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YOUR TRANSACTION CATALYST

Industry Insights - Financial Performance & Valuation Trends

Information Technology Industry
October 23

Background (Coverage & Approach)

Transique Corporate Advisors takes immense pleasure in presenting its fourteenth Industry Insight report capturing the financial performance and valuation trends over 3 year period across of "Information Technology Industry Insight Report" and its sub industries including Computer Software-Consulting, Computer Hardware & Equipment, IT Enabled Services and Software Products. These trends are based on the data of last two audited financial years (FY 2020-21 and FY 2021-22) and trailing twelve months (TTM) consolidated financials as on July 2023.

The purpose of this "Information Technology Industry Insight Report" is to provide an executive summary of Information Technology Industry including its emerging Industry trends and Investment opportunities, macro understanding of the financial performance and movement in the median valuation multiples of companies operating in Information Technology Industry and its Sub-Industries.

For preparation of this Information Technology Industry Insight report on we have analysed 251 companies listed on NSE/BSE. After applying our proprietary filtration criteria for eliminating the outliers and adjusting for Infrequently Traded Companies, we have done detailed analysis of 76 companies which has been summarised in this report.

We hope this Industry Report Series: Financial performance and Valuation trends would be of use to the Corporates, Investors and Professionals. If you require any guidance or support or have any feedback, you may write to us at info@transique.in

To read about more such Industry Insights and Valuations of 21 Industries and 193 Sub Industries, click here: https://www.transiqueadvisors.com/transique-insight/

Executive Summary : Information Technology Industry

Background	The IT & BPM sector has become one of the most significant growth catalysts for the Indian economy, contributing significantly to the country's GDP and public welfare. The IT industry accounted for 7.4% of India's GDP in FY22, and it is expected to contribute 10% to India's GDP by 2025. IT spending in India is expected to increase to US$ 110.3 billion in 2023 from an estimated US$ 81.89 billion in 2021.
Contribution to GDP	Approximately 7.4%
Employment Generation	Approximately 5.4 million people
Key Achievements	In the Union Budget 2023-24, the allocation for IT and telecom sector stood at Rs. 97,579.05 crore (US$ 11.8 billion). India's rankings improved six places to the 40th position in the 2022 edition of the Global Innovation Index (GII). With 23 new unicorns, India became the 2nd highest country in terms of number of unicorns added in 2022. 1300+ new tech startups emerged in 2022. Over 280,000 employees were reskilled and made digital skilled in FY22.
Present Scenario	India's technology industry revenue is estimated to be $245 Bn in FY 2023. Technology exports at $194 Bn, are expected to grow at 9.4% in reported currency terms. In terms of FDI equity inflow, the computer software and hardware sectors attracted the highest FDI in FY 2021-22. India's IT export revenue rose by 11.4% in constant currency terms to US$ 194 billion in FY23.
Growth Drivers	Government of India has taken some major initiatives to promote IT/ ITeS sector in India. Both central and state governments in India have taken steps towards developing technology solutions to digitally enable citizen services. The government plans to focus in areas such as cybersecurity, hyper-scale computing, artificial intelligence, and blockchain. With data costs of INR 10/GB ($ 0.12/GB), India has one of the lowest data costs in the world.
Future Outlook	By 2025–2026, India is expected to have 60–65 million jobs that require digital skills, according to a Ministry of Electronics & IT report titled "India's trillion-dollar digital opportunity. The data annotation market is expected to reach US$ 7 billion by 2030 due to accelerated domestic demand for AI. Indian software product industry is expected to reach US$ 100 billion by 2025. Indian companies are focusing on investing internationally to expand their global footprint and enhance their global delivery centres. The demand for cloud technology professionals is expected to reach 2 million by 2025.

Source: IBEF, Invest India

Investment Opportunities

- The government introduced the STP Scheme, which is a 100% export-oriented scheme for the development and export of computer software, including export of professional services.

