer Software / Services to 151 countries of the world

### GROWTH IN NUMBER OF COUNTRIES FOR INDIA'S COMPUTER SOFTWARE/ SERVICES EXPORT 2007-08 TO 2012-13



### MAJOR COUNTRIES OF EXPORT

USA remains the top destination for India's export of Computer software / services during the year 2012-13 as well. USA accounts for a share of over 58.25 percent in India's total export of computer software / services. In value terms, export of software / services to USA during

the year 2012-13 is estimated to be Rs. 235925 crore (US\$ 43.69 billion) as compared to Rs. 189200 crore (US\$ 39.41 Billion) estimated in the year 2011-12. Percentage share of USA has increased from 57.95 percent in 2011-12 to 58.25 percent in 2012-13. UK remains the 2nd top destination for India's export of computer software / services during the year 2011-12 as well with a share of 19.59%. Singapore remains as the top 3rd destination followed by Australia and Germany. The other major countries for India's software export are during the year 2012-13 Netherlands, UAE, Japan, Canada and Mauritius. Together, the top 10 countries accounts for 90.44 percent of India's total software and services export. The remaining 141 countries accounts for a share of 9.56 percent.

### MAJOR COUNTRIES FOR COMPUTER SOFTWARE EXPORTS DURING 2012-13

Value : Rs. Cr.  
(US\$ Mn.)

COUNTRY NAME	COMPUTER SOFTWARE VALUE	%AGE OF SECTORAL TOTAL
UNITED STATES OF AMERICA	235925.00 (43690)	58.25
UNITED KINGDOM	79344.00 (14693)	19.59
SINGAPORE	15736.00 (2914)	3.89
AUSTRALIA	8379.00 (1552)	2.07
GERMAN REP.	6650.00 (1231)	1.64
NETHERLANDS	6411.00 (1187)	1.58
UNITED ARAB EMIRATES	4256.00 (788)	1.05
JAPAN	3649.00 (676)	0.90
CANADA	3048.00 (564)	0.75
MAURITIUS	2883.00 (534)	0.71
OTHERS	38719.00 (7170)	9.56
<b>TOTAL</b>	<b>405000.00</b> <b>(75000)</b>	<b>100.00</b>

### MAJOR DESTINATIONS FOR SOFTWARE AND SERVICES EXPORTS DURING 2012-13

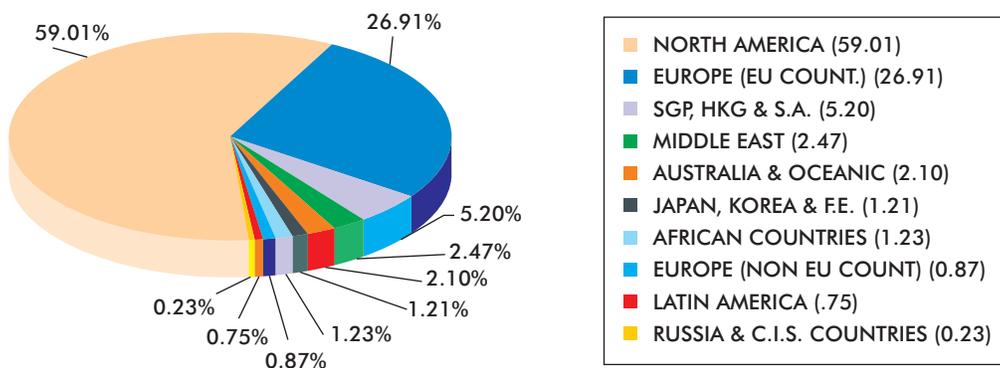
North America remains the top destination for India's Computer Software / Services Export during 2012-13 as well. Export to this region registered a growth of 24.48% (10.65% in US\$ terms) during 2012-13 over 2011-12. In value terms, export of computer software / services to North America increased from Rs. 192000 crore ( US\$ 40 billion ) estimated in 2011-12 to Rs. 239000 crore (US\$ 44.25 billion) estimated in 2012-13. Export to EU countries during the year 2012-13 registered a growth of 19.78% (6.47% in US\$ terms).

