



World Bank



PSD FORUM

# CHINDIA SURPRISES

APR 5, 2006

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Vice President

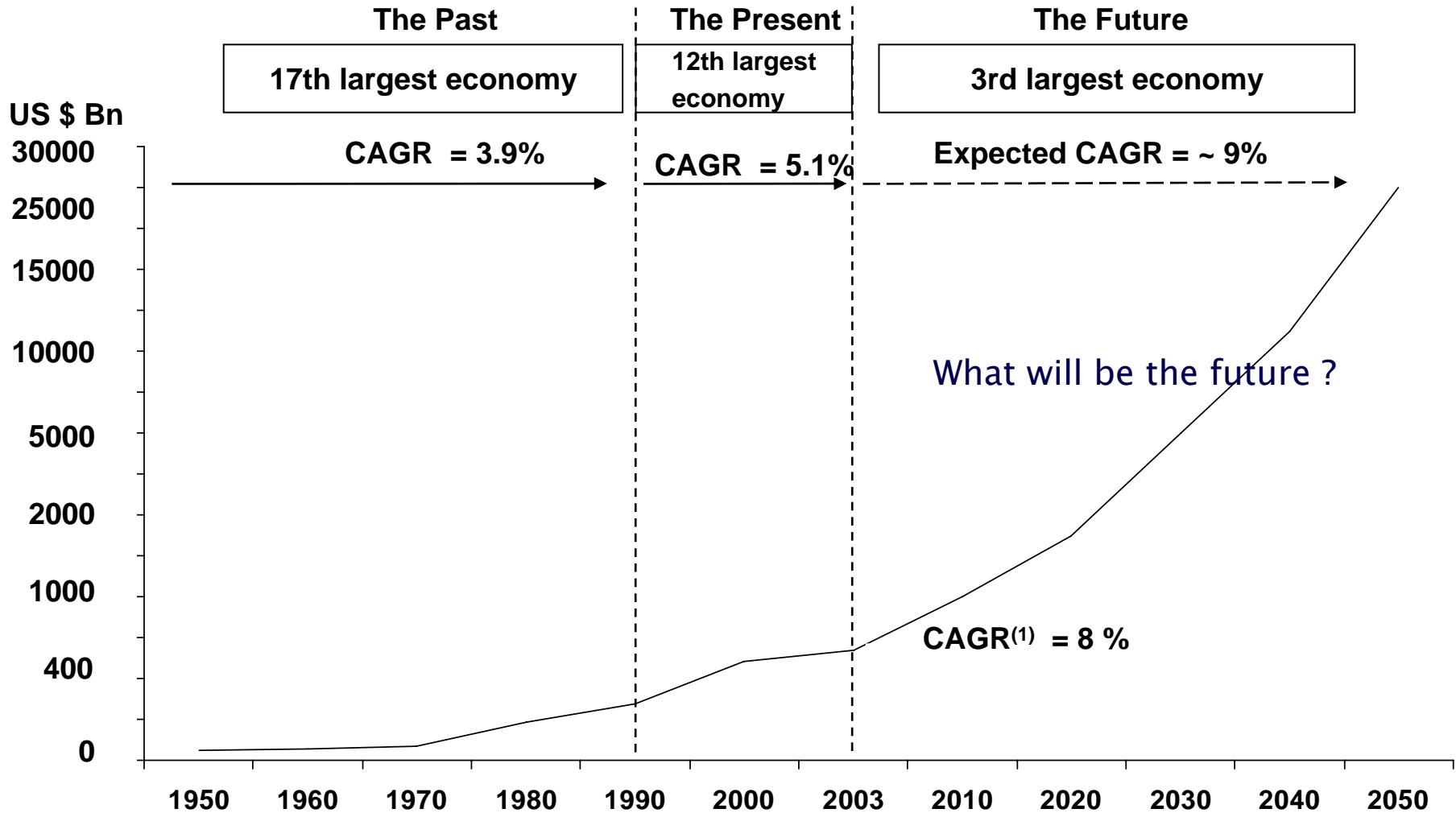


## Agenda

- **Overview**
- Country/IT Industry Perspective
- CHINDIA Strengths
- India – Growth Conditions
- PSD Focus Areas