- India's growing semiconductor industry will be the backbone of the Indian AI market and by 2025, the Indian AI market will be worth $ 7.8 bn. 60% of AI's Gross Value Added (GVA) in India's GDP by 2025 is expected to be driven by four end-user sectors – Industrials & Automotive, Healthcare, Retail and CPG. BFSI and Agri-tech are also currently emerging as important application areas for AI.

- The setting up of IT services, BPM, software product companies, shared service centres.

- Fast-growing sectors within the BPM domain – knowledge services, data analytics, legal services, Business Process as a Service (BPaaS), cloud-based services.

- IT Services and fast-growing sectors within it such as solutions and services around SMAC (Social, Mobile, Analytics, Cloud), IT consulting, software testing.

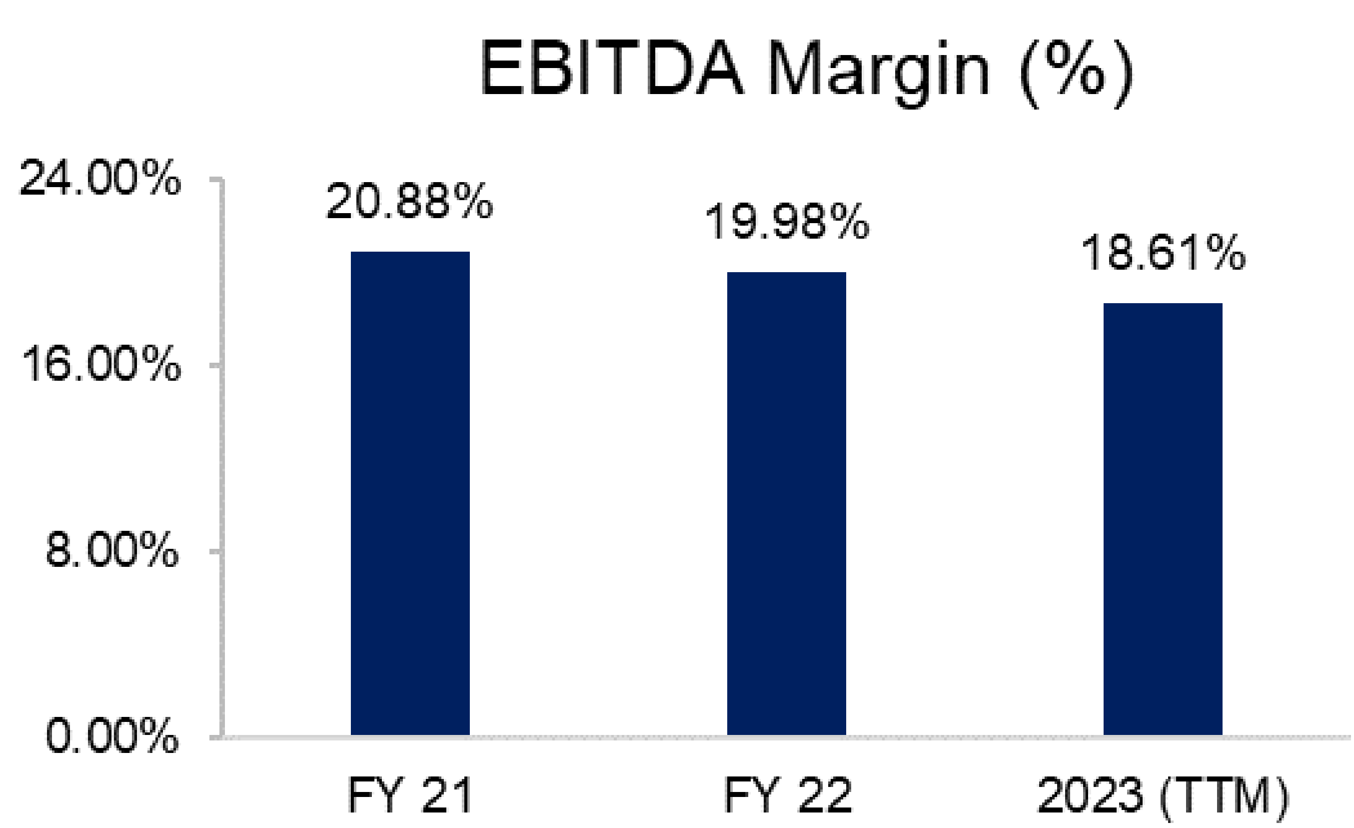
Source: IBEF, AI, Make in India

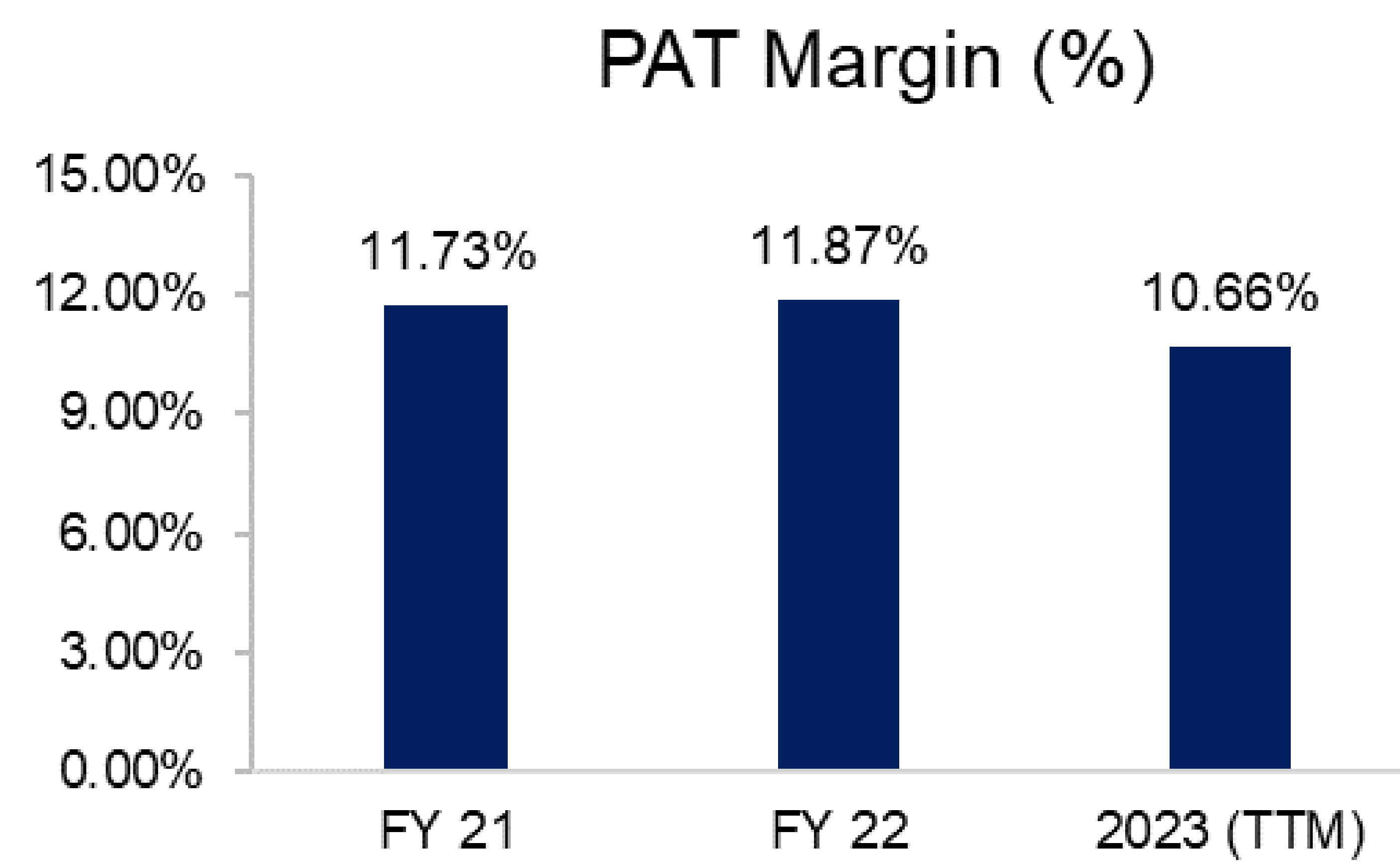
Financial Performance & Valuation Multiples Trends Analysis- Information Technology Industry

