

Background Paper: IT/ ITES

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IT & ITES – Scenario in India

The 'IT' Growth Story

The Indian IT / ITES industry has been one of the great success stories of the world. An industry that did not exist two decades ago is now the pride of the nation and the envy of the world. Majority of the companies in this sector were started by entrepreneurs with modest backgrounds and very limited access to capital. In many ways, this industry has helped creating the brand of “New India” and has also served as an inspiration for others around the world.

The Indian IT / ITES sector comprises of IT services, ITES – BPO and software products & engineering services.

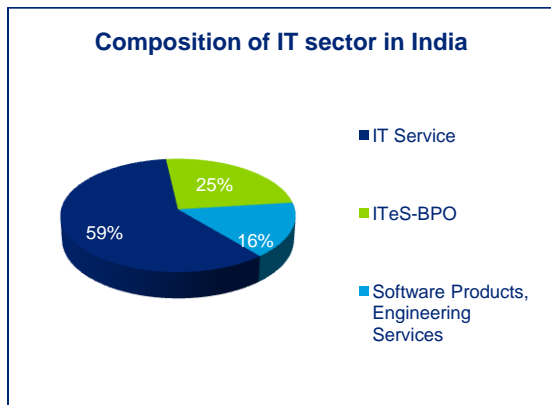


Figure 1: Composition of IT sector in India

Over the last two decades, the Indian IT / ITES industry has contributed significantly to the Country’s economic growth in terms of GDP, foreign exchange earnings and employment generation.

The share of IT / ITES in India's GDP stood at an impressive 5.8% in 2008-09, up from 1.2 % in 1997-98. The Indian Software & Services industry has grown at a remarkable pace since 2001-02. IT / ITES sector’s overall CAGR was 26.9% between 2001-02 and 2008-09, while the overall industry revenue grew from USD

10.2 billion in 2001-02 to USD 58.7 billion in 2008-09.

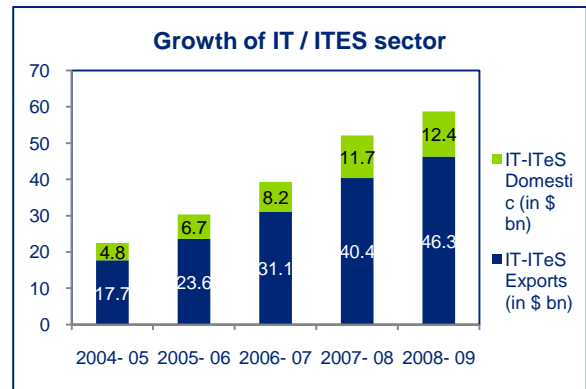


Figure 2: Growth of IT / ITES Sector

IT / ITES export market has grown at a rate of 28.6% from USD17.7 billion in 2004-05 to USD 46.3 billion in 2008-09.

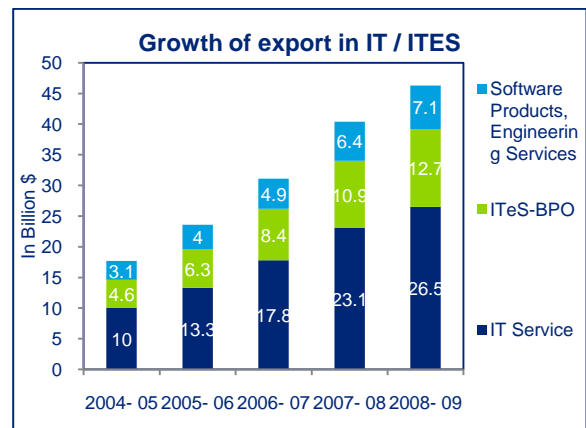


Figure 3: Growth of IT / ITES export

Over the same period, the domestic IT / ITES market has grown at a rate of 22.2% from USD 4.8 billion to USD 12.4 billion.