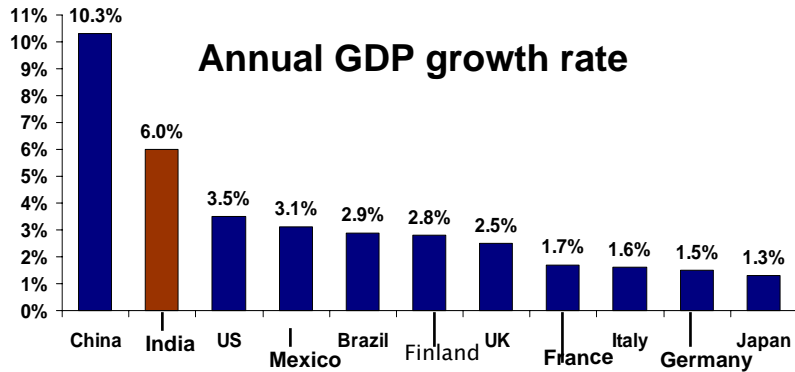


# India: Past, Present, Future



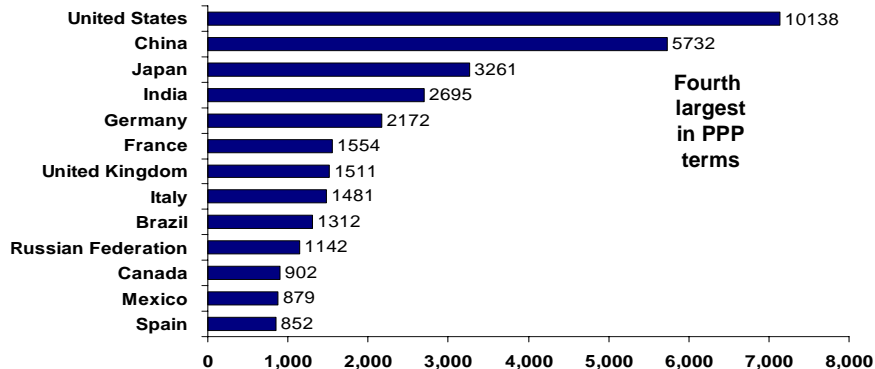
(1) Tenth five year plan (2002-2007) Source: Industry estimates

# GDP/PPP Perspective/Future Projections

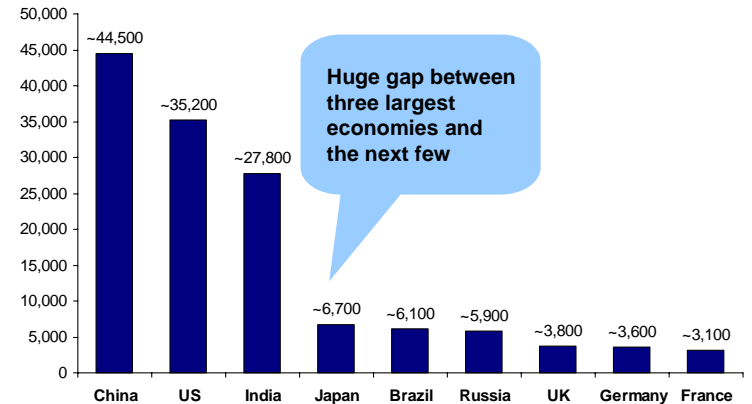
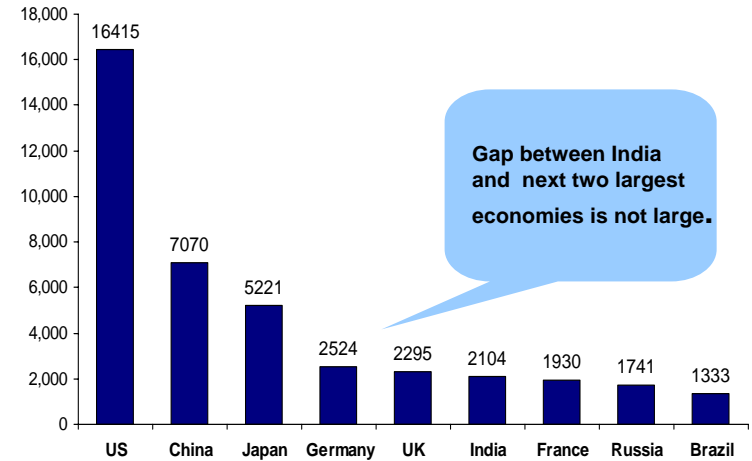


- Fastest growth among all democracies having GDP > \$100 bn
- Over 7% growth in recent years

Source: 2002 World Development Indicators Report (data for 1990-2000, average annual percentage growth)



- 12th largest economy in the world in real terms



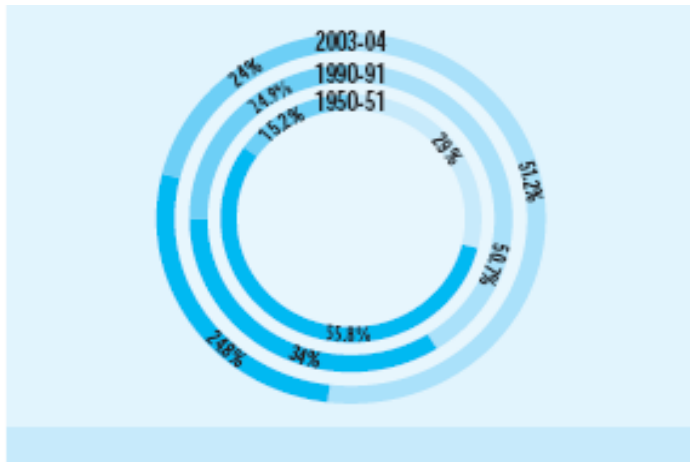
Source: Goldman Sachs Economic Paper # 99