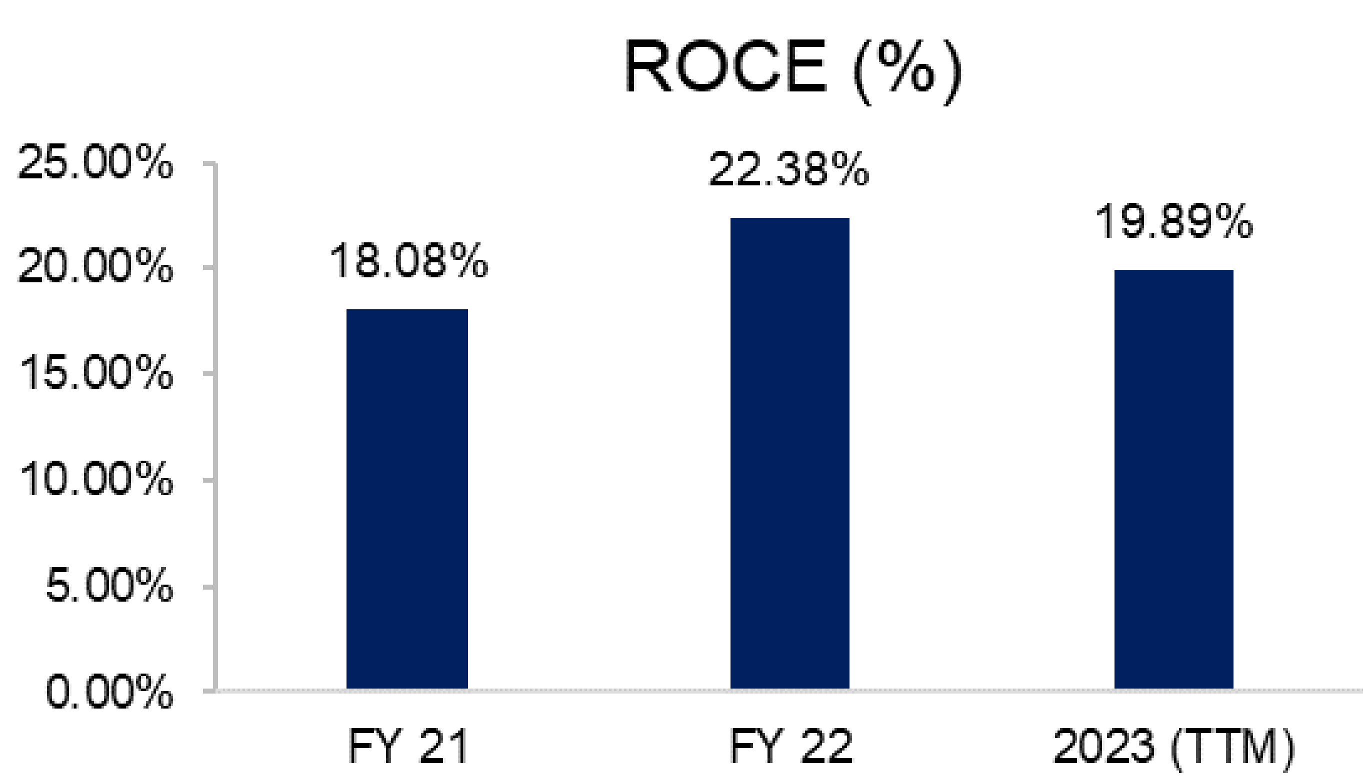
Sub-Industries	Financial Performance: Revenue Growth	Financial Performance: EBITDA Margin	Financial Performance: Debt to Market Cap	Valuation Multiples: EV/EBITDA Multiple
Computers - Software & Consulting	From FY 21 to 2023 at CAGR 21%	Decreased to 19% in 2023 from 20% in FY 21	Decreased to 0.02 in 2023 from 0.03 in FY 21	Increased to 16x in 2023 from 12x in FY 21
Computers Hardware & Equipments	From FY 21 to 2023 at CAGR 24%	Increased to 11% in 2023 from 10% in FY 21	Decreased to 0.03 in 2023 from 0.10 in FY 21	Increased to 15x in 2023 from 11x in FY 21
IT Enabled Services	From FY 21 to 2023 at CAGR 28%	Decreased to 18% in 2023 from 21% in FY 21	Decreased to 0.02 in 2023 from 0.05 in FY 21	Increased to 13x in 2023 from 6x in FY 21
Software Products	From FY 21 to 2023 at CAGR 10%	Decreased to 26% in 2023 from 31% in FY 21	Decreased to 0.002 in 2023 from 0.003 in FY 21	Increased to 11x in TTM from 7x in FY 21

