Report on IT Solutions in India

For Webtel Electrosoft Ltd.

September 2025

Disclaimer

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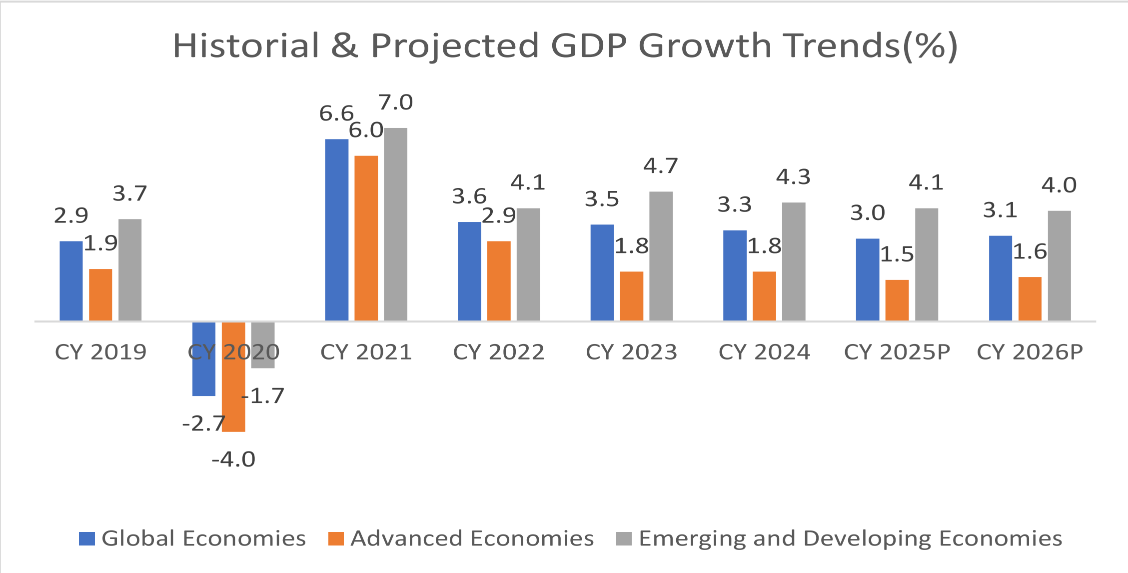
Global Macroeconomic Scenario

Global GDP Growth Pattern

The global economy, which recorded GDP growth at 3.3% in CY 2024, is expected to show moderation by growing at 3.0% in CY 2025. This marks the slowest expansion since 2020 and reflects a -0.3%point downgrade from January 2025 forecast. Moreover, the projection for CY 2026 has also reduced to 3.1%.

This slowdown is majorly attributed due to numerous factors such as high inflation in many economies despite central bank effort to curb inflation, continuing energy market volatility driven by geopolitical tensions particularly in Ukraine and Middle East, and the re-election of Donald Trump as US President extended uncertainty around the trade policies as well as overall global economic growth.

High inflation and rising borrowing costs affected the private consumption on one hand while fiscal consolidation impacted the government consumption on the other hand. As a result, global GDP growth is projected to slow down from 3.3% in CY 2024 to 3.0% in CY 2025.



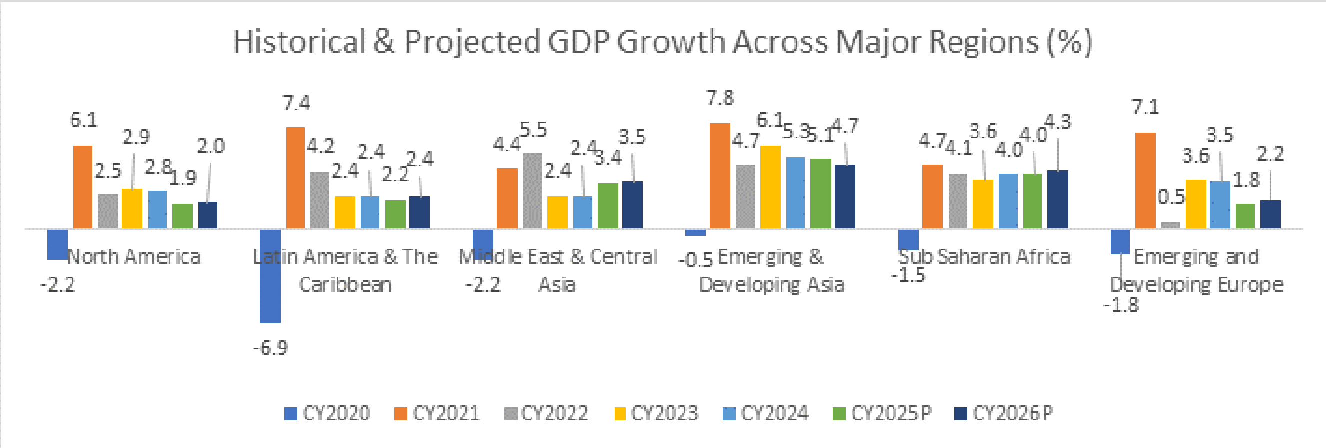
Source – IMF Global GDP Forecast Release July 2025, P-Projected

Note: Advanced Economies and Emerging & Developing Economies are as per the classification of the World Economic Outlook (WEO). This classification is not based on strict criteria, economic or otherwise, and it has evolved over time. It comprises of 40 countries under the Advanced Economies including the G7 (the United States, Japan, Germany, France, Italy, the United Kingdom, and Canada) and selected countries from the Euro Zone (Germany, Italy, France etc.). The group of emerging market and developing economies (156) includes all those that are not classified as Advanced Economies (India, China, Brazil, Malaysia etc.)

Economic Growth Trends Across Key Economies

GDP growth across major regions exhibited a mixed trend between 2022-23, with GDP growth in many regions including North America, Emerging and Developing Asia, and Emerging and Developing Europe slowing further in 2024. In 2025, GDP growth rate in Emerging and Developing Asia (India, China, Indonesia, Malaysia, etc.) is expected to moderate further to 5.1% from 5.3% in the previous year, while in the North

America, it is expected to moderate to 1.9% in CY 2025 from 2.8% in CY 2024. Similarly in Emerging and Developing Europe is expected to moderate further to 1.8% from 3.5% in the previous year.



Source-IMF World Economic Outlook July 2025 update; P-Projected

Except Middle East & Central Asia, all other regions like Emerging and Developing Asia, Emerging and Developing Europe, Latin America & The Caribbean, Sub Saharan Africa and North America, are expected to record a moderation in GDP growth rate in CY 2025 as compared to CY 2024. Further, growth in the United States is expected to come down at 1.9% in CY 2025 from 2.8% in CY 2024 due to lagged effects of monetary policy tightening, gradual fiscal tightening, and a softening in labour markets slowing aggregate demand.

Global Economic Outlook

The global macroeconomic environment remains shaped by divergent regional trends and continued geopolitical and policymaking uncertainties. A wave of new U.S. tariffs, mostly effective from August 7, has shaken markets and raised costs for global trade. On August 1, the U.S. announced higher tariff rates for countries from which it imports goods, with most of the rates effective from August 7. A 15% rate will act as a baseline floor for countries with which the U.S. has a trade deficit; a 10% rate applies for those with which the U.S. has a trade surplus. However, there are some countries that are subject to higher U.S. tariffs.

In North America, the United States continues to engage in trade negotiations with multiple countries and has announced plans to introduce sector-specific tariffs, targeting industries such as copper and pharmaceuticals. However, talks with Canada have stalled, despite Canada's decision to withdraw its Digital Services Tax in an effort to ease tensions. As a result, the U.S. imposed a 35% tariff on Canadian goods that do not meet USMCA compliance standards, effective August 1. This move has further strained bilateral relations and added complexity to the regional trade landscape.

By August 7, the U.S. had announced increased tariffs of 15-50% on Asian economies, with most rates around 20%. Although these tariffs are lower than the levels announced in April, they remain higher than those applied to most Western counterparts, impacting exporters such as Taiwan Region (20%) and India (25%, with the U.S. saying this could rise to 50% at the end of August). Moreover, on July 28, the US imposed a 15% tariff on most EU imports under a new trade agreement, impacting Nordic countries such as Denmark, Finland, and Sweden. Key exemptions include aircraft parts and semiconductor equipment, while steel and aluminum continue to face 50% tariffs.

Tariffs and their unpredictable application have weighed on consumer and business sentiment, sunk global stock markets, raised recession risks, and made a global slowdown more likely. Our latest Global Business Optimism Insights report for indicates a further decline in business optimism as firms continue to grapple with trade-related policy uncertainty and its broader economic implications. Export-driven sectors reported sharp declines in optimism. Financial risk perceptions remain elevated as businesses contend with high borrowing costs and persistent inflation expectations. More broadly, the uncertainty is reflected in delayed capital expenditure and a pullback in hiring.

Tariffs have begun to exert pressure on central banks by contributing to inflationary pressures and increasing financial market volatility. Central banks are adjusting forward guidance and policy frameworks and may begin to consider the likelihood of softer growth being a bigger priority than high inflation by starting to cut interest rates to support economies. For businesses, this uncertainty translates into unpredictable cost structures, fluctuating credit availability, and the management of operational costs through diversified supply networks.

Our latest Global Business Optimism Insights report reveals a further decline in business optimism, though at a more moderate pace than in the prior quarter, as businesses continued to grapple with trade-related policy uncertainty and its broader economic implications. Export-driven sectors such as automotives, electricals, and metals saw sharp declines in optimism, particularly in the U.S., Mexico, South Korea, and Japan, where rising tariffs and shifting trade policies have fueled cost pressures and demand volatility. Financial risk perceptions remain elevated.

Global Growth Projection

At broader level, the global economy is expected to experience a slowdown in 2025, with GDP growth projected to decline to 3.0%, down from 3.3% in 2024. This deceleration reflects persistent inflationary pressure, geopolitical uncertainties and tightened monetary policies. However, a sightly recovery is anticipated in 2026, with growth projected to improve to 3.1%. Global inflation is expected to decline steadily, to 4.2% in 2025 and to 3.6% in 2026. Inflation is projected to converge back to the target earlier in advanced economies, reaching 2.2% in 2026, whereas in emerging market and developing economies, it is anticipated to decrease to 4.6% during the same period. Trade tariffs function as a supply shock for the countries imposing them, leading to a decrease in productivity and an increase in unit costs. Countries subject to tariffs experience a negative demand shock as export demand declines, placing downward pressure on prices. In each scenario, trade uncertainty introduces an additional layer of demand shock since businesses and households react by delaying investment and spending, and this impact could be intensified by stricter financial conditions and heightened exchange rate volatility. Moreover, Global trade growth is expected to slow down in 2025 to 1.7%. This forecast reflects increased tariff restrictions affecting trade flows and, to a lesser extent, the waning effects of cyclical factors that have underpinned the recent rise in goods trade. Geopolitical tensions as seen in the past such as the wars in Ukraine and the Middle East could exacerbate inflation volatility, particularly in energy and agricultural commodities.

Indian Macroeconomic Scenario

India emerged as one of the fastest growth economies amongst the leading advanced economies and emerging economies. In CY 2024, even amidst geopolitical uncertainties, particularly those affecting global energy and commodity markets, India continues to remain one of the fastest growing economies in the world and is expected to grow by 6.4% in CY 2025.

Country	CY 2020	CY 2021	CY 2022	CY 2023	CY 2024	CY 2025 P	CY 2026 P
India	–5.8%	9.7%	7.6%	9.2%	6.5%	6.4%	6.4%
China	2.3%	8.6%	3.1%	5.4%	5.0%	4.8%	4.2%
United States	-2.2%	6.1%	2.5%	2.9%	2.8%	1.9%	2.0%
Japan	-4.2%	2.7%	0.9%	1.4%	0.2%	0.7%	0.5%
United Kingdom	-10.3%	8.6%	4.8%	0.4%	1.1%	1.2%	1.4%
Russia	-2.7%	5.9%	-1.4%	4.1%	4.3%	0.9%	1.0%

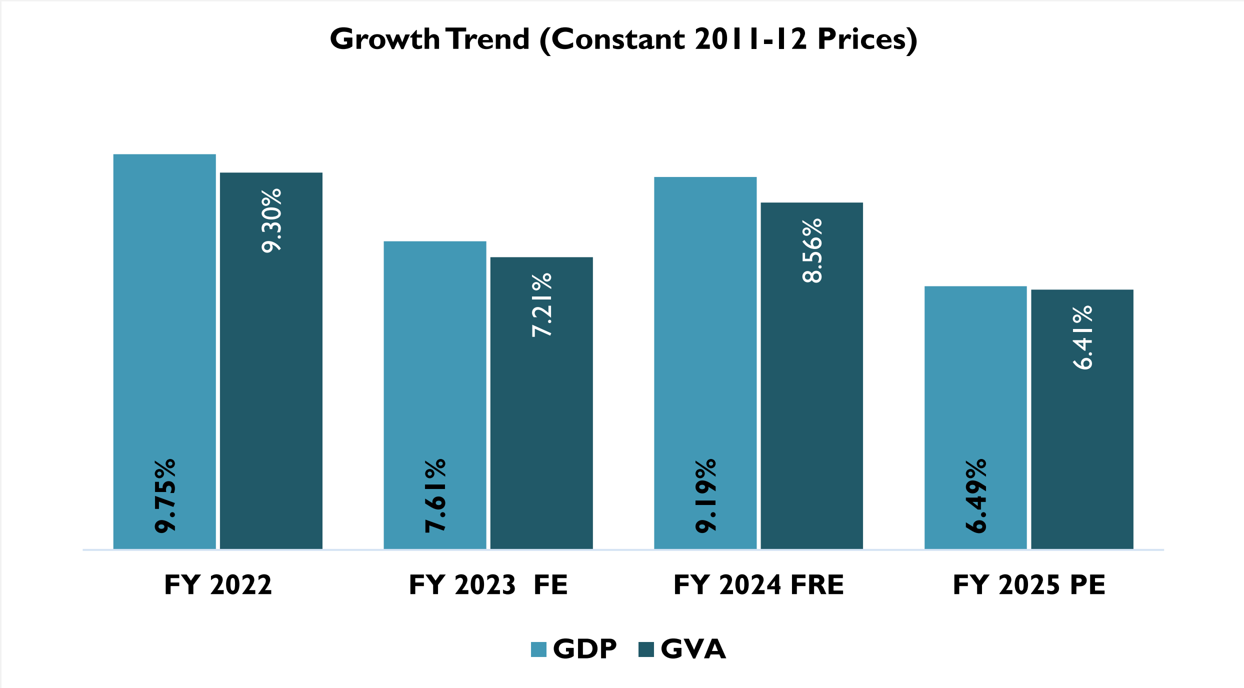
Source: World Economic Outlook, July 2025, P-Projected

The Government stepped spending on infrastructure projects to boost the economic growth had a positive impact on economic growth. The annual growth in capital expenditure of the central government moderated to 7.27% in FY 2025 against the average of 26.52% in the previous two fiscal which translated in moderation GDP growth in 2024 to 6.5% against 9.2% in the previous calendar year.

In the Union Budget 2025-2026, the government announced INR 11.21 billion capex on infrastructure (10.12% higher than previous year revised estimates) coupled with INR 1.5 trillion in interest-free loans to states. This has provided much-needed confidence to the private sector and is expected to attract the private investment and support India's economic growth in the current year.

Historical Growth Trend

As per the latest estimates, India's GDP at constant prices is estimated to grow to INR 187.96 trillion in FY 2025 (Provisional Estimates) with the real GDP growth rates estimated to be 6.5% for FY 2025. Similarly, real Gross Value Added (GVA) growth stood is estimated to have moderated to 6.4% in FY 2025. Even amidst global economic uncertainties, India's economy exhibited resilience supported by robust consumption and government spending.

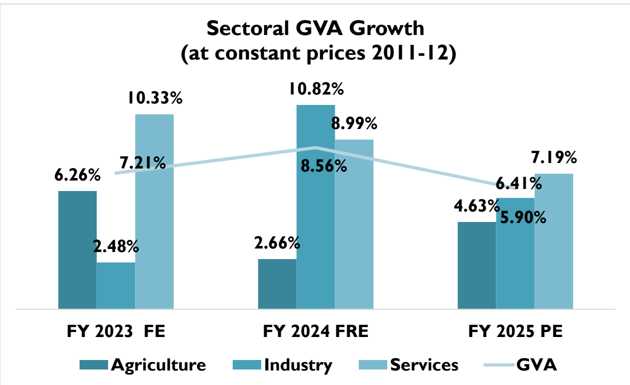


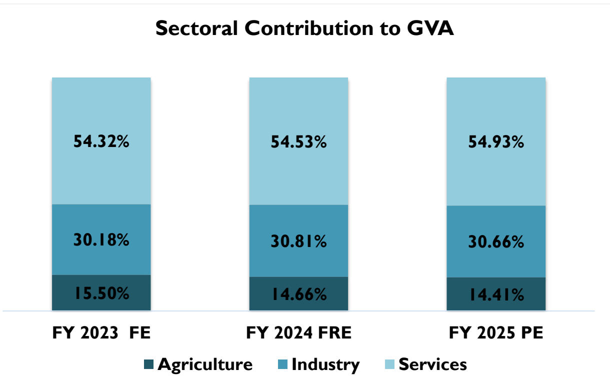
Source: Ministry of Statistics & Programme Implementation (MOSPI), National Account Statistics: FY2025.

FE is Final Estimates, FRE is First Revised Estimate and PE is Provisional Estimates

Sectoral Contribution to Economic Growth

Sectoral analysis of GVA reveals that the industrial sector experienced a moderation in FY 2025, recording a 5.90% y-o-y growth against 10.82% year-on-year growth in FY 2024. Within the industrial sector, growth moderated across sub sector with mining, manufacturing, and construction activities growing by 2.69%, 4.52%, and 9.35% respectively in FY 2025, compared to 3.21%, 12.30%, and 10.41% in FY 2024. Growth in the utilities sector too moderated to 6.03% in FY 2025 from 8.64% in the previous year. The industrial sector's contribution to GVA moderated marginally from 30.81% in FY 2024 to 30.66% in FY 2025.





Source: Ministry of Statistics & Programme Implementation (MOSPI)

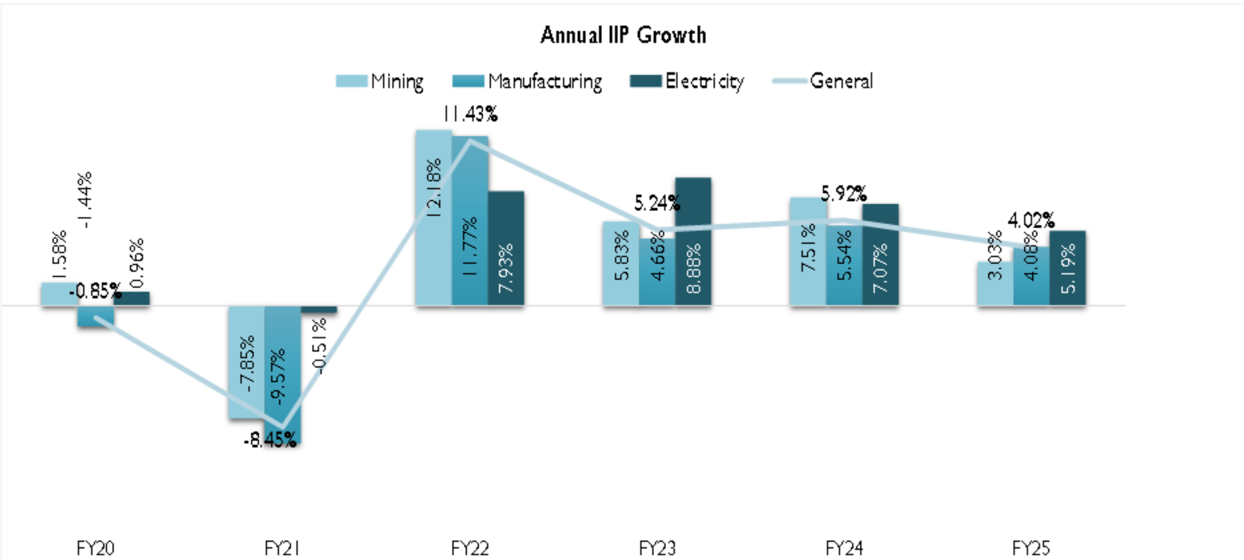
FE is Final Estimates, FRE is First Revised Estimate and PE is Provisional Estimates

The services sector continued to be the main driver of economic growth, although its pace moderated. It expanded by 7.19% in FY 2025 from 8.99% in FY 2024. The services sector retained its position as the largest contributor to GVA, rising from 54.32% in FY 2023 to 54.53% in FY 2024, with a further increase to 54.93% in FY 2025.

