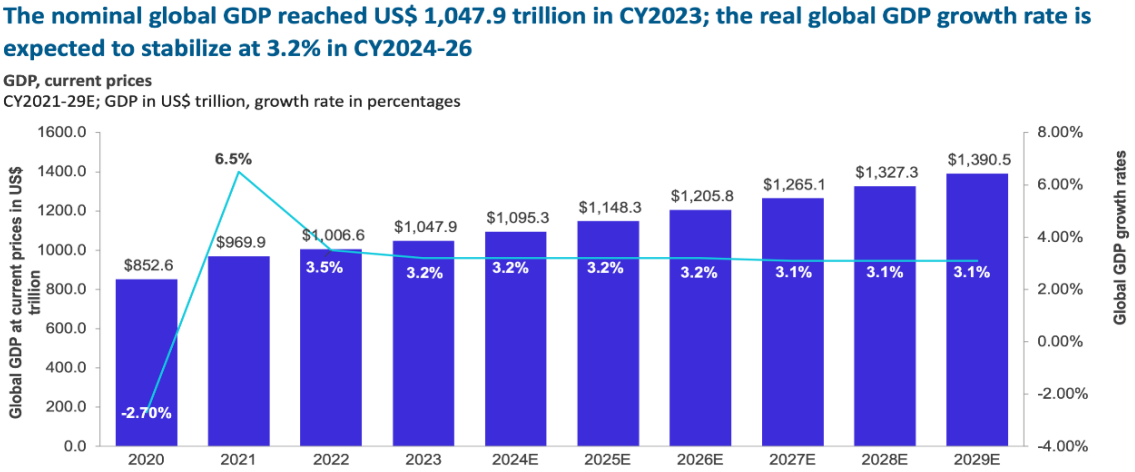
EVEREST GROUP'S IT-BP SERVICES INDUSTRY OVERVIEW

Global Enterprise Technology Services Market

Global Economy Outlook

Global Gross Domestic Product ("**GDP**") is projected to grow at a steady rate of 3.2% for 2024 and 2025. Major emerging markets have remained stable, and the banking system has proven to be robust. Inflation, which had peaked at 9.4% in 2022, is projected to reach 3.5% by the end of 2025, according to the October 2024 World Economic Outlook by International Monetary Fund.



Note:
E stands for estimated numbers
The data for the global GDP at current prices and real GDP growth rates have been taken from International Monetary Fund

The global economy has been showing marked resilience, maintaining steady growth despite navigating significant challenges. Services production in the European Union is steadily climbing with Eurostat data indicating a 0.4% increase in services production over previous month in August 2024. Year-over-year growth in services production reached 2.2% in the EU, with the information and communication sector posting a robust 5.4% rise. This sector's momentum reflects growing demand and digital transformation across European industries.

In the U.S., inflation pressures are stabilizing, and recent rate cuts by the Federal Reserve are anticipated to support employment levels and consumer demand. While U.S. growth remains steady, adjustments to fiscal policy are underway to address longer-term debt challenges. The U.S. labor market shows signs of moderating from previous highs, but consumer spending and investment remain resilient, supporting a balanced economic outlook.

As per the October 2024 Regional Economic Outlook: Asia and Pacific by International Monetary Fund, the region is expected to grow at 4.6% in 2024, driven by strong exports in technology and steady domestic demand in emerging markets. Advanced economies in the region saw softer consumption due to past monetary tightening, and China's property market adjustments impacted private demand. Inflation has largely moderated, with most emerging markets meeting targets, though wage pressures have slowed disinflation in advanced economies. August brought market volatility as shifts in U.S. Fed rate expectations and a Bank of Japan rate increase caused the yen to appreciate, impacting Asian currencies briefly. Despite global uncertainties, the region's transition to high-productivity services sectors offers a path to sustain growth amid demographic shifts.

In Latin America, growth prospects have moderated, with some structural headwinds impacting productivity. However, regional markets continue to adapt to shifting global demand, with opportunities emerging in sectors tied to commodities and digitalization.

Global Enterprise Technology Services Market Overview

The global enterprise technology spend (which includes IT services, business process services, software and hardware) is expected to grow at a CAGR of approximately 7.3% during the period CY2024-29E to account for a total market size of approximately ₹630.7 trillion (US$7,552.7 billion), as per Everest Group estimates. With the anticipated interest rate cuts, enterprises are expected to increase spending, focusing on achieving heightened efficiency with leaner resources while maintaining a growth outlook. Enterprises are increasingly investing in

technology to enhance their digital infrastructure, streamline operations, and improve customer experiences. The accelerated push towards cloud computing, artificial intelligence (AI), data, automation, and connected products is not only transforming traditional business processes but also driving the need for IT services. Digital transformation continues to be a pivotal agenda for businesses aiming to stay competitive in a digital-first economy. Organizations are leveraging advanced technologies to modernize legacy systems and innovate their products and services.

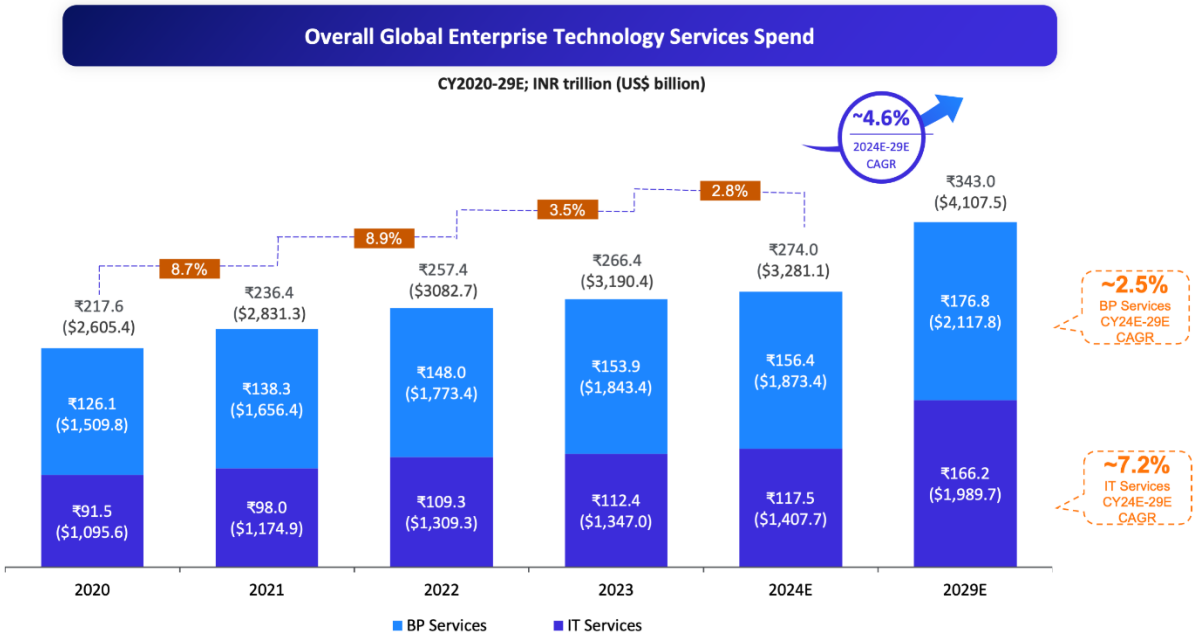
Concurrently, product engineering is evolving with a sharper focus on user-centric design, scalability, and robustness. Companies are investing in Internet of Things (IoT) solutions, leveraging analytics to derive actionable insights, and integrating cybersecurity measures to safeguard digital assets. These efforts underscore a strategic shift towards holistic IT solutions that not only enhance operational efficiency but also drive sustainable growth by reshaping the way businesses operate and engage with technology.

Global Enterprise Technology Services Spend Trends and Characteristics

Enterprises have diverse and complex technology requirements influenced by factors such as regulatory environments, industry specifics, local market dynamics, and enterprise readiness/maturity. To address these varying needs, enterprise technology services requirements can be broadly categorized into two major segments:

- **IT Services:** This category includes services such as enterprise application services, custom application development, cloud services, cybersecurity services, and data, analytics, and AI services
- **Business Process Services (BPS):** This includes spend related to business process management services such as contact center operations, procurement, data-driven marketing, and other outsourced business functions

The following exhibit illustrates the global enterprise technology services spend for the years CY2020-29.



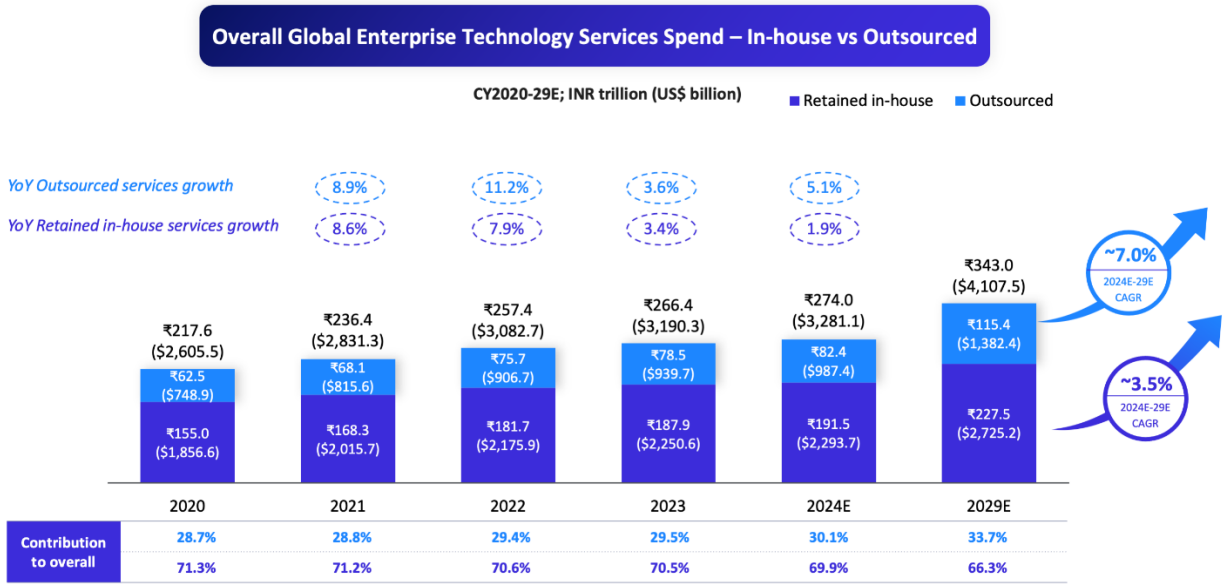
Note: US$ figures for all the years are based on the exchange rate of US$1= ₹ 83.5000 as of July 5, 2024
Global enterprise technology services spend is inclusive of in-house and outsourced spend
E stands for estimated numbers
The above listed numbers and growth rates are approximate numbers that have been rounded off to the closest whole number (or up to one decimal place)
Source: Everest Group (2024)

The global enterprise technology services market segment is projected to reach approximately ₹343.0 trillion (US$ 4,107.5 billion) in CY2029 with IT services growing at a CAGR of approximately 7.2% and BP services growing at a CAGR of approximately 2.5% for the period CY2024-29E.

Enterprises may address their technology requirements through either in-house teams or outsourcing. Outsourcing involves engaging a third-party provider to deliver the necessary services and infrastructure. The decision to outsource or to maintain services in-house is influenced by several factors:

- **Insourcing/in-house teams:** Enterprises may choose to retain services in-house to maintain control over critical business functions, ensure domain-specific contextualization, and address concerns related to governance, quality, and security. Retaining services in-house allows for a more integrated and aligned approach to core business operations.
- **Outsourcing:** When internal resources are limited or are unable to keep pace with rapid technological advancements, outsourcing becomes a viable option. Outsourcing provides access to superior talent, the ability to scale quickly, and on-demand availability of pre-built solutions, intellectual property, tools, and accelerators. It also brings knowledge of industry best practices and cost efficiencies, making it an attractive choice for many enterprises.

The exhibit below showcases how the enterprise technology services spend is split between in-house versus outsourcing methods for overall IT and BP services.



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Source: Everest Group (2024)

The outsourced spend as a percentage of total spend is notably higher for IT services (~48.8%) as compared to BP services (~16.0%). This trend is driven by the complexity and specialized expertise required in IT services, which include areas such as application development, cybersecurity, cloud management, and data analytics. Outsourcing these services allows enterprises to leverage the advanced skills, technologies, and scalability offered by third-party providers, thus ensuring cost-efficiency and access to cutting-edge solutions. In contrast, BPS, which includes functions like customer service, HR, and finance, often necessitates a deeper integration with core business processes and a higher degree of domain-specific knowledge. Consequently, enterprises prefer to retain control over BPS in-house to maintain tighter governance, quality control, and alignment with business strategies, leading to a lower ratio of outsourcing in this domain.

While the ratio of outsourced to in-house services varies between IT and BPS due to their differing needs and complexities, the choice of outsourcing destination plays a crucial role in maximizing the benefits of outsourcing.

Benefits of India as a delivery location for outsourced services

India as a delivery location for outsourced services is renowned for its distinctive characteristics and advantages, setting it apart from other low-cost geographies like Eastern Europe and LATAM. One of the primary strengths of the Indian delivery model is its vast, skilled and English-speaking talent pool. India produces a significant number of STEM (Science, Technology, Engineering and Mathematics) graduates annually, providing a steady stream of qualified professionals who excel in various technology domains. This talent pool is complemented by a strong emphasis on continuous learning and upskilling, ensuring that Indian IT professionals stay abreast of the latest technological advancements and industry best practices. Additionally, the cost structure in India is highly favorable, offering substantial cost savings without compromising on quality. The well-established IT infrastructure in India, supported by robust telecommunications and state-of-the-art facilities, further enhances its

delivery capabilities. India's time zone advantage allows for round-the-clock support, facilitating seamless global operations and optimized turnaround.