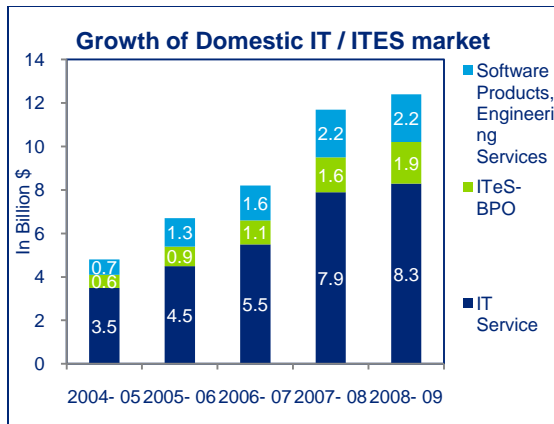


Figure 4: Growth of domestic IT/ ITES market

As of 2008-09, IT / ITES sector provided direct employment to about 2.2 million people compared to just 0.52 million in the year 2000-01.

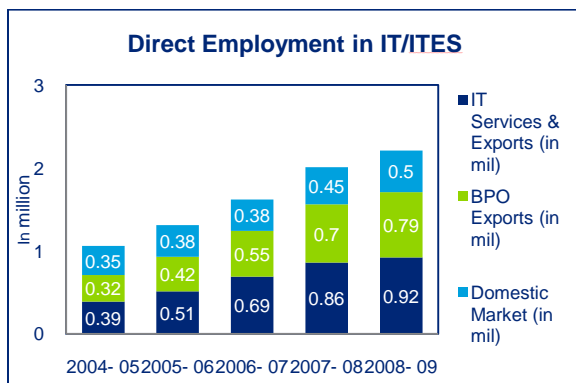


Figure 5: Growth in direct employment in IT / ITES sector

Estimated indirect employment from IT / ITES sector stands at around 8 million.

Additionally, it has created a ripple effect on the general economic environment in the national and international economic space, contributing to overall socio-economic development in India.

Advantage India

India continues to maintain its status as one of the most preferred outsourcing destination due to the following factors:

Wide range of service offerings

- Range of services offered by leading players span across a wide spectrum and multiple verticals
- Service offerings have evolved from low-end application development to high-end integrated IT solutions

Quality / maturity of processes

- India is host to more than 85 global SEI-CMM level 5 firms
- The Country is also expected to be a host to the highest number of ISO-certified companies

Cost advantage

- Cost of an engineer in India is about 20-40% of the comparable cost in European Union (EU)
- Selling, general and administrative costs are approximately 80% of comparable cost in EU
- Average offshore billing rate at USD 20-35 per hour - about 50-70% lower than EU

Availability of skilled professionals

- 675,000 technical graduates per annum, of which 400,000 are engineers
- Over 50,000 MBA students graduate per year
- Indian IT industry expected to add 40,000 new employees in the year 2009-10

Expected Growth Rates

- Globally, IT-BPO and IT-service markets are projected to grow at 9.1% and 6.2% per annum respectively till 2013
- Domestic market is expected to grow at 13.9% per annum till 2013

IT & ITES - Scenario in Madhya Pradesh

Madhya Pradesh is committed to employ IT as an effective tool for catalyzing economic growth, efficient governance and human resource development. For achieving this objective, the Department of Information Technology (DoIT) prepares and executes plans in collaboration with the other departments to leverage the power of Information & Communication Technology (ICT) as a vehicle for improved governance and service delivery to the citizens & businesses. Some of these recent initiatives include:

Madhya Pradesh State Wide Area Network

Madhya Pradesh State Wide Area Network (MPSWAN) is envisaged as the backbone network for data, voice and video communications throughout the State. MPSWAN would act as the vehicle for effective implementation of e-Governance in the State. Departmental offices of Madhya Pradesh shall be connected to these Points of Presence (POP) of MPSWAN as horizontal offices.

MPSWAN is based on open standards and is scalable with high capacity network to carry data, video and voice traffic between different departmental offices at the state, district and block level.