Source: World development Indicators databas, WorldBank,

# CRITICAL DRIVERS FOR GROWTH

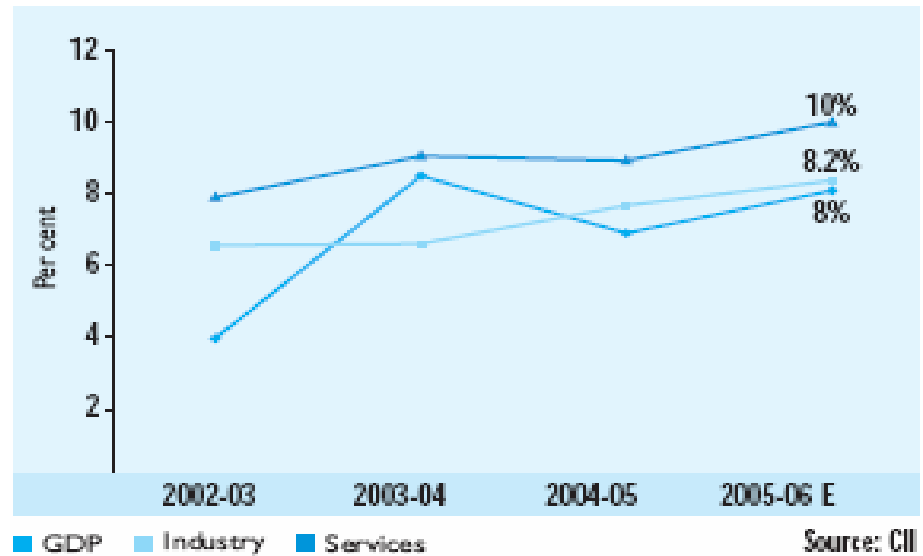
1. Favorable Demographic Trends.
2. Significant Addition to Middle Class.
3. India as the Service Capital of the World.
4. Enhanced Productivity.

Service Sector has been, and will be a Critical Driver for Growth.



■ Agriculture ■ Industry ■ Services Source: Statistical Outline of India

- India is the fastest growing free-market democracy.
- According to Goldman Sachs, among Brazil, Russia, India and China, India will grow the fastest over the next 30 to 50 years.

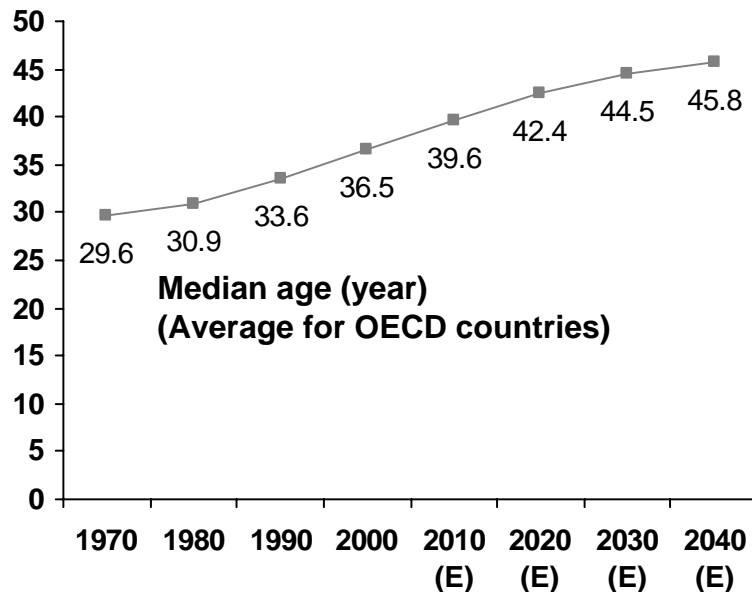


At its present rates of growth, the burgeoning market in India "would be adding nearly one France every three and a half years and one Australia every year".

# Fast ageing population in developed world



Median age of population in the OECD countries is rising ...



...to have several socio-economic implications

**Shortage in workforce as the share of population in the working age group declines**

**Potential decline in growth rates of the economy if workforce shortages are not addressed**

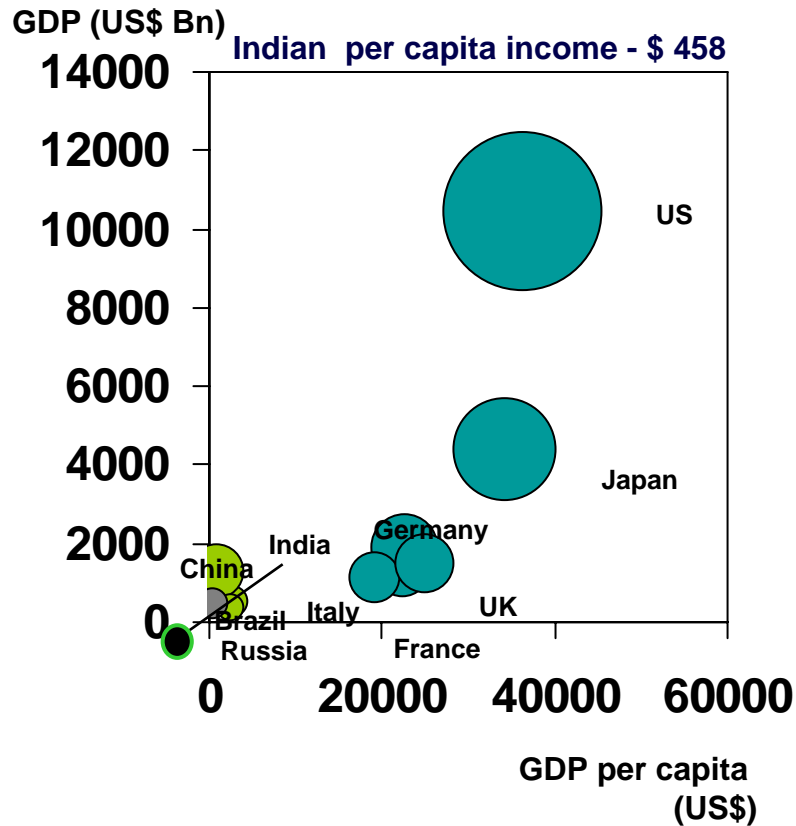
**Increase in wage rates for workers due to demand supply imbalance, older workforce composition could affect productivity**

