



All The World's A Stage

The Offshoring Opportunity for Developing Countries

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Offshoring

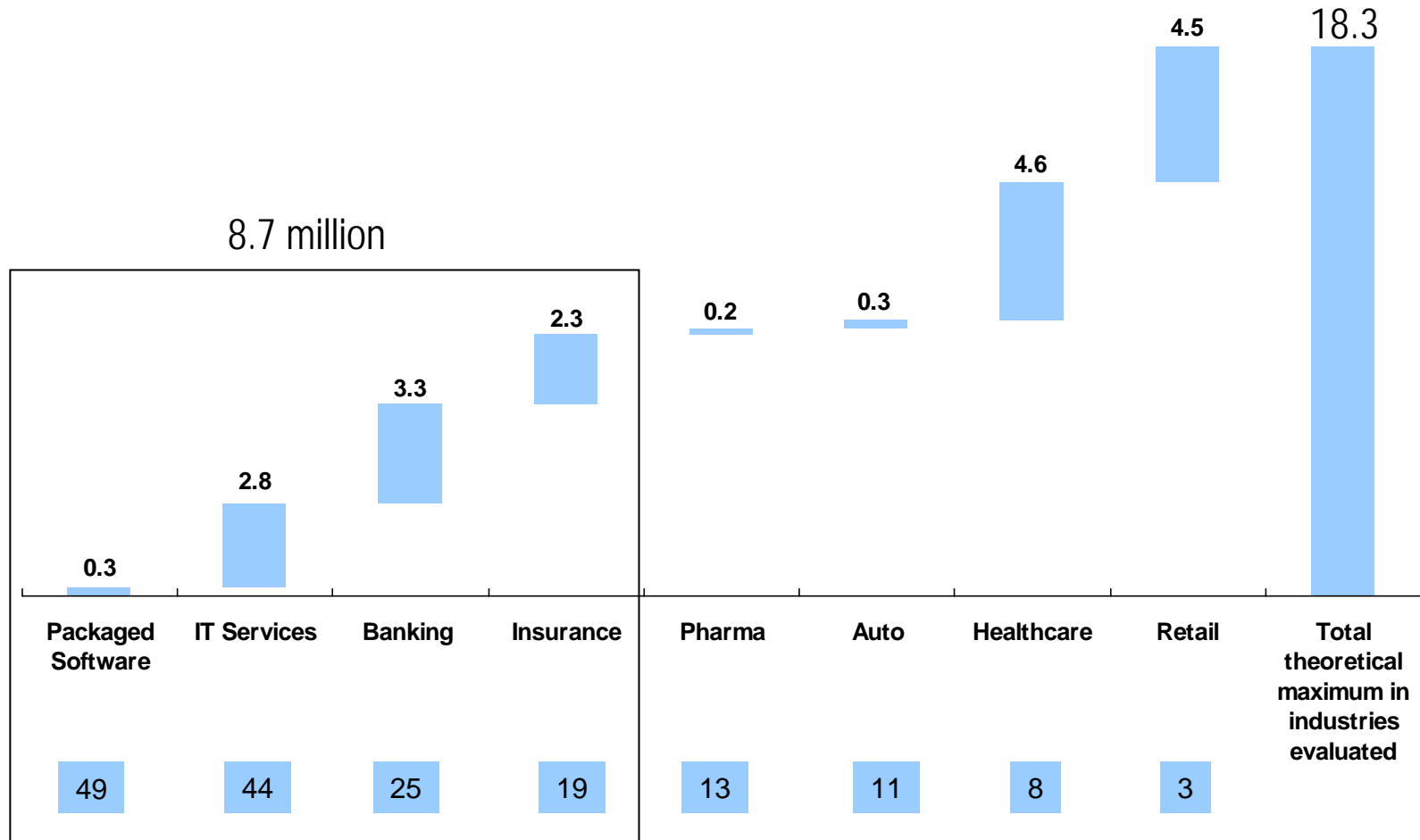
- McKinsey & Co.
 - Addressable market for global offshoring is above \$300 billion
 - Only 10% realized so far (\$18.4 billion in IT and \$11.4 billion in BPO)
 - \$110 billion by 2010
- Growth
 - India: BPO exports grew at 44.5% during 2004-05
 - Philippines: Call center seats increased from 40,000 to 70,000 during 2004-05
- Companies
 - Progeon grew at 275% during 2003-04 and at 145% during 2004-05
 - Net margin of 24.3%, gross margin of 44%