Minimum bandwidth for MPSWAN at each tier shall be of 2Mbps. The bandwidth requirement is expected to increase to a maximum of 8 mbps at various levels over the next five years. The current status of MPSWAN is as under:

- All 50 districts are live on MP SWAN network
- Total 360 Point of Presence (POP) centres
- MP SWAN network is now available above 250 locations
- 316 locations, where civil work is now completed
- 185 locations, where power is available in POP rooms

Madhya Pradesh's IT Vision

"Madhya Pradesh will use Information Technology to achieve the following:

- Improving the life of the common man by leveraging the strengths of e-Governance system
- Attracting investment in the sector so that the educated youth is able to contribute to the State's development
- Creating a pool of highly skilled professionals who are at par with the best in the Country
- Transforming the current resource based economy to a knowledge based economy"

- 250 locations, where OFC/ lease line is available in POP rooms
- 290 locations, where network is commissioned

Citizen in-line to Citizen on-line

- Department of Information Technology has successfully established an online portal for Government to Citizen (G2C) interaction.
- This portal enables the citizen to interact with various departments on-line through a common service center or the MP online portal.
- It eliminates the need to stand in-line at various Government offices.

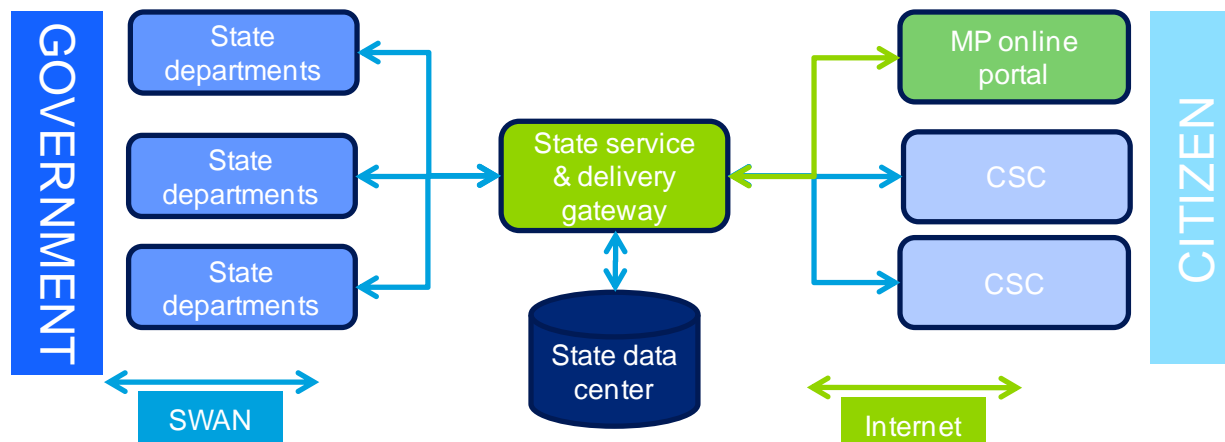


Figure 6: Government to Citizen (G2C) framework in Madhya Pradesh

Key components of this G2C frame work are

- **Common Service Centers** – Single point for interaction with Government Departments
- **MP Online portal** – Single web-based portal for interaction with Government Departments
- **SWAN** – Communication network linking CSC , SSDG & SDC
- **State Service & Delivery Gateway (SSDG)** - Gateway enabling interaction of citizen from one point to various Government Departments
- **State Data Center (SDC)** – Storage systems for all transactions and data records

Recent achievements in IT & e-Governance

Madhya Pradesh in its aim to simplify and improve the life of common man and to simplify interaction of businesses with Government Departments has undertaken an array of e-governance initiatives. The State's outstanding

achievements on e-governance initiatives include:-

- Common service centers
 - 9232 CSC being implemented on PPP basis
 - PPP partners are AISECT, CMS Computers, NICT & Reliance communications
 - TCS, Wipro working on computerization projects
 - 8000 CSC centers established
- Successful computerization of mandi operations EKVI in A , B & C class mandis - 64 completed out of total 230 mandis
- Successful commencement of e-tendering - as of January 2010, 1500 tenders worth Rs. 48 billion issued via e-tendering
- Treasury, Commercial Tax, Transport (driving license and vehicle registration on smart card), Mandi and Land Records are fully computerized.
- Property registration and multipurpose citizen ID cards to be implemented soon
- Public grievance redressal through 'Samadhan Online'