**Pressure on the existing social security and pension systems**

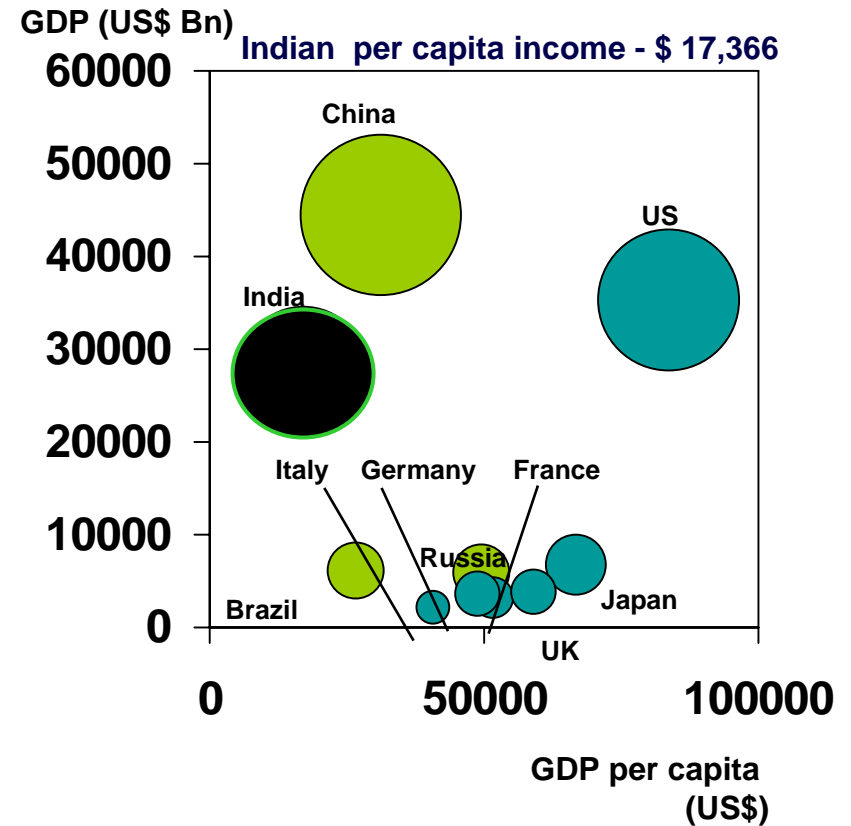
- India on the other hand will have the highest number of people in the younger age group.

# Relatively lower per capita income

GDP vs GDP per capita in 2002



GDP vs GDP per capita in 2050



Bubble size corresponds to GDP size



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# Track Record/Key Initiatives – CHINA

## Amazing transformation story –Growth Violating PSD Dogma

- Agrarian to an Industrial society
- Centrally controlled to Market– based economy
- Real GDP growth averaged 9.4% over 27 years, multifold increase in GDP per capita
- Driven by a non–democratic government, State controlled Industry and weak banking system.

## Path breaking initiatives

- Market oriented reforms
- Open door policy
- Property rights reforms
- Decentralization and fostering domestic competition
- Efficient Macro management

# Track Record/Key Initiatives – INDIA

## Long Term Focus –Growth violating PSD Dogma

- Sustained impressive GDP growth of 6.2 % (10 year historical average).
- Leadership position in IT services/Pharma carried out of India.
- Agrarian economy shifted base to Manufacturing (36%) and Services (46%).
- Stable banking system/Favorable Demographics
- Growth driven by private sector – IT/Auto/Telecom/Textiles

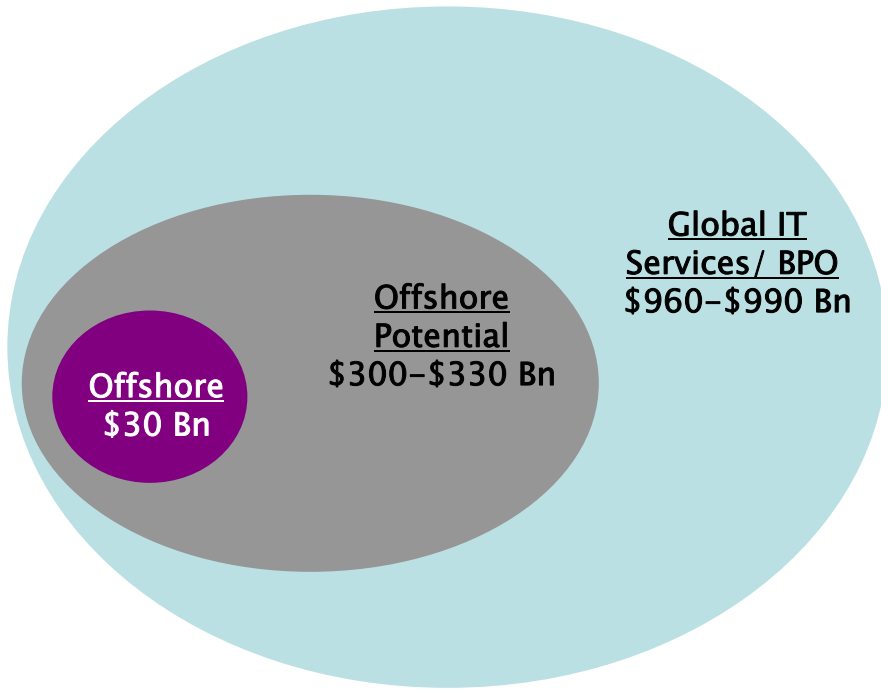
## Aligning policies, enabling growth

- Pursuing Liberalization for past 15 years despite change in Government
- Supporting emergence of Globally competitive firms
- Political support for economic & structural reforms
- Aggressive investments in Infrastructure, Transportation & Power