## REGION WISE EXPORT OF COMPUTER SOFTWARE / SERVICES EXPORTS (2011-12 vs 2012-13)

Value : Rs. Cr  
(US\$ Mln.)

Destination	2012-13		2011-12		Variation(%)	
	Value	%age of Sectoral Total	Value	%age of Sectoral Total	In value terms	In %age Share terms
NORTH AMERICA	239000	59.01	192000	58.81	24.48	0.35
	(44259)		(40000)		(10.65)	
EUROPE (EU COUNTRIES)	109000	26.91	91000	27.87	19.78	-3.44
	(20185)		(18958)		(6.47)	
SINGAPORE, HONGKONG & OTHER SOUTH ASIAN COUNTRIES	21075	5.20	12000	3.68	75.63	41.58
	(3903)		(2500)		(56.11)	
MIDDLE EAST COUNTRIES	10000	2.47	9950	3.05	0.50	-18.98
	(1852)		(2073)		-(10.66)	
AUSTRIALIA & OTHER	8500	2.10	6450	1.98	31.78	6.24
OCEANIC COUNTRIES	(1574)		(1344)		(17.14)	
JAPAN KOREA & OTHER	4900	1.21	4500	1.38	8.89	-12.22
FAR EAST COUNTRIES	(907)		(938)		-(3.21)	
AFRICAN COUNTRIES	5000	1.23	4000	1.23	25.00	0.77
	(926)		(833)		(11.11)	
EUROPE (NON EU COUNTRIES)	3525	0.87	3000	0.92	17.50	-5.27
	(653)		(625)		(4.44)	
LATIN AMERICA	3050	0.75	2700	0.83	12.96	-8.93
	(565)		(563)		(0.41)	
RUSSIA & C.I.S. COUNTRIES	950	0.23	900	0.28	5.56	-14.90
	(176)		(188)		-(6.17)	
TOTAL	405000	100.00	326500	100.00	24.04	
	(75000)		(68021)		(10.26)	
Average Exchange Rate 1US\$	54.00		48.00		.	

### MAJOR DESTINATIONS OF EXPORTS FOR COMPUTER SOFTWARE / SERVICES DURING 2012-13



**EXPORT OF COMPUTER SOFTWARE AND SERVICES DURING THE YEAR 2010-11 TO 2012-13**  
**ESTIMATED CONTRIBUTION OF STATES / UNION TERRITORIES**