The State is leveraging the strengths of e-Governance system through following initiatives:

- **MP Online** – Official portal of GoMP covering 63 services of Government Departments
- **Citizen Facilitation Center** – Single help line number for issues related to services being provided by the Government to Citizens
- **Integrated forest financial & works management system** - Unique project integrating multiple functions on forest & wildlife
- **Kissan mobile sandesh** - Instant messages to farmers about the weather forecast, mandi prices and other useful information
- **Project scholarship for TWD** - Overall management of scholarship applications, submission, processing, generation, disbursal and dissemination

- **e-Edumanager** - Complete information retrieval of departmental employee
- **Jansunvai** - A web based application for registering complaints/ grievances of the public
- A single portal for interaction with industries 'Government to Industries' (G2I communication) is being planned

Other achievements in Madhya Pradesh

- Software technology park in Indore is fully operational
- Software exports worth Rs. 2.22 billion during year 2009-10
- Approvals for 21 IT-SEZs in the State
- MOUs worth Rs. 77 billion with 20 companies for investment in the State's IT sector have been signed

List of Awards & Recognitions received in the field of Information Technology

The State has been ranked 4th in e-governance initiatives by Dataquest and IDC in India. MP is also the biggest user of Video Conferencing services of NIC. A number of awards have been

conferred on the State for its outstanding accomplishments in the IT/ ITES Sector. A sample list is furnished in following table:

Table 1: List of awards & recognitions received by various departments of GoMP in IT sector

#	Awards Acclamations	Project	Year	Honored by
1	Public participation in service (Silver Icon Awards)	Ideas for HCM, School of Good Governance	2009-10	Web Ratan Awards,GOI
2	Winner in IT Users Category (e-Governance)	MPOnline	2009	NASSCOM CNBC TV -18
3	Winner in e-Governance Category	e-Samvad, M-Governance Mantra for Forest Management, Education Portal, AMR	2009	Manthan Awards-South Asia 2009

#	Awards Acclamations	Project	Year	Honored by
4	Best e-Governed State-Winners	"Mobilizing Digital Economy – A Case Study of Madhya Pradesh" By Anurag Jain, Secretary IT, GoMP & CEO MAP- IT	2009	CSI Nihilent Award
5	Best Department Category	School Education, GoMP	2009	CSI Nihilent Award
6	Best District Category – Certificate of Appreciation	Sagar, M.P.	2009	CSI Nihilent Award
7	Category Awards	MP Online, Forest Dwellers Survey System, i-GeoApproach, State School Education Portal	2009-10	National Awards for e-Governance
8	Silver Icon Award	Automated Metering Project, Fire Alert and Messaging System	2008	DARPG, Gol
9	Best e Governed State "Joint Runner-up"	Submission made by MAP IT on behalf of Department of Information Technology, Government of M.P.	2008	CSI Nihilent Award
10	Excellent Project Category	"Computerization of Mantralaya"	2008	CSI Nihilent Award
11	Golden Icon Award for Best Innovative Technology	Tele Bhugtan	2008	DARPG, Gol, (11th National Conference on e-Governance)
12	2nd Position/ Runners Up	Application of IT in State Administration (e-Governance)	2007	India Tech Excellence Award 2007
13	Golden Icon Award for Horizontal Transfer of ICT Based Best Practice	Integrated Treasuries Computerization Project	2007	DARPG, Gol (10th NC on e-Governance)
14	Runners Up for Delivery of G2G/ E Services	Parakh Project, Samadhan Ek Diwas	2007	CSI Nihilent Award

Madhya Pradesh – An Ideal Investment Destination

The State of Madhya Pradesh has a mesmerizing charm made up of nature's bounty, rich cultural heritage, a cosmopolitan life style, and immense possibilities for growth. Unexplored avenues and possibilities offer potential investors the opportunity to be partners in the development of IT / ITES sector in the State.

