

Benefits of a Liberalized Telecommunications Market to other Industries

– Impact of Telecom Reform on Indian IT-BPO Growth

Geneva

February 2008

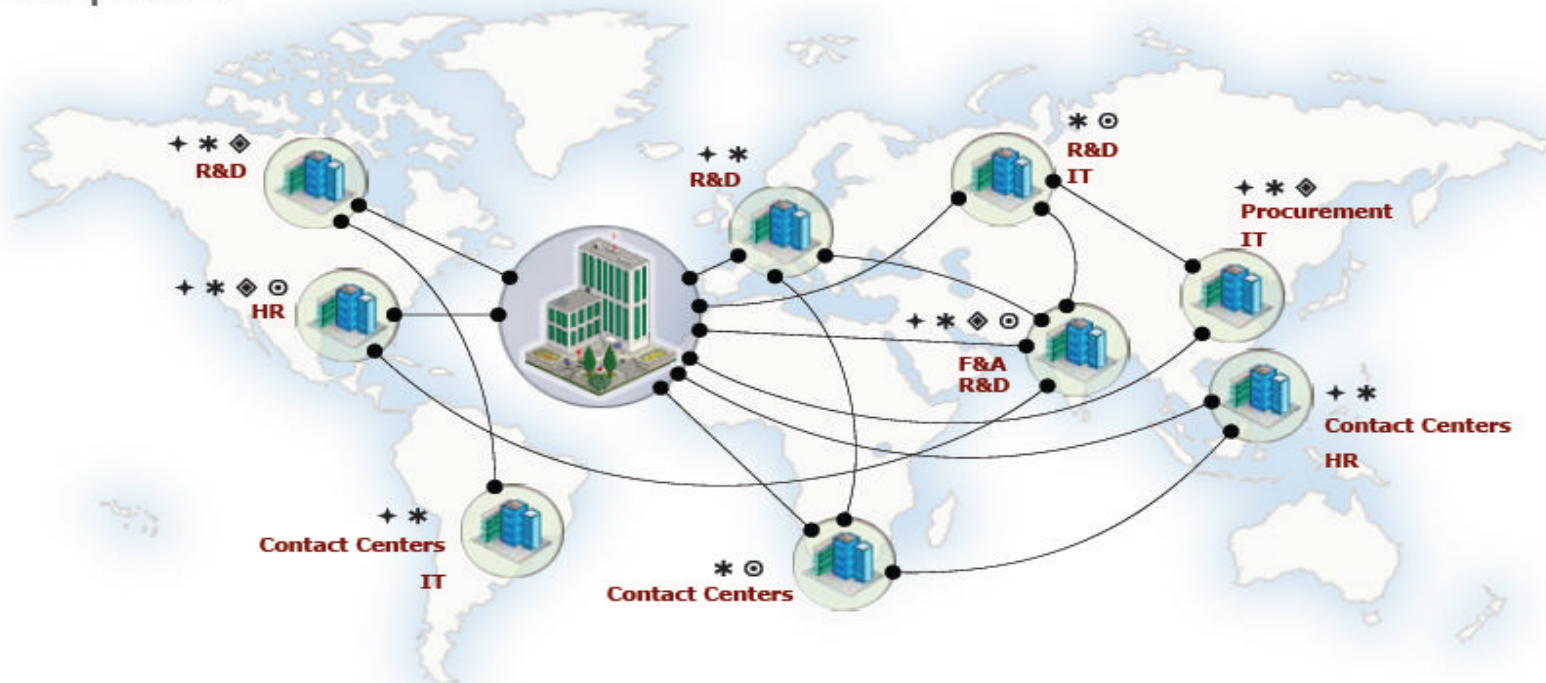
NASSCOM®

This material was used by NASSCOM during an oral presentation; it is not a complete record of the discussion. No part of this document may be circulated, quoted, or reproduced for distribution without prior written approval from NASSCOM.