The Opportunity

“So much more lies ahead. In the next five years, India's offshore industries could generate US\$60 billion in export revenues, account for 17 percent of GDP growth, pay for a massive infrastructure build-out, and sustain around 9 million jobs. Saudi oil, Japanese cars, and Indian services—some industries can truly transform a nation.”

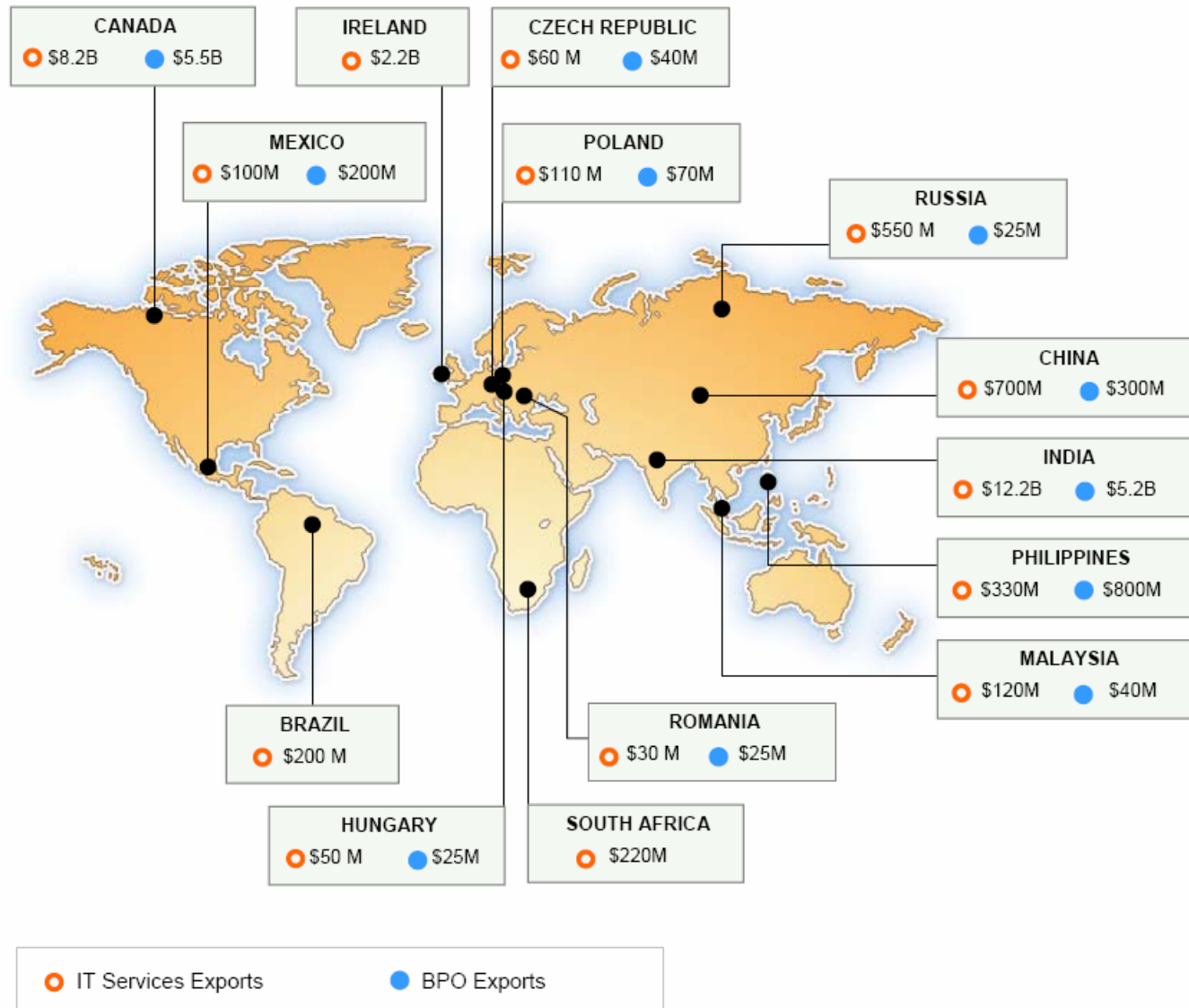
Nasscom-McKinsey Report 2005

Theoretical Maximum Global Resourcing in Sectors Evaluated is Approximately 18.3 million Jobs



Share of industry's total employment percentage

ITO and BPO Industry Size in Outsourcing Destination Countries 2004 (Source neolT)