The central location of Madhya Pradesh makes it a strategic hub with many logistical advantages. Easy reach, convenient travel and good connectivity make the State a destination of choice for IT sector.

Madhya Pradesh offers ample reasons for being the preferred IT/ ITES destination such as:

Availability of land

Land at following locations is already in possession of the department of IT for development of IT parks & software technology parks by private investors

- 55 hectares of land in Indore near AB Road Bypass
- 212 acres of land in Bhopal at Bidwai village (500 meters from airport)
- 40 acres of land allotted to IT SEZ in Gwalior
- 90 acres of land in Jabalpur in the heart of the city

Operating costs

On an average, Indore, Bhopal and Gwalior have an **operating cost advantage of about 30%** over other leading IT cities. Considering margins are getting tighter for the IT / ITES sector, these locations provide a suitable alternative to established IT cities.

IT companies on an average spend 70% of their revenue in operating costs and majority of them are located in major IT centers.

Cost to Company for an employee is cheaper by 30-35% in Madhya Pradesh.

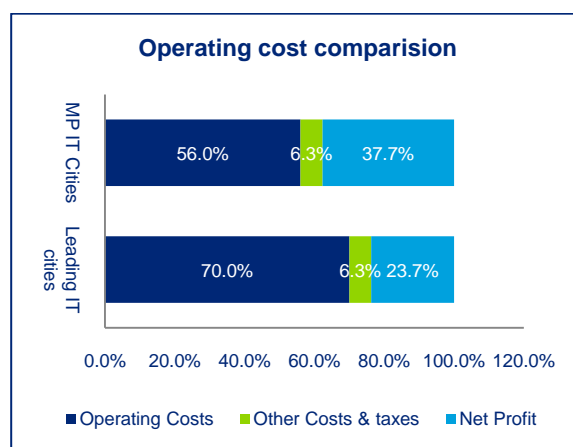


Figure 7: Operating cost comparison between cities of MP & established IT cities

Establishing the same company in MP would help them to potentially **bring the overall costs down by up to 50%**.

Power

The State provides uninterrupted power supply to IT / ITES companies via dedicated feeder. Madhya Pradesh also has a very attractive policy for captive power generation.

Telecom and Internet

Madhya Pradesh is totally geared up to handle its telecom requirement. The state has 24000 km of optical fibre backbone reaching up to the block level and below across the whole State. The presence of public & private players like BSNL, Bharti, Tata, and Reliance ensure that the State enjoys complete connectivity and service.

Talent Pool

In line with its IT Vision, the GoMP for the last 5 years has been increasing the capacity and number of technical institutes to provide requisite talent pool to IT companies coming to the State.

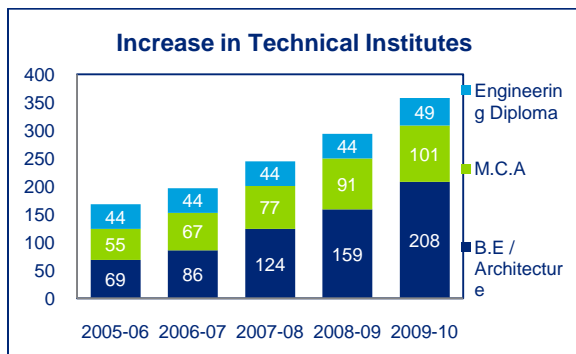


Figure 8: Increase of Technical Institutions in MP

The intake capacity in B.E / Architecture, M.C.A & Diploma Engineering has increased from 35198 students in 2005-06 to 89885 students in 2009-10.