India's stable government provides a reliable and supportive environment for outsourced services, ensuring consistent policies and reducing business risks. This stability is further enhanced by government incentives such as Special Economic Zones (SEZs), which offer favorable conditions for businesses. Coupled with favorable industry initiatives, this boosts India's appeal as a key delivery location. As per Everest Group estimates, India constitutes nearly 55-65% of the ₹1.3-1.7 trillion (US$ 15-20 billion) market opportunity observed in the global capability center (GCC) market.

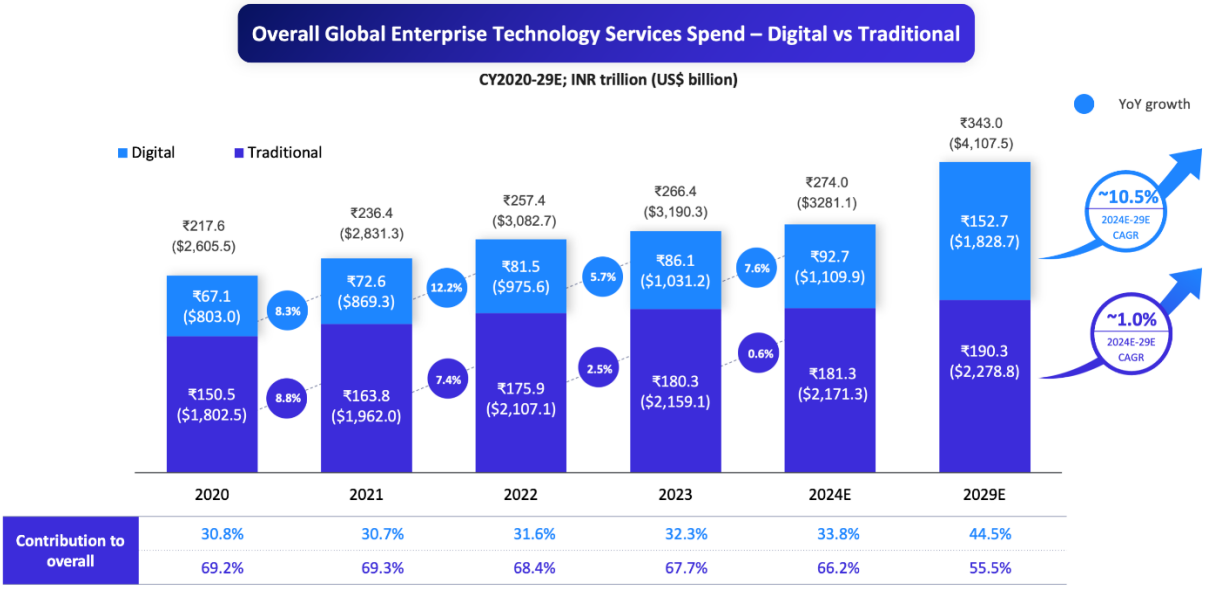
When compared to other global outsourcing locations like Eastern Europe and LATAM, India stands out for its scalability. Indian service providers can rapidly scale operations to meet the growing demands of their clients, thanks to the large talent pool and established training programs. Additionally, India's cultural affinity with Western business practices and proficiency in English further streamline communication and collaboration with clients across the globe.

Global digital services spend

Irrespective of whether the needs are addressed in-house or via outsourcing, the global enterprise technology services market is experiencing a shift from traditional to digital services. Traditional services have generally focused on areas such as legacy technologies, running IT infrastructure, and business operations management. These services primarily address gaps in expertise and offer cost savings but have limited impact on business innovation or customer experience.

In recent years, the focus has moved towards digital services, driven by the adoption of advanced technologies such as product engineering, cloud computing, data analytics, artificial intelligence, blockchain, IoT, and augmented and virtual reality. These digital services are designed to deliver significant business outcomes, enhance operational efficiencies, and transform customer and employee experiences. As enterprises increasingly invest in these technologies to drive innovation and competitiveness, the spending on digital services is expected to grow, overtaking traditional services in the near future, at a CAGR of approximately 10.5% for the period CY2024-29E.

The digital services segment is estimated to account for 33.8% of the overall enterprise technology services spend in CY2024 and is expected to grow at a higher rate than traditional services, reaching approximately 44.5% by CY2029.



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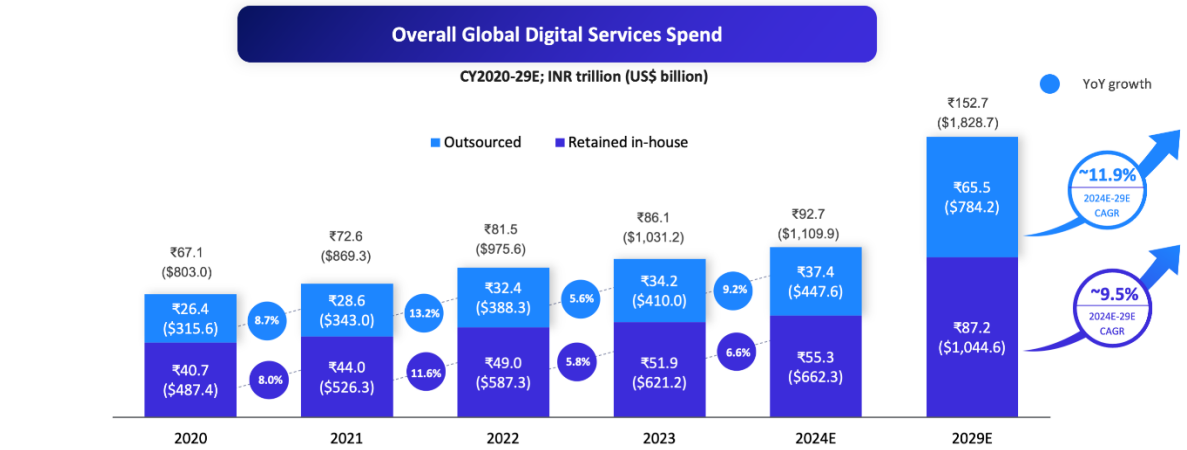
Digital, in today's market, stands out as an overarching theme across all the major technology segments. The overall digital services spend is set to reach approximately ₹152.7 trillion (US$ 1,828.7 billion) by CY2029. Within digital services, the portion of spend being outsourced has been steadily increasing every year and is estimated to account for ₹37.4 trillion in CY2024, constituting approximately 40% of the overall digital services spend.



	2020	2021	2022	2023	2024E	2029E
Contribution to overall	39.3%	39.5%	39.8%	39.8%	40.3%	42.9%
	60.7%	60.5%	60.2%	60.2%	59.7%	57.1%

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As both the digital and traditional segments of the technology services industry grow, a range of driving and restraining forces can be seen to influence the market. These factors are critical in determining the market's trajectory and the strategic decisions made by service providers.

Enterprise Technology Services: Deep Dive on Headwinds and Tailwinds

Tailwinds Driving the Growth

The global enterprise technology services market is experiencing resilient growth, propelled by various factors that are shaping the industry's trajectory.

Accelerated adoption of cloud post-pandemic
The COVID-19 pandemic significantly redefined business operating models, compelling enterprises to rethink their existing operational frameworks to ensure resilience and sustainability. Faced with unprecedented disruptions, companies were forced to accelerate their digital transformation efforts, with cloud adoption emerging as a pivotal strategy. The cloud provided the necessary flexibility, scalability, and remote accessibility that traditional on-premises systems lacked along with cost benefits of reducing the need for upfront investment in hardware and reducing maintenance costs. While the pandemic accelerated cloud adoption, several factors will sustain this momentum and ensure that cloud adoption remains a central growth driver for the industry. The rise of cloud-native products enhances flexibility and responsiveness, allowing businesses to innovate rapidly. Improved stakeholder experiences, driven by seamless integration and accessibility, further solidify cloud's value proposition.

Increasing enterprise adoption of data and AI solutions
Enterprises are increasingly integrating AI-driven solutions to enhance decision-making, automate processes, and deliver personalized experiences. A significant driver of this trend is the ability of AI to process vast amounts of data quickly and accurately, helping enterprises make data-driven decisions. Generative AI (also known as Gen AI) is also gaining traction for its ability to create content, design solutions, and drive innovation. As per Everest Group's Viewpoint: Capturing the Generative AI Pulse, almost 83% of global enterprises are either actively testing gen AI's capabilities through pilot programs or have already adopted it for one or more production-grade use cases. Due to the complex nature of implementing and managing advanced data, analytics, and AI solutions,

many enterprises opt to outsource these services to specialized providers. Outsourcing allows them to access expertise, scalable infrastructure, and continuous innovation in AI technologies, enabling faster deployment and maximizing the benefits of data-driven insights without heavy upfront investments in talent and technology.

Heightened cybersecurity needs amidst digital transformation
The rapid shift to remote work, coupled with the increased reliance on digital platforms, created new vulnerabilities that cybercriminals were quick to exploit. According to the World Economic Forum, large cyber losses of more than €1 million in recent years show that the number of cases in which data is exfiltrated is increasing – doubling from 40% in 2019 to almost 80% in 2022, with activity in 2023 tracking even higher. This has driven substantial investments in advanced cybersecurity solutions, such as multi-factor authentication, encryption, and threat intelligence systems. However, due to shortage of skilled cybersecurity professionals, enterprises placed increased reliance on third party service providers to meet these needs.

Protecting profitability by establishing a cost advantage
Cost optimization is critical for businesses striving to maintain profitability amid economic uncertainties. The Everest Group's 2024 Key Issues Study highlighted that 62% of the participants selected enhanced profitability and/or cost optimization to be their key business priority going into 2024. Companies are increasingly turning to cloud computing, automation, and data analytics to identify cost-saving opportunities and reduce overheads.

While the initial focus is on cost optimization, enterprises are pursuing operational optimization as a lever for long-term profitability. Businesses are implementing advanced technology solutions like process automation, workflow integration, and real-time analytics to enhance productivity and streamline operations. By leveraging managed services, organizations can have service providers digitally manage their IT estates, optimizing operations and reducing costs. Managed services allow clients to focus on their core business activities while relying on expert partners to ensure their IT infrastructure runs smoothly and efficiently.

Propensity to transform operating models
Enterprises are moving away from traditional, siloed approaches and adopting integrated platforms that facilitate seamless operations, enhance collaboration, and enable scalability. This shift involves developing digital platforms that enable efficient data sharing, real-time communication, and integrated service delivery. Service providers play a crucial role in this transformation by offering expertise in platform development, maintenance, and optimization.

A shift to sustainable business models
Organizations are integrating sustainable practices to meet regulatory requirements and drive differentiation, leading to a surge in energy-efficient data centers, green cloud computing, and advanced analytics for resource optimization. Technologies like IoT and AI enable real-time monitoring and predictive maintenance. Additionally, providers are adopting eco-friendly hardware and renewable energy to ensure the technology itself is green, capturing new market opportunities while promoting environmental conservation. As per Everest Group estimates, in 2023, the sustainability services market grew by nearly 21% compared to 2022. Heading into 2024, more enterprises seek to partner with providers in this regard to align with evolving mandates and stakeholder demands.

Evolving partner ecosystem
Increased partnerships with platform players are allowing service providers to leverage the advanced capabilities and scale of established platforms. Providers can offer enhanced services in cloud migration, digital transformation, and AI-driven solutions, which are increasingly in demand by enterprises looking to modernize their operations.

Headwinds Faced by the Industry

Pricing and margin pressures
According to the Everest Group's 2024 Key Issues Study, cost pressures are expected to force providers to deploy innovative cost optimization strategies. Owing to economic uncertainty, consumer sentiment has remained cautious, and enterprises are exploring multiple levers across service provider portfolios to create financial impact. Some of these levers include renegotiation of rate cards, recalibration of scope, change in payment terms, change in level of automation, innovation, transformational savings, cost- and skill-based adjustments, adjustments in skill premiums, and adjustments in cost-related contract terms. The pullback in discretionary IT spending and

elongated decision-making processes further exacerbate challenges for the providers as these factors lead to delayed project approvals and reduced budgets, impacting the demand for technology services.

Talent shortages: addressing skills gaps in a competitive job market
The rapid advancement of technology has created a surge in demand for skilled professionals with expertise in emerging technologies such as AI, cybersecurity, cloud computing, and data analytics. However, the supply of qualified talent is struggling to keep pace with this demand, leading to a widening talent demand-supply gap. While the gap for areas such as data engineering and application security was over 20%, it was more than 40% for advanced analytics & AI, as per Everest Group estimates. Service providers are struggling to pivot faster to the talent needs of enterprises with 31% of the enterprises not being satisfied with the service provider's talent management capabilities. Service providers face several challenges in building a next-generation ready IT workforce, including long cycles required for upskilling/reskilling, low project readiness quotient for next-generation IT skills, and difficulty in integrating alternate talent (gig workers and non-STEM talent) pools in the workforce.

Strong adoption of in-house centers
According to the Everest Group's 2024 Key Issues Study, 48% enterprises express an increased inclination toward in-sourcing models including GCCs. As enterprises seek greater control over their operations, enhance security, and foster in-house innovation, many are shifting towards building and strengthening their internal capabilities rather than relying on external service providers. Insourcing may help businesses with sufficient resources respond more rapidly to market changes and regulatory requirements, ensuring closer alignment with strategic goals. While insourcing can lead to improved integration and cost efficiencies, it reduces the demand for traditional outsourced services, thereby challenging service providers to innovate and adapt their value propositions.

Consequently, the outsourcing industry must navigate this shift by emphasizing specialized expertise, flexible engagement models, and advanced technological solutions to remain competitive in an evolving market landscape. By leveraging their experience and capabilities, service providers can assist enterprises in establishing these centers, providing strategic guidance, operational support, and advanced technology integration, thereby creating a new avenue for collaboration and revenue generation. As per Everest Group estimates, the GCC market provides an opportunity of approximately ₹1.3-1.7 trillion (US$ 15-20 billion) for providers within nearshore and offshore regions per year, across the GCC lifecycle including set up, carve out, and transformation. Despite strong intentions to advance technology adoption across their business estates, enterprises often struggle to scale adoption due to challenges as covered in the next section.