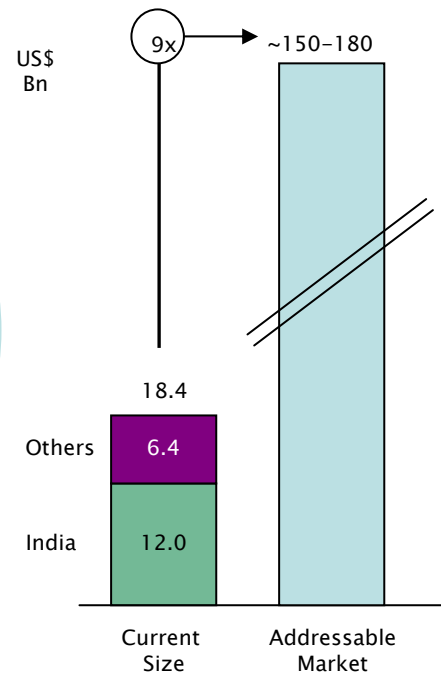
## Visible action in setting-up necessary conditions for growth

# Opportunity Space for Offshore IT/BPO

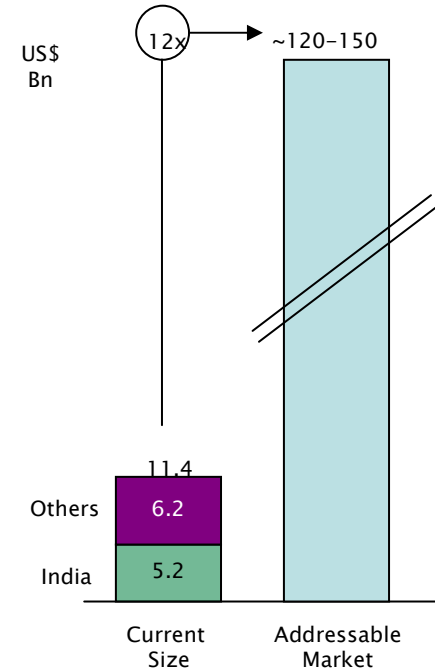
Offshore IT Services/BPO <4% of IT Spend in 2005



Global Offshore IT Industry, FY 2005



Global Offshore BPO Industry, FY 2005



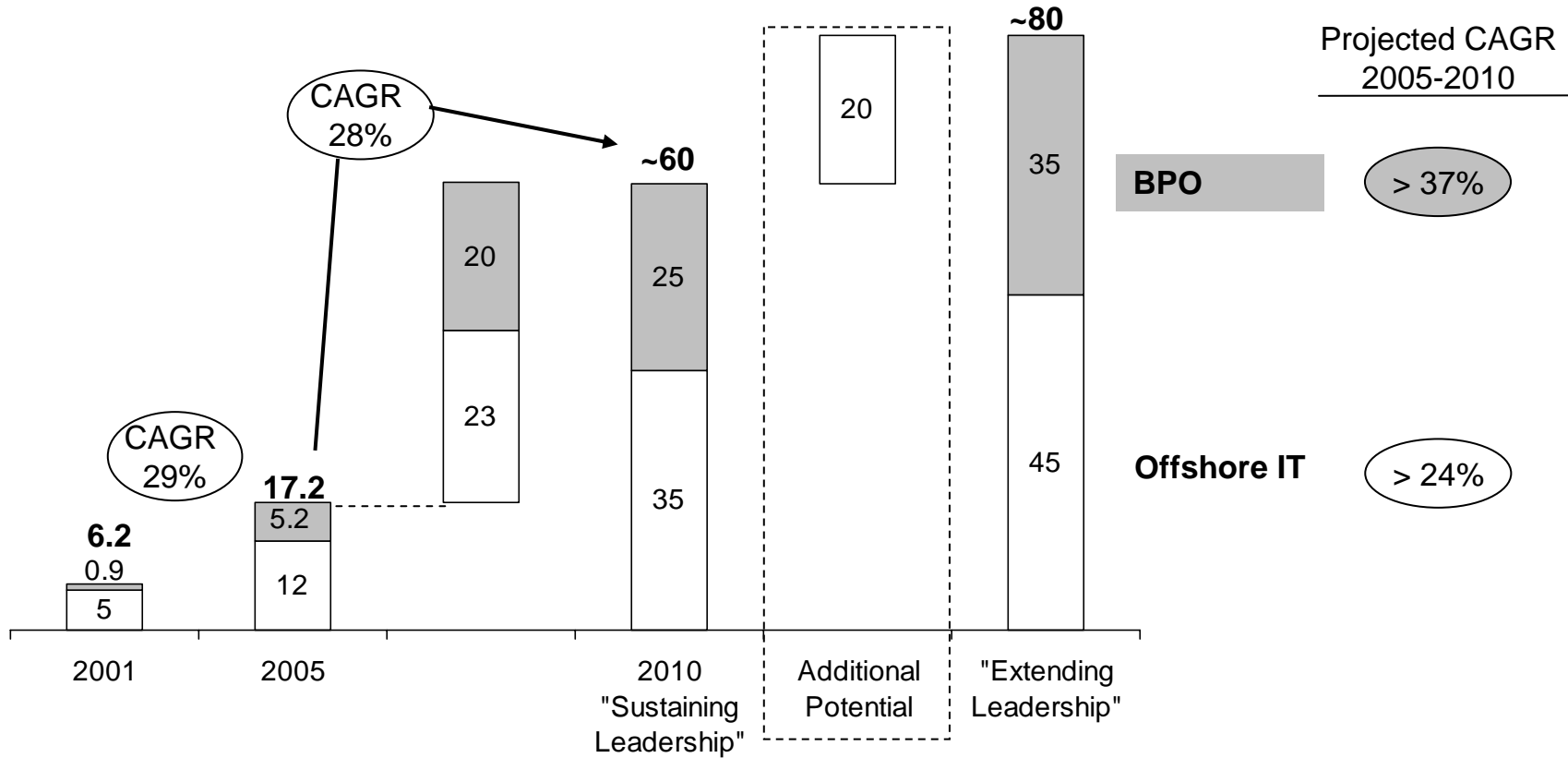
AT Kearney ranks India ahead of China, Czech Republic & Philippines on attractiveness for Offshore