Copyright © NASSCOM 2008

Advances in telecommunications technology have enabled a disruptive transformation of the global business services value-chain

Unprecedented division of services labor... leveraging centers of excellence... managed as a global portfolio

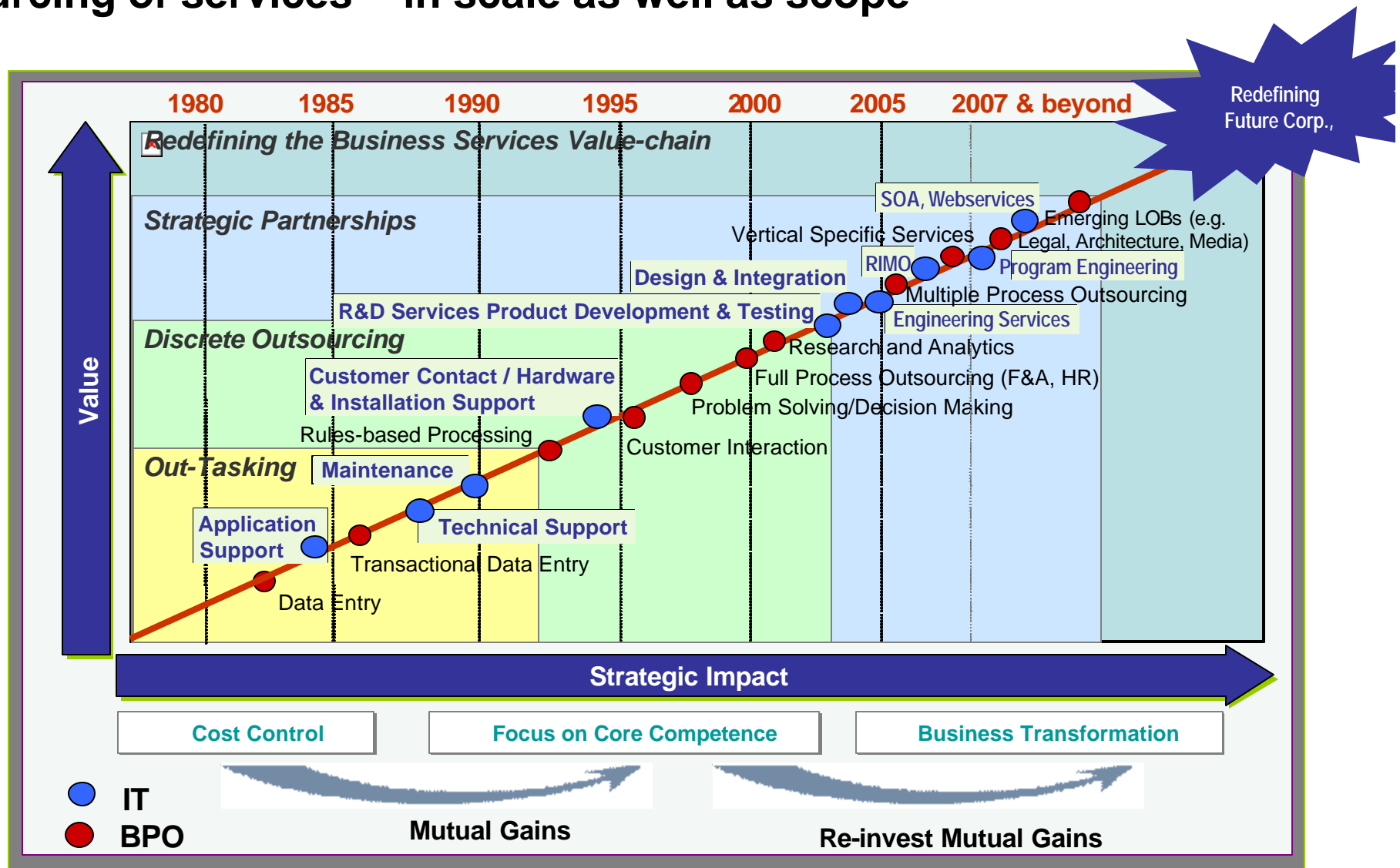


...taking into account capabilities, human capital, infrastructure, political risk, currency fluctuations, cost of labor, productivity, taxation, security and legal environment

.....to produce the optimum, networked services value chain.

+ Captive Center | * 3rd Party Outsourcing | ♦ BOT | ⊙ Joint Ventures

...which is evidenced in the rapid adoption and evolution of global sourcing of services – in scale as well as scope