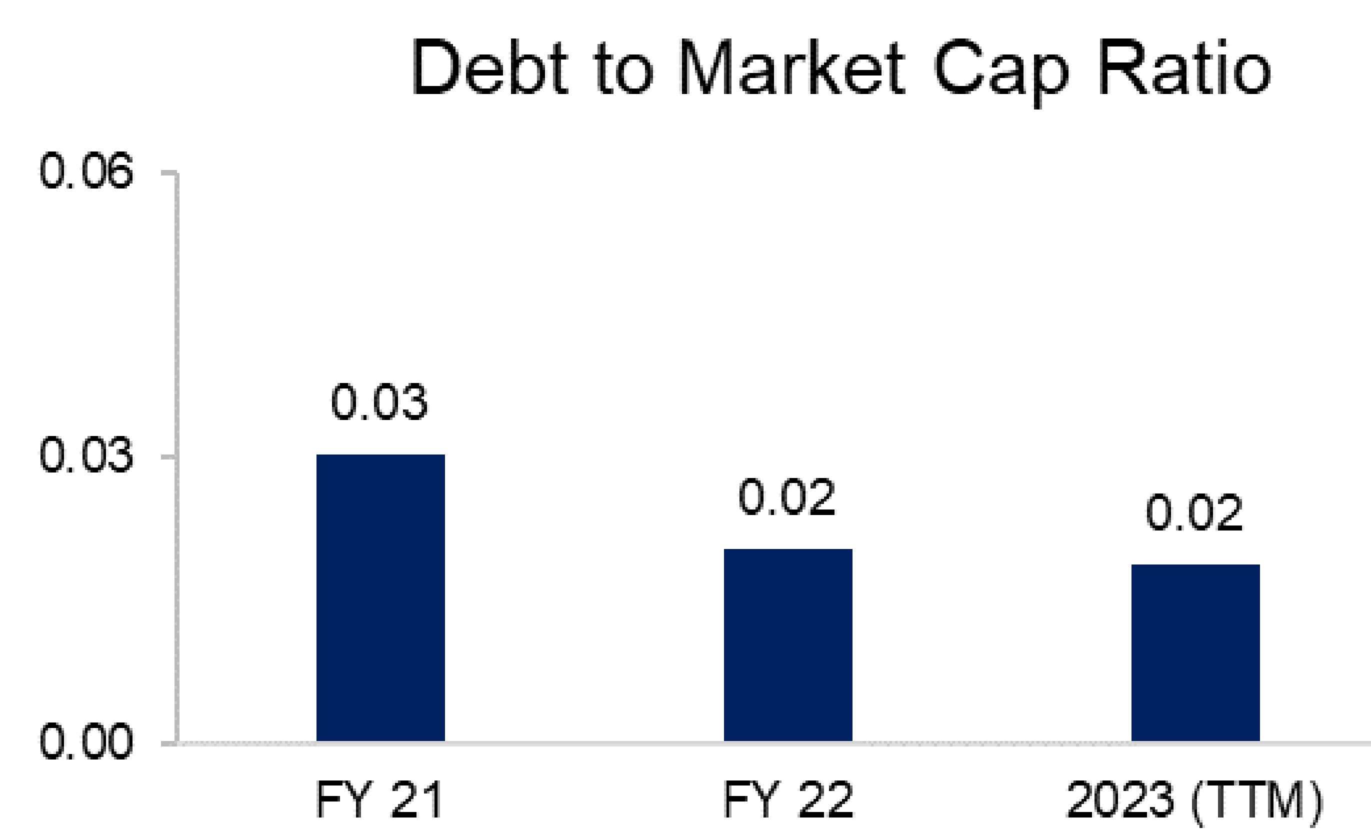
Source: Capitaline
*TTM as on 20 -07-2023