The agriculture sector saw an acceleration, with growth increasing from 2.66% in FY 2024 to 4.63% in FY 2025. However, its contribution to GVA declined marginally from 14.66% in FY 2024 to 14.41% in FY 2025. Overall, Gross Value Added (GVA) growth moderated to 6.41% in FY 2025 from 8.56% in FY 2024

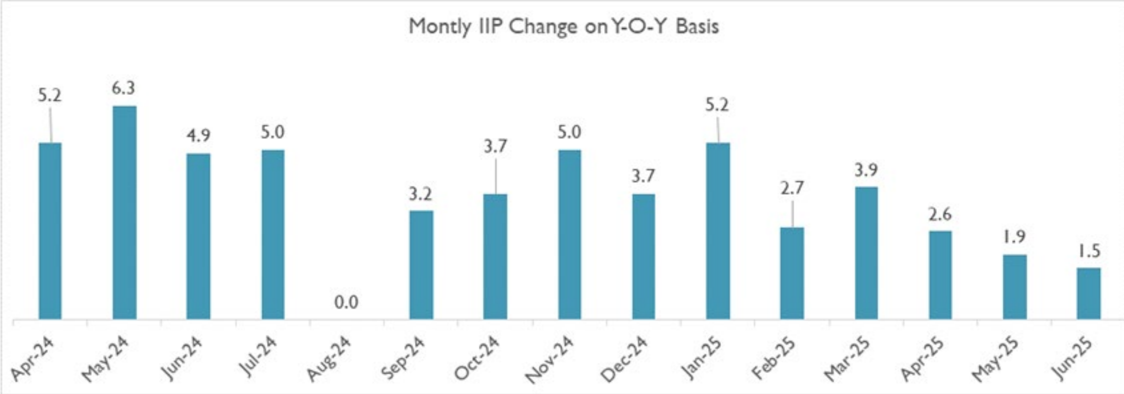
Industrial Activity in India

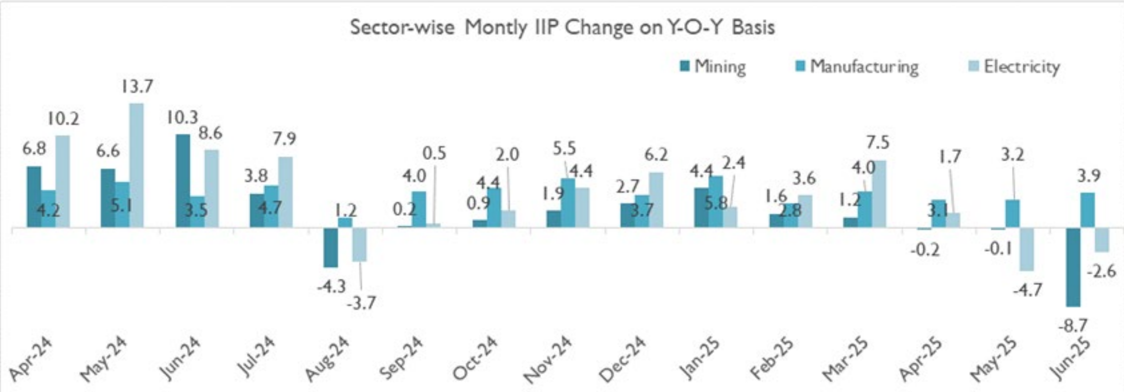
Industrial sector performance as measured by IIP index exhibited moderation in FY 2025, recording a 4.02% y-o-y growth against 5.92% increase in the previous year. The manufacturing index showed moderation and grew by 4.08% in FY 2025 against 5.54% in FY 2024. Mining sector index too moderated and exhibited a growth of 3.03% in FY 2025 against 7.51% in the previous years while the Electricity sector Index, also witnessed moderation of 5.19% in FY 2025 against 7.07% in the previous year.



Source: Ministry of Statistics & Programme Implementation (MOSPI)

The IIP growth rate for the month of June 2025 is 1.5% which was 1.9% in the month of May 2025. The growth rates of the three sectors, Mining, Manufacturing and Electricity for the month of May 2025 are (-)8.7%, 3.9% and (-)2.6% respectively.

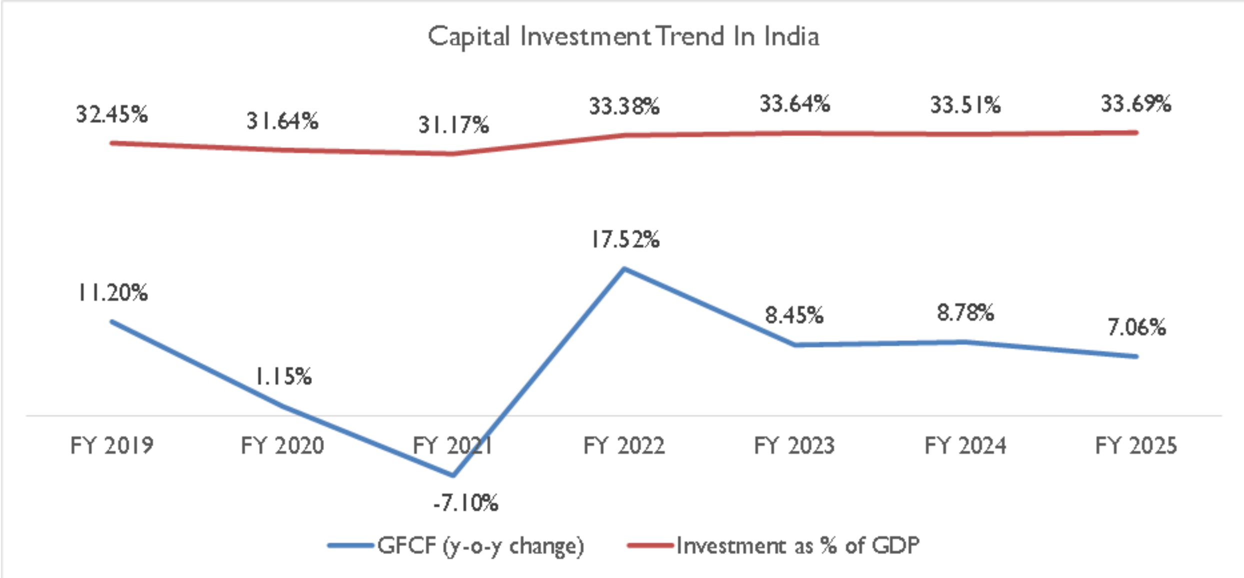


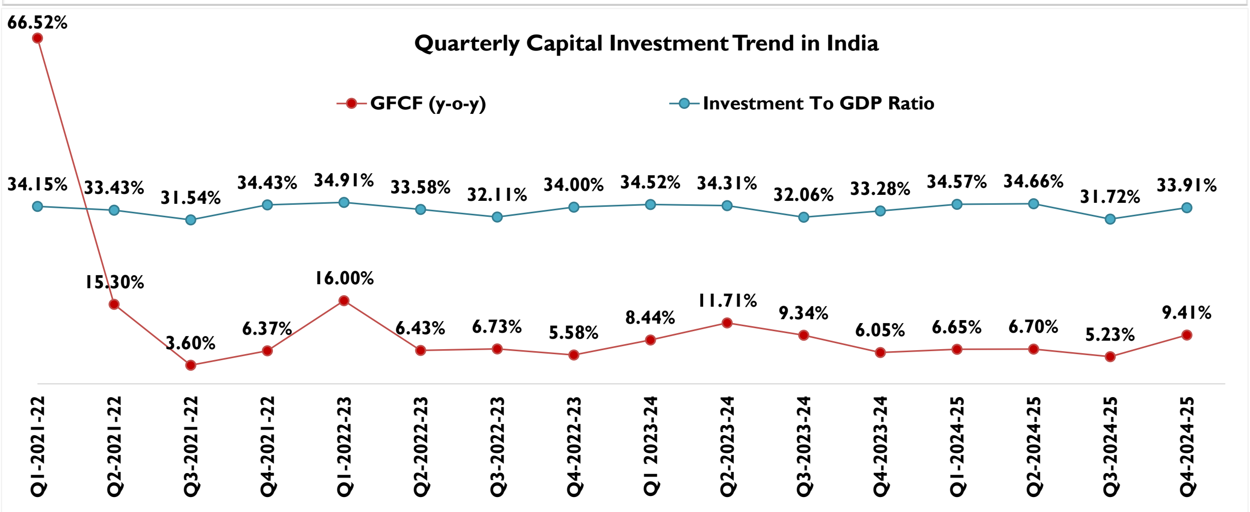


Source: Ministry of Statistics & Programme Implementation (MOSPI)

Investment & Consumption Scenario

Other major indicators such as Gross fixed capital formation (GFCF), a measure of investments, has shown fluctuation during FY 2025 as it registered 7.06% year-on-year growth against 8.78% yearly growth in FY 2024, taking the GFCF to GDP ratio measured to 33.69%.



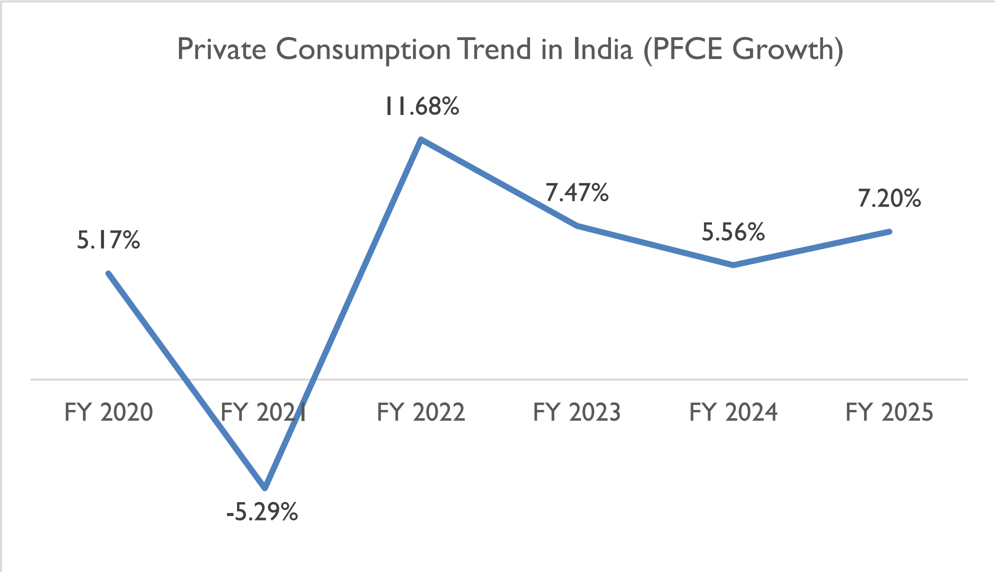


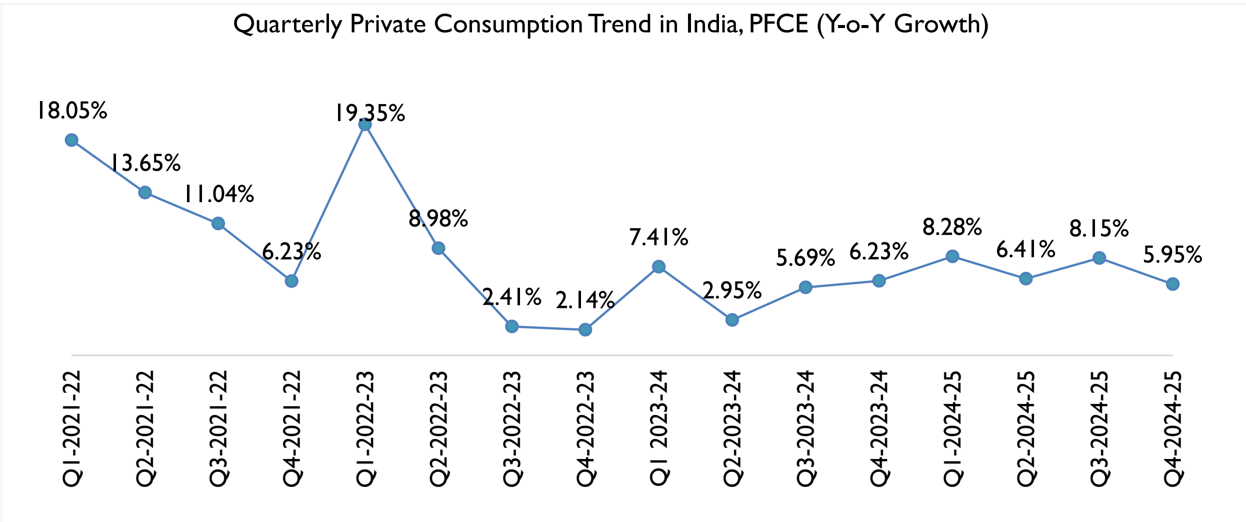
Source: Ministry of Statistics & Programme Implementation (MOSPI)

On quarterly basis, GFCF exhibited a fluctuating trend in quarterly growth over the previous year same quarter. In FY 2024, the growth rate moderated to 6.05% in March quarter against the previous two quarter as government went slow on capital spending amidst the 2024 general election while it observed an improvement in Q1 FY 2025 by growing at 6.65% against 6.05% in the previous quarter and moderated in the subsequent two quarter. On yearly basis, the growth rate remained lower compared to the same quarter in the previous year during FY 2025. The GFCF to GDP ratio measured 33.91% in Q4 FY 2025.

Private Consumption Scenario

Private Final Consumption Expenditure (PFCE) a realistic proxy to gauge household spending, observed growth in FY 2025 as compared to FY 2024. However, quarterly data indicated some improvement in the current fiscal as the growth rate improved over the corresponding period in the last fiscal.





Sources: MOSPI

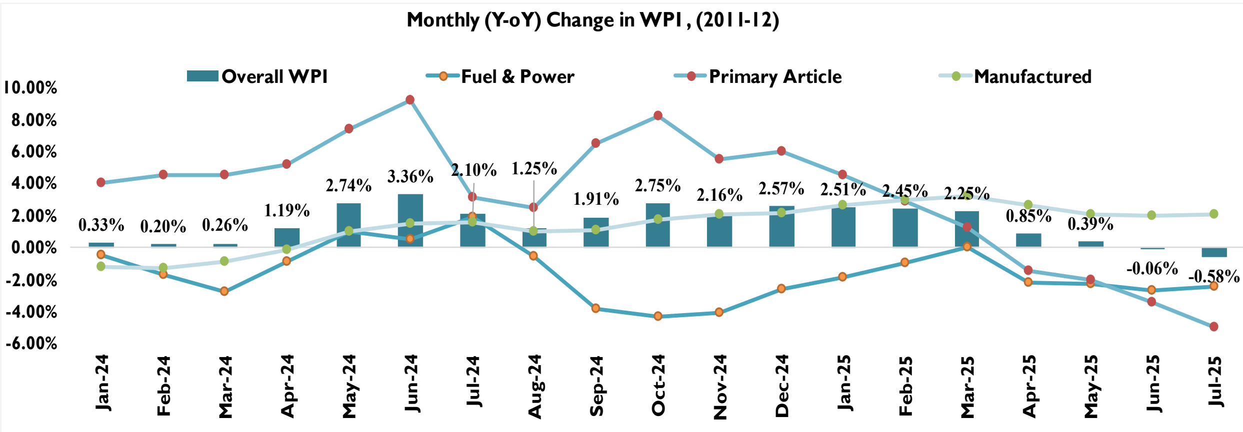
Inflation Scenario

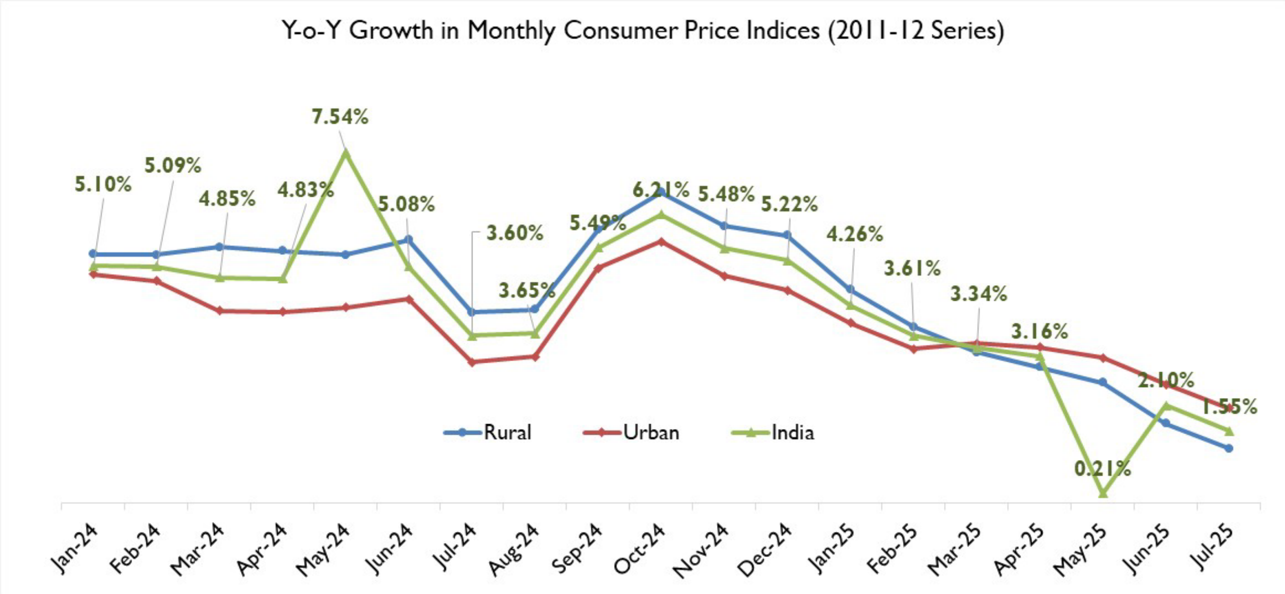
The inflation rate based on India's Wholesale Price Index (WPI) exhibited significant fluctuations across different sectors from January 2024 to July 2025. The annual rate of inflation based on All India Wholesale Price Index (WPI) number is (-) 0.58% (provisional) for the month of July, 2025 (over July, 2024). Negative rate of inflation in July 2025 is primarily due to increase in prices of manufacture of food products, electricity, other manufacturing, chemicals and chemical products, manufacture of other transport equipment and non-food articles etc.