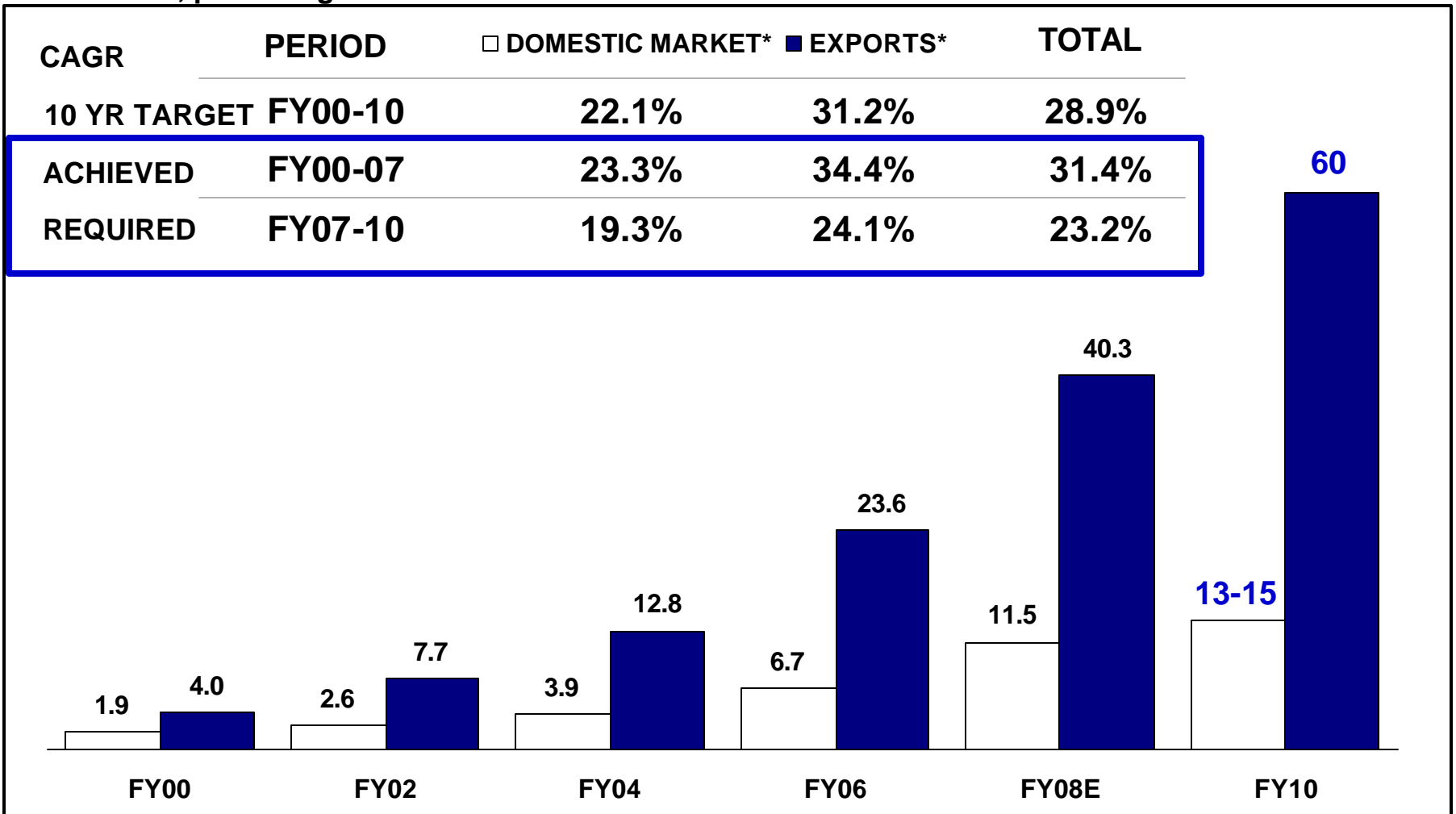


Source: neoIT, NASSCOM

Note: Services listed are indicative not exhaustive

The Indian IT-BPO sector has led this evolution, growing at an unprecedented pace

USD billion, percentage



* Includes IT Software and Services, Engineering Services, as well as BPO Services

...that has contributed to significant payoffs for India – in many ways

Poster-child
for global
services trade

- India an indispensable part of any major global sourcing strategy
- Accounts for 63-65% of all offshore IT*; 40-45% of offshore BPO
- Model for other countries looking to build IT-BPO capabilities

Rapid growth
in employment
and investment

- ~2 million professionals employed directly
- Indirect employment of over 7 million attributed to this sector
- Key contributor to India's trade surplus (comm. services), foreign exchange reserves and attractiveness as an investment destination

Catalyst for
broad-based
development

- Key driver of urban development beyond existing city limits
- E-governance initiatives to drive systemic efficiencies and extend ICT penetration to the grass-roots level
- Instrumental in advocating the potential benefits of reform in other sectors, effecting progressive policy change

* Includes IT Software and Services, and Engineering Services

India's sustained leadership is built on a powerful combination of strong fundamentals and an enabling environment