## Factors Impacting Off shoring

- Labor Intensity
- Automation Potential
- Business Risk
- Need for co-location
- Complexity of interaction
- Local knowledge requirements

# Emerging Market Opportunity for India

India's offshore IT and BPO exports, US \$ Bn.



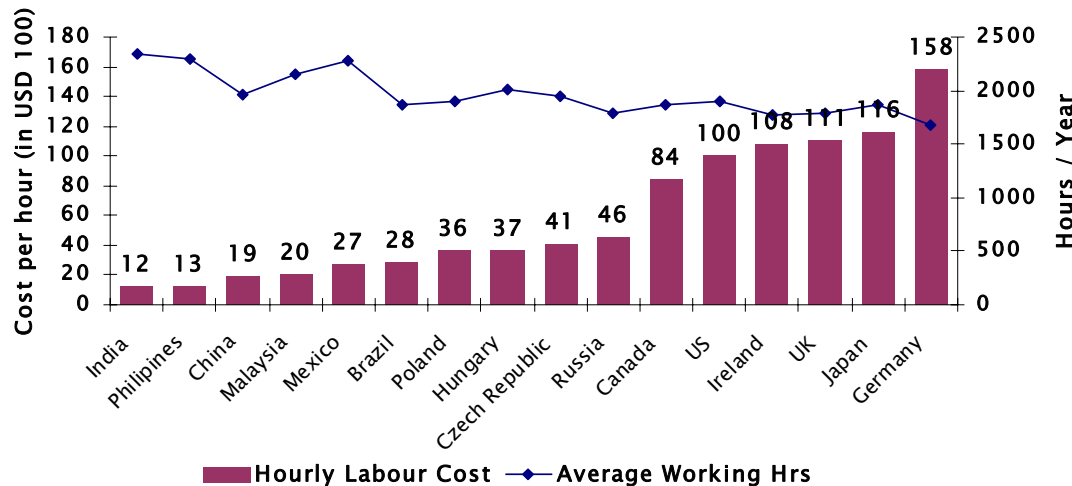
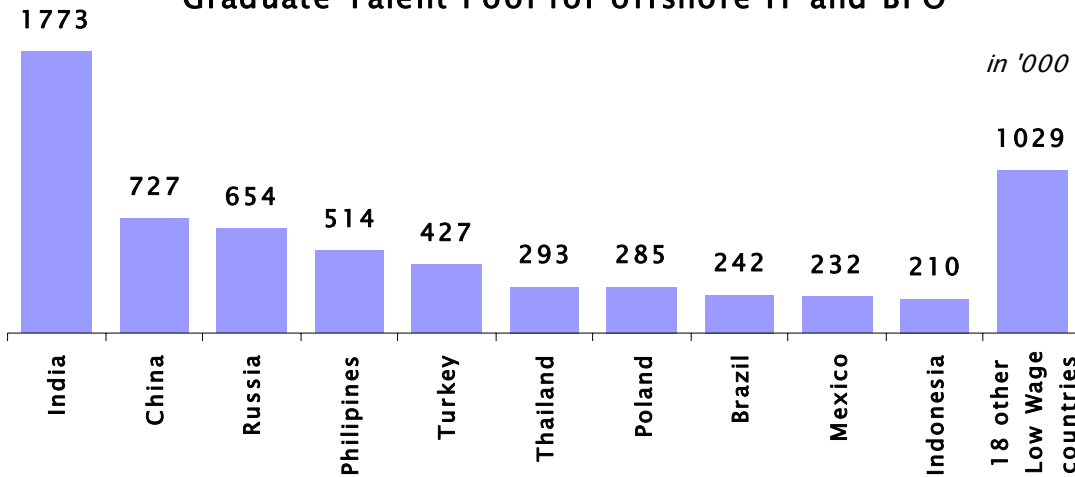
- India's Offshore IT and BPO industries can achieve US \$ 60 Bn. in exports by 2010 if they sustain their current leadership.
- These industries could also aspire for an even bigger prize in the next five to ten years: an additional \$ 20 Bn. in exports by extending leadership through a targeted expansion of the Offshore market.