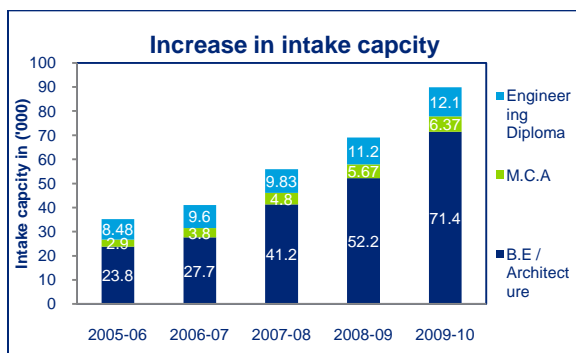


Figure 9: Increase in intake capacity of technical courses in MP

The State is also home to renowned institutes such as:

- IIT - Indore

- Jabalpur Engineering College – considered to be among top 50 engineering colleges in India
- MANIT – Bhopal
- SGS Institute of Technology & Science – Indore
- IIIT - Gwalior and Jabalpur

Peace & Quality of life

Peace and Quality of life are perks of being a salaried employee in MP because

- Madhya Pradesh has a tropical yet pleasant climate
- Being free from dense automobile traffic, cities of Madhya Pradesh provide hassle free commuting to work places within short distances
- Employees can easily maintain work-life balance
- Cities of MP provide good social infrastructure (malls, cineplex, education & medical)
- Cost of living is low
- Many weekend getaway locations are near major towns for the citizens to de-stress

Policy Initiatives

Employment and Land Rate Concessions

- Companies in the State would be eligible for the rebate of USD 556 per job created or;
- A concession on land rate at 25% of the prevalent premium on investment of USD 2.22 million and above based on following schedule:

Table 2: Concession available in land price for IT / ITES sector

Project Costs (USD Million)	Maximum land available under concession
2.22 to 4.44	10 acres
4.44 to 11.11	15 acres
11.11 to 22.22	25 acres
22.22 and above	Case to case basis

Stamp Duty Exemption

- Exemption of stamp duty payable by IT companies on mortgage/ hypothecation in IT investment area
- Exemption of stamp duty and registration fee to acquire space in the IT investment area for subsequent lease to IT units

Exemption on State Tax and Acts

- Exemption from Factories Act, Maternity Act, Contract Labour Act, Payment of Wages Act, Minimum Wages Act, ESI Act, etc.
- Exemption from the electricity duty tax, entry tax and work contract tax
- IT units in IT investment area will be exempted from the octroi, entry tax and local body tax for all capital goods and raw material purchased by them
- Rate of property tax in an IT investment area will be at par with residential premises

Power Related Incentives

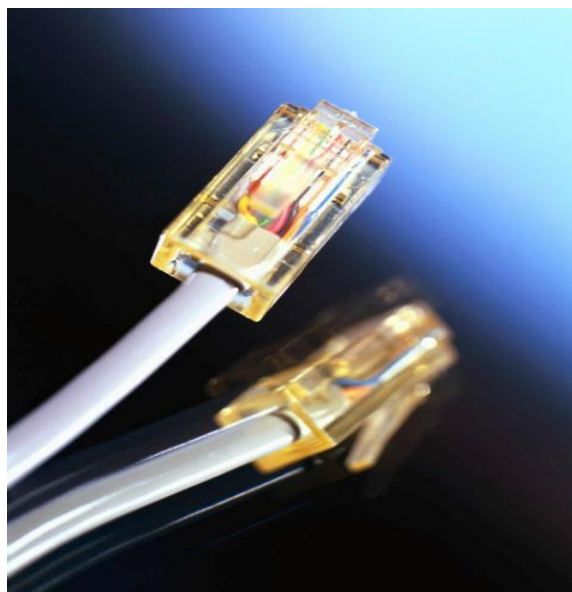
- No prior permission will be required for installation of the captive power plant
- IT industry shall be provided power through a dedicated feeder

Special incentive to invest in e-governance projects

Investors bidding for PPP projects (IT parks / IT SEZ) will get additional weightage, if they have been PPP partner in e-governance projects in Madhya Pradesh.