Key Enterprise Challenges Leading to Technology Services Outsourcing

The various challenges faced by enterprises in scaling technology adoption in-house include:

- **Fast evolving landscape**: Enterprises often face challenges in keeping up with rapid technological advancements, leading to decision paralysis and hesitation to invest in new tools. The integration of these technologies with existing legacy systems can also be complex and resource intensive.
- **Lack of multidisciplinary approach and change management**: Technology adoption is not solely a technical endeavor but requires a multidisciplinary approach that integrates various business functions. Often, enterprises lack effective change management practices to facilitate this integration. Resistance to change, insufficient communication, and inadequate training can impede the adoption process.
- **Talent-related challenges**: The rapidly evolving technology landscape demands continuous upskilling and reskilling of the workforce. However, building and retaining talent with the necessary expertise in emerging technologies such as AI, cloud, engineering, and data analytics is difficult.
- **Cybersecurity and data privacy concerns**: As enterprises adopt new technologies, the risk of cyber threats and data breaches increases. Ensuring robust cybersecurity measures and compliance with data privacy regulations is crucial, yet it can be challenging and costly. The fear of potential vulnerabilities and the associated reputational and financial risks can deter organizations from fully embracing new technological solutions.
- **Budget constraints**: High initial costs of acquiring and implementing new technologies, coupled with ongoing maintenance and support expenses, can strain budgets, particularly for small and medium-sized enterprises.

Due to these challenges, many enterprises choose to outsource technology services. Service providers bring in strategic guidance in technology adoption, scaling, and maintenance of the estate which helps is phased adoption of newer technologies, creating better return on investment for the enterprises.

Overview of Outsourced IT-BP Services across Technology Segments, Client Segments, and Geographies

The IT-BP services market is a diverse and rapidly growing industry that spans across various technology segments, client segments, and geographies. This exploration highlights the multifaceted nature of the industry and underscores the strategic impact it has on different market demands and regional nuances.

Overview of Trends and Growth Drivers across Major Technology Segments

The major technology segments that most service providers operate in includes the following categories:

- Application Services
- Cloud and Infrastructure Services
- Data, Analytics, and AI Services
- Enterprise Platform IT Services
- Business Process Services

The segments and the key developments driving outsourcing for each of these have been covered in detail in the following section.

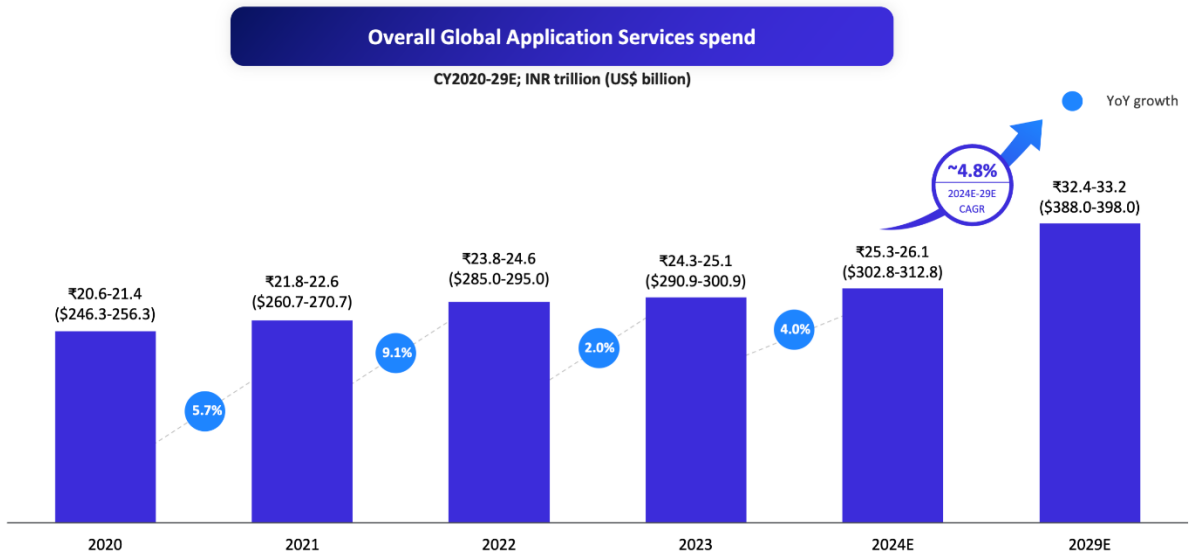
Application Services

Application Services involve the development, maintenance, modernization, and integration of software applications tailored to specific business needs. Within applications,

- Build Services involve designing new applications from scratch, including the design and build of APIs, low-code/no-code application development, and AI-assisted development.
- Modernization Services focus on updating and migrating applications to new environments.
- Quality Assurance (QA) services ensure the applications meet the required standards and non-functional testing.
- Managed/Run Services provide ongoing management and support for cloud and on-premise applications and continuous improvement initiatives.

The Application Services market is estimated to account for approximately ₹32.4-33.2 trillion (US$ 388.0-398.0 billion) by CY2029, with a CAGR of approximately 4.8% for the period CY2024-29E. Within Application Services, Software Product Engineering Services is witnessing significant growth due to the rapid adoption of digital transformation, cloud-native applications, and advanced technologies like AI, IoT, and cybersecurity. Enterprises are increasingly investing in specialized software solutions to enhance customer experience and operational efficiency, driving the segment's estimated CAGR of 13-14% for CY2024-29E.

The following exhibit illustrates the global application services spend across the years CY2020-2029.



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Source: Everest Group (2024)

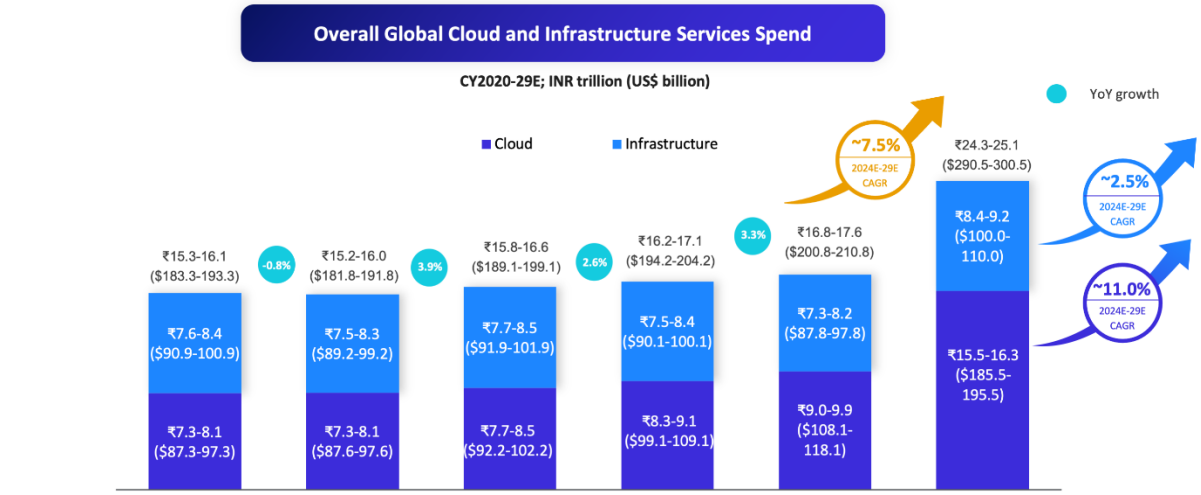
The key developments that are driving Application Services adoption are as follows:

- **Cloud-native development**: The rise of cloud-native development practices, including the use of microservices, serverless computing, and containers, is fostering greater agility and faster time-to-market for new applications and services.
- **AI-infused application development**: Infusing AI into application development enhances efficiency by automating repetitive tasks and improving code quality through intelligent insights. This leads to faster development cycles, reduced errors, and more innovative, user-centric applications.
- **Low code application development**: Low-code application development empowers enterprises to rapidly build and deploy applications with minimal hand-coding, significantly reducing development time and costs.
- **User experience and mobility**: Focus on intuitive, user-friendly interfaces improves user adoption and productivity. Increased mobile access allows employees to work from anywhere, enhancing flexibility and responsiveness.
- **Integration and interoperability**: Advanced integration solutions ensure seamless interaction between various applications and systems, enhancing data flow and process efficiency. The use of APIs and middleware facilitates smooth integration, supporting a cohesive IT ecosystem.

Cloud and Infrastructure Services

Cloud services include consulting to strategize cloud adoption, assessment of IT infrastructure, and design and implementation for cloud solutions and migration. Managed services optimize and support cloud environments, allowing businesses to benefit from cloud computing. Outsourcing to specialized providers offers expertise in cloud migration, modernization, and management, with strengths in hybrid/multi-cloud setups and cloud-native development, backed by partnerships with platforms like AWS, GCP, and Azure.

The following exhibit illustrates the global cloud and infrastructure services spend across the years CY2020-29.



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Source: Everest Group (2024)

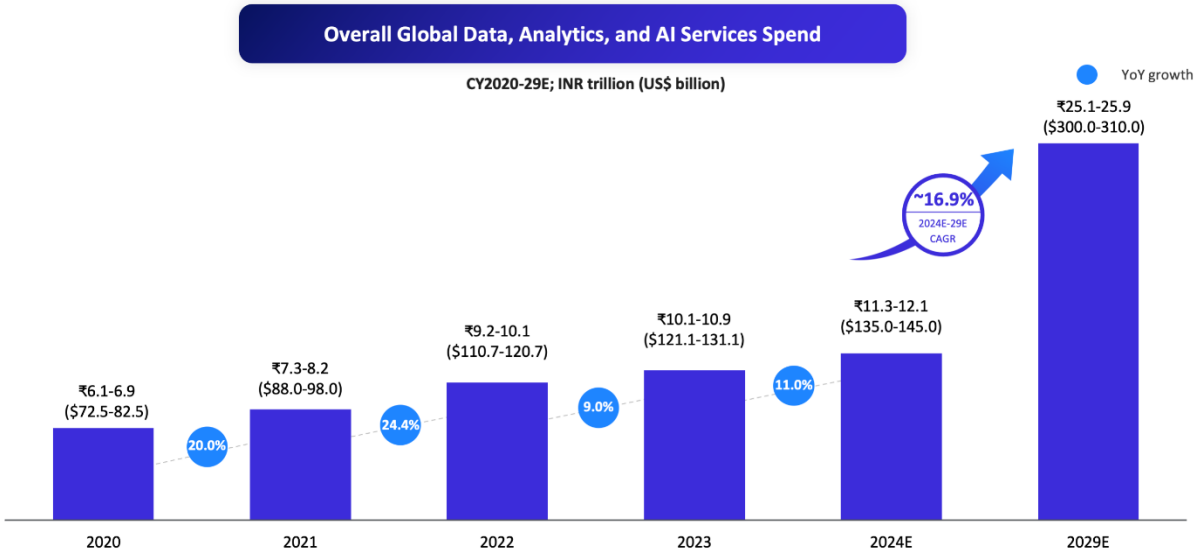
The global Cloud and Infrastructure Services market is projected to grow at a CAGR of approximately 7.5% for the period CY2024-29E to reach approximately ₹24.3-25.1 trillion (US$ 290.5-300.5 billion) in 2029. The key developments shaping this market segment and driving adoption are as follows:

- **Multi-cloud and hybrid cloud strategies**: Enterprises are increasingly adopting multi-cloud and hybrid cloud strategies to leverage the strengths of different cloud providers, optimize workloads, and avoid vendor lock-in. These strategies provide enhanced business resilience and continuity, ensuring that services remain available even if one cloud provider experiences issues.
- **Cloud migration and modernization**: Businesses are migrating their applications, data, and infrastructure to the cloud to take advantage of the scalability, flexibility, and cost-efficiency that cloud platforms offer. Modernizing legacy systems through cloud adoption is enabling organizations to improve performance, reduce maintenance costs, and enhance their ability to innovate.
- **Cloud security and governance**: As cloud adoption grows, there is an increasing focus on implementing robust security measures, including advanced encryption, identity and access management, and threat detection solutions. Ensuring compliance with regulatory requirements and establishing strong governance frameworks are critical to maintaining data integrity and protecting sensitive information in the cloud.
- **AI and automation in cloud management**: The integration of AI and automation in cloud management is optimizing resource allocation, improving operational efficiency, and reducing costs through intelligent workload management and predictive maintenance. AI-driven analytics are providing deeper insights into cloud usage patterns, enabling more informed decision-making and strategic planning.
- **Edge computing and Internet of Things (IoT) integration**: The growth of edge computing, where data processing occurs closer to the source of data generation, is reducing latency and improving performance for time-sensitive applications. The integration of IoT devices with cloud platforms is expanding the capabilities of infrastructure services, enabling real-time data processing and analytics for connected devices.
- **Management service**: Enterprises also outsource their day-to-day IT operations to focus on core business activities. This trend involves leveraging external expertise to manage and maintain IT infrastructure, applications, and digital estates. By relying on specialized service providers for continuous monitoring, maintenance, and support, businesses can ensure operational efficiency, reduce downtime, and enhance system performance, thereby driving significant demand for management services.

Data, Analytics, and AI (DAAI) Services

DAAI services involve the use of advanced technologies and methodologies to analyze vast amounts of data and derive actionable and transformative insights. These services encompass the data and analytics advisory, enterprise data management, data governance and security, business intelligence and visualization, and advanced analytics. AI services further enhance this by applying Machine Learning (ML), deep learning, Natural Language Processing (NLP), and other AI techniques to automate decision-making, predict outcomes, and optimize processes. The DAAI services market is projected to reach ₹11.3-12.1 trillion (US$ 135.0-145.0 billion) in CY2024.

The following exhibit illustrates the global DAAI services spend across the years CY2020-29.