**Industry Play Projected to Continue Strong Growth Rate**

# Destination India – Advantage Continues: Superior Talent Supply; Global Cost Leadership



Graduate Talent Pool for offshore IT and BPO



## Superior Talent Supply

- 25% of the engineers in India have the basic skills for offshore IT jobs, compared to 10% each in China
- Around 10% of the generalist graduates in India are suited to offshore BPO jobs, compared to 3% in China

## Significant Cost Advantage

- Although labor costs have been rising at around 10% per annum for last 2-3 years, Indian talent continues to be the lowest cost among all offshore countries
- Indian workforce continues to put the maximum productive working hours per annum as compared to other offshore countries

# Wipro – Culture of Success

## Origin & Track Record

- Incorporated in 1945; IPO in 1946; listed on NYSE (WIT) in 2000
- 59 years track record of growth & profitability

Compounded Growth Rate– Over 59 Years:

Revenues: 21%, Net Income: 31%, M-Cap: 24%

- Entered IT business in 1980s; IT Services business launched in early nineties
- Over 90% of Revenue & 96% of EBIT comes from IT businesses

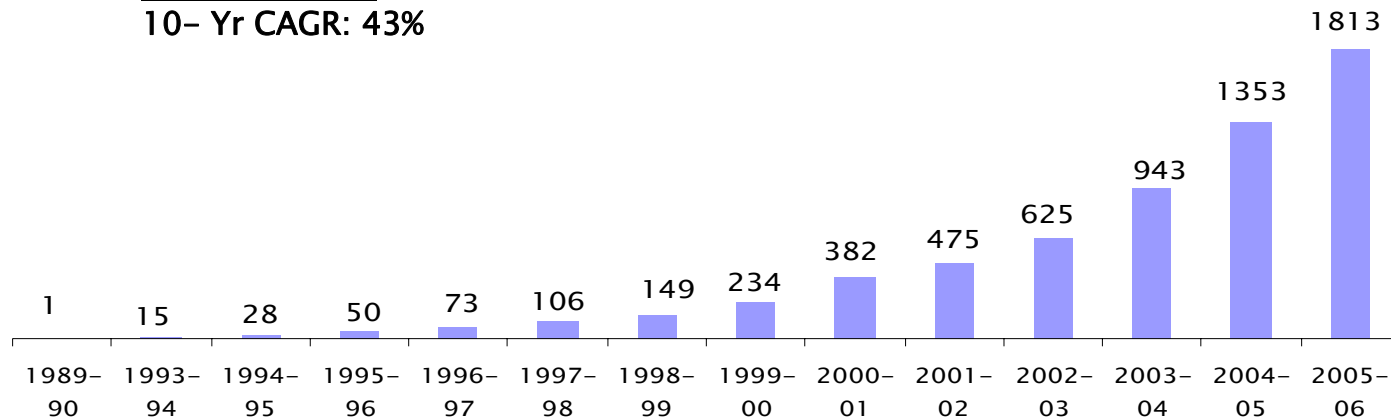
## Snapshot of Global IT business:

- 35+ offices across North America, Europe and Asia
- People from 31 different nationalities
- Part of NYSE’s TMT (Technology–Media–Telecom) Index, NSE Nifty Index and BSE Sensex

## Global IT Services & Products

Revenues \$ Mn

10– Yr CAGR: 43%



Note: FY 05–06 Revenues= Actual Revenues for Q1,Q2 & Q3 + Guidance for Q4

# Strategic Shifts – Wipro History

- **1945 to 1980**
  - Licensing restrictions
  - Focus remained largely regional & product specific
  - **Challenges** were license & many controls (including pricing control)
  
- **1980 to 1991**
  - Opportunity created by exit of IT major due to regulatory reasons
  - **Challenges** - sourcing technology & products, financing expansion etc.
  
- **1991 to now**
  - Global market access easier, coupled with market opportunity driven by talent scarcity & brand building
  - Domestic market opening up
  - **Challenges** - managing scale & infrastructure