BPO: Evolution of Offshore Nations

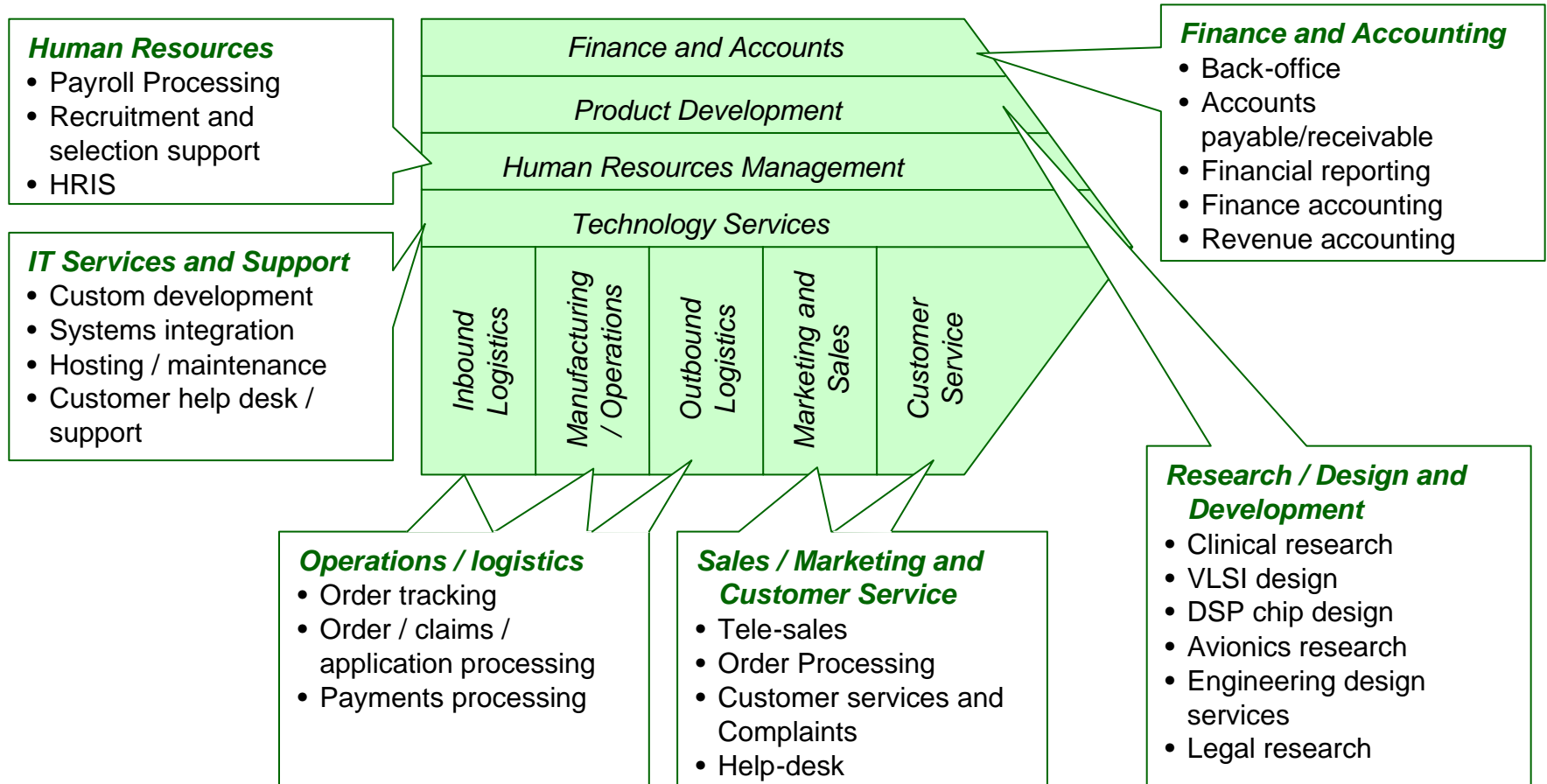


Source: neoIT

Drivers

- New buzzwords
 - Transformational outsourcing, the totally disaggregated corporation, the virtual globally distributed corporation
- Processes on sale
 - Budget airline: Accenture's Navitaire unit can manage reservations, plan routes, assign crew and calculate optimal prices for each seat.
