

IT Services Snapshot

Implications from TPI 1QCY08 call for Indian IT

Issue no 49

- **TPI**, a global outsourcing advisory firm, recently provided its quarterly update on the outsourcing market trends. **Key points relevant for Indian IT in our view are:** 1) greater need for offshore players with global footprint; 2) increasing number of smaller deals with lower duration, which is favorable for Indian players; 3) EMEA continues to be strong, but Americas is weak.
- **Confirms trends towards offshoring - Indian vendors benefit:** TPI indicated that some large companies have turned cautious on discretionary expense, but are definitely looking to move more work offshore. Indian service providers have also started winning larger deals in Europe.
- **Europe is strong, Americas Weak:** Over 65% of 1Q08 ACV (Annualized Contract Value) was signed in Europe. In the Americas, 83% of the contracts were under \$100M (compared to 58% in 2003), average contract duration went below 5 years, and ITO had a TCV of only \$1.3B (lowest in the last 5 quarters). Overall, TPI estimates annualized revenues for '08 to see 9.1% y/y growth, compared to a five year CAGR of 5.8%. TPI expects 2008 growth to be driven by EMEA (13.6%) and Asia/Pacific (16.9%), while Americas is expected to be weak (2.9%).
- **Investment view:** Trends from TPI clearly indicate the increasing importance of offshore players with a global footprint in the IT Services space. While the near-term demand environment might be softer as indicated in the recent results of Indian IT companies, the offshoring trend appears intact and Indian vendors look set to continue to gain greater market share.

eBusiness/IT Services

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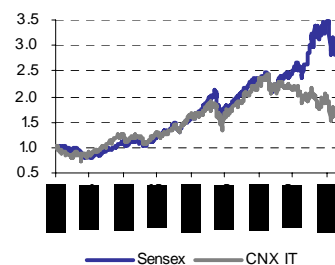
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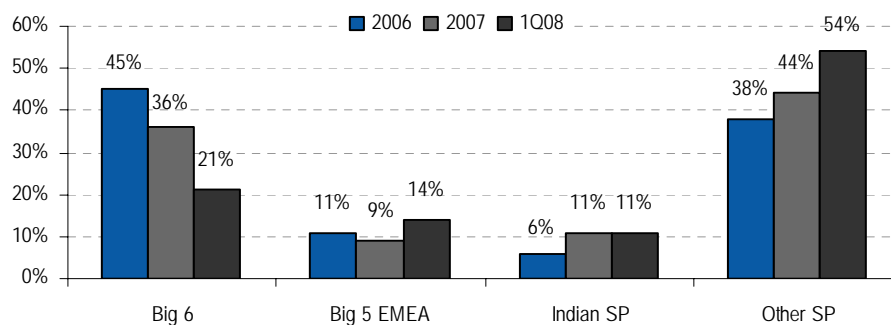
CNX IT vs. Sensex

Indexed to 1 at Jan 2004



Source: Bloomberg

Indian service providers gaining market share



Source: TPI

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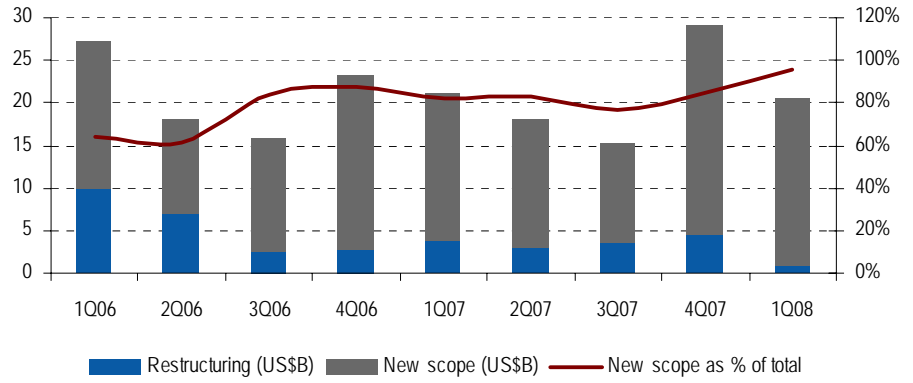
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“New scope” contracts give better insight into new business/growth. These were up significantly in 1Q08.

1Q08 ACV of \$4.4B was up 18% y/y. Most of the ACV in 1Q08 was new scope.

Figure 1: Industry-wide Contracts with TCV > \$25M: Q/Q Comparison



Source: TPI

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