By July 2025, Primary Articles (Weight 22.62%), - The index for this major group increased by 1.18 % from 185.8 (provisional) for the month of June 2025 to 188.0 (provisional) in July, 2025. Price of Crude Petroleum & Natural Gas (2.56%), non-food articles (2.11%) and food articles (0.96%) increased in July, 2025 as compared to June, 2025. The price of minerals (-1.08%) decreased in July, 2025 as compared to June, 2025.

Moreover, power & fuel, the index for this major group increased by 1.12% from 143.0 (provisional) for the month of June, 2025 to 144.6 (provisional) in July, 2025. The price of mineral oils (1.98%) increased in July, 2025 as compared to June, 2025. Price of coal (-0.44%) and electricity (-0.36%) decreased in July, 2025 as compared to June, 2025.

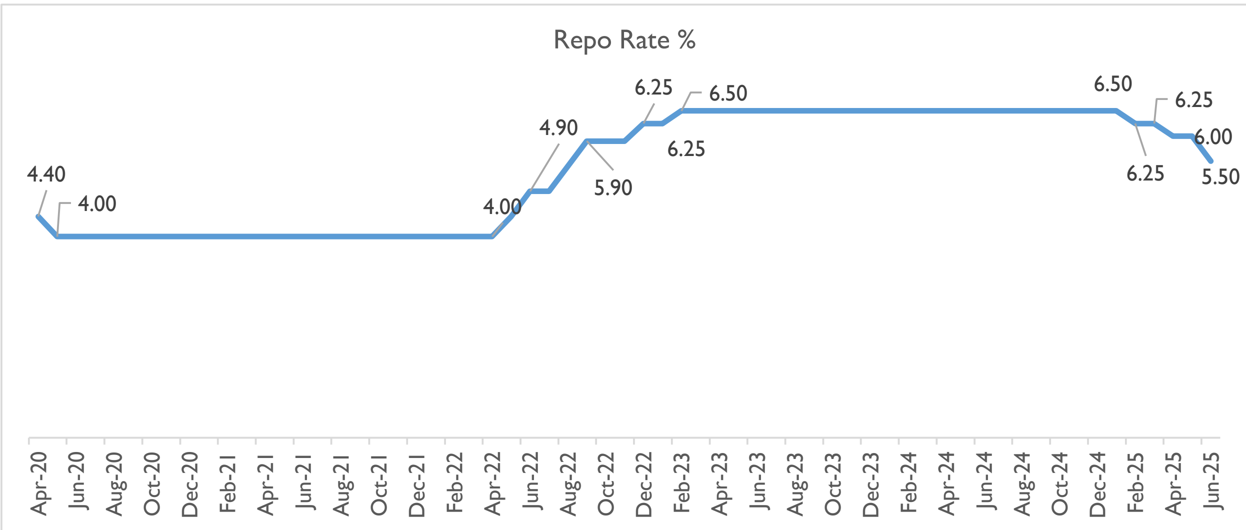
Furthermore, Manufactured Products (Weight 64.23%), The index for this major group declined by 0.14% from 144.8 (provisional) for the month of June, 2025to 144.6 (provisional) in July, 2025. Out of the 22 NIC two-digit groups for manufactured products, 9 groups witnessed an increase in prices, 9 groups witnessed a decrease in prices and 4 groups witnessed no change in prices. Some of the important groups that showed month-over-month increase in prices were other manufacturing; other transport equipment; motor vehicles, trailers and semi-trailers; other non-metallic mineral products and furniture etc. Some of the groups that witnessed a decrease in prices were manufacture of basic metals; fabricated metal products, except machinery and equipment; food products; chemicals and chemical products and paper and paper products etc in July, 2025 as compared to June, 2025.





Source: MOSPI, Office of Economic Advisor

Retail inflation rate (as measured by the Consumer Price Index) in India showed notable fluctuations between January 2024 and July2025. Overall, the national CPI inflation rate moderated to 1.55% by July 2025, indicating a gradual easing of inflationary pressures across both rural and urban areas. Rural CPI inflation peaked at 6.68% in October 2024, declining to 1.18% in July 2025. Urban CPI inflation followed a similar trend, rising to 5.62% in October 2024 and then dropping to 2.05% in July 2025. CPI measured above 6.00% tolerance limit of the central bank since July 2023. As a part of an anti-inflationary measure, the RBI has hiked the repo rate by 250 bps since May 2022 and 8 Feb 2023 while it held the rate steady at 6.50 % till January 2025. On 6th June 2025, RBI reduced the repo rate by 50 basis points which currently stands at 5.50%.



Sources: CMIE Economic Outlook

Growth Outlook

The Union Budget 2025-26 has laid the foundation for sustained growth by balancing demand stimulation, investment promotion and inclusive development. Inflation level is reaching within the central bank's target;

the RBI may pursue further monetary easing that will support growth. The medium-term outlook is bright, fueled by the emphasis on physical and digital infrastructure spending.

With a focus on stimulating demand, driving investment and ensuring inclusive development, the budget introduces measures such as tax relief, increased infrastructure spending and incentives for manufacturing and clean energy. These initiatives aim to accelerate growth while maintaining fiscal discipline, reinforcing India's long-term economic resilience. The expansion of tax relief i.e zero tax liability for individuals earning up to INR 12 lacs annually under the new tax regime is expected to strengthen household finances and, consequently, boost consumption.

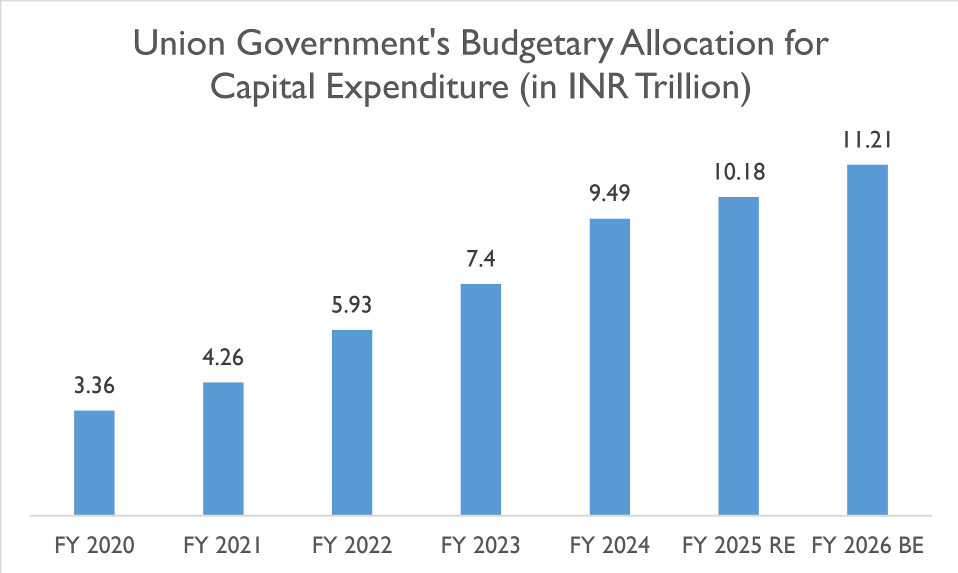
The external sector remains resilient, and key external vulnerability indicators continue to improve. However, tariff-related uncertainty is likely to weigh on exports and investment, prompting us to cut our CY26 GDP growth forecast to 6.4%.

Factors Supporting Growth

Government focus on infrastructure development

Infrastructure development has remained recurring theme in India's economic development. As India aims to grow to a USD 5 trillion economy by 2027, Construction sector that include Infrastructure construction will be critical for boosting economic growth as it is the key growth enabler for several other sector. Infrastructure development provides impetus to other sectors like cement, bitumen, iron and steel, chemicals, bricks, paints, tiles, financial services among others. A unit increase in expenditure in construction sector has a multiplier effect on other sectors with a capacity to generate income as high as five times in other sectors. The sector enjoys intense focus from the Government which is well reflection in higher budgetary allocations. To push the infrastructure development, government has also announced higher budgetary allocation, various arrangement for raising funds through road asset monetization plan and converting of NHAI's existing InvIT into a public one is also planned. With economic targeting to reach USD 5 trillion economy by 2027, demand for various infrastructure facilities such as power, cargo movement, passenger movement is likely to grow which necessitate steady capacity addition in infrastructure facilities.

The launch of flagship policies like National Infrastructure Pipeline (NIP), and PM Gati Shakti plan have provided the coordination & collaboration that was lacking earlier. Both NIP and PM Gati Shakti are ambitious billion-dollar plans that aim to transform India's infrastructure, elevating it to the next level. These projects are expected to improve freight movement, debottleneck the logistics sector, and improve the industrial production landscape, which would provide the incremental growth in GDP.



Union Budget, Government of India; RE – Revised Estimates ; BE – Budgeted Estimates

Value in INR BN	FY'20	FY'21	FY'22	FY'23	FY'24	FY'25 RE	FY'26B.E.	CAGR FY20-24	y-o-y Growth FY'26
Railway	678.42	299.26	1,172.71	1,592.56	2,426.48	2,523.77	2,520.00	37.52%	-0.10%
Road & Bridges	707.14	922.94	1,167.88	2,104.96	2,698.65	2,588.53	2,591.18	39.77%	0.10%
Energy & Power	13.74	30.19	35.2	20.83	69.99	59.77	106.46	50.23%	78.10%
Water Transport	0	0	4.68	5.44	10.11	7.08	12.55	NM	77.30%
Irrigation	2.59	1.33	1.59	1.38	1.8	2.41	4.86	-8.75%	101.50%
Urban Development	37.13	17.21	43.6	67.99	44.7	61.75	49.91	4.75%	-19.20%
Total of the above	1,439.02	1,270.92	2,425.65	3,793.17	5,251.74	5,243.31	5,284.96	38.22%	0.80%

y-o-y growth in FY 2026 is B.E. over RE, B.E is Budgeted Estimate and R.E. is revised estimates.

Witnessing the CAGR growth of the budgetary allocation historically, construction of the road & highway, railway, energy and power and Urban Infrastructure has remained a focused area over the period FY 2020-24. While in Union Budget 2025-26, spending towards energy and power, water transport and Irrigation increased substantially over the previous year revised estimated. Substantial budgetary allocation for the development of roads, railways, airports, and urban infrastructure, the government stimulates economic growth and improves public facilities.

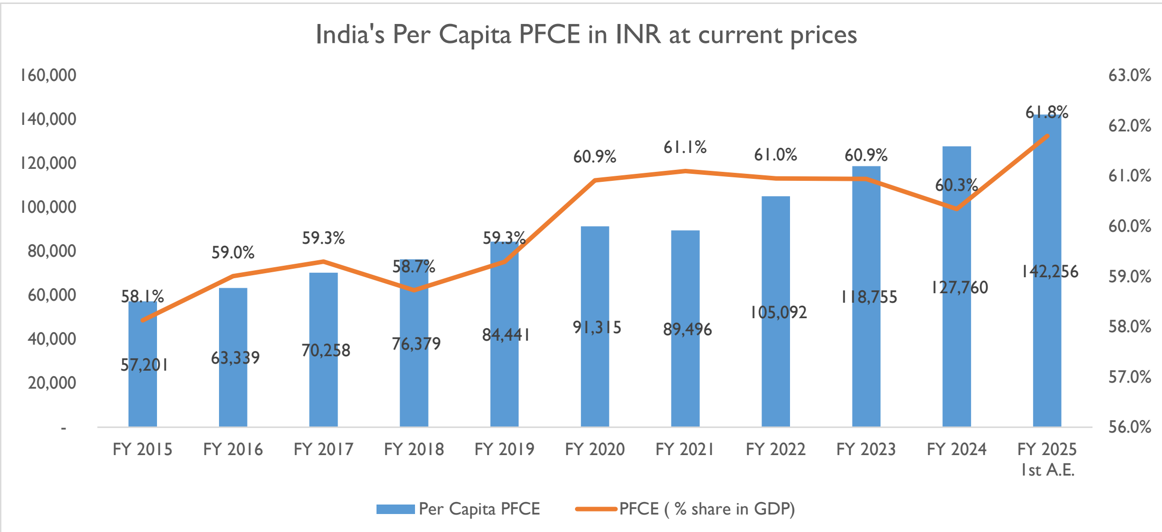
Development of Domestic Manufacturing Capability

The Government launched Production Linked Incentive (PLI) scheme in early 2020, initially aimed at improving domestic manufacturing capability in large scale electronic manufacturing and gradually extended to other sectors. At present it covers 14 sectors, ranging from medical devices to solar PV modules. The PLI scheme provides incentives to companies on incremental sales of products manufactured in India. This incentive structure is aimed to attracting private investment into setting up manufacturing units and thereby beef up the domestic production capabilities. The overall incentives earmarked for PLI scheme is estimated to be INR 2 trillion. If fully realizing the PLI scheme would have the ability to add nearly 4% to annual GDP growth, by way of incremental revenue generated from the newly formed manufacturing units.

Strong Domestic Demand

Domestic demand has traditionally been one of the strong drivers of Indian economy. After a brief lull caused by Covid-19 pandemic, the domestic demand is recovering. Consumer confidence surveys by Reserve Bank / other institutions are points to an improvement in consumer confidence index, which is a precursor of improving demand. India has a strong middle-class segment which has been the major driver of domestic demand. Factors like fast paced urbanization and improving income scenario in rural markets are expected to accelerate domestic demand further.

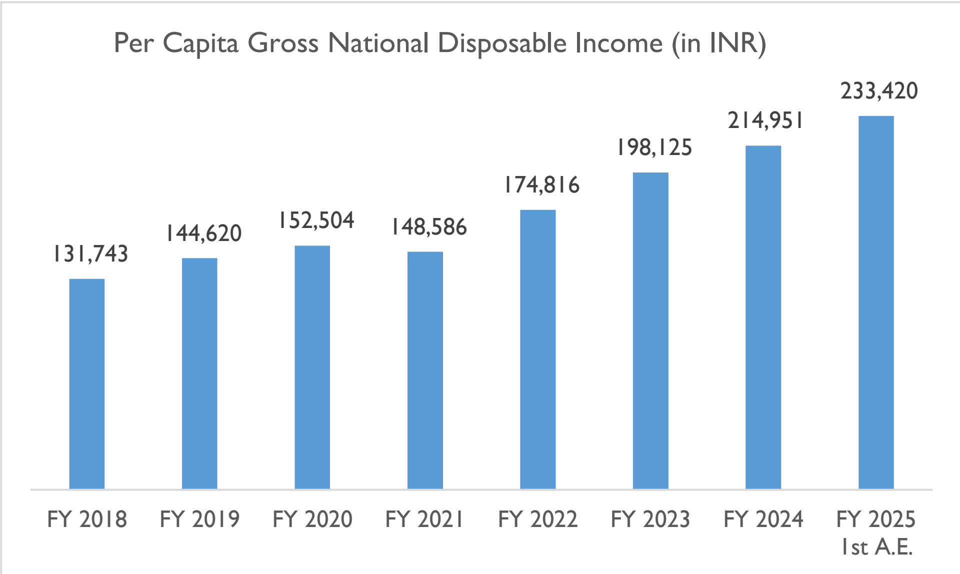
This revival is perfectly captured by the private final consumption expenditure (PFCE) metric. The PFCE at current prices is on steady rise from FY 2022 onwards. Between FY 2015-25, PFCE in India has improved by nearly 2.5 times its share in GDP has increased from 58.1% to about 61.8% in FY 2025 (as per the first advance estimates).



Source: Ministry of Statistics & Programme Implementation (MOSPI)

There are two factors that are driving this domestic demand: One the large pool of consumers and second the improvement in purchasing power.

- The share of middle class increased from nearly 14% in 2005 to nearly 30% in 2021 and is expected to cross 60% by 2047[1]. This expanding middle class household segment is fuelling India's growth story and would continue to play a key role in propelling India's economic growth.
- Consumer driven domestic demand is majorly fuelled by this growth in per capita income. As per National Statistics Office (NSO) As per National Statistics Office (NSO), India's per capita net national income (at constant prices) stood at INR 106,744 in FY 2024 against INR 99,404 in FY 2023 and INR 87,586 in FY 2018. This increase in per capita income has impacted the purchasing pattern as well as disposable income. The disposable income during the FY 2018-25 has increased from INR 131,753 to INR 233,420, increasing at CAGR 8.5% while in FY 2025 it is estimated to grow at 8.59% on year-on-year basis in FY 2025 against 8.49% in FY 2024.



Source: Ministry of Statistics & Programme Implementation (MOSPI)

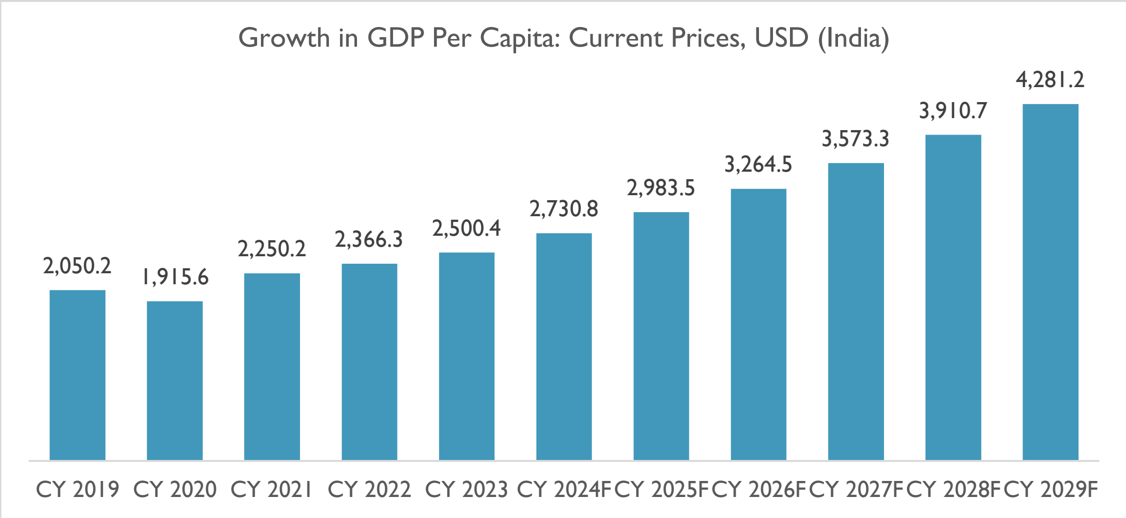
India's Per capita GDP trends

India is poised to become the world's third-largest economy with a projected GDP of USD 5 trillion within the next three years, driven by ongoing reforms. As one of the fastest-growing major economies, India currently holds the position of the fifth-largest economy globally, following the US, China, Japan, and Germany. By 2027-28, it is anticipated that India will surpass both Germany and Japan, reaching the third-largest spot.

This growth is bolstered by a surge in foreign investments and a wave of new trade agreements with India's burgeoning market of 1.4 billion people. The aviation industry is witnessing unprecedented orders, global electronics manufacturers are expanding their production capabilities, and suppliers traditionally concentrated in southern China's manufacturing hubs are now shifting towards India.

[1] As per the survey conducted by People Research on India's Consumer Economy. Households with annual income in the range of INR 5 – 30 lakh is considered as middle-class households.

To achieve its vision of becoming the world's third-largest economy by 2027-28, India will need to implement transformative industrial and governmental policies. These policies will be crucial for sustaining the consistent growth of the nation's per capita GDP over the long term.