INDIA'S KEY STRENGTHS

COMPARATIVE ADVANTAGE

Talent Pool

- Large graduate outturn (>3.2 million p.a.)
- Acknowledged intellect (esp. science, engg)
- Knowledge of / familiarity with English

- Young demographic profile, surplus working-age population
- No other location offers a comparable combination of skill and scale

Cost Advantage

- Significant cost advantage (30-70%)*
- Sustained / enhanced by process efficiency/ maturity, productivity gains

- Cost advantage vis-à-vis client countries remains compelling
- Lack of experience scalability in potential alternative destinations

Quality and Information Security

- Industry-wide adoption of global standards and best-practices
- Emphasis on self-regulation and 'raising-the-bar' internally

- Supply-side maturity, appreciation of the importance of quality / security in delivering IT-BPO services
- Demonstrated superiority

Business Environment

- Timely policy actions and progressive regulatory reform
- Active participation of public / private enterprise in providing key inputs

- Early-mover advantage, strong fundamentals
- Industry development is largely self-sustained

Supply-base Capability/ Maturity

- Scale and scope of services delivered
- Players are making investments in capabilities to enhance value delivered (global delivery, technology, domain knowledge, etc.)

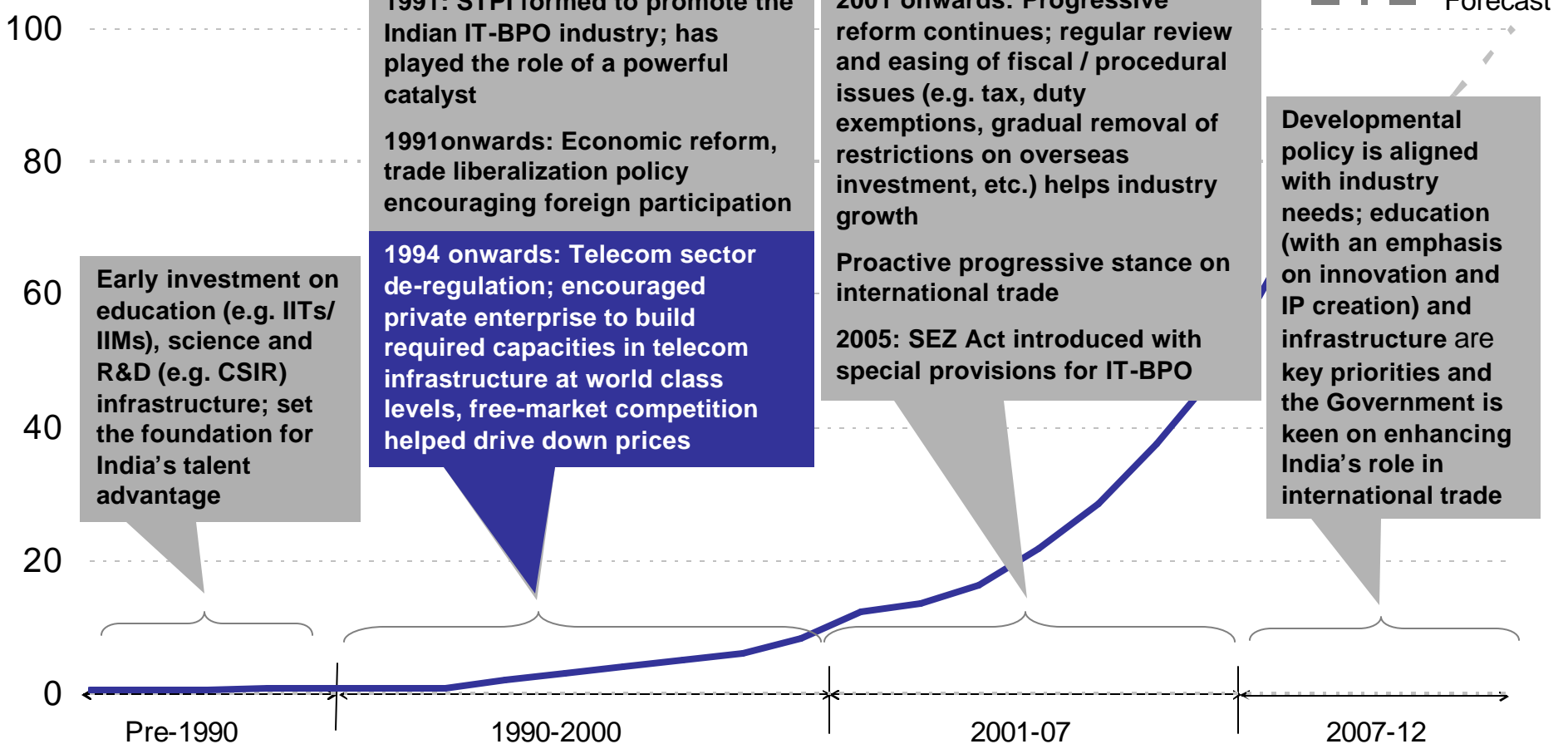
- Greater experience, scale, scope and client confidence
- 'First-choice' for customers seeking to enhance their global sourcing initiatives