 - Market research: Evalueserve Inc. will within a day assemble a team of Indian patent attorneys, engineers and business analysts, start mining global databases and call dozens of US experts and wholesalers to provide an independent appraisal

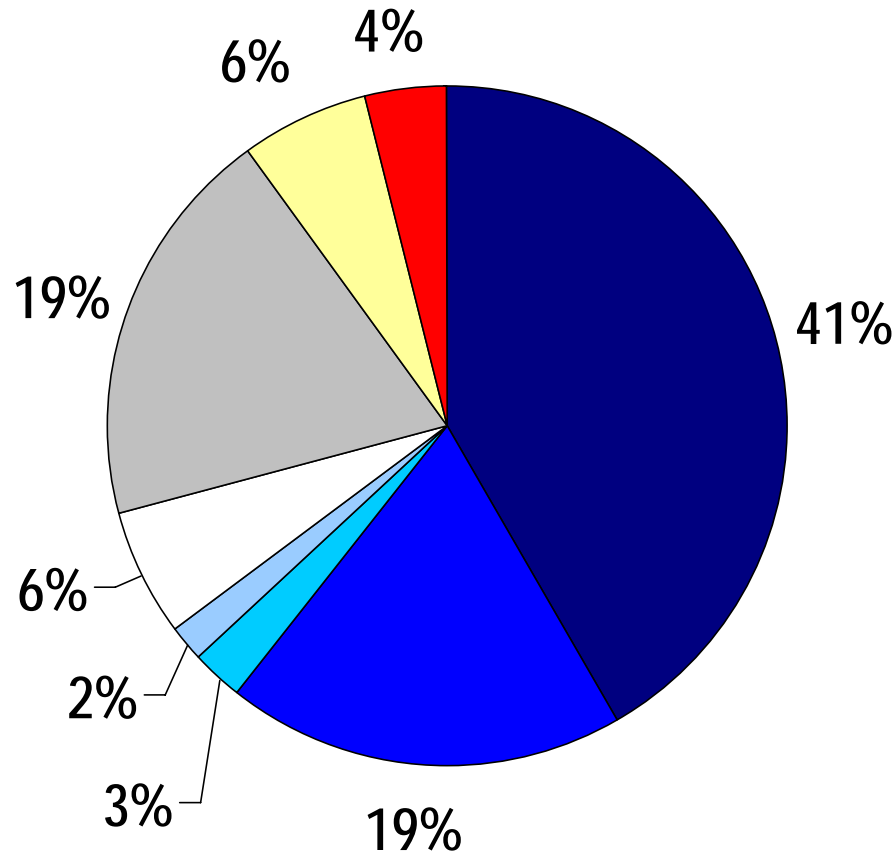
Potential Across the Value Chain



Source: NASSCOM-KPMG 2004

Global Market for IT Enabled Services (Estimates for 2008)