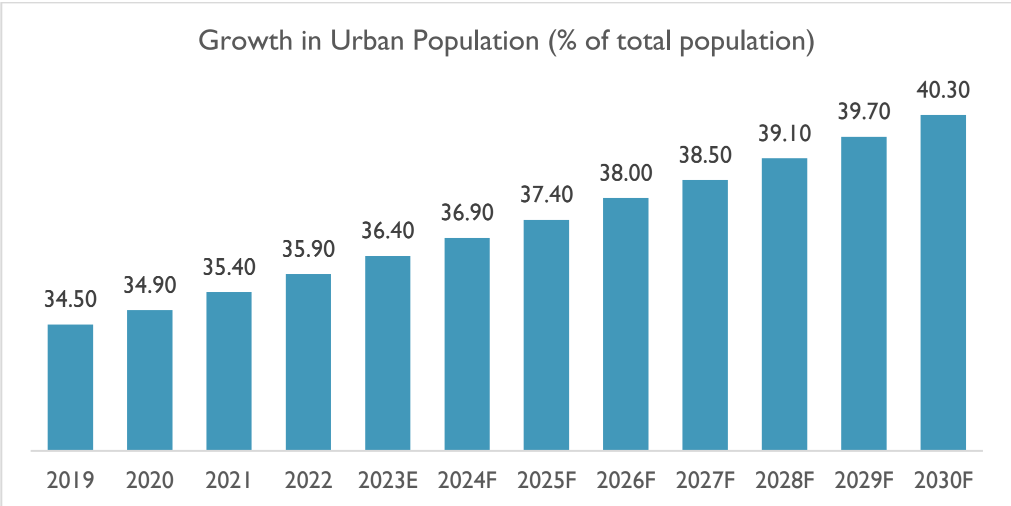


Source: IMF ; F- Forecasted

From CY 2024-29, India's per capita GDP is projected to grow at a compound annual growth rate of 9.4%. This growth will be driven by the service sector, which now accounts for over 50% of India's GDP, marking a significant shift from agriculture to services.

Increasing Urbanization

As per the handbook of urban statistics 2022, India's urban population has been on a steady rise, with urban dwellers accounting for over 469 million in 2021, is projected to soar to over 558 million by 2031 and further exceed to 600 million by 2036.



Source: World Bank[2] D&B Research and Estimates, F – Forecasted

[2] https://data.worldbank.org/indicator/SP.URB.TOTL.IN.ZS?end=2022&locations=IN&skipRedirection=true&start=1960&view=chart

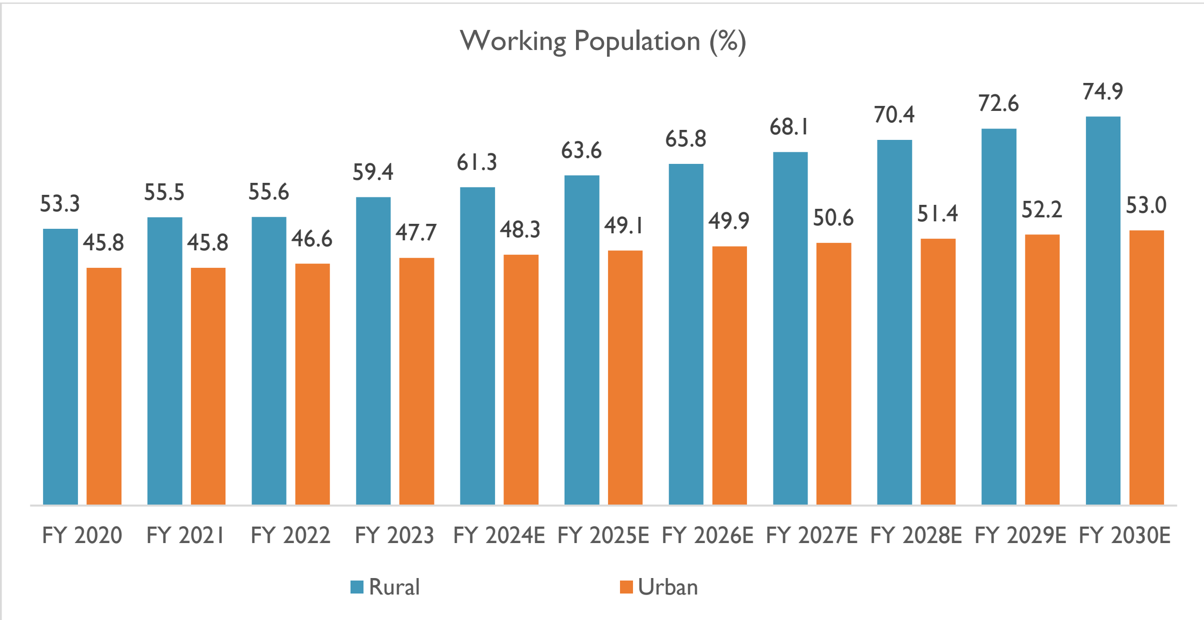
The share of urban population in total population has been quickly escalating. In 2019, 34.5% of the total population was urban. By 2023, this is estimated to have reached to 36.4%, showing an increment of 2.1% in a span of four years. The share of urban population is further forecasted to cross 40% by 2030. This increase in urban population is set to demand drastic changes in infrastructure development. Cities are a major driver for the construction industry. With cities expanding rapidly, there will be an increased need for improved housing, water supply, sewage systems, and electricity. Urban planning will need to account for higher population densities, necessitating the development of smart cities with integrated technology for efficient management of resources and services.

The Smart Cities Mission targeted at 100 cities is aimed at improving the quality of life through modernized/ technology driven urban planning. This transformation will also require significant investment in public health, education, and recreational facilities to enhance the quality of urban living. The surge in urban population will also propel demand for improvement in multimodal transport infrastructure for freight and passenger travel requirement.

Rural Vs Urban Working Population Age Group

As India continues to experience economic growth and development, the working population in both rural and urban areas is increasing. In case of urban population, this growth is marked from a share of 45.8% in FY20 to 47.7% in FY23, whereas in rural areas, it grew from 53.3% in FY20 to 59.4% in FY23.

This growth is driven by a combination of factors, including demographic changes, economic policies, and the expansion of various industries. The rise in employment opportunities across sectors such as agriculture, manufacturing, services, and information technology has contributed to the overall increase in the working population, thereby fostering economic stability and enhancing the standard of living for many Indians.



Source: Periodic Labour Force Survey (PLFS) Annual Report 2022-2023, D&B Research and Estimates

In urban areas, the working population is growing rapidly due to the proliferation of jobs in sectors like IT, finance, retail, and healthcare. Additionally, the development of infrastructure, such as improved transportation networks and housing, has made urban centers more accessible and desirable for the working population. In rural areas, the working population remains substantial, primarily due to the dominance of the agricultural sector.

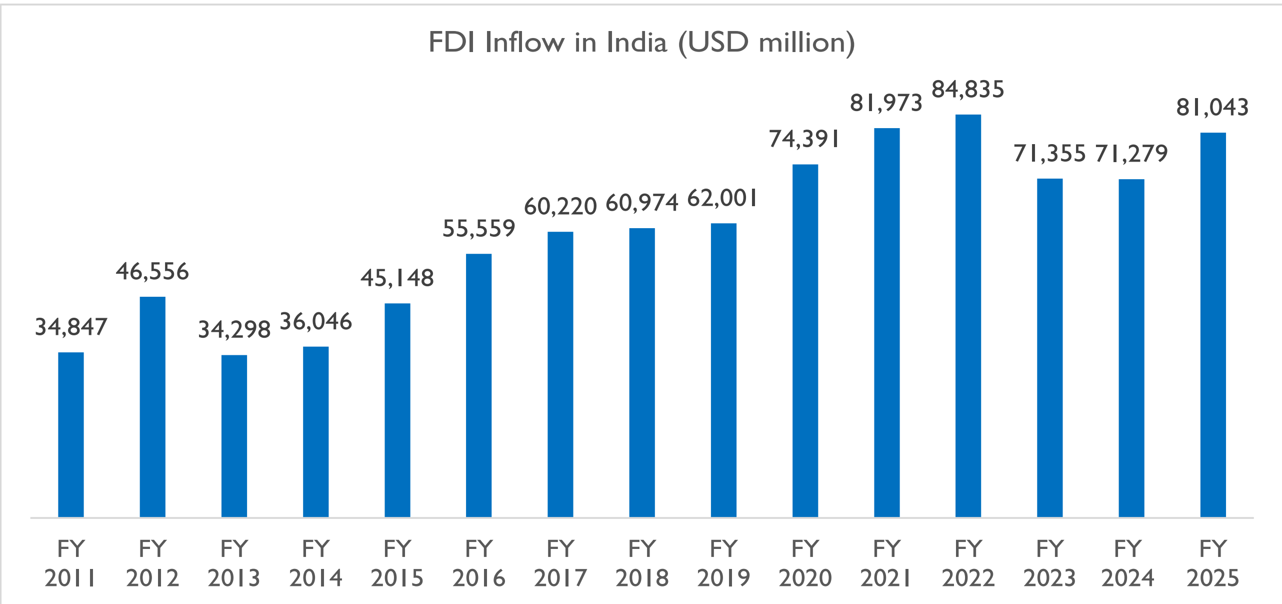
Government initiatives aimed at rural development, such as improved access to education and skill development programs, have also played a crucial role in enhancing employment prospects in these regions. The dominance of the rural working population over their urban counterparts can be attributed to the agricultural sector's labor-intensive nature ensures a consistent demand for human labor despite advancements in mechanization, sustaining employment rates in rural areas.

Foreign Direct Investment Trend in India

FDI inflow in India has observed a steady increase between FY 2013 till FY 2022 while it witnessed a decline of 15% in FY 2023 and of -0.1% in FY 2024 due to several factors, including the ongoing conflict between Russia and Ukraine, changes in US monetary policy, and other global uncertainties.

However, the country has received substantial FDI inflow between from April 2011-March 2025. This increasing FDI can be attributed to the new investment facilitation measures like the National Single-Window System (NSWS), which streamlines the approval and clearance process for investors, entrepreneurs, and businesses sectoral along with PLI schemes, emerging growth prospects in tier-2 and tier-3 cities.

Further, tax compliance for startups and foreign investors have been simplified where the Income Tax Act, 1961 has been amended in 2024 to abolish angel tax and to reduce income tax rate chargeable on income of a foreign company.



Sources: Department for Promotion of Industry and Internal Trade

- As per World Investment report 2025, India ranking improved by one position to rank 15th place for global FDI destinations, attracting USD 27.6 billion as an FDI destination in 2024, up from 16th in 2023.
- India ranked as the 4th largest recipient of greenfield projects with 1,080 greenfield projects in 2024 announcements, as per the World Investment Report 2025.

Indian IT-BPM Industry

The IT-BPM industry plays a pivotal role in driving India's overall economic growth. Currently, the industry is expected to contribute nearly 12% to the country's GDP in FY 2025. The industry is also one of the largest employers in private organized sectors in the country, employing nearly 5.8 million people. The industry expected to add 126,000 net new employees taking the total workforce to 5.8 million in FY2025E. The sector is also one of the largest private sector employers of women workforce. Information technology in India is an industry consisting of two major components: IT services and hardware as well as Business Process Management (BPM). In fact, E-commerce has also been included in this industry since FY 2013 and growing at a 35% annual rate, with projected GMV nearing USD 200 billion. India is amongst the largest exporters of IT services in the world as it enjoys a cost advantage over other nations along with the required skills. Tier I cities like Bengaluru are 8-10 times more cost efficient than other low-cost destinations (considering required manpower skills as well).

While IT services continue to have the dominant share in the industry, E-commerce is incremental in increasing market share of the domestic IT-BPM industry. IT-BPM companies are found in clusters in India, largely concentrated in urban cities like Bangalore, Chennai, Hyderabad, Mumbai, and Pune, cities that have easy availability of skilled workforce.

Changing Business Model in Indian IT-BPM Industry

Key Parameter	Shift From	Shift To
Product Offerings	Capacity	IP Focused Product Development
Solution Focus	Cost Advantage	Automation, Efficiency & cost optimization
Delivery focus	Globalized (global product & solution)	Globalized (global as well as local market focus)
Deal	Standalone	Bundled
Pricing	Fixed Pricing	Differentiated Pricing Strategy
Market Coverage	From Known and Met	Unknown & Unmet
Talent Focus	Scale (volume of Workforce)	Skilled (valuable trained Professional)
Operating Model	Size	Agile

Engineering, Research, design & development (ER&D)

Engineering, Research, design & development (ER&D) services is a core to any manufacturing industry. Engineering, Research & Development (ER&D) refers to the suit of services provided to product manufacturing companies which help them in conceptualization, development, and manufacturing of products. ER&D services helps in maximizing the life span and optimizing the yield associated with a product or asset.

The services provided by ER&D companies in India include:

- Concept Development/ Product Conceptualization (Requirement Analysis)
- Detail Engineering (Design Support, CAD, 2D/3D, Modeling, Engineering Analysis, Sustenance Engineering)
- Engineering Design iteration at various stages and Support
- Project Planning
- Design and Execution
- Production Planning
- Support during project commissioning
- Final Production
- Documentation and Validation

The strong growth in industrial sector in past, has resulted in a rapid capacity expansion across manufacturing sectors have created opportunities for all stakeholders involved in ER&D services. Traditional software service providers found it challenging to meet the demand arising from industrial sector, which began adopting latest manufacturing technologies and processes. From a technology perspective, Indian engineering R&D segment is entering what is known as the third wave. This third wave is characterized by technologies like IoT, Intelligent Automation, Robotic Process Automation, Augmented Reality/Virtual Reality, 5G, Cybersecurity, embedded software, blockchain, and artificial intelligence/machine learning.

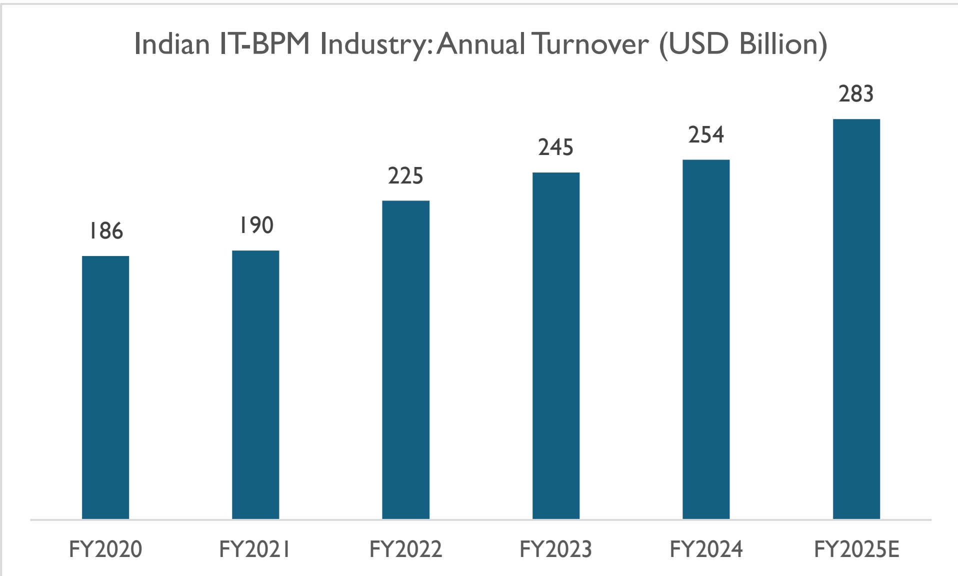
The changes sweeping the engineering R&D and outsourcing domain is not mere limited to technology but is encompassing the entire business model that is prevalent. The engineering services outsourcing industry in India was built on top of the cost differential, made possible by low-cost employees. However, the next phase of growth would come from the capability of the industry to scale up and effectively offer solutions. Although cost advantages exist, companies are no longer interested in continuing the traditional time & material business model. Rather, they are looking for strategic partners who can partner with them to tackle today's problems. The industry is realizing this change and investing in improving the execution capabilities. Thus, pureplay engineering design & consultancy services have evolved to meet the design needs of this new wave of expansion in industrial sector. Firms in this segment are expanding their skill base while global engineering centers are expanding their execution capability in the country.

Current Market Scenario

The Indian IT-BPM industry has witnessed robust and sustained growth over the past several years, establishing itself as a global leader in technology and business process services. This growth has been driven by increasing digital adoption across industries, a strong talent pool, and rising global demand for cost-effective, high-quality IT solutions.

From software development and IT consulting to customer support and analytics, the sector has expanded its capabilities while embracing emerging technologies such as cloud computing, automation, and artificial intelligence. The industry's consistent performance reflects its strategic importance to the Indian economy and its growing role in supporting digital transformation worldwide.

According to NASSCOM, annual turnover in Indian IT-BPM sector is estimated to cross USD 283 billion in FY 2025, growing by nearly 11% over previous year. The industry turnover increased by a CAGR of nearly 8.7% between FY 2020 and 2025, indicating the strong demand. Amid shifting global economic patterns and evolving market dynamics, FY2025 has been a year of strategic resilience, with segments such as Engineering R&D and GCC driving growth for the technology industry in India.



Source: NASSCOM

Increased investment in advanced technologies such as artificial intelligence, cybersecurity, cloud infrastructure, and data analytics supported the industry growth in FY 2025. Government initiatives like "Digital India" and enhanced focus on skill development and digital infrastructure are also playing a critical role in driving the sector forward. Overall, the graph reflects India's strengthening position as a global leader in IT-BPM services and its expanding contribution to both the national and global digital economies.

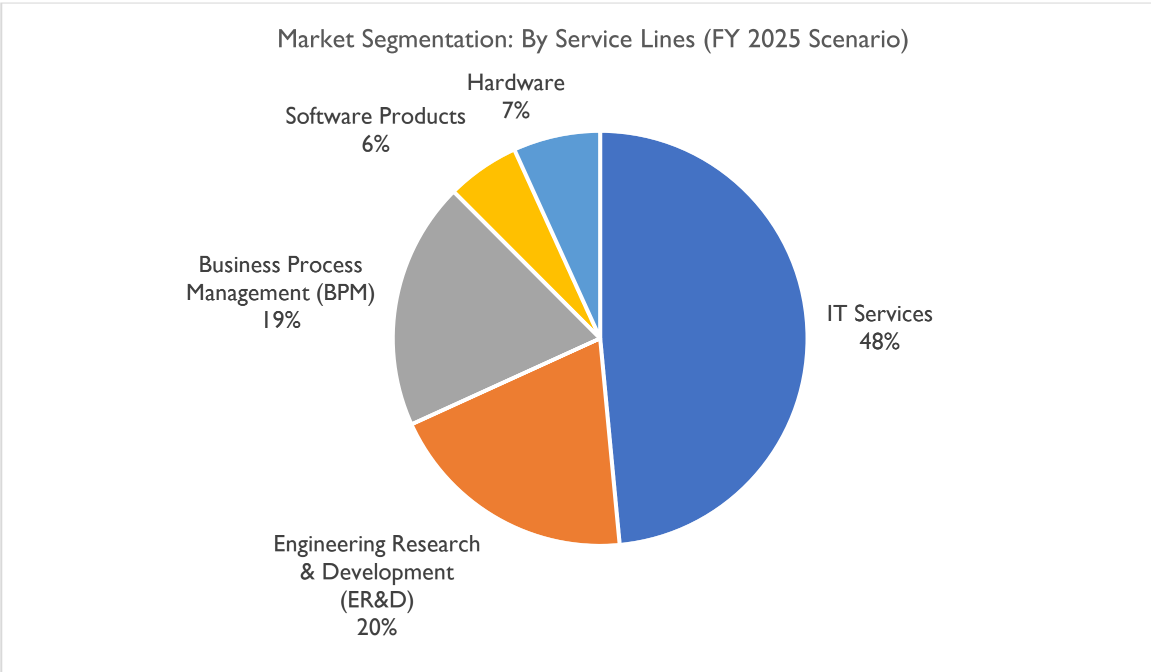
Indian IT industry has a leading position globally and is a significant contributor to the growth of exports. India's IT export revenue is estimated to have grown to USD 224 billion in FY 2025 from USD 200 billion in FY 2024, registering 13% Y-o-Y growth, while domestic IT industry revenue is estimated to have grown by 7% on Y-o-Y basis to reach USD 58.2 Bn in FY 2025.

