Gartner

Press Release

Gartner Says Indian IT Service Providers Increasing Pace of Growth
Gartner Predicts at Least Two India-Centric Service Providers will be in the Global Top Ten by 2010

Mumbai, India, 26 September, 2007 — Gartner Inc, in a new research report, stated that the top six India-centric offshore service providers, collectively referred to as SWITCH companies (TCS, Infosys, Wipro, Cognizant, Satyam and HCL Technologies), accounted for 1.9 per cent of the total US $672 billion IT services market in 2006, compared with 0.5 per cent of the US $554 billion IT services market in 2001. (See Table 1)

Table 1: Market Share of Top 10 IT Services companies Worldwide and the Leading India-Centric Service Providers in 2006

2006 Rank	2001 Rank	Company	Market Share % (2006)
1	1	IBM	7.2
2	2	EDS	3.2
3	3	Fujitsu	2.7
4	4	Accenture	2.6
5	-	HP	2.4
6	5	CSC	2.2
7	7	Lockheed Martin	1.6
8	-	Capgemini	1.4
9	9	ADP	1.4
10	-	Northrop Grumman	1.3
		TOTAL MARKET SHARE OF TOP 10 COMPANIES WORLDWIDE	**26.0**
Top Six India- Centric Providers			
35	68	Tata Consultancy Services	0.6
43	125	Infosys Technologies	0.4
49	130	Wipro	0.3
73	212	Cognizant	0.2
79	153	Satyam Computer Services	0.2
86	160	HCL Technologies	0.2
		TOTAL MARKET SHARE OF TOP SIX INDIAN COMPANIES	**1.9**

Source: Gartner (August 2007)

Allie Young, vice president and distinguished analyst, Gartner, says, "India-centric providers have perfected their respective value propositions through global delivery models (GDMs), providing high-quality yet lower-cost labour to buyers globally. These companies are making inroads in key clients, often beginning with smaller, project-based or staff augmentation work."

Despite their relatively smaller size, the top six India-centric offshore service providers are making significant strides to challenge the market share leaders' positions by continuing to show strong annual revenue growth far exceeding the market norm. The average annual growth rate of the SWITCH companies was 42.4 per cent in 2006, compared with a 4.3 per cent growth of the market leader during the same period.

Ms. Young said, "Some may argue that the reason for high growth rates, is the smaller revenue base.

-more-

While percentage growth on a smaller revenue base is easier to achieve, the India-centric providers are outperforming (in total dollar gains) many organizations far larger than they are."

Analysing for example, the revenue growth of the leading global and Indian provider in 2006, it can be seen that despite IBM's $48 billion total IT service revenue, its dollar growth year over year was less than $1 billion. TCS on the other hand increased its revenues by over $1.2 billion in 2006, and achieved this increase from a revenue base 1/18th of IBM's size.

The increasing competitiveness of the India-centric service leaders is evident in growth rates that outpace the market, and market share rankings that have grown stronger each year. In 2001, the ranking positions of the top six service providers in India spanned from 68 to 212. By 2006, they were within the top 100, with rank positions spanning from 35 to 86.

Partha Iyengar, vice president, distinguished analyst and regional research director, Gartner said, "From being relatively unknown brands a decade ago, leading India-centric providers now offer formidable competition to the global players. Buyer adoption of offshore service delivery and a willingness to consider emerging offshore service brands has had a material impact on the competitive landscape and providers' market share performance. Large outsourcers are now re-evaluating their preferred vendor rankings to include Indian companies, especially for multi-vendor engagements. If the India-centric IT service providers continue to grow at the current pace, at least two companies will be a part of the top ten companies globally."

Nevertheless, while these six leading India-centric providers are enjoying strong growth rates, it would still take them a number of years to challenge the top service providers or appear among the top three market share leader roles — unless they make a major acquisition.

According to Gartner, the India-centric leaders must carefully assess which type of acquisition is most suitable to their long-term objectives. If market share leadership in the top three is a goal, they will need to pursue an acquisition of considerable size.

Additional information can be found in the report "Dataquest Insight: India-Centric Service Providers Continue to Impact the IT Services Market" which can be found on Gartner's Web site at http://www.gartner.com/DisplayDocument?ref=g_search&id=511970&subref=simplesearch

About Gartner
Gartner, Inc. (NYSE: IT) is the world's leading information technology research and advisory company. Gartner delivers the technology-related insight necessary for its clients to make the right decisions, every day. From CIOs and senior IT leaders in corporations and government agencies, to business leaders in high-tech and telecom enterprises and professional services firms, to technology investors, Gartner is the indispensable partner to 60,000 clients in 10,000 distinct organizations. Through the resources of Gartner Research, Gartner Consulting and Gartner Events, Gartner works with every client to research, analyze and interpret the business of IT within the context of their individual role. Founded in 1979, Gartner is headquartered in Stamford, Connecticut, U.S.A., and has 3,900 associates, including 1,200 research analysts and consultants in 75 countries. For more information, visit www.gartner.com.

# # #