Others Incentives

- Exemptions upto twice the existing FAR for entire IT investment area
- All facilities and incentives declared in the new industrial policy of the State Government are also applicable for IT industries established on Government allotted land / private land with a single window clearance for Government formalities



Opportunities in IT / ITES Hubs in Madhya Pradesh

Indore

Indore is a major city and commercial centre of the state of Madhya Pradesh. It is the 15th largest city in India and serves as the headquarters of both the Indore district and Indore division.

Fact File

- Indore has a population of 1.475 million
- The City has presence of major companies in automobile & pharmaceutical sector
- Pithampur & Dewas are major industrial regions neighboring the city
- Excellent social infrastructure in form of malls, food zones, multiplexes & hospitals is present
- Many 3, 4 & 5 star hotels in the city
- The city has strong educational infrastructure for K12 to doctorate
- It is the only city in India to have both IIT & IIM

Opportunities

- 55 ha. of land available near AB Road bypass for building an IT park or an STP
- An STP in Indore is now fully operational with space available on ready to move basis
- IT Park of 2 million sq. feet has been planned by Department of IT. DIT will provide land for the IT Park and the private sector is envisaged to build & operate the same.

Table 3: Land & Real Estate costs in Indore

Particulars	Rate range (Rs. per sq. m)
Land cost – Residential	2000/- to 24000/-
Land cost – Commercial	4500/- to 64000/-
Constructed cost - Residential	6000/- to 35000/-
Constructed cost - Commercial	9000/- to 60000/-

Table 4: Connectivity of Indore to rest of the country

Particulars	
Air	Mumbai, Delhi, Bhopal, Raipur, Pune, Nagpur, Kolkatta & Goa; International operations are expected to start by mid 2011
Rail	All major cities
Public Transport	Excellent facility
Power Supply	No power cuts

Bhopal

Bhopal is the capital of Madhya Pradesh and the administrative headquarters of Bhopal district and Bhopal division. The City is an important economic, industrial, educational and political centre of the State as well as central India and houses various institutions and installations of State as well as National importance.

Fact File

- Bhopal has a population of 1.458 million
- The City has excellent social infrastructure in form of malls, food zones, multiplexes & hospitals
- Presence of 3 & 4 star hotels, even heritage hotels
- There is strong educational infrastructure for K12 to doctorate
- Bhopal is home to various institutes such as Advanced Materials and Processes Research Institute (AMPRI), MANIT, Indian Institute of Science Education and Research(IISER Bhopal), School of Planning and Architecture, Indian Institute of Forest Management and All India Institute of Medical Sciences

Opportunities

- 212 acres of land is available at Badwai village near Bhopal Airport for creation of IT park or STP
- IT Park of 2-2.5 million sq. ft. being planned and conceptualized by DIT. DIT will provide the land and private players are expected to build and operate the park.
- 5000 sq. feet of space is available at the State's data centre, to develop a Tier IV data centre (SDC's model provided)



Figure 10: Model for State Data Centre

Table 5: Land & Real Estate costs in Bhopal

Particulars	Rate range (Rs. per sq. m)
Land cost – Residential	2000/- to 25000/-
Land cost – Commercial	3000/- to 37500/-
Constructed cost - Residential	6000/- to 25000/-
Constructed cost - Commercial	12000/- to 45000/-

Table 6: Connectivity of Bhopal to rest of the country

Particulars	
Air	Delhi, Mumbai, Indore, Ahemdabad, Raipur Hyderabad; International Operations are expected to begin by mid 2011
Rail	All major cities
Public Transport	Excellent facility
Power Supply	No power cuts

Gwalior

Gwalior is the administrative headquarter of Gwalior district and Gwalior division. The City has military significance due to the presence of a major airforce base at Maharajpura. Its greater metropolitan area is the 46th most populous area in India.