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Source: Everest Group (2024)

The global DAAI services market is projected to grow at a CAGR of approximately 16.9% for the period CY2024-29E to reach approximately ₹25.1-25.9 trillion (US$ 300.0-310.0 billion) in 2029. The key developments that are molding adoption trends in the DAAI services segment are as follows:

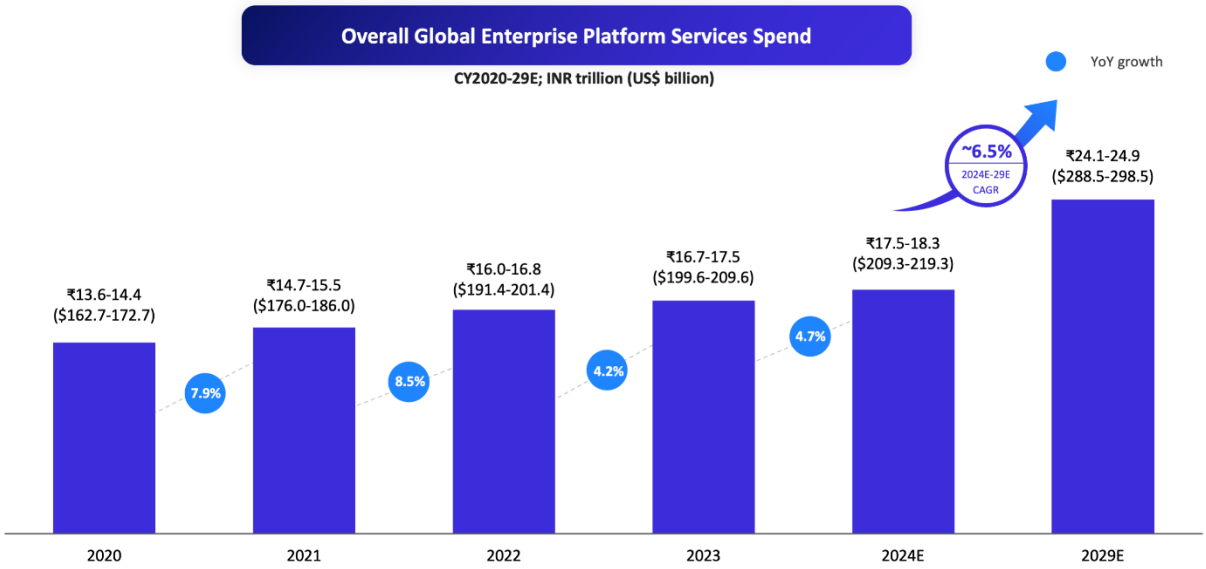
- **Rising data volumes**: The explosion of data generated from various sources, including social media, IoT devices, sensors, and customer interactions, is creating vast and diverse datasets. This wealth of data is a critical enabler for advanced analytics and AI applications.
- **Reduced costs of computing and storage**: Innovations in chip technology and hardware have significantly reduced the costs of data storage and computing power. This makes it more affordable for enterprises to scale their operations and adopt advanced analytics and AI solutions.
- **Cloud computing**: Cloud platforms offer unparalleled scalability, reduced downtime, and ease of access to data and applications compared to traditional deployment methods. This flexibility is critical for running large-scale analytics and AI models. The availability of DAAI-related platform-as-a-service (PaaS) solutions from cloud vendors is simplifying the adoption of AI and analytics, providing ready-to-use tools and frameworks that accelerate development and deployment.
- **Improvements in AI/ML algorithms**: The development of sophisticated AI and ML algorithms, supported by pre-built frameworks, libraries, and tools, is enhancing the performance and accuracy of AI/ML models. Open-source communities and collaborative development are also playing a significant role in this progress.
- **Self-service low-code/no-code tools**: The availability of low-code and no-code tools is making AI and ML development accessible to business users with little or no prior experience in these technologies. These tools provide step-by-step guidelines and pre-trained algorithms, simplifying the development process.

Enterprise Platform IT Services

Enterprise Platform IT Services encompass a range of integrated solutions designed to streamline and enhance core business processes within large organizations. As of CY2024, this is an approximately ₹17.5-18.3 trillion (US$ 209.3-219.3 billion) market that includes Enterprise Resource Planning (ERP) for managing key business

functions, Customer Relationship Management (CRM) for automating sales and marketing, Human Resource Management (HRM) for handling employee lifecycle activities, and Supply Chain Management (SCM) for optimizing logistics and inventory.

The following exhibit illustrates the global enterprise platform IT services spend across the years CY2020-29.



Note: US$ figures for all the years are based on the exchange rate of US$1= ₹ 83.5000 as of July 5, 2024
E stands for estimated numbers
The above listed numbers and growth rates are approximate numbers that have been rounded off to the closest whole number (or up to one decimal place)
Source: Everest Group (2024)

The global Enterprise Platform IT Services market is projected to grow at a CAGR of approximately 6.5% for the period CY2024-29E to reach approximately ₹24.1-24.9 trillion (US$ 288.5-298.5 billion) in CY2029. The key developments driving adoption trends in this segment are as follows:

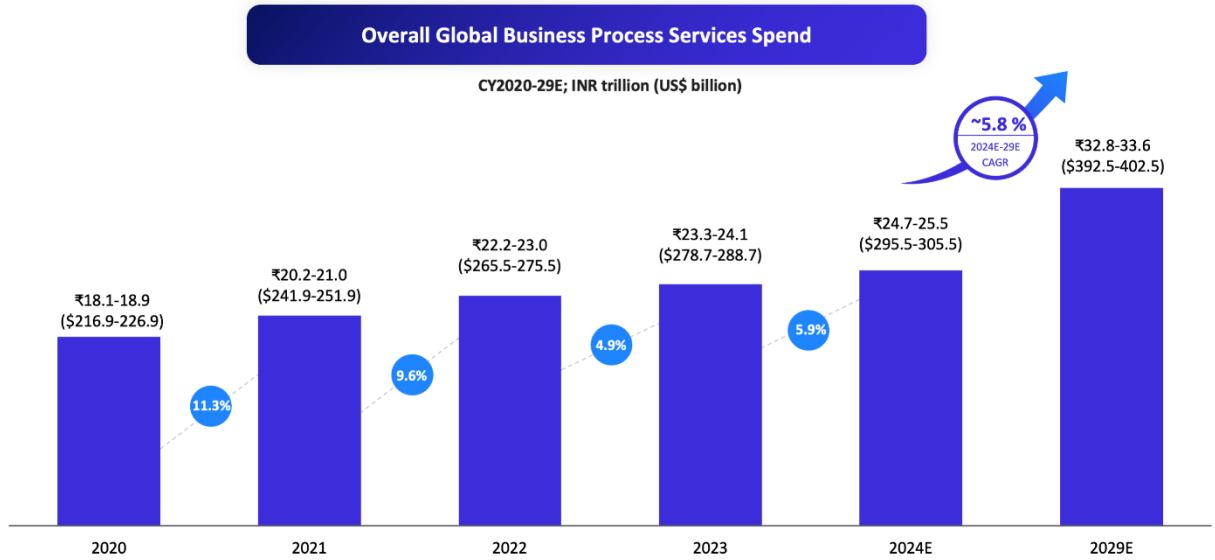
- **Experience transformation**: Modern enterprise platforms come with user-friendly, intuitive interfaces that improve user adoption and productivity. Mobile accessibility allows employees to access critical business functions from anywhere, enhancing flexibility and responsiveness. These platforms enable personalized experiences, seamless service delivery, and efficient collaboration, driving enterprises to invest heavily in technology that supports experience transformation.
- **Increased cloud adoption**: Cloud-based enterprise platforms offer increased scalability, allowing businesses to adjust resources based on demand and growth. The shift to cloud services also reduces the need for significant upfront investment in hardware and infrastructure, transitioning to a more predictable operational expense model.
- **Integration capabilities**: Advanced APIs and middleware solutions enable seamless integration of enterprise platforms with existing systems, ensuring data consistency and process synchronization. As a result, the enhanced interoperability across various applications and systems facilitates smoother business operations and improved data flow.
- **Advanced analytics and BI**: Integration of business intelligence (BI) and advanced analytics tools within enterprise platforms provides deep insights into business performance, supporting data-driven decision-making. The use of predictive analytics helps businesses anticipate trends and make proactive decisions.
- **Technology partner innovation**: Continuous innovation from technology partners compels enterprises to adopt new platforms to stay competitive. Vendors frequently introduce advanced platforms with cutting-edge features and capabilities, such as AI, ML, and cloud-native architectures. Enterprises must upgrade to these new platforms to leverage the latest advancements, maintain competitive parity, and meet evolving business needs, thereby fueling demand for enterprise platform IT services.

Business Process Services

BPS includes outsourcing and managing specific business functions to enhance operational efficiency, reduce costs, and allow organizations to focus on core competencies. Key areas include Customer Experience Management (CXM), Finance and Accounting Outsourcing (FAO), Human Resources (HR), procurement, supply

chain management, and marketing. BPS providers bring specialized expertise, advanced technologies, and best practices to streamline operations, improve service quality, and ensure compliance with regulatory standards.

The following exhibit illustrates the global Business Process Services spend across the years CY2020-29.



Note: US$ figures for all the years are based on the exchange rate of US$1= ₹ 83.5000 as of July 5, 2024
E stands for estimated numbers
The above listed numbers and growth rates are approximate numbers that have been rounded off to the closest whole number (or up to one decimal place)
Source: Everest Group (2024)

The global outsourced BPS market is projected to grow at a CAGR of approximately 5.8% for the period CY2024-29E to reach approximately ₹32.8-33.6 trillion (US$ 392.5-402.5 billion) in 2029. The key developments driving adoption trends in this segment are as follows:

- **Technological advancements**: The integration of robotic process automation (RPA) and AI in BPS is streamlining operations, reducing manual effort, and increasing accuracy. Leveraging data analytics helps in making informed decisions, optimizing processes, and predicting trends.
- **Operational cost reduction**: Outsourcing non-core functions to BPS providers helps organizations significantly reduce operational costs by achieving economies of scale. Adoption of flexible pricing models such as pay-per-use and outcome-based pricing provides cost predictability and financial agility.
- **Strategic realignment opportunities for enterprises**: By outsourcing routine tasks, organizations can redirect resources and focus on core competencies and strategic initiatives, driving innovation and growth.
- **Globalization and market expansion**: BPS providers offer access to a global talent pool, bringing specialized skills and expertise that may not be available in-house. Outsourcing enables businesses to expand their market reach and operate in different regions without significant infrastructure investments.
- **Enhanced customer experience**: BPS providers focus on enhancing service quality, leading to better customer satisfaction and loyalty. The ability to provide consistent customer support across multiple channels improves overall customer engagement and experience.

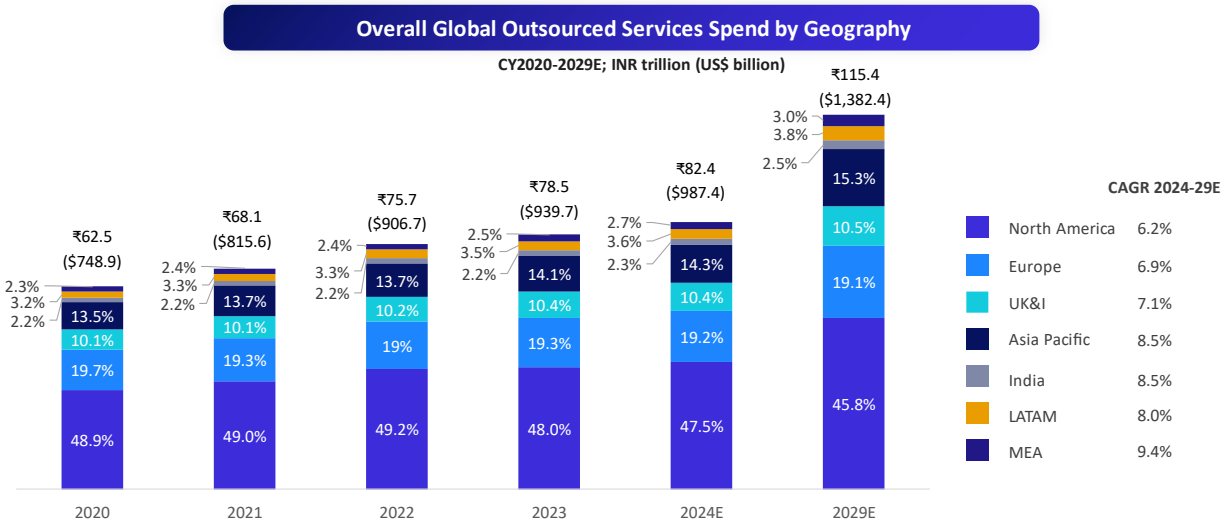
While each of the market segment within the IT-BP services has it owns nuances, there are various geographical factors that impact technology services adoption.

Overview of Trends and Growth Drivers across Major Geographies

The major geographies that most service providers operate in can be categorized as follows:

- North America
- Europe and UK & Ireland (UK&I)
- India
- Asia Pacific
- Middle East

The following exhibit illustrates the global outsourced services spend by each geography.



Note: US$ figures for all the years are based on the exchange rate of US$1= ₹ 83.5000 as of July 5, 2024
Global enterprise outsourced services spend is inclusive of IT services and BP services
E stands for estimated numbers
The above listed numbers and growth rates are approximate numbers that have been rounded off to the closest whole number (or up to one decimal place)
Source: Everest Group (2024)

Together North America and Europe account for almost 66.7% of the total outsourced services market in 2024. While UK&I market accounted for a stable approximately 10.4% in 2023 and 2024, Asia Pacific has grown from approximately 14.1% in 2023 to approximately 14.3% in 2024.

There are various geography specific developments that influence technology services adoption; these have been covered below.