Market Segmentation[3]

Nearly half of the annual industry revenue is contributed by IT services, which is the umbrella term used to categorize the wide range of services & systems that are provided to clients directly to support their information and technology infrastructure. In FY 2025, IT services brought in nearly 48% of the industry revenue.

Engineering, Research & Development (ER&D) services that includes embedded systems, IoT, automotive software, semiconductors, and smart manufacturing formed the second largest component, accounting for nearly 20% of the industry turnover in FY 2025.

Business Process Management (BPM) which forms the low value non-core services offered accounted for nearly 19% of the revenue while the remaining was contributed by software products and hardware.



Source: National Association of Software and Service Companies (NASSCOM)

Note: The percentage values refer to the contribution of the respective service line to the total annual turnover in FY 2025

IT Services: The largest segment accounting for 48% share is estimated to have grown by 4.3% on y-o-y basis to reach USD 137.1 billion in FY 2025.

[3] NASSCOM is yet to release the final industry turnover & segmentation details for FY 2024

The IT Services segment remains the backbone of the Indian IT-BPM industry, contributing nearly half of the total revenue. This segment includes offerings such as application development and maintenance (ADM), systems integration, consulting, infrastructure management, and support services. Demand is being fuelled by enterprises globally that are accelerating their digital transformation, cloud migration, and cybersecurity initiatives. Indian IT firms are increasingly moving up the value chain, offering end-to-end digital solutions, platform-based services, and industry-specific IT consulting to drive enterprise efficiency and innovation.

Engineering Research & Development (ER&D): For the first time, ER&D has overtaken BPM in revenue, reaching USD 55.7 billion with a growth rate of nearly 30%.

The ER&D segment is the fastest-growing in the IT-BPM landscape, reflecting a global trend of outsourcing high-end product engineering and design services. This includes areas like embedded systems, IoT, automotive software, semiconductors, and smart manufacturing.

With increased global investment in innovation, especially in sectors like automotive (EVs), healthcare, aerospace, and industrial automation, Indian firms are being seen as strategic partners for product lifecycle management. The segment is increasingly driven by IP-led solutions, platform engineering, and industry 4.0 adoption.

Business Process Management (BPM): Generating USD 54.6 billion in revenue, growing at 4.7% year-on-year.

The BPM segment plays a vital role in outsourcing non-core processes like customer support, finance and accounting, human resources, and procurement. Its growth is driven by cost optimization pressures and a shift towards value-added services such as intelligent automation, robotic process automation (RPA), and analytics-driven decision-making.

India continues to be a global leader in BPM, benefiting from its skilled, English-speaking workforce, and process excellence. BPM services are evolving from labor-arbitrage models to “digital BPM” models that focus on customer experience, real-time insights, and cognitive automation.

Hardware: Accounting for nearly 7% in FY 2025, translating into USD 19.2 billion in revenue

Renewed government push under initiatives like “Make in India” and the Production Linked Incentive (PLI) Scheme for IT hardware is aimed at reviving local manufacturing and reducing import dependency. The hardware market is also expected to benefit from digital public infrastructure expansion, increased government and educational IT spending, and adoption of advanced technologies such as 5G, edge computing, and IoT that require hardware backbone upgrades. Indian and global players are investing in setting up local manufacturing units, which could significantly expand this segment’s contribution in the medium to long term.

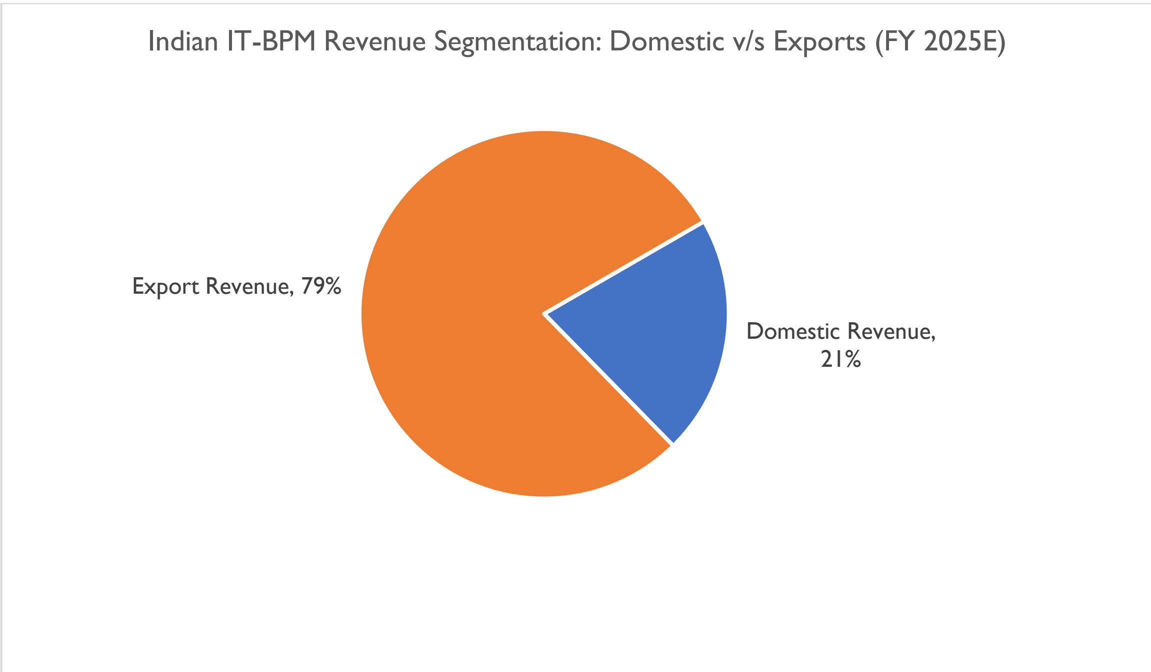
Software Products: Accounting for nearly 6% in FY 2025, translating into USD 16.1 billion in revenue.

While traditionally a smaller contributor, this segment is gaining momentum with a surge in Indian software-as-a-service (SaaS) startups and product innovation. Indian SaaS companies like Zoho, Freshworks, and many vertical-focused startups are expanding their global footprint.

The segment contributes to revenue both directly through product sales and indirectly via innovation in the IT services ecosystem. With strong VC interest and enterprise adoption of AI-driven SaaS platforms, this segment is poised for exponential growth over the next few years.

Market Segmentation: Domestic v/s Export Revenue

Indian IT-BPM industry has made a name for itself for being the global back office, and it has grown in stature mainly by dominating the export markets. The industry continues to be export dependent, with approximately 79 % of annual revenue in FY 2025 coming from exports.

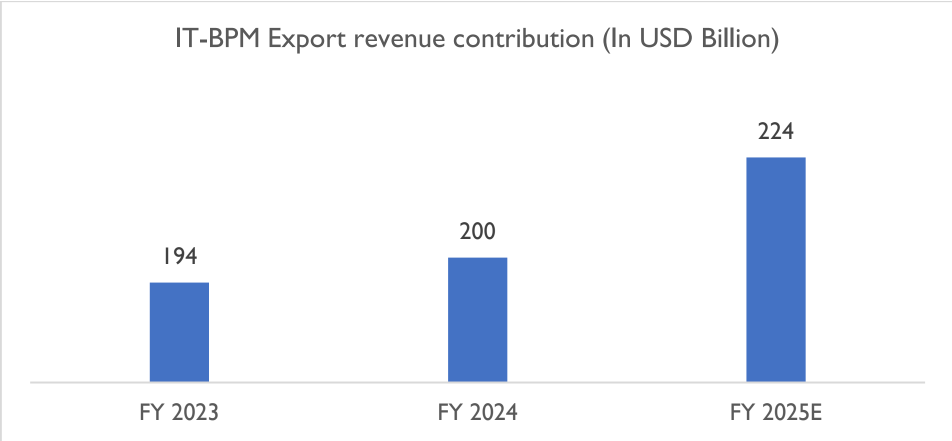


Source: National Association of Software and Service Companies (NASSCOM)

Export Revenue Growth

Export revenue remains a key driver of the IT-BPM industry's performance. In FY 2023, exports were recorded at USD 194 billion, registering 9.4% year-on-year growth in reported currency and 11.4% in constant currency terms. Despite global economic uncertainties, FY 2024 saw a modest rise to USD 200 billion, marking a 3.3% annual increase.

Looking ahead, FY 2025 is expected to witness a stronger expansion, with export revenues projected to reach USD 224 billion—an increase of 4.6% year-on-year. This growth is supported by increasing demand for digital services, the adoption of emerging technologies, and a strategic industry shift toward higher-value and domain-specific solutions.

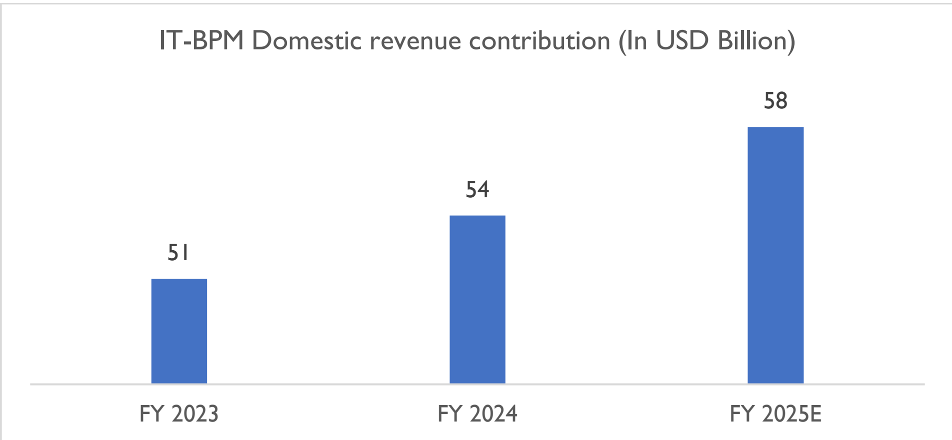


Source: National Association of Software and Service Companies (NASSCOM)

Domestic Revenue Growth

The domestic IT-BPM market has shown consistent growth alongside its export counterpart. In FY 2023, domestic revenues stood at USD 51 billion, growing by 4.9% year-on-year. This momentum continued into FY 2024, with the market surpassing USD 54 billion, reflecting a 5.9% growth. For FY 2025, domestic revenues are projected to reach USD 58.2 billion, supported by an estimated 7.0% growth rate.

Key growth enablers include rising enterprise IT spending, increased digital adoption across sectors, government investments in public digital infrastructure, and growing demand for cybersecurity and cloud-based services. Together, these trends reflect the IT-BPM industry's balanced growth trajectory across global and domestic markets, reinforcing its role as a cornerstone of India's digital economy.

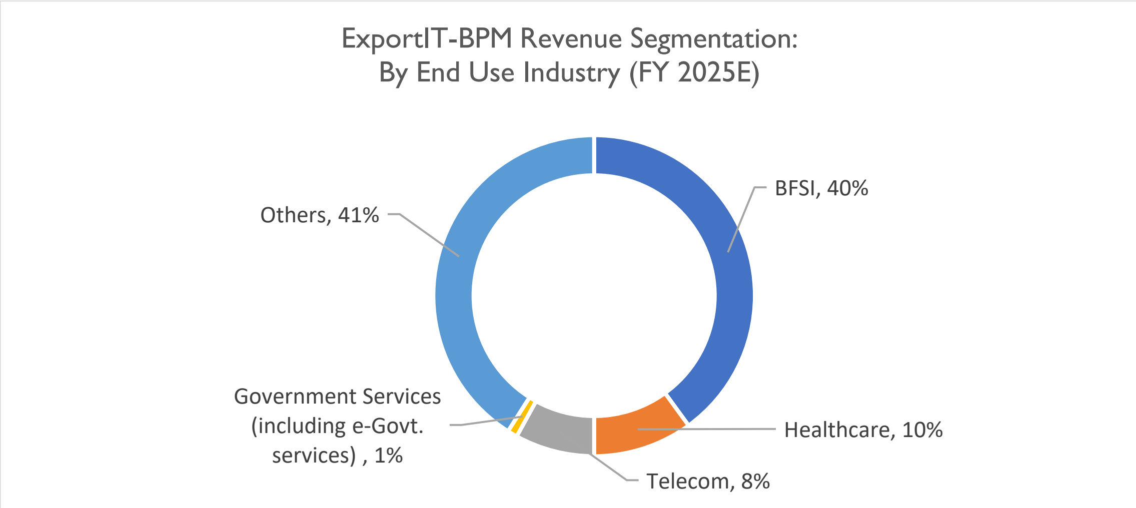


Source: National Association of Software and Service Companies (NASSCOM)

Indian IT-BPM Market Segmentation: By End Use Industry

Export Revenue Segmentation by End Use Industry

The split of Revenue shares for Exports in IT-BPM industry reflects the dependence on the BFSI (Banking, Financial Services, and Insurance) sector by 40%. This dominance was also seen in the revenue generation across IT-BPM sector in the domestic market. This illustrates the heavy reliance on the BFSI segment is not just limited to domestic revenue generation but also the revenue inflow through exports across various Global Markets.



D&B Research and Estimates

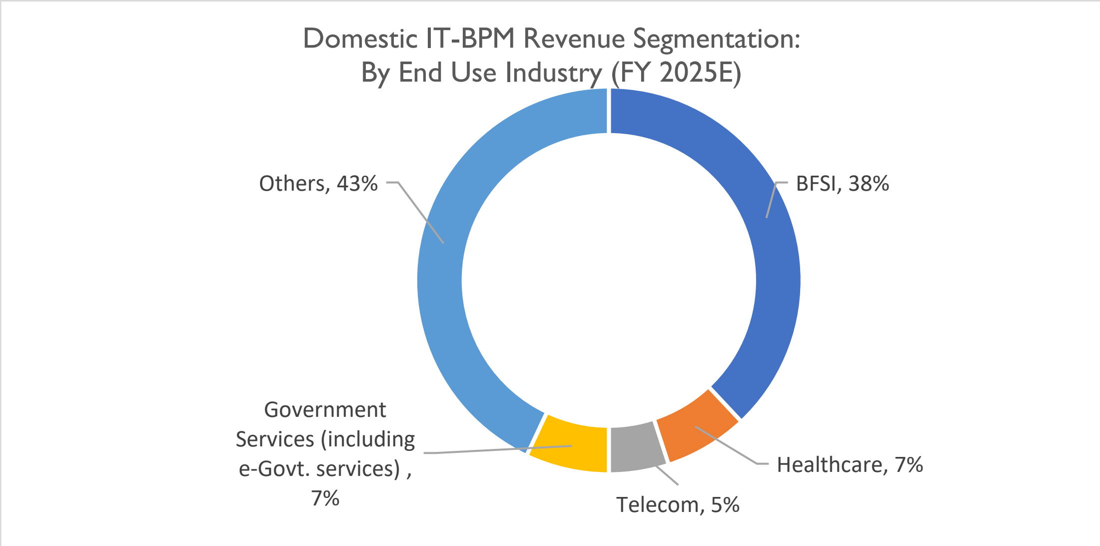
Following BFSI, the Healthcare sector emerges as the moderate force, capturing 10% of the export revenue. This suggests a global demand for Indian IT services in areas such as remote patient monitoring, healthcare analytics, and clinical data management. However, Telecom and Government services together make 9% of the market, with Telecom contributing to the major 8% owing to global demand for telecommunication software and infrastructure services. The export revenues also suggest heavy dependence on other markets for generating export revenues, as it contributes about 41% which is very close to BFSI's individual contribution.

Key Takeaways:

- Global demand for BFSI solutions: The high export revenue from the BFSI sector indicates a strong global push for specialized Indian IT services in this field. Market players might shift their focus towards offering advanced strategic and financial insights in BFSI.
- Leverage global trends: The moderate export share of healthcare highlights the importance of staying ahead of global trends with the digital integration to healthcare platforms and services.

Domestic Revenue Segmentation by End Use Industry

Banking, Financial Services and Insurance (BFSI) holds the largest share in domestic IT revenue in FY 2025, accounting for nearly 38% of annual revenue share during the year. This dominance is likely due to the sector's ongoing investment in digital transformation, including initiatives like online banking, FinTech integration, and cybersecurity to manage large volumes of financial data. Following BFSI, the Healthcare and Government Services sector accounts for 7% each of the revenue.



D&B Research and Estimates

The prominence of healthcare sector here can be attributed to the adoption of health information systems, telemedicine, and digital health records, especially post-pandemic. Additionally, the revenue contribution of Government services reflects moderate contributions, driven by modernizing infrastructure and e-governance projects across Indian IT-BPM market.

The Telcom sector stands at 5%. The remaining 43% categorized under Others, demonstrates a significant contribution indicating inclination towards diverse range of smaller industries for revenue. This distribution highlights a domestic market heavily reliant on two key sectors, BFSI and Other Industry segments, for its growth, with Telecom, Healthcare and Government services together playing a small yet growing role, contributing about 19% together.

Key Takeaways

- BFSI and Other industry segments are the primary growth drivers, and market players, intending to expand their domestic presence are likely to prioritize solutions tailored to specific needs of the BFSI segment.
- Focus on digital transformation for high revenue generation, is necessary to curb the strong appetite for digital services. Market dynamics reflect shifting offerings related to cloud computing, data analytics, and AI/ML, which are critical for both financial and healthcare institutions.

Overview of Compliance Solutions

Compliance solutions are a set of strategies, technologies, and processes designed to help organizations adhere to laws, regulations, and industry standards. These solutions aim to mitigate risks, prevent legal and financial penalties, and protect the organization's reputation. In India, the compliance landscape is complex and evolving, driven by a diverse range of regulations. Compliance solutions in India help organizations navigate this complex regulatory environment by providing a structured approach to identify, assess, and manage compliance risks. These solutions may include compliance management software, regulatory content and intelligence, e-learning and training programs, and third-party risk management tools. By leveraging these solutions, Indian organizations can ensure that they are operating in compliance with the law, mitigating risks, and building a strong reputation.

Types of Compliance Solutions in India

India's regulatory landscape is becoming increasingly complex, with new laws and regulations being introduced frequently. This complexity makes it challenging for organizations to keep up with all the requirements. To address this challenge, organizations are turning to a variety of compliance solutions.

These solutions help organizations to automate and streamline their compliance processes, reduce the risk of non-compliance, and improve their overall efficiency. By using these solutions, organizations can ensure that they are meeting their regulatory obligations and protecting their business from potential penalties and reputational damage.

Compliance Management Software

Compliance management software is a powerful tool that helps organizations streamline their compliance processes. It automates tasks such as policy management, risk assessment, and audit scheduling, reducing the risk of human error and improving efficiency. By centralizing compliance information, this software enables organizations to track deadlines, generate reports, and identify potential compliance gaps proactively. This proactive approach helps organizations stay ahead of regulatory changes and minimize the risk of non-compliance penalties.