Fact File:-

- Gwalior has a population of 0.70 million
- Gwalior has presence of very good social infrastructure in form of malls, food zones, multiplexes & hospitals
- Availability of 3/5 star hotels in the city
- Excellent educational infrastructure for K12 to doctorate is present in Gwalior
- The Indian Institute of Information Technology and Management, Gwalior (ranked 25th, in a survey of Top Engineering Colleges in India in 2010) and Gajara Raja Medical college are housed in Gwalior

Opportunities

- 40 acres of land has been allotted to IT SEZ for further development by private developers
- IT Park of 0.5-1 million sq. feet being conceptualized by DIT. DIT will provide the land and private parties are expected to build and operate the park.
- 0.1 million sq. ft of constructed area will be shortly available for further development

Table 7: Land & Real Estate costs in Gwalior

Particulars	Rate range (Rs. per sq. m)
Land cost – Residential	700/- to 28000/-
Land cost – Commercial	2000 /- to 45000/-
Constructed cost - Residential	3500/- to 26000/-
Constructed cost - Commercial	7000/- to 75000/-

Table 8: Connectivity of Gwalior to rest of the country

Particulars	
Air	Delhi, Bhopal
Rail	All major cities
Public Transport	Good facility
Power Supply	No power cuts



Figure 11: Model Picture of STP Gwalior

Jabalpur

Jabalpur is the administrative headquarter of Jabalpur district and Jabalpur division. It is one of the largest cities in Madhya Pradesh. Jabalpur was the 27th largest urban conurbation in India in 2001. It is one of the highest income tax paying cities in India as the headquarters of many important Central & State Departments are situated there. Jabalpur also houses the Madhya Pradesh High Court.

Fact File:-

- Jabalpur has a population of 1.11 million
- The city has presence of major companies of cement and telecom sector
- Very good social infrastructure in form of malls, food zones, multiplexes & hospitals is present
- Many 3 & 4 star hotels are present in the city
- Good educational infrastructure for K12 to doctorate is present
- There are more than 10 engineering colleges in Jabalpur such as SGBM institute of technology and science, Gyan Ganga college, Hitkarni college, Takshila college, St. Aloysius College and St. Aloysius Institute of Technology

Opportunities

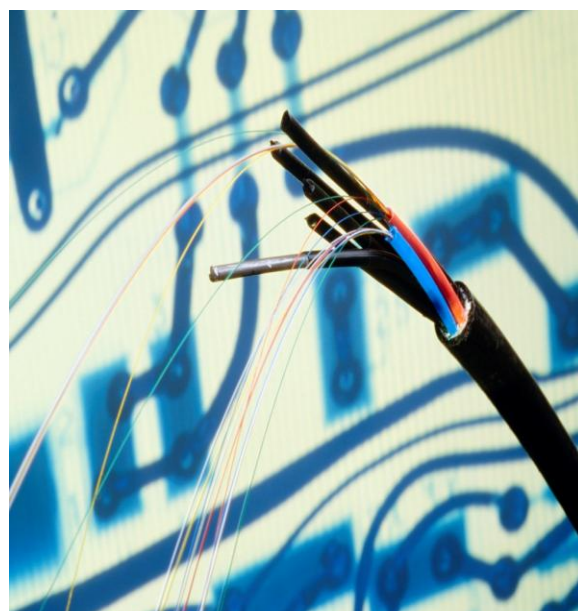
- 90 hectares of land is available in the heart of city for IT SEZ which is proposed to be developed on PPP model.
- IT Park of 1 to 1.5 million sq. feet has also been planned and conceptualized by DIT. Land will be provided by DIT and private developers are expected to build and operate the park.

Table 9: Land & Real Estate costs in Jabalpur

Particulars	Rate range (Rs. per sq. m)
Land cost – Residential	1000/- to 20000/-
Land cost – Commercial	1500/- to 30000/-
Constructed cost - Residential	3500/- to 26000/-
Constructed cost - Commercial	8500/- To 39000/-

Table 10: Connectivity of Jabalpur to rest of the country

Particulars	
Air	Delhi
Rail	All major cities
Public Transport	Good facility
Power Supply	No power cut



Notes

Key Contacts



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