North America

North America, home to some of the largest global platforms and product companies, including FAANG giants viz., Facebook (now Meta Platforms), Amazon, Apple, Netflix and Google (now Alphabet), accounts for approximately 47.5% of the global outsourced services spend, accounting for almost ₹39.2 trillion (US$ 469.5 billion) in CY2024. The region's dominance is further underscored by its status as the largest hub for Fortune 500 companies, highlighting the substantial tech spending opportunities in the US market. The adoption in this region is driven by the following factors:

- **Steady FED rates:** The FED, guided by its dual mandate to foster full employment and maintain price stability, appears to be taking a measured approach, with current economic indicators not yet justifying an immediate rate cut. The anticipated rate cuts are likely to boost consumer spending and optimism, resulting in increased investment flows into IT projects across sectors**.**
- **Public sector investments in digital technologies**: The US Federal Budget for Fiscal year 2025 provides robust investments towards advancing AI in R&D, enhancing safety, security, and resilience. With a substantial allocation of a dedicated US$ 3 billion for the Cybersecurity and Infrastructure Security Agency (CISA), the budget aims to enhance federal cybersecurity measures.
- **Regulatory support**: The Inflation Reduction Act and the Infrastructure Investment and Jobs Act allocate significant resources towards upgrading digital infrastructure, promoting sustainable technologies, and fostering innovation.

Europe and UK&I

Europe and UK&I, together account for approximately 29.6% of the global outsourced services spend, accounting for almost ₹24.4 trillion (US$ 292.6 billion) in CY2024. The adoption in this region is driven by the following factors:

- **Call for cost optimization**: The call for cost optimization in Europe's competitive, high-cost business environment has driven technology adoption, with enterprises increasingly confident in outsourcing IT spends as service providers demonstrate compliance with stringent regulatory requirements like General Data Protection Regulation (GDPR).
- **Policy support**: The EU AI Act is set to build trust in AI and drive its adoption across Europe by establishing a comprehensive regulatory framework that ensures AI systems adhere to fundamental human rights. This framework will ban AI applications that pose significant threats to public rights, such as predictive policing and social scoring, thereby safeguarding citizens' privacy and freedoms.
- **Focus on sustainability**: Governments and businesses alike are investing in advanced technologies to meet stringent environmental regulations and achieve ambitious sustainability goals. Germany's Green IT initiative, which was recently extended till 2027, is aimed at reducing energy consumption and greenhouse gas emissions by the federal IT systems.
- **Banking regulations**: Stringent banking regulations in the EU such as the General Data Protection Regulation (GDPR) and the Revised Payment Services Directive (PSD2) are driving the adoption of advanced technologies as financial institutions strive to meet compliance requirements and enhance operational efficiency.
- **Boost from the UK government**: The UK government's recent regulatory initiatives are significantly driving technology adoption across various sectors. Substantial investments in AI, such as the £100 million (US$ 127.6 million) boost to the Alan Turing Institute, underscore the UK's commitment to advancing in AI.

India

India accounts for approximately 2.3% of the global outsourced services spend, accounting for almost ₹1.9 trillion (US$ 22.6 billion) in CY2024. The adoption in this region is driven by the following factors:

- **Government initiatives**: Initiatives like IndiaAI and India-US Initiative on Critical and Emerging Technology (iCET) aim to improve the nation's understanding and usage of AI and other emerging technologies, while BharatNet focuses on providing broadband connectivity to rural areas, bridging the digital divide.
- **Innovation in financial services**: The financial services sector in India has seen exponential growth, driven by the Unified Payments Interface (UPI), which facilitates seamless digital transactions. Initiatives like Jan Dhan Yojana and Aadhaar have further accelerated the adoption of digital banking and financial services.
- **Expanding internet penetration**: With over 700 million internet users, India has one of the largest online populations in the world. The rapid proliferation of affordable smartphones and data plans has significantly increased internet accessibility, driving the adoption of digital services, e-commerce, and online education platforms. Enterprises are seeking to engage with providers to be able to cater to the evolving needs of an increasingly tech-savvy consumer base and enhance service delivery via digital channels and markets.

Asia Pacific

Asia Pacific accounts for approximately 14.3% of the global outsourced services spend, accounting for almost ₹11.8 trillion (US$ 140.9 billion) in CY2024. The adoption in this region is driven by the following factors:

- **Increased technology spending by governments**: Countries like Australia, Singapore, and Japan are leading the charge with substantial investments aimed at integrating advanced technologies into public services. CRN Australia reports that Australia has announced several investments amounting to at least US$ 2.8 billion in planned investments in technology systems and policy development over the next four years. CIO.com reports that Singapore has planned an ambitious S$ 1 billion investment in AI as part of its National AI Strategy 2.0. This highlights Singapore's focus on AI compute capabilities, talent development, and the establishment of AI Centers of Excellence.
- **Technology maturity**: According to Everest Group, the rest of the world is significantly underpenetrated with the IT-BP services market accounting for an average of 0.7% of the GDP, compared to 1.5% for North America and 1.2% for Europe in 2023. Countries such as Vietnam, Indonesia, and the Philippines are witnessing a surge in tech adoption across various sectors, fueled by investments in infrastructure, a growing young and tech-savvy population, and supportive government policies.

Middle East

The Middle East accounts for approximately 2.7% of the global outsourced services spend, accounting for almost ₹2.2 trillion (US$ 26.4 billion) in CY2024. The adoption in this region is driven by the following factors:

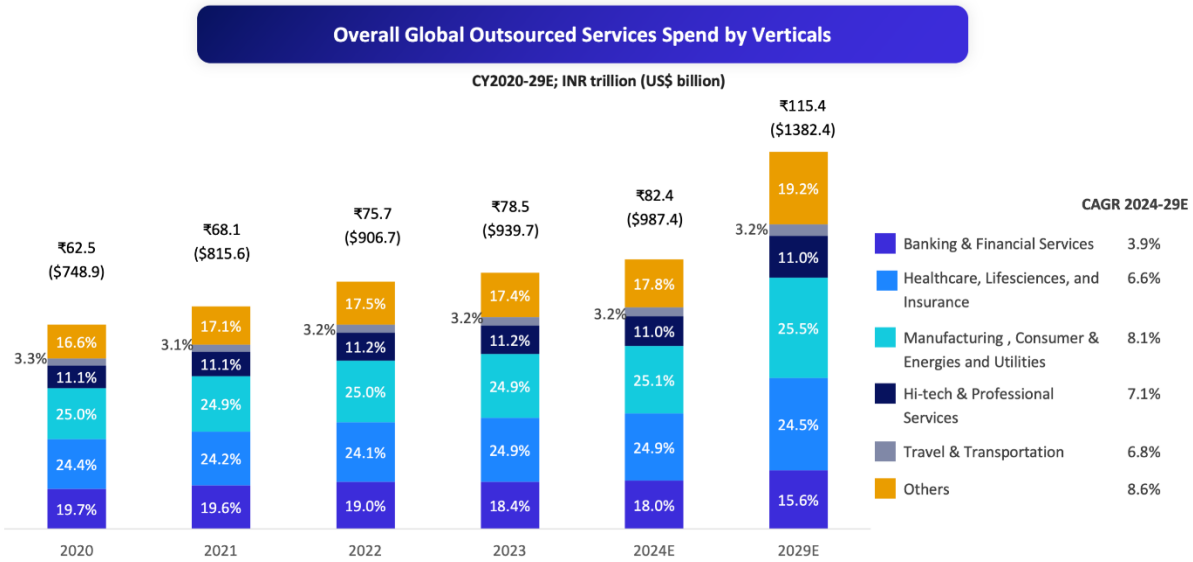
- **Investment in data centers**: Leading technology companies like Microsoft, AWS, and Google are investing in local data centers in the Middle East to address data sovereignty concerns and improve service reliability and performance. Local data centers reduce latency and enhance data security, meeting the regulatory requirements of governments and industries.
- **Regulatory compliance**: Governments in the Middle East are implementing stricter data protection and cybersecurity regulations, such as the Dubai Electronic Security Center (DESC) and Saudi Arabia's National Cybersecurity Authority (NCA). Compliance with these regulations requires robust cybersecurity measures and services, driving demand for technology services.
- **Innovation hubs**: The establishment of AI and innovation hubs, such as the UAE's Mohammed bin Zayed University of Artificial Intelligence (MBZUAI), fosters research and development in AI technologies. These hubs attract global talent and investments, driving the growth of AI-driven technology services in the region.

Overview of Trends and Growth Drivers across Major Industries

The major industries that most service providers operate in can be categorized as follows:

- Banking and Financial Services
- Healthcare. Lifesciences, and Insurance
- Manufacturing, Consumer, & Energy and Utilities
- Hi-tech and Professional Services
- Travel and Transportation
- Others

The following exhibit illustrates the global outsourced services spend for each of the above industry verticals.



Note: US$ figures for all the years are based on the exchange rate of US$1= ₹ 83.5000 as of July 5, 2024
Global enterprise outsourced services spend is inclusive of IT services and BP services
E stands for estimated numbers
The above listed numbers and growth rates are approximate numbers that have been rounded off to the closest whole number (or up to one decimal place)
Others include industries such as Public / Government sector, etc.
Source: Everest Group (2024).

Banking and Financial Services

Banking and Financial Services industry accounts for approximately 18.0% of the global outsourced services spend, accounting for almost ₹14.8 trillion (US$ 177.7 billion) in CY2024. The adoption in this vertical is driven by the following factors:

- **Open banking**: Open banking initiatives are driving collaboration between banks and fintech, enabling the sharing of customer data through secure APIs. This fosters innovation in financial services, allowing customers to access a broader range of products and services from multiple providers through integrated platforms.
- **Payments innovation**: The payments industry is rapidly innovating with contactless payments, mobile wallets, and P2P platforms. Payment banks are integrating these technologies to enhance transaction speed and security, while blockchain is being explored for cross-border payments and remittances.
- **Integrating ESG in services**: Advanced DAAI algorithms are used to assess the environmental impact of investments and loans, enabling financial institutions to identify sustainable projects and portfolio companies. Digital platforms facilitate the issuance of green bonds and sustainable loans, connecting investors with green projects and promoting sustainable finance.
- **Data-enabled services**: AI and ML are revolutionizing the financial sector by providing enhanced data analytics, fraud detection, and customer service capabilities. Asset managers use AI for algorithmic trading and portfolio management, while investment banks leverage it for market analysis and predictive modeling. Mortgage providers benefit from AI-driven credit scoring and risk assessment tools.
- **Enhanced customer experience**: Banks and financial institutions are investing heavily in digital channels to provide seamless and personalized customer experiences through mobile banking, online services, and AI-driven chatbots.
- **Regulatory compliance**: Financial institutions are increasingly adopting regulatory technology (RegTech) to navigate complex regulatory environments efficiently, ensuring compliance with stringent regulations such as GDPR and Basel IV.
- **Cybersecurity**: Outsourcing cybersecurity to specialized firms that offer advanced threat detection, real-time monitoring, and incident response services to protect against sophisticated cyber-attacks safeguards the highly sensitive data held by these enterprises. Ensuring robust data encryption, secure transaction processes, and adherence to privacy regulations is an imperative for banks.

Healthcare, Lifesciences, and Insurance

Healthcare, Lifesciences, and Insurance industry accounts for approximately 24.9% of the global outsourced services spend, accounting for almost ₹20.5 trillion (US$ 245.6 billion) in CY2024. The adoption in this vertical is driven by the following factors:

- **Technology integration into healthcare and wellness solutions**: Telemedicine and remote patient monitoring allow patients to consult healthcare providers remotely, reducing the need for in-person visits and overcoming barriers to healthcare access in rural or underserved areas. Enterprises outsource the development and management of telemedicine platforms and remote patient monitoring systems to enhance healthcare delivery. Technology providers also help implement and maintain Electronic Health Records (EHR) systems, ensuring efficient and secure management of patient data.
- **Drug discovery and development**: Integration of advanced computational tools like AI and ML is enhancing drug discovery by rapidly screening and prioritizing drug targets, predicting molecular interactions, and simulating biological processes.
- **Data management and analytics**: Healthcare providers utilize analytics services to manage large volumes of healthcare data, derive insights, and support clinical decision-making and personalized medicine. AI-driven diagnostic tools and predictive analytics help improve disease detection, treatment planning, and patient outcomes.
- **Regulatory and compliance pressures**: Technology helps healthcare providers in regulatory compliance by automating and streamlining processes required to meet standards like HIPAA (Health Insurance Portability and Accountability Act) and other relevant regulations.
- **Patient experience enhancement**: Digital health technologies such as telemedicine, mobile health apps, and patient portals enable patients to access healthcare services remotely, schedule appointments conveniently, and receive timely health information. AI-driven tools can analyze patient data to predict health trends and personalize treatment plans, while wearable devices enable continuous health monitoring.

- **Claims processing automation**: Advanced DAAI algorithms are used to automate the claims assessment process, reducing manual intervention, and accelerating claim approvals. ML models analyze historical claims data to detect patterns and anomalies, enabling predictive analytics for fraud detection and risk assessment, contributing to substantial cost savings and revenue optimization for healthcare providers.

Manufacturing, Consumer, & Energy and Utilities

Manufacturing, Consumer, & Energy and Utilities industry accounts for approximately 25.1% of the global outsourced services spend, accounting for almost ₹20.7 trillion (US$ 248.3 billion) in CY2024. The adoption in this vertical is driven by the following factors:

- **Industry 4.0**: Industry 4.0 is increasingly relevant in the manufacturing and consumer industries due to its transformative impact on operational efficiency, product quality, and flexibility. Smart manufacturing solutions leverage IoT and data analytics to predict maintenance needs and improve overall equipment effectiveness, and robotics to enhance precision.
- **Digitization in manufacturing**: Digitization is aiding the manufacturing industry in improving process efficiency, driven by advanced technologies such as digital twin and simulation. Digital twin creates virtual replicas of physical assets, allowing manufacturers to simulate and optimize performance, predict potential issues, and conduct real-time monitoring. Simulation tools enable detailed modeling of manufacturing processes, optimizing workflows, and accelerating time-to-market.
- **Supply chain optimization**: Advanced analytics and AI-driven tools are used to forecast demand more accurately, optimize inventory levels, and streamline logistics operations. Technological advancements such as blockchain and IoT help manufacturers and consumer goods businesses achieve better supply chain management, reduce waste, and meet customer demands more effectively.
- **Sustainability initiatives**: Technology plays a pivotal role in achieving sustainability by enabling "green manufacturing" by efficient resource management, waste reduction, and improved energy efficiency. Innovations in renewable energy, 3D printing, and sustainable materials also help manufacturers reduce their carbon footprint while meeting consumer demand for eco-friendly products.
- **Smart Grid and IoT**: Smart meters and sensors collect real-time data on energy consumption, grid performance, and equipment health, enabling utilities to optimize energy distribution, detect faults, and improve outage management. IoT also supports demand response programs, energy efficiency initiatives, and predictive maintenance of infrastructure.
- **Energy storage solutions**: Technological advancements in energy storage, such as batteries and pumped hydro storage, are essential for managing intermittent renewable energy sources and stabilizing the grid. Energy storage systems support grid flexibility, enable peak shaving, and provide backup power during outages, enhancing reliability and resilience in the energy supply.