Regulatory Content and Intelligence

Staying up-to-date with the ever-evolving regulatory landscape in India can be challenging. Regulatory content and intelligence solutions provide access to real-time updates on new regulations, amendments, and industry best practices. By leveraging these solutions, organizations can ensure that their compliance programs are aligned with the latest regulatory requirements. Additionally, these solutions often provide expert analysis and insights to help organizations interpret complex regulations and develop effective compliance strategies.

eLearning and Training Solutions

A well-trained workforce is essential for maintaining compliance. eLearning and training solutions provide a convenient and effective way to deliver compliance training to employees. These solutions offer a variety of formats, including online courses, webinars, and interactive modules, to cater to different learning styles. By providing employees with the knowledge and skills they need to comply with regulations, organizations can reduce the risk of human error and build a culture of compliance.

Third-Party Risk Management Solutions

In today's interconnected business environment, organizations often rely on third-party vendors and suppliers. However, these third-party relationships can introduce significant compliance risks. Third-party risk management solutions help organizations assess and manage these risks by providing tools for due diligence, risk assessment, and monitoring. By conducting thorough due diligence on third-party vendors, organizations can identify potential compliance risks and take steps to mitigate them. Additionally, ongoing monitoring of third-party performance can help ensure that they continue to meet compliance standards.

Regulatory Landscape

India's regulatory landscape is a complex interplay of central and state-level laws and regulations. This dynamic environment is shaped by various factors, including economic growth, technological advancements, and societal changes. Key regulatory areas that significantly impact businesses operating in India include:

Data Protection

India's Personal Data Protection Act, 2023, is a significant step towards safeguarding personal data. It mandates organizations to implement robust data protection measures, including data minimization, purpose limitation, and security safeguards. The Act also imposes stringent obligations on organizations to obtain explicit consent, provide transparency, and establish effective data breach notification procedures. Non-compliance with the Act can lead to severe penalties, including hefty fines and reputational damage.

Financial Regulations

The Reserve Bank of India (RBI) and the Securities and Exchange Board of India (SEBI) play a crucial role in regulating the financial sector in India. The RBI oversees the banking, insurance, and payment systems, while SEBI regulates the securities market. These regulatory bodies have issued a plethora of regulations governing various aspects of the financial sector, including capital adequacy norms, risk management practices, and disclosure requirements. Adherence to these regulations is essential for maintaining financial stability and protecting investor interests.

Environmental Regulations

The Ministry of Environment, Forest, and Climate Change is responsible for safeguarding India's environment. The Ministry has issued numerous regulations to address environmental concerns, such as air and water pollution, waste management, and climate change. These regulations impose strict standards on industries, requiring them to adopt environmentally friendly practices and technologies. Non-compliance with environmental regulations can lead to severe penalties, including closure of operations and legal action.

Labor Laws

India's labor laws are designed to protect the rights of workers and ensure fair labor practices. The Ministry of Labour and Employment is responsible for enforcing these laws, which cover various aspects of employment, including wages, working hours, social security, and occupational health and safety. Adherence to labor laws is crucial for organizations to avoid legal liabilities and maintain a positive employer-employee relationship.

Tax Laws

The Central Board of Direct Taxes (CBDT) and the Central Board of Indirect Taxes and Customs (CBIC) are responsible for administering India's tax laws. The CBDT oversees income tax, while the CBIC administers indirect taxes, such as GST and customs duties. Tax compliance is a complex and time-consuming process, requiring careful planning and adherence to numerous regulations. Non-compliance with tax laws can result in significant penalties, including fines and imprisonment.

Compliance Challenges in India

India's regulatory environment is intricate and dynamic, presenting a significant challenge for businesses operating within its borders. The country's diverse legal framework, coupled with frequent regulatory changes, necessitates a robust compliance strategy. Organizations must navigate a labyrinth of laws and regulations, each with its own specific requirements and penalties for non-compliance.

Complex Regulatory Landscape

India's regulatory landscape is characterized by a multitude of laws, rules, and regulations, often overlapping and subject to frequent changes. This complexity can make it challenging for organizations to navigate the regulatory maze. Different sectors, such as finance, healthcare, and manufacturing, have their own specific regulatory requirements. Additionally, India's federal structure, with both central and state-level regulations, further complicates the compliance landscape.

Limited Resources

Many organizations, especially small and medium-sized enterprises (SMEs), may have limited resources to dedicate to compliance efforts. This can lead to understaffed compliance teams, inadequate training, and insufficient investment in compliance technology. As a result, organizations may struggle to keep up with the evolving regulatory requirements and may be more susceptible to compliance breaches.

Lack of Awareness

A lack of awareness among employees about compliance obligations can be a significant challenge. Employees may not understand the importance of compliance or may not be aware of the specific regulations that apply to their roles. This can lead to inadvertent non-compliance, which can have serious consequences for the organization.

Language Barriers

India is a multilingual country, with a diverse range of languages and dialects. Language barriers can hinder effective communication and training, particularly in organizations with a diverse workforce. This can make it difficult to ensure that employees understand compliance requirements and can apply them in their daily work.

Cultural Differences

Cultural differences can also impact compliance efforts. Different cultures have different attitudes towards rules and regulations. Some cultures may prioritize relationships over rules, while others may be more rigid in their adherence to regulations. Understanding these cultural nuances is essential for effective compliance programs.

Demand Drivers

The Indian ER&D industry is driven by the need for rapid innovation in a software-defined future and the increasing global demand for advanced engineering solutions. Skilled talent pool, cost-effectiveness, and supportive business environment making India a strategic hub for cost-effective and high-quality R&D services.

Macroeconomic Factors

- The demand is driven by robust economic growth, rapid technological advancements, and supportive government policies.
- Changing consumer preferences and a focus on sustainability also boost R&D activities.
- International collaborations and a skilled workforce further enhance the industry's growth.

Usage Specific Factors

- Demand is driven by the automotive, healthcare and IT's push for innovations in AI, and cybersecurity.
- Additionally, the aerospace industry's demand for advanced materials, avionics, and space technologies, also contribute significantly.

Innovations / Emerging Uses

- Diverse Talent Pool
- Industry-Academia Collaboration
- Digital Transformation will streamline operations and boost innovation.
- Industry 4.0 and Industry 5.0

Acceleration of Digital Transformation:

India's digital economy has become a powerful engine of growth, contributing 11.74% of the GDP (INR 31.64 lakh crore or USD 402 billion) in FY 2022–23, and employing over 14.67 million people, or 2.55% of the national workforce. With nearly five times higher productivity than the rest of the economy, the digital sector encompasses a broad spectrum—from ICT services and electronics manufacturing (which alone accounted for 7.83% of Gross Value Added) to digital platforms, intermediaries, and digitized traditional industries such as BFSI, retail, and education (adding another 4% combined). Projections suggest that by 2029–30, the digital economy will comprise 20% of India's GVA, surpassing both agriculture and manufacturing in relative contribution.

This rapid growth is closely linked to the acceleration of digital transformation globally, especially in the post-pandemic era. Indian IT companies are capitalizing on this shift, transitioning from traditional outsourcing roles to strategic digital transformation partners. They are delivering end-to-end services across cloud computing, AI/ML, big data analytics, blockchain, IoT, and cybersecurity.

Enterprises worldwide are adopting digital-first business models, driving demand for Indian firms' expertise in platform engineering, digital talent, and experience-led IT services. This synergy between a thriving domestic digital economy and India's global IT services leadership is positioning the country as a cornerstone of the digital future.

Growth of AI and Automation:

Artificial Intelligence (AI), Robotic Process Automation (RPA), and Generative AI are increasingly transforming service delivery across India's IT and BPM sectors. Indian IT firms are embedding AI into their offerings to boost efficiency, lower costs, and enhance user experiences.

The emergence of generative AI tools—such as large language models (LLMs), virtual assistants, and co-pilots—is reshaping operations in areas like software development, customer service, and backend processing. Recognizing AI's transformative potential, the Government of India launched the IndiaAI initiative and, through the Union Budget 2022–23, announced the creation of three AI Centres of Excellence to develop scalable AI solutions for sectors including agriculture, healthcare, and sustainable urban development.

A practical example of AI in governance is the AI chatbot integrated with the PM-Kisan scheme, which was used by over 500,000 farmers on launch day, highlighting growing grassroots-level AI adoption.

To bridge the projected 3.5x digital tech talent gap by 2026, the government, in collaboration with NASSCOM, launched FutureSkills Prime, a national skilling initiative aimed at developing a future-ready workforce proficient in AI and other emerging technologies. These coordinated policy efforts are not only enabling innovation but also contributing to global recognition.

As per the **Stanford AI Index Report 2024,** India ranked 1st globally in AI skill penetration, underscoring the country's leadership in digital capabilities. Together, these developments reflect India's strategic push to position itself as a global hub for AI-driven innovation and talent.

Rising Engineering R&D and Product Development:

With India emerging as a global innovation hub, Engineering R&D (ER&D) has become one of the fastest-growing IT segments. Indian companies are involved in developing smart products, autonomous systems, and embedded software for global clients across automotive, aerospace, industrial, and healthcare sectors. This shift to IP-led and innovation-centric service models is enhancing India's value proposition from a low-cost service provider to a strategic R&D partner.

SaaS and Product-Led Growth:

India's Software-as-a-Service (SaaS) ecosystem is booming, with a growing number of startups scaling to global levels. Indian SaaS companies are gaining market share in vertical-specific and horizontal solutions across CRM, HR tech, finance, and cybersecurity. The low cost of development, access to skilled tech talent, and digital maturity of global markets are driving this surge. SaaS is shifting the IT landscape from services to product-led recurring revenue models.

Domestic IT Demand and Tier-2 Expansion:

India's IT-BPM industry has witnessed transformative growth over the past three decades, with revenues reaching USD 250 billion, supported by strategic initiatives to broaden its geographic footprint. A key driver of this expansion has been the Software Technology Parks of India (STPI), which has played a pivotal role in fostering technological innovation and nurturing IT infrastructure beyond metro hubs. Notably, 57 out of STPI's 65 centres are located in tier-2 and tier-3 cities, reflecting a focused effort to decentralize the industry and create a more inclusive digital ecosystem.

This regional shift is not only tapping into previously underutilized talent pools but is also driving local economic development and expanding the industry's reach. With the domestic IT market growing rapidly—

particularly in areas such as e-governance, fintech, health tech, edtech, and e-commerce—enterprises and government bodies are increasingly investing in digital infrastructure, cloud platforms, and cybersecurity. The extension of IT growth into emerging cities is enabling broader participation in the digital economy, while supporting employment, innovation, and balanced regional development.

Large Talent Pool & Cost Competitiveness: Large Talent Pool & Cost Competitiveness: Presence of a large employee base with high IT skills and a cost differential with their peers in the developed markets of the US and Europe has helped the country emerge as a sought-after IT outsourcing destination. As per industry estimates, labour cost efficiency is up to 30-40% more than source countries (primarily US) that gives huge opportunity for the outsourcing business model to expand. Indian IT industry is a global talent powerhouse and a representative of millennials, showcasing diversity, and leadership in digital skills that too at competitive costs. India boasts of a digitally skilled talent pool of 1.6 million with over 30% increase in learning and development budget of companies. In FY 2024, India's digital talent pool is expected to reach 2.6 million.

Global Technology Spending: Organizations worldwide have been preferring computerization as well as automation to streamline costs and increase operation efficiency, business. Moreover, amidst strict restriction during Covid, business looked technology as a solution to keep the business running and respond to consumer increasingly reliance to several online platform including gaming, digital content, social media, and E-commerce. Consequently, the global IT spending surged to USD 5.26 trillion in 2024. It is further slated to grow by 9% to USD 5.561 trillion in 2025. This created great opportunities for the export-oriented Indian IT industry which grew substantially.

Preferred Outsourcing Destination: Indian IT industry has earned more than 25 years of outsourcing experience and possesses a strong ecosystem. Indian companies are steadily upgrading their capabilities to rapidly adapt with emerging demand. A significant trend shaping the Indian IT-BPM industry is the rising strategic importance of Global Capability Centers (GCCs). India currently hosts over 1,700 GCCs (as of FY 2024), accounting for around 55% of the world's total, reinforcing its position as a global hub for enterprise innovation and service delivery. The country has witnessed the establishment of over 400 GCCs over this 5-year period, growing at a CAGR of almost 5% between FY 2019-24 translating in GCCs revenue growth to USD 64.6 bn from USD 40 bn, growing at a healthy CAGR of close to 10% over the 5 years. With expanding GCC base and tech value proposition, India's continued to ranked 1st as sourcing destination with nearly 57-58% share in global outsourcing market.

Originally established for back-office and support functions, GCCs in India are now transitioning into high-value, innovation-driven centers that support R&D, digital transformation, product engineering, and AI-led solutions for global enterprises. Cities like Bengaluru, Hyderabad, and Pune have emerged as key locations due to their deep talent pools, mature infrastructure, and competitive cost advantages.

This evolution reflects a broader shift where multinational corporations increasingly rely on their Indian GCCs not just for operational support but for strategic contributions to their global digital agendas. As GCCs continue to invest in cutting-edge technologies such as cloud computing, cybersecurity, and AI, they are becoming integral to shaping enterprise resilience and innovation at a global scale.

Domestic IT Spending in India

The Indian IT sector is experiencing a boom, with overall spending projected to reach USD161.5 billion in 2025, reflecting a healthy 11.1% growth from 2024. This surge is fuelled by a collective increase across all major segments: Data Center Systems, Devices, Software, IT Services, and Communication Services. software and IT services are major drivers of IT spending growth, increasing 16.9% to USD17.9 billion and 11.2% to USD30.1 billion respectively in 2025. This can be attributed to factors like rising adoption of cloud-based solutions, increased demand for security software, and the growing importance of enterprise resource planning (ERP) tools. Businesses are actively investing in software that streamlines operations, enhances data management, and fosters innovation. The devices segment is also expected to experience significant growth of 12.9% in 2025. This could be due to a combination of factors such as the need for upgrading to newer devices with better functionalities, and the increasing penetration of smartphones and tablets across various demographics.

Key factors driving IT spending in India.

Acceleration of Digital Transformation:

Digital transformation involves the integration of digital technologies into all aspects of business operations, fundamentally changing how businesses operate and deliver value to customers. Indian businesses are undergoing a significant digital transformation to improve operational efficiency, enhance customer experience, and drive innovation. This transformation involves adopting technologies such as cloud computing, big data analytics, artificial intelligence, machine learning, and IoT to digitize processes, products, and services.

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This rapid growth is closely linked to the acceleration of digital transformation globally, especially in the post-pandemic era. Indian IT companies are capitalizing on this shift, transitioning from traditional outsourcing roles to strategic digital transformation partners. They are delivering end-to-end services across cloud computing, AI/ML, big data analytics, blockchain, IoT, and cybersecurity.

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In India, digital transformation initiatives driving IT spending in India are:

Process Automation	• Businesses are automating manual processes and workflows using technologies like robotic process automation (RPA) and business process management (BPM) tools to improve efficiency and reduce errors.
Customer Experience Enhancement	• Companies are leveraging digital channels such as websites, mobile apps, social media, and chatbots to provide seamless and personalized customer experiences. Customer relationship management (CRM) systems are being deployed to better understand customer needs and preferences.
Product and Service Innovation	• Digital technologies such as AI, ML, IoT, and blockchain are enabling the development of innovative products and services. For example, AI-powered chatbots are being used for customer support, while IoT sensors are being deployed for predictive maintenance in manufacturing.
Data-driven Decision-making	• Big data analytics and data visualization tools are helping organizations derive valuable insights from large volumes of data. These insights drive informed decision-making and enable businesses to identify opportunities for growth and optimization.

Thus, businesses are aggressively investing in advanced technologies like cloud computing, AI, IoT, and big data analytics to revolutionize their operations, boost efficiency, and stay ahead in a fiercely competitive market.

Government Initiatives

The Indian government has launched several initiatives to promote digitalization and innovation across various sectors. The government's focus is on providing a unified digital experience and a mobile first experience. Schemes like Unified Mobile Application for New-Age Governance (UMANG), Open Government Data Platform (OGDP) and IndiaStack are designed to achieve this objective. Among these, the IndiaStack program is focused on creating a unified software platform to fast track the digital journey of Indian population. IndiaStack has five programs: Aadhar, e-KYC, e-Signature, Digital Locker, and Unified Payment Interface (UPI). These five programs together are transforming the digital landscape in India.

In the Union Budget 2025-26, the Indian government has significantly increased its investment in IT and digital infrastructure, reflecting a strong commitment to advancing the nation's digital economy.

Overall Allocation to MeitY: The Ministry of Electronics and Information Technology (MeitY) received an allocation of INR 260.26 billion for FY 2026, marking a 48% increase from the revised estimate of INR 175.66 billion for FY 2025.

IndiaAI Mission: The IndiaAI Mission was allocated INR 20 billion for FY 2026, a substantial increase from the INR 1.73 billion in the revised estimate for FY 2025. This funding is part of the broader INR 107.38 billion approved for the mission, aiming to enhance AI infrastructure, including compute capacity exceeding 10,000 GPUs over five years.

Cybersecurity Initiatives: Cybersecurity projects under the Digital India Programme saw a 143% increase in allocation, from INR 3.22 billion (FY 2025 revised estimate) to INR 7.82 billion in FY 2026. These initiatives focus on security policy, compliance, incident response, early warning systems, training, and legal frameworks.

Data Protection and Advanced Computing: An allocation of INR 50 million was made for setting up a Data Protection Board under the Digital Personal Data Protection Act, up from INR 20 million in the previous budget.The Centre for Development of Advanced Computing (C-DAC) received a slight budget increase from INR 2.70 billion in FY 2025 to INR 2.75 billion in FY 2026, supporting R&D in electronics and IT.

IT and Telecom Sector Investment: A combined allocation of INR 952.98 billion was made for the IT and telecom sectors, aiming to drive GDP growth and strengthen India's digital infrastructure. This includes initiatives like high-speed broadband for schools and health centers, enhancing digital inclusion in rural areas.

Flagship Government Policies & its Impacts

Digital India Mission: The Digital India programme is the backbone of India's digital transformation, aiming to provide digital infrastructure, governance, and services. It has accelerated IT spending on cloud platforms, digital identity systems (like Aadhaar), and the development of citizen-centric digital portals such as UMANG and DigiLocker. In e-Governance, it has enabled widespread digitization of public services; in healthcare, it underpins the Ayushman Bharat Digital Mission; and in telecom, it drives demand for broadband and data infrastructure.

Ayushman Bharat Digital Mission: ABDM envisions a unified digital health ecosystem by assigning Health IDs to citizens, enabling interoperable health records, and supporting digital health registries. The initiative has led to significant IT investments in electronic health record (EHR) systems, telemedicine platforms, cloud data storage, and cybersecurity in the healthcare sector. It has opened new opportunities for health-tech startups and IT vendors to develop compliant digital health solutions.

BharatNet Programme: BharatNet aims to connect over 2.5 lakh Gram Panchayats with high-speed broadband, enabling rural access to digital services. This has spurred IT spending in fiber optic infrastructure, GIS mapping, network management systems, and digital service delivery platforms. It also enables digital access for rural e-Governance and telehealth solutions, thereby linking telecom expansion to broader digital public service delivery. Bharatnet is project of the Government of India which is aimed at providing broadband connectivity to all Gram Panchayats in the country.This project commenced in 2017 and has made it to the second phase of implementation.