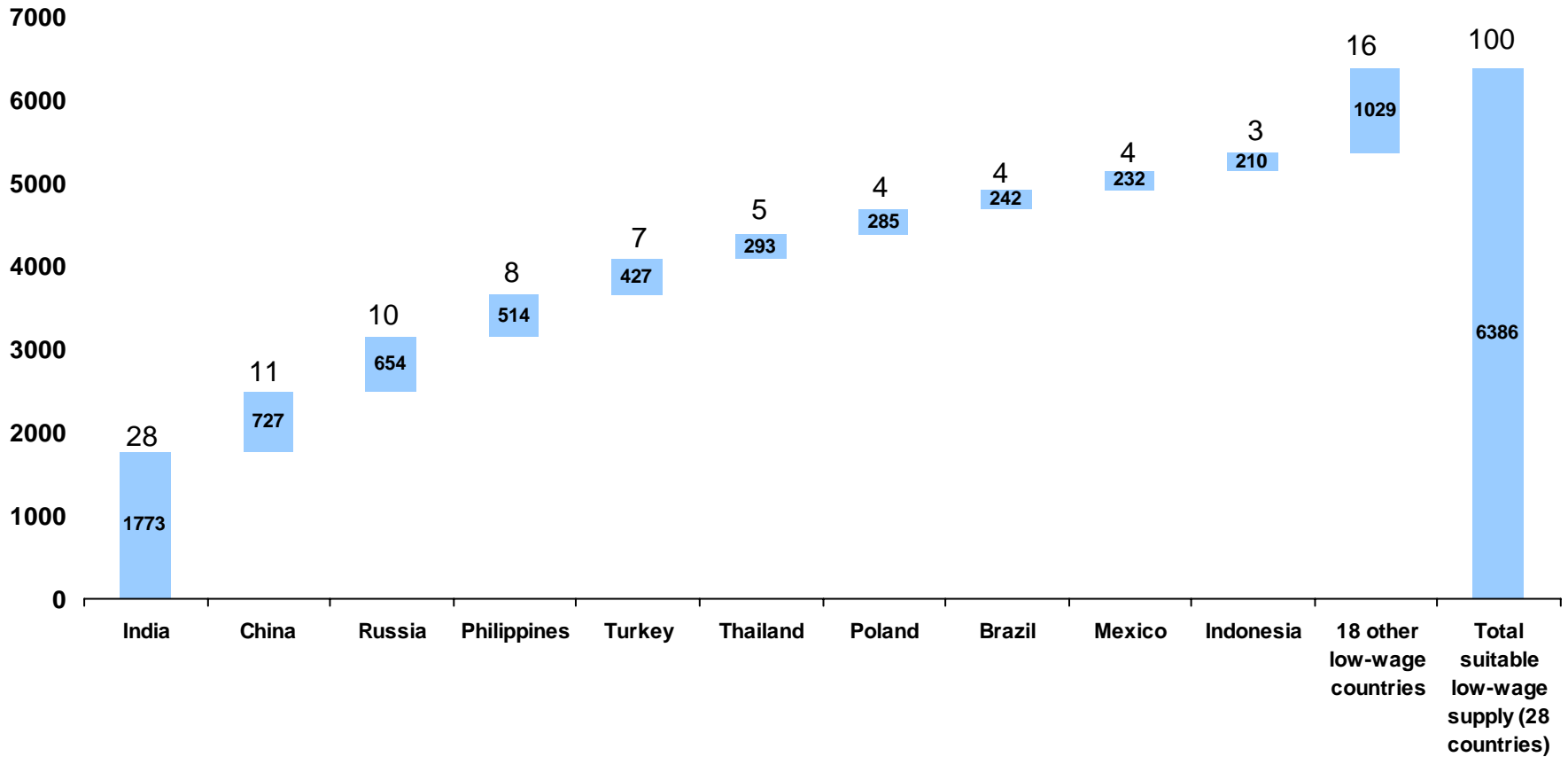
Source: NASSCOM-McKinsey Report



- Customer Interaction Services
- Finance and Accounting Services
- Translation, Transcription and Localization
- Engineering and Design
- HR Services
- Data Search, Integration and Management
- Website Services
- Market Research