# Some of Our Differentiators..

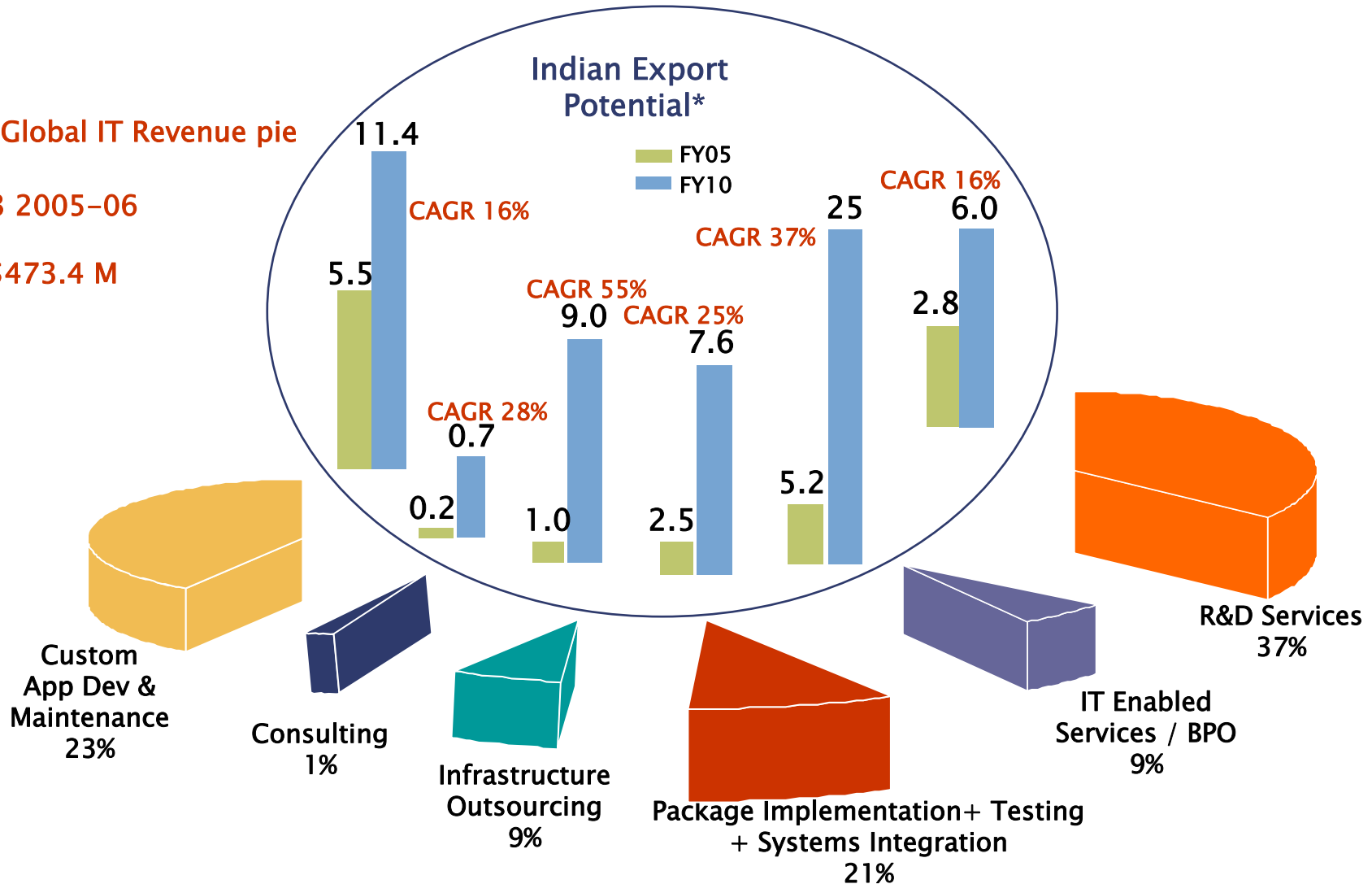
## A Well-positioned Diverse Service Portfolio



Wipro's Global IT Revenue pie

Q3 2005-06

\$473.4 M



- Source: Mckinsey-NASSCOM Study 2005, Company estimate ( all figures in USD B)
- Percentages below the pie chart represent Wipro's distribution of Revenues for the Quarter ended December 2005

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# CHINDIA Strengths

## Projections by 2020

- CHINDIA will be 10.5% of Global share of GDP @ \$ 6.3 Trillion
- 40% of world's total population
- 50% of world's total consumption of natural resources
- Potentially \$ 20 Trillion in banking and assets
- World's largest exporter of manufactured goods and services

# CHINDIA Strengths

- Growth witnessed/Projected in CHINDIA is comparable to the growth seen in the US economy in the 20<sup>th</sup> century
  - Productivity
  - Urbanization
- Currently on PPP basis, CHINDIA is a larger economic force than the US
- On Gross National Income basis GNI ( GDP + Net Investment Income) it is 89% of the size of the US Economy
- Continues to be the TOP Producer and TOP Consumer



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# India – Growth Conditions

India needs to address the following issues to achieve the growth projections

- Policy promoting Trade & Investment
- Supporting Macroeconomic policies
- Strong Institutions & Infrastructure
- Investments in education

Source: BRICS report



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- **PSD Focus Areas**



## PSD Focus Areas (India)

- **Rural economy development** – Focus on critical connectivity issues.
  - Physical connectivity (roads, etc.)
  - Fibre connectivity (telecom & broadband)
  - Fiscal connectivity (local governance)
  - Health connectivity (basic health)
  
- **Population boom may lead to unemployment**
  - Focus on education sector
  - Micro lending
  - Self help groups
  
- **Infrastructure** – investments in Power, Roads, Water supply etc.

## PSD Focus Areas (India)

- Tap rich talent pool of India
  - Support research establishments in science, technology & maybe economics!!
  
- Urbanization
  - Urban housing
  - Utility management
  - Water management
  - Health & sanitation
  - Local transportation.
  
- Encouraging use of technology for efficient & effective e-governance – World Bank should sponsor & support e-governance projects at central, state, district & municipality levels

## PSD Focus Areas (Chindia)

- India lags 10–15 years behind China. Presents a bigger opportunity for participation.
- Past 5 years growth, Sound economic policies being implemented & large consumption base– all point out to a huge opportunity.
- Infrastructure Investments taking place and expected to trigger further investments
- China will continue to grow albeit at a slower pace but with a larger base. Need to focus on domestic consumption and Overcapacity issue.
- CHINDIA play cannot be ignored.

PSD has a great opportunity to participate in the exciting journey ahead

**Thank You**