Timely policy actions in the early years, and progressive reform have played a key role in nurturing Indian IT-BPO growth

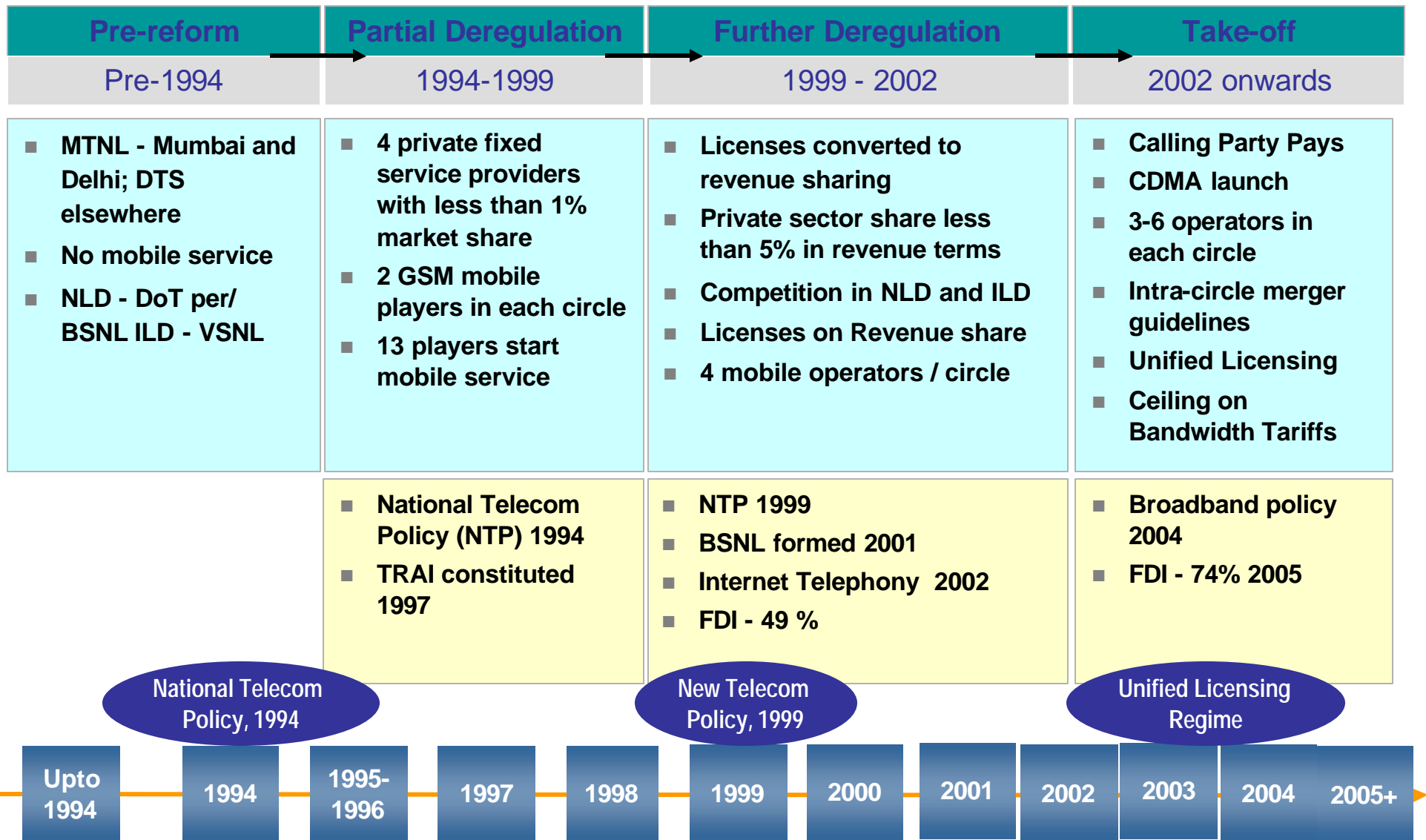
Indian IT-BPO Growth

Key policy actions that have aided IT-BPO growth

USD Billion

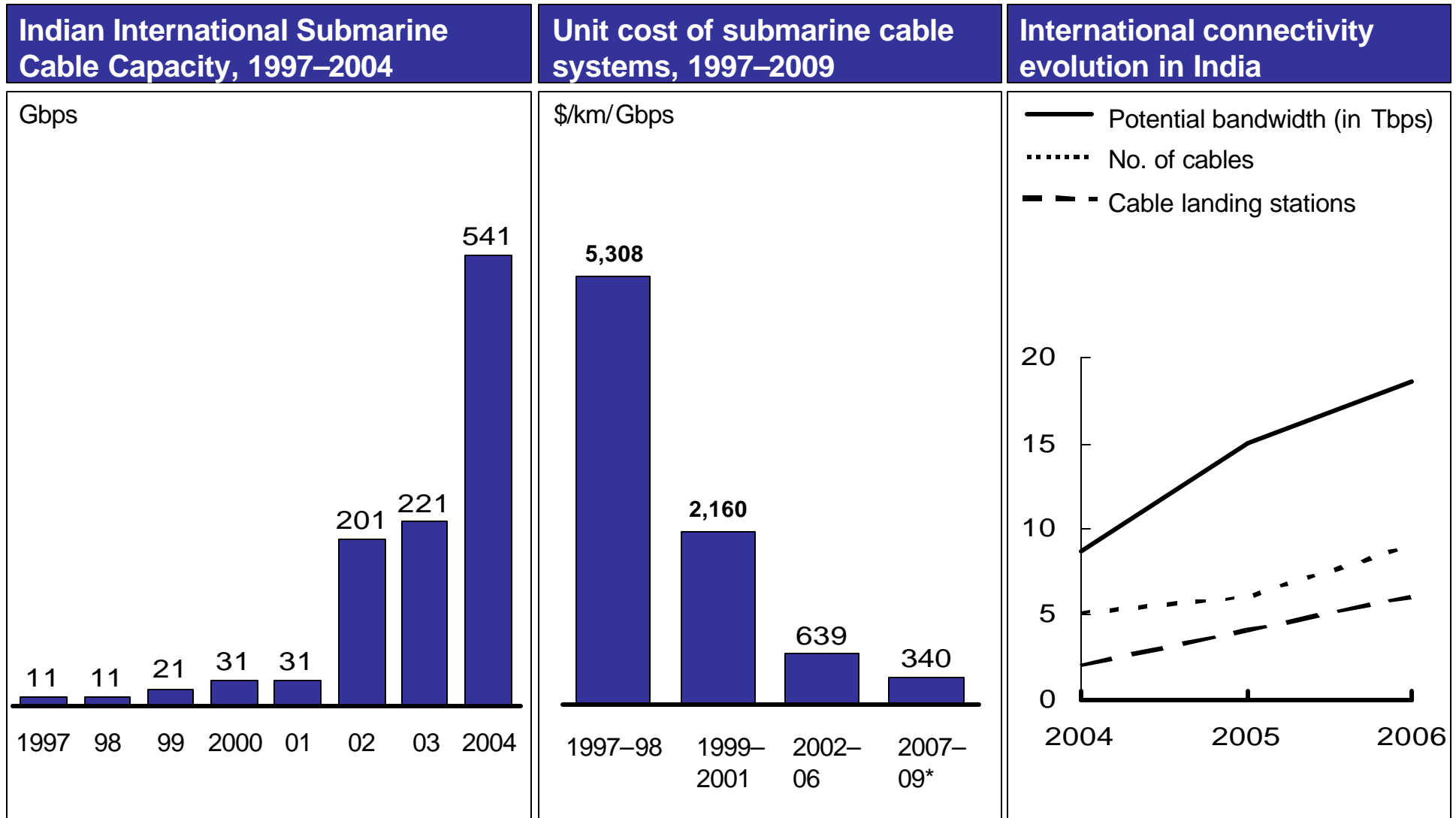


Telecom policy reform has laid special emphasis on independent regulation, competition and investment facilitation



Source: IBEF

...that has played a key role in forming the 'raison d'être' of Indian IT-BPO success



* Estimated

Source: TeleGeography, a research division of PriMetrica, Inc.; TRAI; McKinsey analysis

Copyright © NASSCOM 2008