Manpower Availability

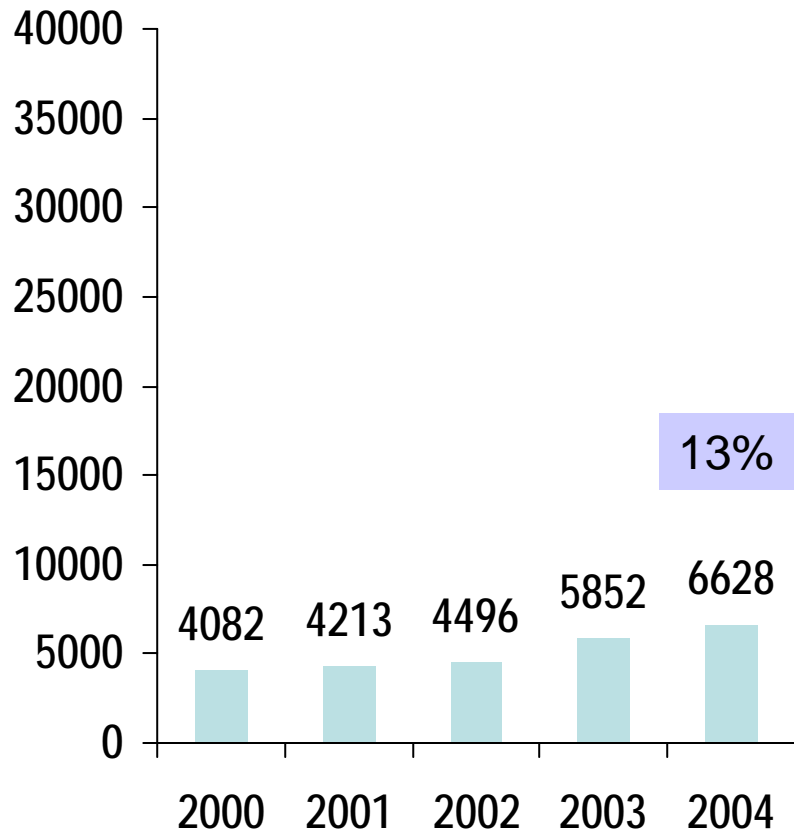
Includes engineers, finance and accounting analysts, life science researchers and professional generalists with less than 7 years experience. It excludes: doctors, nurses and support staff



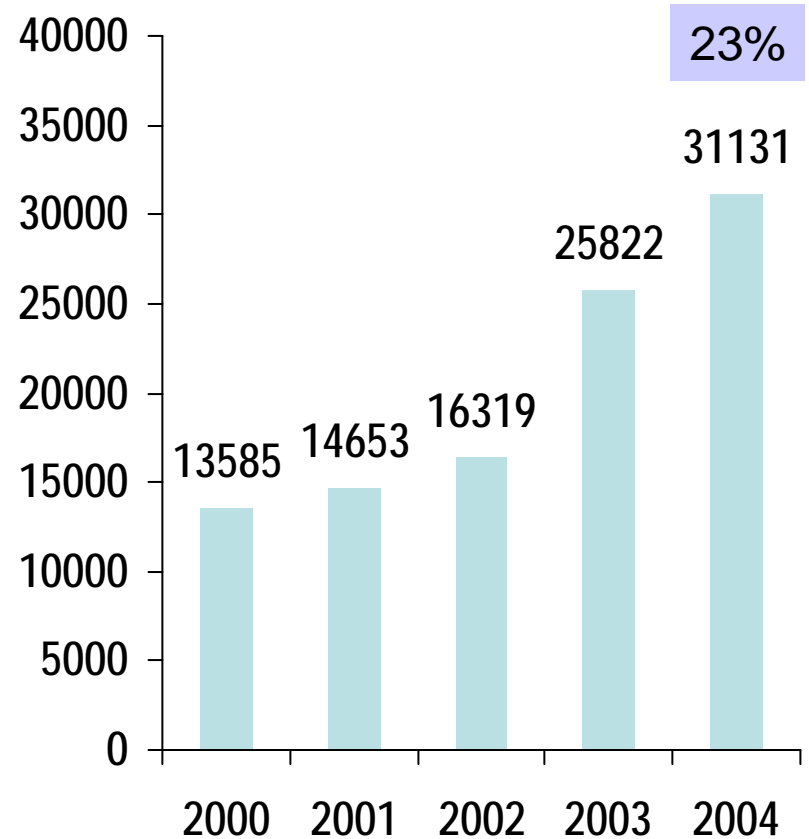
Source: McKinsey & Co.