Hi-tech and Professional Services

Hi-tech and Professional Services industry accounts for approximately 11.0% of the global outsourced services spend, accounting for almost ₹9.1 trillion (US$ 108.6 billion) in CY2024. The adoption in this vertical is driven by the following factors:

- **Competitive advantage**: Adoption of technology helps hardware and software vendors innovate and maintain a competitive advantage by enabling them to integrate advanced features into their products, such as AI, IoT, and ML capabilities. Professional services firms are also investing heavily in research and development and technology-driven partnerships to develop new technologies and solutions.
- **Remote work and collaboration tools**: The shift to remote work has accelerated the adoption of collaboration tools such as video conferencing platforms, virtual workspaces, and project management software. The emphasis is on maintaining productivity, fostering team cohesion, and ensuring secure access to company resources from remote locations. Additionally, the adoption of AI-driven automation tools is increasingly replacing routine tasks traditionally performed by the human workforce, further enhancing efficiency and productivity.
- **Cybersecurity measures**: With the increase in cyber threats, high-tech firms are investing in robust cybersecurity solutions to protect sensitive information and maintain customer trust. This includes implementing advanced threat detection technologies, encryption techniques, and multi-factor authentication to secure data and prevent unauthorized access.

- **Customer-centric solutions**: High-tech firms are increasingly focused on delivering personalized customer experiences through advanced analytics tools that analyze customer behavior, preferences, and sentiment to personalize marketing campaigns, improve product recommendations, and enhance customer support.

Travel and Transportation

Travel and Transportation accounts for approximately 3.2% of the global outsourced services spend, accounting for almost ₹2.6 trillion (US$ 31.5 billion) in CY2024. The adoption in this vertical is driven by the following factors:

- **Data-driven optimization**: AI algorithms analyze vast amounts of data to optimize routes, predict demand, and improve fuel efficiency. ML models help in fraud detection, customer sentiment analysis, and operational forecasting, allowing companies to make data-driven decisions that improve service reliability and passenger satisfaction.
- **Mobile technology**: Mobile apps have become essential tools for travelers, offering convenient booking options, real-time updates on flight or transport statuses, and personalized travel suggestions. These apps also support mobile boarding passes, digital payments, and loyalty program management, providing seamless experiences from booking to arrival.
- **Smart travel**: IoT devices and sensors are transforming the travel industry by providing real-time data on vehicles, infrastructure, and passenger behavior. Smart sensors in airports, airplanes, and vehicles monitor temperature, humidity, and air quality, ensuring passenger comfort and safety. IoT-enabled systems optimize maintenance schedules, predict equipment failures, and reduce downtime, leading to cost savings and improved operational efficiency. For travelers, IoT applications provide real-time updates on traffic conditions, airport queues, and luggage tracking, enhancing overall travel experiences.
- **Augmented Reality (AR) and Virtual Reality (VR)**: AR applications provide virtual tours of hotels, attractions, and landmarks, allowing travelers to preview accommodations and amenities before booking. VR experiences offer immersive travel simulations, such as virtual city tours or virtual museum visits, enhancing engagement and satisfaction.
- **Environmental sustainability**: Electric vehicles, hybrid engines, and biofuels are being adopted to minimize the environmental impact of transportation. Digital platforms facilitate carpooling, ride-sharing, and eco-tourism initiatives, supporting sustainable travel choices and reducing the industry's overall carbon footprint.

Others

Other verticals including Media, Telecom, and Public Sector together account for approximately 17.8% of the global outsourced services spend, accounting for almost ₹14.7 trillion (US$ 175.8 billion) in CY2024. The adoption in this segment is driven by the following factors:

- **Digitalization in public sector**: Cloud computing, data, analytics, and AI are being used to improve operational efficiency, optimize resource allocation, and deliver personalized services. Digital platforms facilitate online transactions, e-government services, and data-driven policy-making, promoting transparency and efficiency in public administration.
- **Smart cities and sustainable urbanization**: The concept of smart cities is driving the adoption of technology in urban planning, transportation, and public services. IoT sensors and AI-powered analytics optimize traffic management, reduce energy consumption, and enhance public safety.

Across industries, there is one common theme that has seen significant interest in the last few quarters – gen AI. The excitement surrounding gen AI stems from its potential to drive innovation, enhance productivity, and provide cost efficiencies across various business functions. Capitalizing on the opportunity, service providers are taking various steps to explore, understand, and scale gen AI solutions to enhance client value.

Gen AI and client value enhancement

Gen AI, a sophisticated branch of AI, focuses on the creation of new content by learning patterns from existing data. Its rapid ascent in the industry can be attributed to breakthroughs in deep learning algorithms, increased computational capabilities, and the proliferation of large datasets. It is also central to digital transformation initiatives for many enterprises.

IT service providers are leveraging gen AI across three key categories: products and platforms, service offerings, and internal functions. By developing AI-led platforms, service providers are delivering powerful tools tailored

to specific client needs. AI-infused service offerings are enabling advanced solutions that drive efficiency and scalability. Internally, AI is enhancing operations in areas such as HR, legal, and compliance, optimizing processes and automating deal solutioning with AI-generated RFP responses. The following exhibit explores the various use cases in each of these categories.

Generative AI use cases across platforms, offerings, and internal functions of IT service providers

Platforms	Offerings	Internal functions
Generative AI Code Assistant	Intelligent automation	Deal solutioning
Automated testing and quality assurance	Predictive maintenance	Employee lifecycle management
Predictive analytics platform	AI-powered data management	Customized learning and development
Automated content creation platform	AI-driven marketing services	Document review and analysis
Autonomous self-service solutions	Fraud detection and prevention services	Drafting legal documents

Source: Everest Group

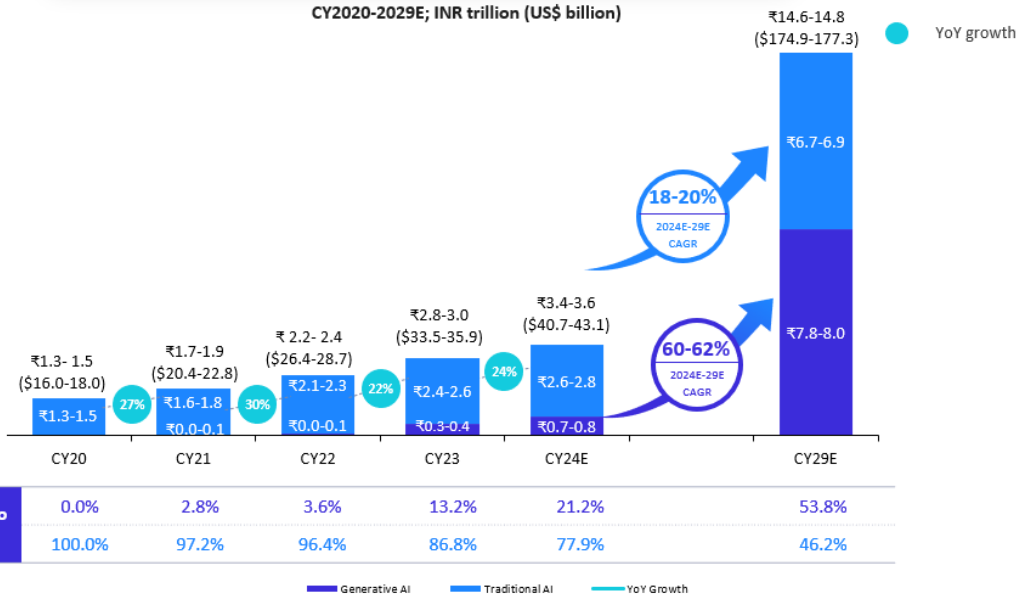
Core AI-led services consist of services that focus on the application of AI, ML, and gen AI for tasks such as advanced analytics, predictive modeling, chatbot development, data augmentation, asset generation, among others. These services include AI and gen AI consulting, maturity assessment, model development, fine-tuning, and deployment, while ensuring governance and responsible AI.

Within core AI-led services, traditional AI algorithms mainly perform repetitive tasks such as pattern recognition, while gen AI can generate entirely new content. This has given rise to applications such as creative writing, conversational search, summarization, asset generation (synthetic data/image/video/3D), and simulated environment creation, among others.

With the rapid rise of consumer gen AI applications, coupled with advancements in enterprise AI solutions and automation technologies, the outsourced gen AI services market is projected to reach ₹7.8-8.0 trillion (US$ 93.4-95.8 billion) by 2029. This growth is expected to be driven by technological advancements and increasing adoption across various industries, leading to a CAGR of 60-62% over the period of CY2024-29E.

Outsourced core AI-led services spend

CY2020-2029E; INR trillion (US$ billion)



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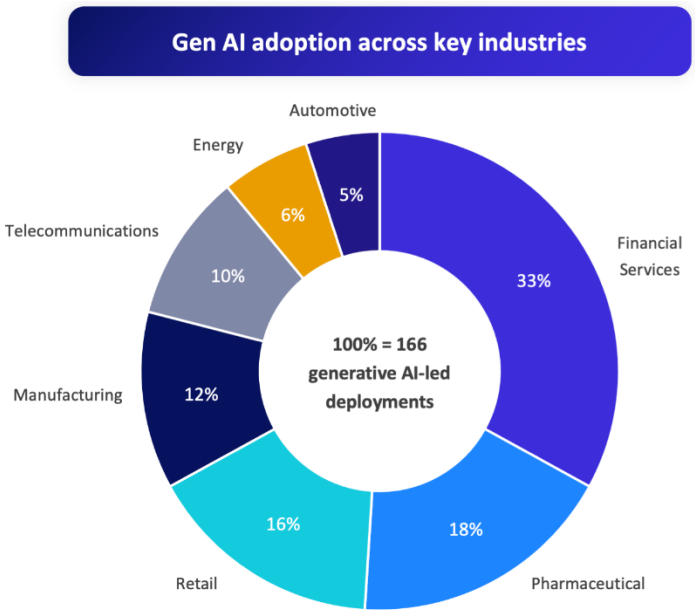
Source: Everest Group (2024)

Gen AI adoption is expanding across various industries, driven by its potential to enhance efficiency, innovation, and customer experiences. As seen in the following exhibit, Financial Services and Pharmaceutical together account for about half of gen AI adoption across verticals. While the data set examined does not contain the technology industry, broader evidence indicates that gen AI adoption in terms of the number of deployments is also high in this industry.



Source: Everest Group Market Report: Generative AI Adoption – Examining Real-world Use in Horizontal Functions and Future Outlook

Gen AI is being molded into existing offerings to enhance value for clients

Gen AI is revolutionizing the IT services industry by transforming service delivery models, enhancing operational efficiency, and driving innovation across various segments. Its integration into both IT and BP services is providing significant improvements and adding new dimensions of value for clients.

It is being used to optimize cloud infrastructure by predicting workload patterns and automatically scaling resources to meet demand. Hyperscalers like Google Cloud are embedding gen AI for various use cases including leveraging its gen AI model Gemini to enable advanced multimodal capabilities on the Google Cloud Vertex AI platform.

In Data Analytics, it leverages the ability to process and interpret large datasets to provide deeper insights and more accurate predictions. To foster innovation in planning and analytics roles, SAP is integrating gen AI into SAP Analytics Cloud Workflows by the end of 2024. Its gen AI copilot, Joule, comprehends industry-specific language and aids the users.

Enterprise platforms benefit by automating routine tasks and enhancing user experiences. Oracle, for instance, has introduced gen AI-powered capabilities within Oracle Fusion Cloud Customer Experience. These capabilities, supported by the Oracle Cloud Infrastructure gen AI service, help service agents, field technicians, and customers solve issues faster by summarizing, authoring, and recommending content

It is playing a crucial role in digital transformation initiatives. AI can generate code snippets based on user requirements, significantly reducing development time and improving software quality. AI-driven infrastructure management tools are used to monitor and maintain IT systems, predicting and preventing potential issues before they escalate.

Gen AI is fueling advanced IT services offerings

There are several new use cases and offerings being developed across domains as enterprises and service providers decode the potential held by gen AI. In software development, it automates tasks such as code writing, completion,

and testing, boosting developer productivity and code quality. This includes features like error detection and code refactoring. For instance, Microsoft's GitHub Copilot, powered by OpenAI's Codex, assists developers by suggesting code snippets and entire functions, improving efficiency and reducing errors.

Gen AI also facilitates "generative design," generating diverse design concepts to aid product designers in optimizing designs.

This technological advancement promises to redefine how businesses innovate, operate, and engage with customers in an increasingly digital landscape.

The landscape is still evolving

Most enterprises are engaging in small-scale pilot projects and experiments to understand the capabilities and limitations of gen AI. Their focus lies primarily in embedding gen AI into existing tools and functionalities and creating awareness among employees.

However, from 2024 to 2025, the adoption of gen AI in enterprises is expected to progress significantly. Enterprises will expand from pilot projects to enterprise-wide and production-grade implementations, focusing on optimizing the performance of AI models for specific tasks to improve efficiency. This period will also see the initial adoption of enterprise AI platforms to manage and orchestrate gen AI solutions across various stakeholder groups. These efforts will drive substantial advancements in digital transformation, enabling enterprises to effectively integrate and leverage gen AI technologies.