The network is utilised through leasing bandwidth and dark fibre, Wi-Fi to access broadband or internet services in public places, and Fibre to the Home (FTTH). Last Mile Connectivity (LMC) is provided through Wi-Fi in public places or other suitable broadband technologies, including FTTH at Government institutions such as schools, hospitals, post offices, etc.

The benefits that the project is providing are as follows:

- Digitally connected remote villages which are connected through high-speed internet inturn providing the access to e-governance, online education, and telemedicine.
- Financial benefits: Enabling participation in digital commerce, access to financeal services, and entrepreneurial opportunities.
- Enabling digital classrooms and telehealth services.
- Gram Panchayats are powered through the project to implement e-governance projects

The other recent missions or programmes byGOI to improve internet connectivity across the rural India are

- **Pradhan Mantri Gramin Digital Saksharta Abhiyan (PMGDISHA):** Facilitating digital literacy in rural households by training over 6.39 crore **individuals** as on March 31, 2024.
- **National Broadband Mission (NBM):** This project was brought about to fast-track the expansion of digital communications infrastructure. **National Broadband Mission 2.0** was launched on January 17, 2025. Key initiatives under NBM include the Centralized Right of Way (RoW) Portal GatiShakti Sanchar.

PM-WANI: PM-WANI facilitates public Wi-Fi hotspots through a decentralized, affordable model aimed at enhancing internet penetration, especially in semi-urban and rural areas. The initiative has increased spending on Wi-Fi management software, secure access platforms, and cloud-managed networks. It also supports startups and SMEs in the telecom IT space offering access solutions and analytics platforms for public Wi-Fi usage.

National Health Stack (NHS): The NHS is a digital framework to support healthcare delivery through registries, coverage and claims platforms, anonymized data, and health analytics tools. It has led to increased investments in modular IT systems, APIs for health insurance and claims, data interoperability frameworks, and analytics-driven health insights. This policy acts as a backbone for scalable, cloud-native digital health infrastructure in India.

National Digital Communications Policy (NDCP): NDCP aims to build robust digital communication infrastructure with a focus on broadband for all, 5G rollout, and digital innovation. It has driven IT spending in areas like network virtualization Software Defined Networking (SDN)/ Network Functions Visualization (NFV), telecom analytics, cybersecurity, and cloud data centers. The policy also encourages R&D in telecom technologies, resulting in greater collaboration between IT services firms and telecom operators.

Open Government Data (OGD) & Data Governance Framework: India's OGD platform promotes transparency and innovation by making government datasets publicly accessible, while emerging data governance policies aim to ensure security and privacy. These frameworks are driving IT spending on big data analytics, open APIs, data lakes, privacy-enhancing technologies, and AI-based governance solutions. They also empower civic tech and GovTech startups to build data-driven services for public use.

Cloud Adoption

Indian businesses are increasingly adopting cloud computing services due to benefits such as scalability, flexibility, cost-effectiveness, and faster time-to-market. Cloud adoption enables organizations to access IT resources on-demand, without the need for significant upfront investment in hardware or infrastructure.

Scalability	• Cloud services allow businesses to scale their IT resources up or down based on demand, eliminating the need for costly infrastructure investments.
Flexibility	• Cloud platforms offer a range of services, including infrastructure as a service (IaaS), platform as a service (PaaS), and software as a service (SaaS), giving businesses the flexibility to choose the right solutions for their needs.
Cost-effectiveness	• By shifting from a capital expenditure (CapEx) model to an operational expenditure (OpEx) model, businesses can reduce upfront costs and pay only for the resources they consume.
Accessibility	• Cloud services can be accessed from anywhere with an internet connection, enabling remote work and collaboration.

These benefits of cloud adoption are compelling organizations to ramp up IT spending as they transition towards cloud-based solutions to meet evolving business needs.

Data Privacy and Security

With the proliferation of cyber threats and the growing importance of data privacy regulations, Indian organizations are investing in cybersecurity solutions to protect sensitive data and ensure compliance. This includes investments in technologies such as encryption, threat detection and response, and identity and access management (IAM):

Regulatory Compliance

- Organizations need to comply with data protection regulations such as the Personal Data Protection Bill, GDPR, and industry-specific regulations. Non-compliance can result in significant fines and reputational damage.

Data Breach Prevention

- The cost of data breaches continues to rise, prompting businesses to invest in technologies such as encryption, data loss prevention (DLP), and endpoint security to protect sensitive data from unauthorized access and cyber attacks.

Identity and Access Management (IAM)

- IAM solutions help organizations manage user identities and access rights across their IT infrastructure, ensuring that only authorized users have access to sensitive data and resources.

Thus, with cybersecurity threats on the rise and stringent regulations in place, businesses are channelling substantial resources into raising up their cybersecurity measures, ensuring data protection, and maintaining compliance, thus driving IT spending.

E-commerce Boom

India's booming e-commerce market is driving IT spending as businesses invest in e-commerce platforms, digital marketing, logistics management, and customer relationship management (CRM) systems. India's e-commerce market has witnessed rapid growth in recent years, driven by factors such as:

Increasing Internet Penetration

- The growing availability of affordable smartphones and low-cost mobile data plans has led to a surge in internet users and online shoppers in India.

Rising Consumer Confidence

- Indian consumers are becoming increasingly comfortable with online shopping, thanks to factors such as secure payment options, easy returns, and a wide selection of products.

E-commerce Platforms

- Leading e-commerce platforms such as Amazon, Flipkart, and Snapdeal are investing in technology infrastructure, logistics networks, and digital marketing to attract customers and enhance the online shopping experience.

Digital Payments

- The proliferation of digital payment methods such as UPI, mobile wallets, and credit/debit cards has made online transactions more convenient and secure, further fueling e-commerce growth in India.

With the explosive growth of e-commerce in India, businesses are doubling down on IT investments to bolster their online presence, enhance customer experiences, optimize logistics, and scale their operations to capitalize on the booming digital marketplace.

Emerging Technologies

Indian businesses are increasingly exploring emerging technologies such as artificial intelligence, machine learning, Internet of Things, blockchain, and augmented reality to drive innovation and gain a competitive edge. These technologies are being used in various industries, including healthcare, finance, manufacturing, retail, and agriculture, to automate processes, improve decision-making, and create new business models.

AI and ML

- Businesses are leveraging AI and ML algorithms to analyze vast amounts of data, automate repetitive tasks, and make data-driven predictions and recommendations. Use cases include predictive analytics, natural language processing, image recognition, and personalized recommendations.

IoT

- The adoption of IoT devices and sensors is growing across industries such as manufacturing, healthcare, transportation, agriculture, and smart cities. IoT solutions enable real-time monitoring, predictive maintenance, asset tracking, and process optimization.

Blockchain

- Blockchain technology is being explored for applications such as supply chain transparency, digital identity management, smart contracts, and secure transactions. Blockchain platforms offer decentralized and tamper-proof data storage, enhancing trust and transparency in business processes.

AR and VR

- Augmented reality and virtual reality technologies are transforming industries such as gaming, retail, education, healthcare, and real estate. AR and VR applications enhance customer engagement, training, product visualization, and immersive experiences.

The race to harness the power of emerging technologies like AI, ML, blockchain, and AR is pushing organizations to allocate significant budgets towards innovation initiatives, research, and development to unlock new possibilities and drive digital transformation.

Private sector spending

Private sector investment in IT solutions in India is growing rapidly, driven by the increasing need for digital transformation across all major industries. Businesses are adopting advanced technologies to modernize legacy systems, enhance operational efficiency, and stay competitive in a digital-first economy. This wave of digitization is especially pronounced in sectors such as **banking & financial services, retail, manufacturing, telecom, and healthcare**, which are leveraging digital tools to improve customer engagement, supply chain management, and data-driven decision-making.

Key Areas of Investment:

- **Cloud Computing** – for scalable infrastructure, disaster recovery, and flexible deployment.
- **Cybersecurity** – to protect data and ensure compliance amid rising cyber threats.
- **Data Analytics & AI** – enabling predictive insights, personalization, and automation.

- **Enterprise Applications** – including ERP, CRM, and HRM systems to streamline operations.
- **Digital Platforms** – for omnichannel customer experiences and new revenue models.

Moreover, rising focus on **regulatory compliance, data localization, ESG targets**, and **hybrid work environments** is accelerating IT adoption. Indian IT service providers are playing a critical role by offering tailored digital transformation services such as:

- Cloud migration and managed services
- Cybersecurity architecture and audits
- AI/ML-based process optimization
- Industry-specific platforms and automation tools

This surge in digital spending is not only boosting productivity but also helping Indian enterprises build future-ready capabilities, drive innovation, and participate in global digital value chains more effectively.

Digital Transformation in Indian Corporate Sector

In recent years, Indian corporates have significantly increased their investment in IT modernization as part of broader digital transformation strategies. This shift is driven by the growing need to enhance operational efficiency, improve customer experience, ensure business continuity, and stay competitive in an increasingly digital economy.

Key Trends and Developments:

Cloud Adoption and Infrastructure Upgrades: Indian enterprises are rapidly migrating from legacy on-premises systems to cloud-based platforms (public, private, and hybrid models). Investments are being made in scalable cloud infrastructure (e.g., AWS, Azure, Google Cloud) to enable agility, remote access, and cost efficiency. Companies are also modernizing their data centers and adopting containerization (e.g., Docker, Kubernetes) and virtualization technologies.

Enterprise Applications and Automation: There is increasing adoption of modern enterprise resource planning (ERP), customer relationship management (CRM), and human capital management (HCM) solutions. Businesses are leveraging automation tools, including Robotic Process Automation (RPA), to streamline routine processes and reduce human errors. Low-code/no-code platforms are gaining traction, allowing faster deployment of internal applications.

Cybersecurity and Data Protection: With increased digital activity, corporations are investing in next-gen cybersecurity solutions to protect against sophisticated threats. Endpoint security, identity and access management (IAM), encryption, and AI-driven threat detection are among key areas of spending. Compliance with data protection regulations (e.g., India's Digital Personal Data Protection Act, 2023) is also driving investment.

Digital Workplace Transformation: Businesses are deploying digital workplace solutions, including virtual collaboration tools (like Microsoft Teams, Zoom, Slack) and remote work infrastructure. Endpoint management, mobile device management, and virtual desktop infrastructure (VDI) are being adopted to support hybrid work models.

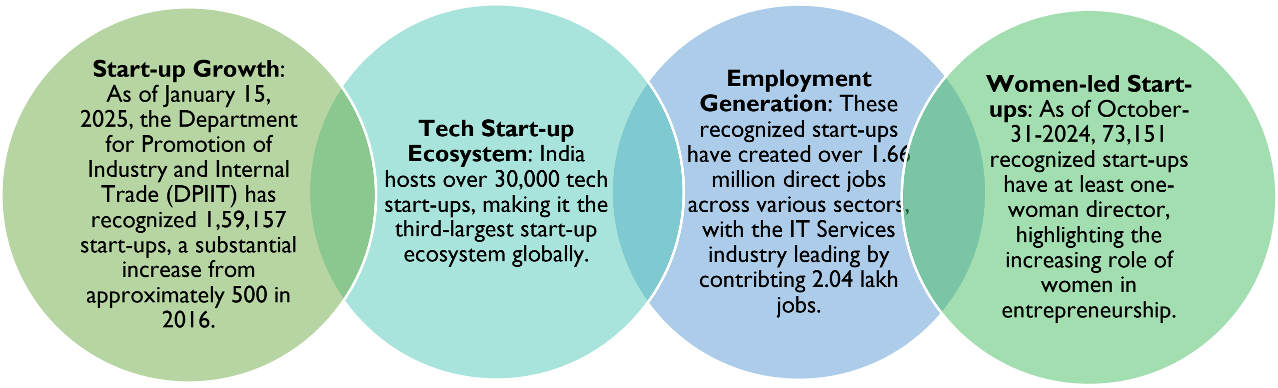
Data Analytics and Artificial Intelligence: Corporates are leveraging data analytics, AI, and machine learning to extract insights, forecast trends, and personalize customer offerings. Investment in business intelligence (BI) platforms and AI-powered decision-making tools is growing steadily.

Sector-Specific Use Cases: In sectors such as BFSI, healthcare, manufacturing, and retail, digital initiatives are tailored for core business needs.

- **BFSI**: Core banking upgrades, digital payments, fraud analytics.
- **Retail**: E-commerce integration, supply chain analytics, personalized marketing.
- **Manufacturing**: Smart factories, IoT-enabled machines, digital twins.

Technology Start-up and its Impacts

India has witnessed a significant boom in the technology start-up ecosystem over the past decade, positioning itself as one of the world's leading start-up hubs. This surge has had a profound impact on the IT infrastructure industry, reshaping demand patterns, business models, and service delivery.



Key Impacts on the IT Infrastructure Industry:

Cloud Computing Demand: The rise of technology start-ups in India has significantly increased the demand for cloud computing services. Most start-ups prefer a cloud-first approach due to its cost-effectiveness, scalability, and flexibility. Cloud platforms such as Amazon Web Services (AWS), Microsoft Azure, and Google Cloud have become the backbone for tech start-ups to develop, test, and scale their applications without the burden of maintaining physical servers. This growing dependency has fueled investments in cloud infrastructure and accelerated the expansion of cloud service providers' data center capacities in India, especially in major tech hubs like Bengaluru, Hyderabad, and Mumbai.

Data Center Expansion: To support the surging digital requirements of start-ups, India has witnessed a rapid expansion in data center infrastructure. Start-ups dealing with data-intensive applications in fintech, edtech, and gaming require low-latency, secure, and locally hosted services, boosting demand for domestic data centers. Furthermore, government regulations around data localization have further pushed start-ups and cloud service providers to invest in onshore data hosting. This has led to a rise in Tier III and Tier IV data centers, with real estate firms and telecom players entering the market to support this infrastructural need.

Cybersecurity Enhancements: As start-ups increasingly operate in digital-first environments, the risk of cyber threats has become a major concern. With many start-ups handling sensitive customer data such as payment information, health records, and personal identifiers investment in cybersecurity infrastructure has become crucial. As a result, the IT industry has seen rising demand for security solutions including endpoint protection, threat detection, encryption, and regulatory compliance tools. Additionally, start-ups are adopting secure-by-design development practices and relying on specialized cybersecurity firms for protection, thereby expanding the cybersecurity segment within IT infrastructure.

Innovation in Infrastructure Solutions: The fast-paced and innovation-driven nature of start-ups demands agile, automated, and scalable IT infrastructure solutions. Start-ups often rely on Infrastructure-as-Code (IaC), containerization (e.g., Docker, Kubernetes), and DevOps practices to manage their IT environments. This has encouraged IT infrastructure providers to develop modular, API-driven, and automation-friendly solutions tailored for dynamic business needs. The emphasis on agility and continuous deployment cycles has led to greater integration of AI-driven monitoring tools and self-healing infrastructure, further driving innovation in how IT systems are designed, deployed, and maintained in the start-up ecosystem.

Emerging Technology Applications

In Consumer Segment

The rapid adoption of emerging technologies in the consumer segments such as mobile applications, digital wallets, wearable tech, smart home devices, and OTT platforms has transformed consumer behavior and expectations. Technologies like artificial intelligence (AI), augmented reality (AR), and 5G are being embedded into everyday digital experiences, from personalized e-commerce recommendations to virtual try-ons and real-time content streaming.

This shift is driving increased demand for robust front-end and back-end IT infrastructure, including edge computing, high-speed connectivity, and scalable cloud systems to support billions of daily consumer interactions. As digital penetration grows deeper, especially in Tier 2 and Tier 3 cities, companies are compelled to invest in localized IT infrastructure and analytics to deliver seamless, high-performance consumer services.

In Enterprise Segment

In the enterprise segment, businesses across industries are aggressively implementing next-gen technologies like AI/ML, IoT, blockchain, and advanced data analytics to modernize operations, optimize workflows, and deliver enhanced customer experiences. This is evident in the deployment of smart manufacturing solutions in industry, AI-powered customer support in BFSI, blockchain-led traceability in supply chains, and predictive analytics in retail and logistics. These innovations are pushing organizations to invest in high-performance computing (HPC), secure data storage, real-time analytics platforms, and cloud-native architectures. Enterprises are also reshaping their IT infrastructure to be more agile, modular, and service-oriented driving demand for hybrid cloud environments, API integrations, and DevOps-enabled automation.

Impacts:

- **Increased Edge & Cloud Infrastructure Investment:** The growth in real-time, data-heavy applications has accelerated investments in cloud and edge computing infrastructure to process data closer to the source, reducing latency and improving performance for both consumers and enterprises.
- **Enhanced Demand for AI-Ready Infrastructure:** As AI and machine learning applications proliferate, there is a surge in demand for AI-optimized IT infrastructure such as GPU servers, large-scale storage solutions, and intelligent data pipelines driving specialized offerings in the IT infrastructure market.
- **Cybersecurity and Compliance Expansion:** The widespread adoption of tech applications has made data security and privacy a priority, resulting in increased spending on cybersecurity infrastructure, compliance tools, and risk management solutions across both segments.
- **Hybrid and Multi-Cloud Adoption:** To support the diverse workloads generated by new tech applications, organizations are shifting towards hybrid and multi-cloud models that offer flexibility, reliability, and cost optimization further expanding the role of cloud service providers and integration platforms.

Regulatory Framework

Government Schemes and PLI Scheme	The government has approved the introduction of the Production-Linked Incentive (PLI) Scheme for the IT and BPM sector, administered by the Department of Telecom, with a financial outlay of INR 121.95 billion over five years. This initiative aims to enhance India's manufacturing capabilities and boost exports. The Ministry of Heavy Industries (MHI) launched the PLI Scheme for the automobile and auto components industry with a budget of INR 25,938 crore over five years (FY23 to FY27). It will significantly boost engineering, research, and development (E R&D) in the automotive sector. Support for International Patent Protection in E&IT (SIP-EIT): This scheme provides financial support to MSMEs and Technology Start-ups for international patent filing.
Karnataka E R&D Policy 2021	Launched by the Karnataka government, this policy aims to tap into the state's potential in the engineering R&D sector by creating 50,000 new jobs and increasing its contribution to 45%. It focuses on fostering a conducive environment for innovation and growth in engineering research and development.
Missions- Software Technology Park of India	The STP Scheme is a 100% export-oriented initiative designed to enhance the development and export of computer software and professional services. It offers benefits like tax holidays and excise duty exemptions for STPI units, encouraging the growth of India's software export capabilities and IT infrastructure.
Atal Innovation Mission	The Atal Innovation Mission (AIM), launched by the Indian government under NITI Aayog in 2016, aims to foster innovation and entrepreneurship across the country. Key initiatives include Atal Tinkering Labs (ATLs) in schools to promote creativity among students, Atal Incubation Centers (AICs) providing support to startups, and Atal Community Innovation Centers (ACICs) to drive innovation in underserved areas. With over 10,000 ATLs and 50 AICs established, AIM is pivotal in creating a robust innovation ecosystem in India.
Government Allocation	The total budgetary allocation to the Ministry of Electronics and Information Technology increased to ₹219.4 bn in FY25 (BE), from ₹144.2 bn in FY24 (RE). The government's increased investment in the Ministry of Electronics

	and Information Technology reflects a robust commitment to enhancing the IT sector's capabilities and infrastructure. Capital Outlay on Defence services was increase by 9.4% from INR 1,572 Bn in union budget 2023-24 (RE) to INR 1,720 Bn in 2024-25 (BE)

The willingness of the Indian Government to boost the services sector enabled the industry to make rapid strides within a short time. With its flagship Digital India initiative, the Government aims to integrate the Government departments and the people of India. It aims at ensuring the government services are made available to citizens electronically by reducing paperwork. In Union Budget 2025-26 too, the government announcement progressed further in this direction with below major announcements:

- The Union Budget has announced a substantial increase in allocation towards National Urban Digital Mission (NUDM) to Rs 12 bn for FY26 (BE), from just Rs 1 bn in FY25 (RE).
- The Union Budget has announced plans to set up a digital public infrastructure, Bharat Trade Net, for international trade to facilitate integration with global supply chains and a National Digital Repository of Indian Knowledge Systems for the conservation of more than 10 mn manuscripts.
- The Union Budget has also committed to provide broadband connectivity to all government secondary schools and primary health centres in rural areas under the 'Bharatnet' project.
- The total budgetary allocation for the Ministry of Electronics and Information Technology (MeitY) has been increased to Rs 260.3 bn in FY26 (BE), from Rs 175.7 bn in FY25 (RE)
- The allocation for cybersecurity projects has been increased to Rs 7.8 bn in FY26 (BE), from Rs 3.2 bn in FY25 (RE)
- The allocation for the Digital India programme has been raised to Rs 40.7 bn in FY26 (BE), from Rs 40.0 bn in FY25 (RE).
- The allocation for India AI Mission has been increased significantly to Rs 20.0 bn in FY26 (BE), from Rs 1.7 bn in FY25 (RE).
- The Union Budget also proposes the implementation of the Bharatiya Bhasha Pustak Scheme, which will provide digital books in Indian languages to students, helping them better understand their subjects.
- The budgetary allocation towards the National Digital Health Mission – NHM has been increased to Rs 3.4 bn in FY26 (BE), from Rs 2.3 bn in FY25 (RE)

With positive budget announcements, the IT sector role is expected to strengthen further in the developments of the country. The increased budget allocation for the MeitY – along with significant funding boosts for cybersecurity, AI, semiconductor manufacturing and the PLI scheme – will strengthen India's IT and digital ecosystem.