Wage Increases in India (US\$)

Entry Level Software Developer



Project Manager



Country Strategies

- Russia
 - Technoparks in St.Petersburg, Novsibirsk, Nizhny Novgorod, Dubna planned
 - Social Security tax lowered from 26 to 14%, VAT exemption on exports
- Nicaragua
 - ProNicaragua: \$3 million for a 500 seat call center in Managua
 - Full exemption from income and capital gains tax
 - No duties, VAT and property taxes
- Botswana
 - 200% credit on employee training programs
 - Exemption from VAT, flat corporate tax of 15% until 2020
- eGhana

Establishing a niche

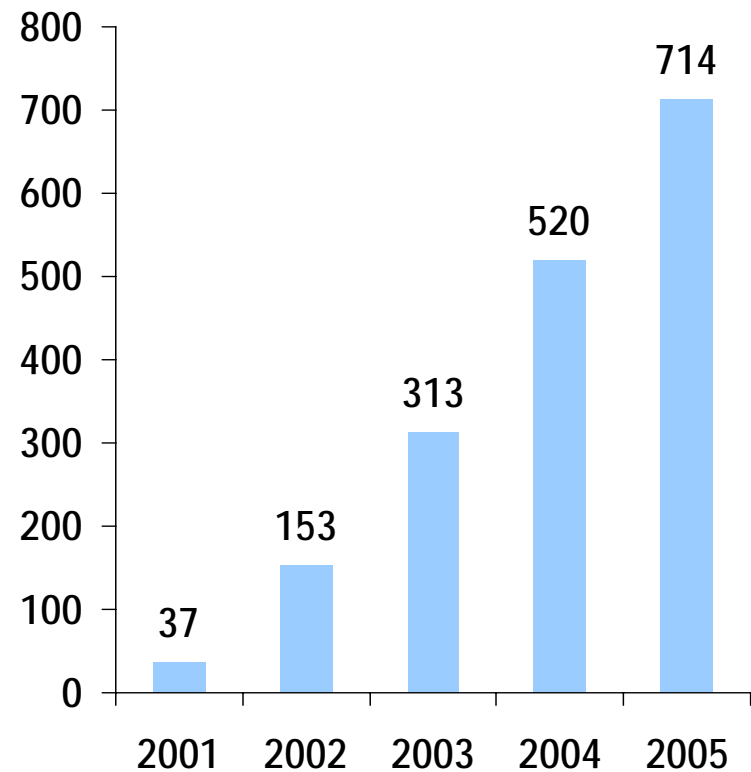
- Singapore
 - Positioned itself as a safe location for sensitive high-end activities, with particular emphasis on business continuity, IP protection and data privacy
- Israel
 - Promoting itself as an ideal location for upper-end R&D, as well as multilingual support centers

Andhra Pradesh

- Area: 275,000 sq kms
- Population: 80 million
- Per capita income: ~\$500



Exports of IT Enabled Services from AP (\$mn)



Strategy Elements

- Marketing
 - Annual Meetings of the World Economic Forum at Davos
- Infrastructure
 - Telecom, office space, power, roads, airport, civic authority
- Talent Pool
 - Engineering colleges, Indian School of Business, International Institute of IT
 - Accent neutralization training
- Policy
 - ITES as essential service
 - Self Certification
 - APFIRST

The Offshore Imperative

"...if you don't do it, you won't survive."

Daniel Marovitz

Technology Managing Director, Deutsche Bank quoted in BusinessWeek

Thank You