The years 2026 and beyond will see gen AI being implemented across various departments and functions within the organization, leading to widespread usage. Service providers will have built the maturity and capabilities to help enterprise build custom and tailored solutions to meet specific needs of the business.

Gen AI is driving cost efficiency in IT service delivery

Gen AI has the potential to aid service providers in achieving cost-cutting and cost-effectiveness by automating routine tasks, enhancing operational efficiency, and reducing the need for extensive manual labor. For instance, leveraging gen AI across the Software Development Lifecycle (SDLC) can lead to a potential productivity gain of almost 15-30%, as per Everest Group estimates. Most of the IT service providers offering gen AI services, currently typically focus on code generation, which only accounts for 20-25% of the entire SDLC by effort.

These efficiencies translate into substantial cost savings for service providers, who are then expected to pass on part of these savings to their clients. Consequently, enterprises are increasingly anticipating more cost-effective solutions, which is prompting a shift in pricing models within the IT services industry. This trend towards lower costs and improved efficiency is reshaping the competitive landscape, driving service providers to innovate and offer more value-driven pricing structures to retain and attract clients.

Advancements can potentially impact market dynamics of the outsourcing services industry

As AI continues to advance, tasks that were once outsourced, such as routine data processing, basic customer service interactions, and repetitive software development tasks, can now be efficiently handled by AI algorithms. This trend may reduce the demand for outsourcing as businesses increasingly opt for AI-driven solutions that offer cost-efficiency and rapid scalability without geographical constraints.

However, this shift also presents opportunities for IT outsourcing firms to adapt and specialize in areas where human expertise remains crucial. These include complex problem-solving, strategic consulting, customization of AI solutions, and managing AI-powered systems.

Overall, the impact of gen AI on IT services and BPS markets is a blend of challenges and opportunities. While it may disrupt traditional outsourcing models, it also paves the way for innovation, efficiency, and the creation of high-value services. Providers that can effectively integrate AI into their offerings and navigate the associated challenges are likely to thrive in this new landscape.

This shift can be seen impacting the entire outsourcing supplier ecosystem. The ecosystem can be divided into four broad categories – large providers, mid-sized providers, digital native players, and boutique/specialized players.

Enterprise Technology Services Outsourcing Supplier Ecosystem

Categorization of service provider landscape and typical offerings portfolio

In the evolving realm of enterprise technology services, providers can be categorized based on their scale, capabilities, and strategic focus. These categories encompass a spectrum from global giants to specialized innovators, catering to diverse client needs and industry demands:

The typical operating models of the 4 broad categories of service providers are given below:

	Large service providers	Mid-size service providers	Digital native players	Boutique players
Description	Large providers are global entities with expansive resources and a comprehensive service portfolio. They maintain a broad geographic presence and are adept at handling large-scale, complex transformations for multinational corporations.	Mid-size providers are known for their agility, industry-specific expertise, and personalized client relationships. They offer tailored solutions that cater to the needs of enterprises seeking specialized support. These firms typically excel in areas such as cybersecurity, data analytics, and managed IT services.	Digital native providers are disruptors in the industry, leveraging cutting-edge technologies and innovative business models to serve clients. These firms prioritize digital transformation at their core, offering advanced capabilities in areas like artificial intelligence (AI), machine learning (ML), blockchain, and Internet of Things (IoT) solutions.	These providers offer niche expertise and deep industry knowledge, focusing on specific industries and technologies. These firms provide customized solutions that address unique business requirements within targeted sectors
Key focus areas	• End-to-end IT and business process services • Large-scale digital transformation projects • Industry-specific solutions and consulting • Managed services and outsourcing	• Custom software development and integration • IT support and infrastructure management • Industry-specific solutions • Cloud services and digital transformation	• Cloud-native development and deployment • AI and ML • IoT • Cybersecurity and blockchain	• Niche consulting and advisory services • Specialized IT services (e.g., cybersecurity, data analytics) • Industry-specific solutions (e.g., FinTech, HealthTech)
Value proposition	• Wide range of services under one roof, from consulting to implementation to management. • Consistent service quality due to delivery capabilities across geographies • Capacity to handle large projects • Significant investments in R&D • Established partnerships to deliver integrated solutions	• Personalized relationships with clients, enabling tailored solutions • Ability to quickly adapt to changing client needs and market conditions • Competitive pricing models • Deep knowledge in specific industries • Targeted investments in technology to enhance service offerings	• Early adopters of emerging technologies • Rapid development and deployment cycles • Highly specialized skills in cutting-edge technologies • High customer-centricity • Focus on solutions that are inherently scalable and designed for future growth	• High expertise in specific areas • Tailored offerings that meet the precise needs of clients • Focus on delivering high quality and value • Creative and out-of-the-box solutions tailored to unique challenges • High customer intimacy

Source: Everest Group

The principal competitive factors affecting the markets for enterprise technology services include the provider's reputation and experience, strategic advisory capabilities, consulting and digital services capabilities, performance and reliability, responsiveness to customer needs, financial stability, corporate governance and competitive pricing of services.

Gen AI-focused value proposition of prominent players across the service provider landscape

Prominent players across the various categories in the service provider landscape are increasingly integrating gen AI into their narratives to highlight its potential and secure a competitive edge in the market.

There are various factors that determine the success of the provider in the gen AI space:

- **Client proximity**: Fostering strong and close relationships with clients is crucial. This enables service providers to deeply understand client needs, tailor solutions effectively, and respond swiftly to changing demands.
- **Agility**: Being agile and flexible allows service providers to quickly adapt to new technologies and market trends. This agility is essential for staying competitive and meeting the evolving demands of the GenAI landscape.
- **Niche expertise**: Developing and maintaining specialized expertise in AI technologies and related domains is key. This ensures that service providers can offer cutting-edge solutions and stay ahead of the curve.
- **Innovation culture**: Cultivating a culture of innovation within the organization encourages continuous improvement and the development of novel solutions. This culture helps in leveraging gen AI effectively to create value.

Mid-size players often maintain close relationships with their clients, allowing them to understand and quickly respond to specific needs and preferences. This also enables them to customize solutions to address the unique client challenges with precision and flexibility. These firms are typically more agile than larger counterparts, enabling them to swiftly adopt and integrate new technologies such as gen AI.

Mid-size players can also offer competitive pricing and cost-effective solutions by leveraging AI-driven efficiencies, making them attractive to clients seeking value.

By showcasing their capabilities in gen AI, these mid-size providers can position themselves as disruptors in innovation, capable of delivering advanced, AI-driven solutions that drive significant business value. This strategic focus on gen AI, while still in its early revenue stages, is expected to lead to increased deals and opportunities in the near future, driven by the following key themes:

- **Platform-driven approach for accelerated AI outcomes**: Providers are developing integrated platforms focusing on several key areas such as contact center transformation, engineering productivity, experience transformation, business operations transformation, and ITOps transformation alongside industry- and use case-specific accelerators to minimize the trial-and-error phase and achieve faster outcomes.
- **Strategic partnerships bolstering go-to-market strategies**: Strategic partnerships play a crucial role in the gen AI ecosystem, allowing service providers to leverage external expertise and resources. Collaborations with leading technology firms such as Google Cloud, Microsoft Azure, and Amazon Web Services provide access to cutting-edge AI tools and infrastructure. Partnerships with academic institutions and research organizations enable service providers to stay at the forefront of AI advancements. These alliances facilitate joint innovation, accelerate the development of new AI solutions, and enhance the overall value proposition by integrating the latest technological advancements into service offerings. Providers will often partner with niche AI players such as Dataiku or Kore.AI to leverage their capabilities and expertise in the space.
- **Talent as a lever for capability development**: Providers are investing heavily in upskilling their existing workforce. Dedicated gen AI Centers of Excellence (CoEs) are established to fosters innovation and deliver customized outcomes in terms of cost efficiency, speed, and service reliability. Additionally, many providers are partnering with academic institutions and leveraging online learning platforms to continually enhance the AI capabilities of their teams.
- **Free proof-of-concepts to drive market adoption and maturity**: To encourage client adoption and demonstrate the value of gen AI, many service providers offer free proof-of-concept (POC) engagements. These POCs allow clients to explore the potential of gen AI in their specific use cases without significant upfront investment. By showcasing real-world applications and tangible benefits, POCs help clients understand the power of gen AI and build confidence in its implementation.
- **Ensuring trust and safety in gen AI solutions to placate enterprise concerns**: Trust and safety are crucial aspects of gen AI that have historically hindered its progress due to concerns over data privacy, bias, and unintended consequences. To address these concerns, service providers are focusing on building responsible AI platforms and solutions. They are implementing comprehensive frameworks that include rigorous testing, transparent algorithms, bias mitigation strategies, and continuous monitoring to ensure AI behaves as intended.

Hexaware's Competitive Positioning

Hexaware's offering portfolio

Hexaware is a mid-sized global IT and business process outsourcing service provider headquartered in India. Its clientele includes 31 of the Fortune 500 organizations. It serves clients across various industries such as Financial Services, Healthcare and Insurance, Manufacturing and Consumer, Hi-Tech and Professional Services, Banking, and Travel and Transportation.

It partners with enterprises, to help them build, transform, run and optimize their technology and business processes through five service lines - Design & Build, Secure & Run, Data & AI, Optimize, and Cloud, which form the foundation for its offerings.

Hexaware's proprietary platforms, RapidX™, Tensai® and Amaze®, play a pivotal role in its service offerings, emphasizing digital transformation and operational efficiency.

- *RapidX™:* Focuses on accelerating the development and deployment of digital solutions by providing a comprehensive suite of tools for agile and efficient software delivery.
- *Tensai®:* AI-driven automation platform, leverages intelligent automation to streamline and optimize IT operations, reducing manual effort and enhancing productivity
- *Amaze®:* Cloud transformation platform, designed to facilitate seamless migration and modernization of applications to cloud environments

Comparative assessment of Hexaware against its peers

With a presence in multiple geographies, including North America, Europe, and Asia-Pacific, Hexaware leverages its domain expertise and technological capabilities to drive digital transformation and operational efficiency for its clients worldwide.

Hexaware's business is broadly aligned with service providers of different sizes, but it is more closely aligned with mid-sized IT service providers such as Coforge, LTIMindtree, Mphasis, and Persistent Systems, which have revenues in the range of US$ 1-5 billion and similar scales of offerings. Unlike larger IT firms with extensive service lines and broader industry vertical focus, these mid-sized companies focus on specific niches or competencies, allowing for greater agility and responsiveness to client needs. Being headquartered in India, they share regional advantages like a skilled workforce and cost-effective operations, while also facing common regulatory and market challenges. Additionally, these firms adopt flexible and personalized engagement models, contrasting with the standardized approaches of larger providers that focus more on larger deal sizes. This combination of factors makes comparisons between Hexaware and its peers more relevant, providing a clearer picture of its competitive positioning. The following exhibit gives a brief overview of the close peers considered for the comparative assessment in the upcoming sections.

	Coforge	LTIMindtree	Mphasis	Persistent Systems
Overview	Coforge, formerly known as NIIT Technologies, is a global digital services provider that takes a product engineering approach that integrates cloud, data, integration, and automation technologies.	LTIMindtree, created through the merger of L&T Infotech and Mindtree, is known for its expertise in digital transformation, cloud, and data analytics.	Mphasis is a global technology services provider offering integrated solutions in applications, infrastructure services, and business process outsourcing.	Persistent Systems is a global technology services company, specializing in digital engineering, enterprise modernization.
Offerings	AI, Digital, Data and Analytics, Digital Process Automation, Salesforce Ecosystem, Cloud and Infrastructure, Management Services, Cybersecurity Services, Business Process Solutions, Quality Engineering Services, SAP Services, and Metaverse	Cloud and Infrastructure, Consulting, Customer Success, Low Code, Cybersecurity, Data and Analytics, Digital Engineering, Enterprise Applications, Platform Operations, RPA, and Quality Engineering	Application Services, Blockchain, Business Process Services, Cognitive, Cybersecurity, DevOps, DevOps Automation Services, AI, Digital, Enterprise Automation, Experience Design, Governance, Risk & Compliance, Infrastructure Services, Modernization, Next-Gen Data, Agile IT Operations, Product Engineering, Platforms & Protocols – XAAP, Microsoft COE, Salesforce Consulting and Services COE, Cloud, AWS Services, Azure Services, GCP Services, VMware Tanzu Services	Application Development & Management, Cloud & Infrastructure, Consulting, CX Transformation, Data & Analytics, Enterprise Integration, Enterprise IT Security, Intelligent Automation, Persistent.AI, Open-Source Hub, Software Product Engineering
Presence	21 countries with 26 delivery centers across 9 countries	38 countries and 117 offices globally	88 offices across 27 countries	20 countries

Source: Company websites and annual reports

Financial comparison

Hexaware's commitment to customers and delivery excellence has propelled it to become one of the fastest-growing technology services companies headquartered in India, with over US$1,000 million in revenue from operations in each of the Financial Years 2023 and 2022. The company has grown at a CAGR of 13.7% from 2021-23 while according to the Everest Group, the global outsourced IT-BP services industry grew at a CAGR of 7.3% during the same period.

The exhibits below compare the different players in the market based on their last reported financial metrics.