Additionally, significant strides are being made in digital infrastructure, with increased allocations complementing advancements from initiatives such as the Bharat Net Project. As India taps into its unique cost advantages in the growing data centre market, the government's emphasis on digital modernisation is set to keep the country competitive in the global digital landscape. Above announcement are likely to push the pace of digitization driving the revenue of overall of IT sector.

Competitive Landscape

The Indian IT-BPM industry is highly fragmented and comprises of large multi-billion-dollar companies, small domestic companies and global MNCs. The first category is Tier I with big and Mid-sized players that offer all services across the value chain. These are engaged in providing end-to-end software solutions including process automation, IT infrastructure maintenance, Software testing and platform hosting. The competition in this segment is limited in terms of number of players but is fierce when it comes to offerings and pricing.

Then there are offshore service providers who specialize in IT services along with BPMs. The next category is of companies that only provide and specialize in BPM services. The last category is small and emerging players. This segment is very niche as there is presence of boutique companies specializing in limited domains (at times even one or two offerings). The competitive advantage for these companies is specialized skill sets along with lower pricing.

Indian Market landscape	
Players	6000+ Indian Tech Service companies, 2000 Product companies, 1000 SaaS companies
Patents	With a massive focus on IP Creation, India ranked 40th in Global Innovation Index, 138K Tech patent filed between 2015-22.
Start-ups	100,000+ firms, 112+ Unicorns, over 68,000 new tech startups were founded in 2023
Global capability centers (GCC)	1750+, The total installed GCC talent is 1.66 Mn+.

The Engineering Research and Development (E R&D) industry in India is both organized and fragmented. Currently there are 1483 Global capability centres are present in India. Large multinational corporations and established Indian companies dominate the organized segment, focusing on cutting-edge technologies. The fragmented segment includes numerous SMEs and startups, contributing to niche innovations and specialized solutions. This dual structure allows the industry to be agile and robust, catering to diverse technological needs across various sectors.

The Indian E R&D industry emphasizes innovation and a multidisciplinary approach, leveraging a vast pool of skilled engineers and scientists. Key attributes include a focus on prototyping and rigorous testing, regulatory compliance, and strong collaboration with industry players, academic institutions, and research organizations. Intellectual property protection is also a priority, ensuring innovations are safeguarded through patents. The key differentiators of Indian ER&D players include cost-effective innovation, specialized domain expertise, rapid adaptability to market dynamics, strategic global collaborations, pioneering work in emerging technologies, rigorous intellectual property management, and a strong focus on sustainable and eco-friendly solutions.

Key Players

Company	Brief Profile
Relyon Softech Ltd	*Established in 2000, Relyon Softech is promoted by experienced professionals across fields like taxation, accounting, and IT. The company offers a diverse portfolio of products, including Saral TDS, Saral TaxOffice, Saral ePFESI, and Saral PayPack, serving over 100,000 users across 10+ states, such as Karnataka, Telangana, Rajasthan, and Maharashtra. With expertise in payroll, accounting, GST, income tax, and compliance, Relyon Softech counts JOCIL, MONTECARLO, SAFAL, and CigFil among its clients.*
Spectra Technologies India Private Limited	***Spectra Technologies India Private Limited**, established in 2004, is an independent manufacturer and integrator of specialized thin client and desktop computing solutions. The company offers a comprehensive range of Virtual Desktop products, innovative software, and tailored solutions for sectors including healthcare, hospitality, manufacturing, education, and finance. Spectra's solutions emphasize ease of use, enhanced security, centralized asset management, cost efficiency, and eco-friendliness. The company's proprietary technology supports Microsoft Windows and Linux environments, facilitating diverse applications. Since 2012, Spectra has expanded into data center operations, enabling cloud-based Virtual Desktop services via public and private clouds. Spectra is recognized for its commitment to smart, green technology and continues to deliver efficient, secure, and sustainable computing solutions across various industries.*
CloudTechTIQ Technologies Pvt. Ltd.	***CloudTechTIQ Technologies Pvt. Ltd.** is a cloud hosting service provider in India, specializing in offering tailored cloud solutions to help businesses achieve their goals efficiently. The company provides a range of services, including cloud computing on Microsoft Azure and Amazon Web Services (AWS), endpoint security, Office 365 solutions, Linux cloud servers, and Google Workspace plans. CloudTechTIQ serves organizations of all sizes by delivering secure, high-performance hosting services, such as VPS, dedicated servers, and managed cloud services. With data centers in India, the company ensures fast, reliable service and prioritizes customer support through 24/7 assistance. CloudTechTIQ is trusted by over 500 clients, known for its responsive tech support, expertise in cloud solutions, and commitment to innovation and security in the ever-evolving IT infrastructure landscape.*
Professional Softec Private Limited (PSPL)	***Professional Softec Private Limited (PSPL),** a player in tax and office management software solutions, is based in Rajasthan and specializes in advanced document management systems and tools for tax compliance, financial management, and office*

automation. Its flagship products include GST management solutions, digital signature certificates (DSCs), and automation tools designed to streamline processes for professionals. PSPL is part of the CompuTax Group, a Jaipur-based organization established in 1989, which also includes Taxsoft Marketing Private Limited (TMPL). With a strong infrastructure spanning 70,000 sq. ft., the company is known for its robust technical support and has been recognized by the Income Tax Department for facilitating a high volume of returns through private software providers.

Growth Forecast

Over the next two to three years, India's IT-BPM industry is poised for sustained growth, underpinned by robust global demand for digital solutions, ongoing technological advancements, and strategic policy interventions. As digital transformation becomes central to business strategy across industries, Indian IT service providers are expected to see increased demand for services such as cloud migration, cybersecurity, AI/ML implementation, and digital infrastructure modernization.

The shift from traditional outsourcing to digital-first engagement models is compelling IT firms to reposition themselves as transformation partners rather than just service vendors. This evolution is expanding opportunities not just in traditional markets like the US and Europe, but also in emerging geographies in Asia, the Middle East, and Africa.

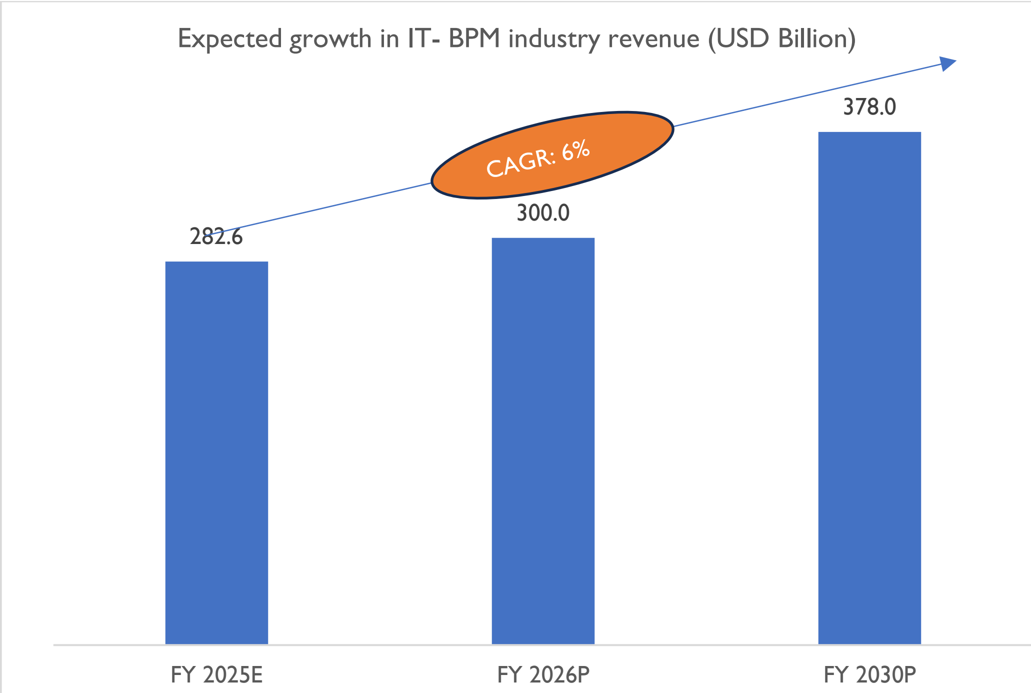
A key driver of this expected growth is the accelerated expansion of Global Capability Centers (GCCs) in India. Hosting more than 1,700 GCCs, India has established itself as a strategic hub for multinational companies seeking talent-rich, cost-effective environments for innovation, R&D, and enterprise functions. The trend of GCCs moving up the value chain from transactional back-office roles to high-end product engineering and AI-driven innovation is expected to further boost revenue and talent development.

In parallel, the domestic IT market is maturing rapidly with greater digital adoption in BFSI, healthcare, manufacturing, retail, and government services. Sectors like edtech, fintech, and health tech are gaining prominence, supported by platforms like UPI, DigiLocker, and Ayushman Bharat Digital Mission, thereby enhancing the scope for homegrown IT solutions.

Additionally, the Indian government's proactive stance on digital skilling and AI development is expected to sustain momentum. Initiatives such as FutureSkills Prime, IndiaAI, and the creation of AI Centres of Excellence are designed to bridge the digital talent gap and support innovation. With India being ranked first globally in AI skill penetration (Stanford AI Index 2024), the workforce is becoming increasingly future-ready.

Combined with ongoing investments in infrastructure and digital connectivity in tier-2 and tier-3 cities, this creates a favorable ecosystem for inclusive growth in the IT-BPM sector. Overall, the next few years are likely to witness the sector consolidating its global leadership while evolving into a broader platform for technological innovation, job creation, and economic impact.

Based on the latest data from the National Association of Software and Service Companies (NASSCOM), the Indian IT-BPM industry is projected to continue its growth trajectory over the next few years:



Source: Dun & Bradstreet Estimates based on National Association of Software and Service Companies (NASSCOM) growth rate guidance, E- Estimated; P- Projected

The Indian IT-BPM (Information Technology- Business Process Management) industry revenue is projected to grow from USD 282.6 billion in FY 2025 and USD 378 billion by FY 2030. This positive trend reflects the sector's continued expansion, driven by digital transformation, rising global outsourcing demand, and increasing investments in cloud, AI, and cybersecurity technologies.

The CAGR (Compound Annual Growth Rate) is marked at 6%, indicating a consistent pace of industry development. Contributing factors include the rise of Software as a Service (SaaS), global capability centres (GCCs), and government policies supporting digital public infrastructure and innovation. This consistent upward trajectory underlines the IT-BPM industry's critical role in India’s economic growth and its strategic importance in the global digital economy.

Peer Benchmarking

Key Indicators (INR Million), FY 2024	SPECTRA TECHNOLOGIES (INDIA) PRIVATE LIMITED	CLOUDTECHTIQ TECHNOLOGIES PRIVATE LIMITED	RELYON SOFTECH LIMITED	PROFESSIONAL SOFTEC PRIVATE LIMITED
Revenue from Operations	363.9	66.8	477.6	305.1
EBITDA	85.7	10.2	68.9	209.6
PAT	54.5	4.8	50.9	154.2
EBITDA Margin (%)	24%	15%	14%	69%
PAT Margin (%)	15%	7%	11%	51%
ROA	21%	14%	14%	20%
ROCE	34%	55%	21%	30%
Net Worth	208.9	11.4	254.4	680.8
Long-term Debt	12.3	0.9	39.6	0.3
Debt Equity Ratio	0.2	1.5	1.4	1.1
Return on Equity	26%	42%	20%	23%

Source: MCA

Financial Analysis

India have become the outsourcing destination of the world on the back of its low cost and highly skilled human resource. This is also the single biggest operating cost in this industry. Employee cost, in terms of salaries & wages account for nearly half of the total operating cost in the industry. The employee cost in the country has been rising steadily, on the back of demand-supply mismatch and general inflationary scenario.

The shift to remote working has created renewed demand for IT skills specific to cloud computing, cyber security, and IT infrastructure maintenance. Unprecedented shift to remote working meant, the demand was widespread. Indian IT industry was well positioned to leverage this opportunity and was able to increase it sales. This in turn has helped in improving the profitability margins in FY 2024.

The Indian IT sector, encompassing companies like Spectra Technologies (India) Private Limited, CloudTechtiq Technologies Private Limited, Relyon Softech Limited, and Professional Softec Private Limited, continues to be a pivotal driver of economic growth, contributing significantly to employment, innovation, and digital transformation. The sector's performance remains robust despite global challenges, with a consistent focus on expanding services, cloud solutions, software development, and IT infrastructure. These companies exemplify the adaptability and resilience that the industry is known for, catering to both domestic and international markets.

Expense Snapshot

	Power & Fuel	Salary & Wage	SG&A	Interest
FY 2022	0.3%	36.6%	17.7%	0.3%
FY 2023	0.3%	31.9%	16.0%	0.4%
FY 2024	0.3%	32.1%	13.6%	0.2%

Sources: MCA, Sample Size of 4 Companies

Expense trends in the Indian IT sector reveal noteworthy patterns, particularly in Power & Fuel and Salary & Wage expenses. The proportion of Power & Fuel expenses has remained consistent at 0.3% across FY 2022, FY 2023, and FY 2024, indicating stable operational costs related to energy consumption and utilities. In contrast, Salary & Wage expenses, which represent a major cost component, have shown fluctuations. These expenses accounted for 36.6% in FY 2022, dipped to 31.9% in FY 2023, and slightly increased to 32.1% in FY 2024. This variability reflects dynamic workforce demands, competitive salary structures, and the industry's continuous efforts to balance operational efficiency with talent retention.

The consistent allocation to Power & Fuel expenses underscores a degree of stability in infrastructure costs, while Salary & Wage variations signal an evolving approach toward human capital management. The slight decline in salary expenses from FY 2022 to FY 2023 may be attributed to optimization strategies or automation initiatives, whereas the subsequent increase in FY 2024 suggests renewed investment in skilled talent to support growth and innovation. These expense trends highlight the sector's strategic efforts to control costs while maintaining workforce quality, essential for sustaining competitiveness in a technology-driven market.

Profitability Margins

	Operating Profit Margin	Net Profit Margin
FY 2022	33.7%	27.9%
FY 2023	31.2%	21.7%
FY 2024	30.9%	21.8%

Profitability margins in the IT sector have experienced a subtle but consistent decline, reflecting the competitive landscape and cost pressures. The Operating Profit Margin was 33.7% in FY 2022, decreasing to 31.2% in FY 2023, and slightly further to 30.9% in FY 2024. This trend indicates rising operational costs or pricing pressures that impact the core profitability of IT services. Despite this decline, the margins remain relatively healthy, showcasing the sector’s ability to manage costs effectively while delivering value-added services.

The Net Profit Margin has seen a more pronounced decline over the same period. From 27.9% in FY 2022, it dropped to 21.7% in FY 2023 and marginally improved to 21.8% in FY 2024. This reduction points to challenges such as increased competition, higher taxation, or other non-operational expenses impacting the bottom line. However, the stabilization in FY 2024 suggests efforts toward maintaining profitability through strategic cost management and diversified revenue streams. The sector's focus on innovation, cloud services, and digital transformation initiatives positions it to adapt and recover profitability in the coming years.

Company Profile: Webtel Electrosoft Ltd[4]

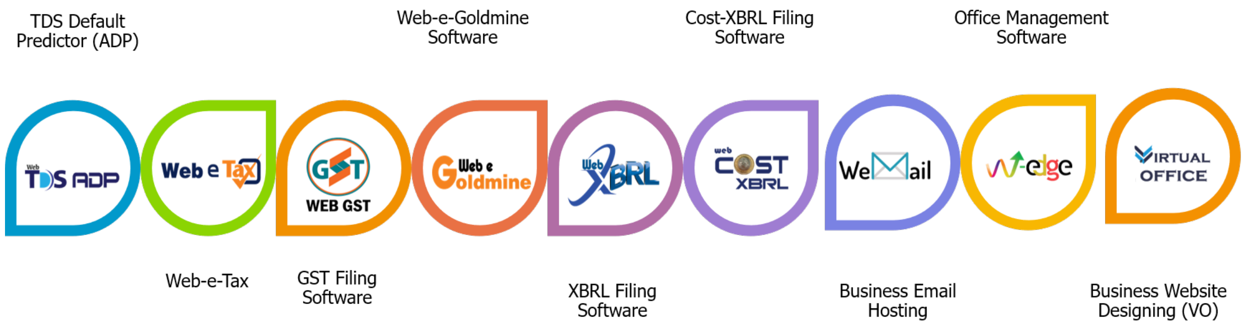
Company Overview

Webtel Electrosoft Ltd is a provider of software solutions for e-compliance in India and overseas say KSA, Mauritius and Malaysia. Founded in 2000, the company has grown to become a trusted partner for businesses of all sizes, offering a comprehensive suite of products and services to help them navigate the complex regulatory landscape.

Key Products & Services

SOFTWARE SOLUTIONS

The company offers a range of software solutions for professionals and businesses detailed below.



ERP INTEGRATED COMPLIANCE SOLUTIONS

[4] Company information sourced from publicly available data

ERP INTEGRATED BUSINESS SOLUTIONS

CLOUD SOLUTIONS AND SERVICES

1. Web E-Connect
2. Google Workspace
3. Data Centre- PaaS and SaaS

Key Strengths

Webtel's key strengths include its deep understanding of Indian tax laws and regulations, a strong focus on customer satisfaction, and a commitment to innovation. The company has a team of experienced professionals who work closely with clients to understand their specific needs and provide tailored solutions. Webtel's user-friendly software, reliable support, and timely updates have contributed to its strong reputation in the market