REGION	STATES/UNION TERRITORIES	2010-2011			2011-12			2012-13			
		RS. CR	US \$ MLN.	%AGE TOTAL	RS. CR	US \$ MLN.	%AGE TOTAL	RS. CR	US \$ MLN.	%AGE TOTAL	
SOUTH	KARNATAKA	77420.00	16992.98	29.49	95500.00	19895.83	29.25	142000.00	26296.30	35.06	
	ANDHRA PRADESH	36047.00	7911.98	13.73	45200.00	9416.67	13.84	55000.00	10185.19	13.58	
	TAMIL NADU	44384.00	9741.88	16.91	52600.00	10958.33	16.11	59000.00	10925.93	14.57	
	KERALA	2520.00	553.12	0.96	3000.00	625.00	0.92	5000.00	925.93	1.23	
	PONDICHERY	160.00	35.12	0.06	150.00	31.25	0.05	175.00	32.41	0.04	
	<b>REGION TOTAL</b>	<b>160531.00</b>	<b>35235.07</b>	<b>61.15</b>	<b>196450.00</b>	<b>40927.08</b>	<b>60.17</b>	<b>261175.00</b>	<b>48365.74</b>	<b>64.49</b>	
WEST	MAHARASHTRA	58791.00	12904.08	22.40	67500.00	14062.50	20.67	78900.00	14611.11	19.48	
	GUJARAT	1700.00	373.13	0.65	2000.00	416.67	0.61	2515.00	465.74	0.62	
	GOA	21.00	4.61	0.01	25.00	5.21	0.01	35.00	6.48	0.01	
		<b>REGION TOTAL</b>	<b>60512.00</b>	<b>13281.83</b>	<b>23.05</b>	<b>69525.00</b>	<b>14484.38</b>	<b>21.29</b>	<b>81450.00</b>	<b>15083.33</b>	<b>20.11</b>
NORTH	HARYANA	15600.00	3424.06	5.94	25000.00	5208.33	7.66	28000.00	5185.19	6.91	
	UTTAR PRADESH	12000.00	2633.89	4.57	16800.00	3500.00	5.15	23200.00	4296.30	5.73	
	DELHI	2000.00	438.98	0.76	4000.00	833.33	1.23	4200.00	777.78	1.04	
	RAJASTHAN	600.00	131.69	0.23	700.00	145.83	0.21	1000.00	185.19	0.25	
	CHANDIGARH	850.00	186.57	0.32	1800.00	375.00	0.55	2200.00	407.41	0.54	
	MADHYA PRADESH	200.00	43.90	0.08	350.00	72.92	0.11	400.00	74.07	0.10	
	PUNJAB	360.00	79.02	0.14	410.00	85.42	0.13	2150.00	398.15	0.53	
	UTTARANCHAL	86.00	18.88	0.03	90.00	18.75	0.03	110.00	20.37	0.03	
	JAMMU & KASHMIR	1.00	0.22	0.00	2.00	0.42	0.00	2.00	0.37	0.00	
	HIMACHAL PRADESH	1.00	0.22	0.00	2.00	0.42	0.00	2.00	0.37	0.00	
	<b>REGION TOTAL</b>	<b>31698.00</b>	<b>6957.42</b>	<b>12.08</b>	<b>49154.00</b>	<b>10240.42</b>	<b>15.05</b>	<b>61264.00</b>	<b>11345.19</b>	<b>15.13</b>	
EAST	WEST BENGAL	8335.00	1829.46	3.18	9525.00	1984.38	2.92	11200.00	2074.07	2.77	
	ORISSA	1400.00	307.29	0.53	1800.00	375.00	0.55	2000.00	370.37	0.49	
	ASSAM	10.00	2.19	0.00	12.00	2.50	0.00	15.00	2.78	0.00	
	BIHAR	5.00	1.10	0.00	12.00	2.50	0.00	13.00	2.41	0.00	
	CHATTISGARH	5.00	1.10	0.00	10.00	2.08	0.00	12.00	2.22	0.00	
	JHARKHAND	2.00	0.44	0.00	8.00	1.67	0.00	9.00	1.67	0.00	
	MEGHALAYA	2.00	0.44	0.00	4.00	0.83	0.00	5.00	0.93	0.00	
		<b>REGION TOTAL</b>	<b>9759.00</b>	<b>2142.01</b>	<b>3.72</b>	<b>11371.00</b>	<b>2368.96</b>	<b>3.48</b>	<b>11111.00</b>	<b>205.74</b>	<b>0.27</b>
		<b>TOTAL</b>	<b>262500.00</b>	<b>57616.33</b>	<b>100.00</b>	<b>326500.00</b>	<b>68020.83</b>	<b>100.00</b>	<b>405000.00</b>	<b>75000.00</b>	<b>100.00</b>



**TOP EXPORTERS 2012-13  
COMPUTER SOFTWARE SERVICES**

S.NO	COMPANIES	TOTAL EXPORT DURING 2012-13		WEBSITE
		Rs. Lacs	US\$ Mln.	
1	TATA CONSULTANCY SERVICES LTD	44,74,586.09	8286.00	www.tcs.com
2	INFOSYS LTD.	38,98,000.00	7219.00	www.infosys.com
3	COGNIZANT TECHNOLOGY SOLUTIONS INDIA PVT LTD	14,83,941.02	2748.00	www.cognizant.com
5	IBM INDIA PVT LTD	11,97,811.21	2218.00	www.ibm.com
4	ACCENTURE SERVICES PVT LTD	10,73,048.00	1987.00	www.accenture.com
6	TECH MAHINDRA LTD	5,66,960.60	1050.00	www.techmahindra.com
7	ORACLE FINANCIAL SERVICES SOFTWARE LTD	2,79,600.74	518.00	www.oracle.com
8	LARSEN & TOUBRO INFOTECH LTD	2,78,387.53	515.00	www.lntinfotech.com
9	INFOSYS BPO LTD.	1,64,533.69	305.00	www.infosysbpo.com
10	TCS E-SERVE LTD	1,51,606.94	281.00	www.tcs.com