Latest Fiscal Year	Hexaware	Coforge	LTIMindtree	Mphasis	Persistent Systems
Revenue (US$ million)	1,256	1,119	4,287	1,603[1]	1,186
L2Y US$ Revenue CAGR (%)	13.7%	13.6%	10.6%	(0.1%)	24.5%
Revenue (INR million)	103,803	91,790	355,170	132,785	98,216
L2Y INR Revenue CAGR (%)	20.3%	19.5%	16.6%	5.4%	31.1%
Adjusted EBITDA margin (%)[2]	16.2%[3]	17.6%[4]	-	-	-
EBITDA margin (%)	15.3%	16.1%	18.0%	18.2%	17.1%
PAT margin (%)	9.6%	9.1%	12.9%	11.7%	11.1%[5]
Days Sales Outstanding (billed)	49	57	57	66[6]	63

Source: Annual reports and investor presentations
Note: The data for Hexaware is for CY23. The data for peers is for FY24. All data is as per figures reported in company filings.
1. Net revenue for Mphasis has been calculated by converting the INR net revenue using the average exchange rate for the financial year

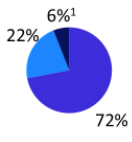
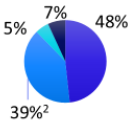
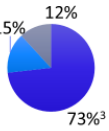
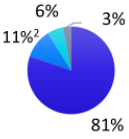
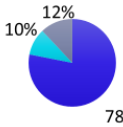
2. Adjusted EBITDA margin is not reported by LTIMindtree, Mphasis, and Persistent Systems
3. Adjusted EBITDA margin for Hexaware is reported as per non-GAAP disclosure by the company
4. Adjusted EBITDA margin for Coforge has been reported as pre-RSU cost
5. Adjusted for one-time expense for $1 billion milestone celebration in Q1FY24 and reversal of export incentive in Q3FY24
6. DSO as reported in quarterly disclosure for Q4 FY24 has been considered as proxy for the FY24 figure

9M CY24	Hexaware	Coforge	LTIMindtree	Mphasis	Persistent Systems
Revenue (US$ million)	1,057	948[9]	3,292	1,243[1]	985
YoY US$ Revenue growth (%)	12.1%	16.4%[9]	3.1%	3.5%	15.9%
Revenue (INR million)	88,200	78,216[9]	274,684	103,706	82,249
YoY INR Revenue growth (%)	13.6%	17.3%[9]	4.4%	4.9%	17.7%
Adjusted EBITDA margin (%)[2]	17.4%[3]	17.7%[4]	-	-	-
EBITDA margin (%)	15.8%	16.8%	17.6%	18.4%	16.9%
PAT margin (%)	9.7%	7.7%[5]	12.7%	11.8%	11.5%
Days Sales Outstanding (billed) (Q3 CY24)[6]	42[7]	60	60[8]	73	68

Source: Hexaware data as received from the management. Data for peers is from quarterly reports and investor presentations. Data for 9M CY24 has been presented by summing up data for Q4 FY24, Q1 FY25, and Q2 FY25.
Note:
1. Net revenue for Mphasis has been calculated by converting the INR net revenue using the average exchange rate for the period
2. Adjusted EBITDA margin is not reported by LTIMindtree, Mphasis, and Persistent Systems
3. Adjusted EBITDA margin for Hexaware is reported as per non-GAAP disclosure by the company
4. Adjusted EBITDA margin for Coforge has been reported as pre-RSU cost
5. Coforge PAT is before minority interest
6. DSOs mentioned in the table are taken as reported by peers in their quarterly reports for the quarter ending September 30, 2024
7. DSO for Hexaware is for 9M CY24
8. DSO for LTIMindtree is based on trailing twelve month period
9. The revenue and growth data for Coforge includes the effect of the Cigniti acquisition

Business diversification

Hexaware and mid-sized IT service providers have a global clientele and cater to diversified industry segments, as outlined below.

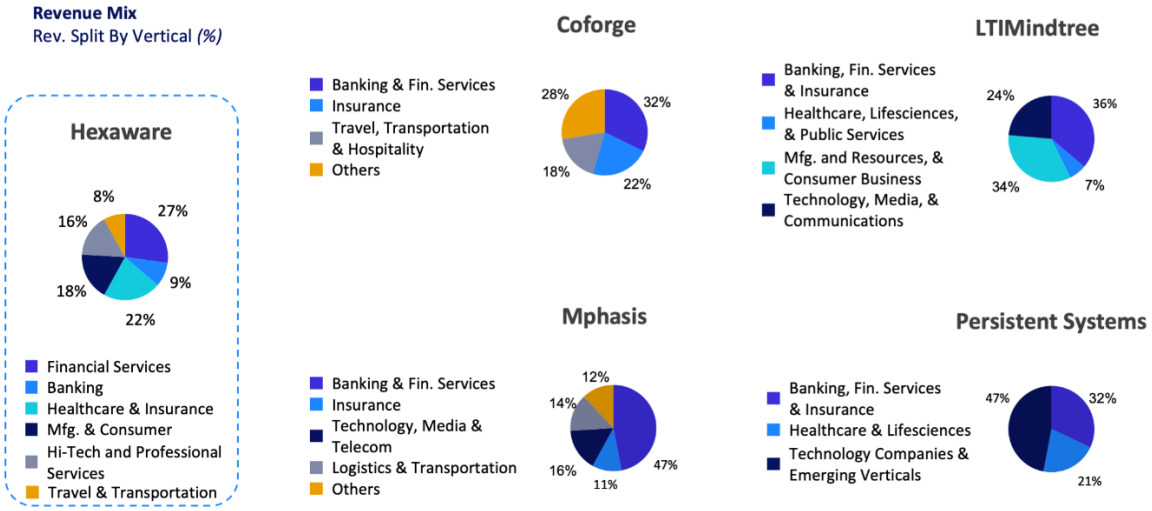
	Hexaware	Coforge	LTIMindtree	Mphasis	Persistent Systems
Revenue Mix[4,5] Rev. Split By Geography *(%)* Americas Europe India Asia Pacific RoW					
Onsite/Offshore mix of revenue[6]	56.9% / 43.1%[8]	48.3% / 51.7%	-	53.4% / 46.6%[7]	36.2% / 63.8%[8]

Source: Hexaware data as received from the management. Data for peers is from annual reports and investor presentations.
Note: The data for Hexaware is for CY23. The data for peers is for FY24.
Percentages have been rounded off to nearest whole numbers.
1. For Hexaware, Asia Pacific includes revenue from India and Middle East
2. For Coforge and Mphasis, Europe constitutes revenue from Europe, Middle East, and Africa as reported in company filings
3. For LTIMindtree and Persistent, Americas constitutes revenue from North America as reported in company filings
4. Geography split for Coforge and Mphasis does not sum up to 100% due to rounding off
5. Geography split for Mphasis excludes the unallocated (hedge) amount
6. This split includes IT Revenue only
7. Excluding profit / (loss) on cash flow hedges reclassified to revenue
8. Excluding IP-led revenue

Hexaware has a diversified geographical presence, with a higher exposure to Europe as compared to most peers, reducing its dependency on Americas and mitigating regional economic risks. Hexaware has the highest percentage of revenues from onshore resources and has significant room for increasing its offshore mix as compared to peers. Hexaware also has a good mix of revenue across verticals with 4 verticals, namely, Financial Services, Healthcare and Insurance, Manufacturing and Consumer, and Hi-tech and Professional Services, generating over $200 million in revenues.

Hexaware serve a wide range of customers as of data from financial year 2023, including:

- 11 of top 50 global asset management firms by Assets Under Management,
- 5 of the top 20 global insurers by market capitalization,
- 3 of the top 10 global life sciences firms by market capitalization,
- 3 of the top 5 global manufacturing organizations by market capitalization,
- 4 of the top 50 global retail and CPG organizations by revenue,
- 6 of the top 20 global hi-tech companies by market capitalization,
- 3 out of top 6 global audit and advisory firms,
- 2 out of top 5 global legal firms,
- 11 of the top 60 banks in US ranked by assets, and
- 3 of the top 5 airlines in North America by revenue



Source: Hexaware data as received from the management. Data for peers is from annual reports.
Note: Data for Hexaware is for CY23. Data for peers is for FY24. Percentages have been rounded off to nearest whole numbers.

Customer base

Hexaware's customer concentration in the last twelve months (as of September 2024), with 25.8% of revenue from the top 5 customers and 35.7% from the top 10 customers, is lower than that of two of the four key peers, highlighting a more diversified revenue base. Hexaware also generated more than $10 million revenue from 31 customers and more than $5 million revenue from 59 customers in the 12-month period ended September 30, 2024. In CY2023, approximately 62%[a,b] of Hexaware's revenue from operations was derived from customers with over US$5,000 million revenues, and nearly 83%[a,b] was generated from customers with over US$1,000 million revenues.

[a] The annual revenues for customers were sourced from annual filings of the companies. In case of private firms, third party sources have been considered for revenue estimates
[b] The deal value from all the clients has been captured from the revenue data provided by Hexaware

	Hexaware	Coforge	LTIMindtree	Mphasis	Persistent Systems
Customer Concentration[1,2] Top 5 / Top 10 / Top 20	26% / 36% / 49%	23% / 34% / -	28% / 35% / 46%	43% / 53% / -	31% / 42% / 52%
Customer Mix[1,3] >$1mn / >$5mn / >$10mn / >$20mn / >$50mn / >$75mn	186 / 59 / 31 / 15 / 3/ 3	231 / 58 / 29 / - / - / -	392 / 154 / 88 / 42 / 12 / -	140 / 51 / 27 / 9 / 5 / 4	184 / 43 / 21 / 10 / 4 / 3

Source: Hexaware data as received from the management. Data for peers is from quarterly reports and investor presentations.

Note:
1. Hexaware customer concentration and customer mix is for twelve month period ended Sep'24. Peer data has been presented as reported in quarterly report for quarter ended September 30, 2024.
2. Represents the percentage of revenue attributable to the top 5 / top 10 / top 20 customers rounded off to the nearest whole number
3. Represents the total number of clients with an engagement size of >$1mn / >$5mn / >$10mn / >$20mn / >$50mn / >$75mn

Employee satisfaction

Ratings from the employment review website, Glassdoor, measure employee satisfaction at a company. Employees rate their overall satisfaction with their employer on a scale from 1 to 5 stars and can also provide ratings on specific factors such as CEO approval, among others. The overall company rating is an average of all individual ratings, reflecting the general sentiment of the workforce about their employer. As of January 2025, Hexaware had a Glassdoor rating of 3.8 out of 5.0, compared to the median of 3.5 for the mid-size IT services peers. In addition, according to Glassdoor, Hexaware had a CEO approval rating of 88.0%, compared to a median of 74.0% for the same peer universe. The exhibit below compares the different players in the market based on their Glassdoor ratings.

	Hexaware	Coforge	LTIMindtree	Mphasis	Persistent Systems
Glassdoor Rating – Company[1]	3.8	3.5	3.5	3.4	3.7
Glassdoor Rating - % Approve of CEO[1]	88%	74%	74%	74%	82%

Source: Glassdoor
Note: 1. The Glassdoor ratings are as on January 13, 2025

Hexaware had one of the highest addition to net headcount among the peers, for the period September 2023-September 2024. Providers prioritize having a skilled talent base because it ensures they can deliver high-quality, innovative solutions that meet clients' evolving needs. A high number of partner certifications further enhances this capability, as it signifies that the workforce is well-versed in the latest technologies and industry standards.

The following exhibit compares the different players based on their headcount additions on an LTM basis and number of partner certifications for Microsoft.

	Hexaware	Coforge	LTIMindtree	Mphasis	Persistent Systems
# of professionals as on Sept-24	32,536	32,483	84,438	31,601	23,237
YoY net professionals added as of Sept-24	4,390	7,845	906	(2,170)	395
# Microsoft certifications	6,176	2,000+	12,000+	--	5,200+

Source: Hexaware data as received from the management. Data for peers is from quarterly reports, annual reports, and websites.
Data has been presented as reported in quarterly report for quarter ended September 30, 2024 for peers.

Hexaware has one of the highest number of Microsoft certifications when compared to other mid-sized IT service providers demonstrating strong focus on learning and development.

Threats and challenges to Hexaware's business

Industry players face several risks that could impact their operations, financial performance, and market position. These risks encompass market-related challenges, operational hurdles, and strategic threats.

- **Economic volatility in key markets**: While Hexaware has a diverse client base and geographic presence, economic fluctuations in major markets such as the US and Europe can significantly impact client budgets and IT spending, thus impacting Hexaware's revenue streams.
- **Impact of currency fluctuations**: As a global operator, Hexaware is exposed to currency exchange rate fluctuations, which can affect profitability. Revenues earned in foreign currencies, while expenses are incurred in Indian Rupees, create financial vulnerabilities. Employing hedging strategies and maintaining a balanced revenue portfolio across diverse regions helps the provider mitigate these risks.
- **Increase in propensity to insource**: Clients may increasingly choose to insource IT services to maintain greater control and reduce costs, posing a threat to outsourcing firms like Hexaware. To counter this, Hexaware must offer superior value propositions, such as advanced technological capabilities and cost-effective solutions, to retain and attract clients.
- **Talent-related challenges**: The IT services industry relies heavily on skilled talent, and Hexaware must continuously attract, retain, and upskill its workforce to stay competitive. High attrition rates or difficulties in acquiring specialized talent can hinder project delivery and innovation.
- **High competitive intensity**: Hexaware operates in a highly competitive sector, facing pressure from both global and local players. Larger firms, equipped with greater resources, can exert pricing pressures by offering better discounts and incentives, encouraging clients to consolidate their spending with them. This trend toward vendor consolidation poses a significant threat to Hexaware, as it could lead to a loss of business to competitors who can provide more comprehensive and cost-effective solutions.
- **Changing client preferences**: Rapid technological advancements and evolving client needs necessitate continuous innovation. Failure to adapt to emerging technologies such as AI, cloud computing, and data analytics could result in the loss of business to more agile competitors.

Appendix

Term	Description
CoEs	Centers of Excellence; a specialized hub within a provider's business organization that fosters innovation, expertise, and best practices to deliver high-quality solutions in a specific domain, such as sustainability, AI, or cybersecurity
POC	Proof-of-Concept; a prototype or pilot project designed to demonstrate the feasibility and potential value of a solution before full-scale implementation
RegTech	Regulatory Technology; technology solutions that streamline regulatory compliance and risk management through automation, data analytics, and real-time monitoring
RPA	Robotic Process Automation; a technology that uses software bots to automate repetitive, rule-based tasks, enhancing efficiency and reducing operational costs