Financial Performance Charts for 3 Years of Information Technology Industry



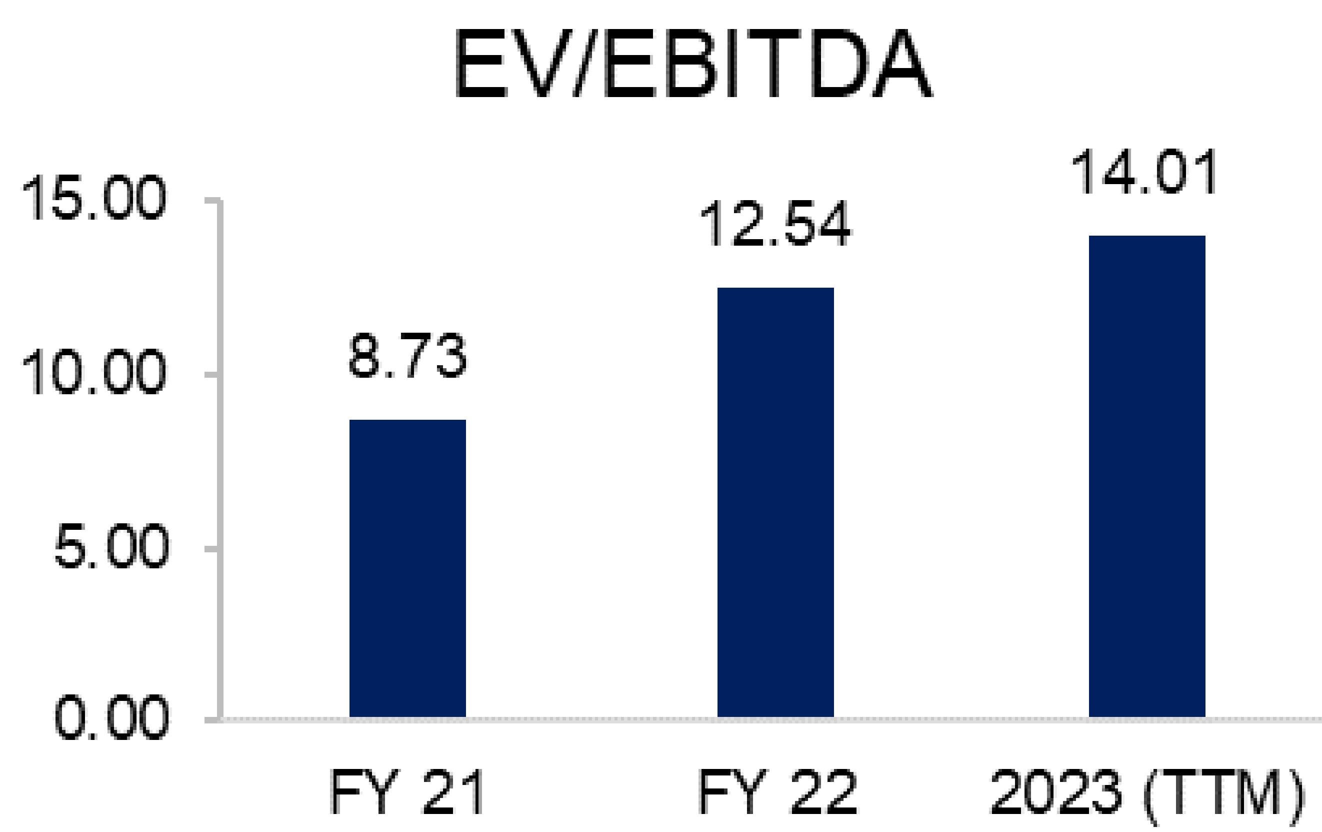


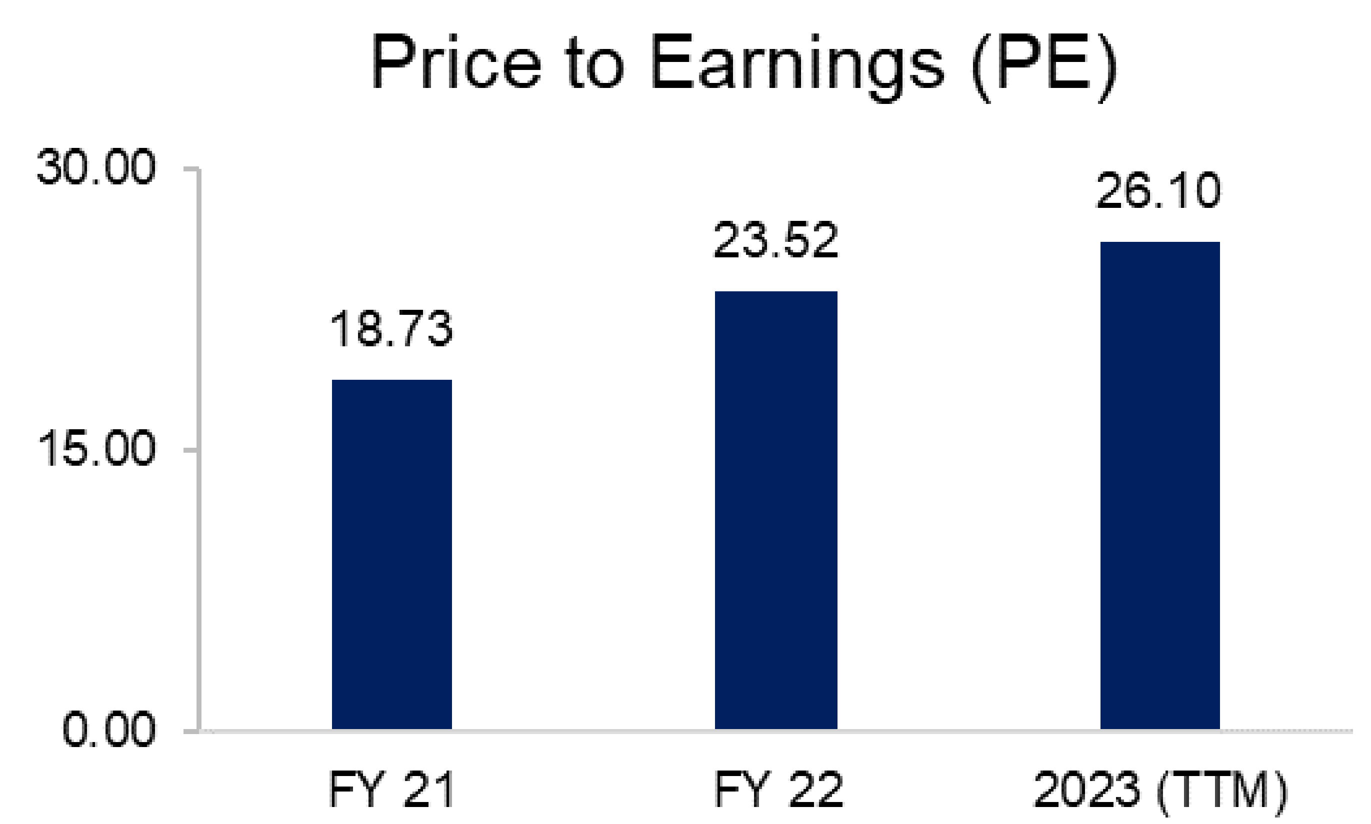


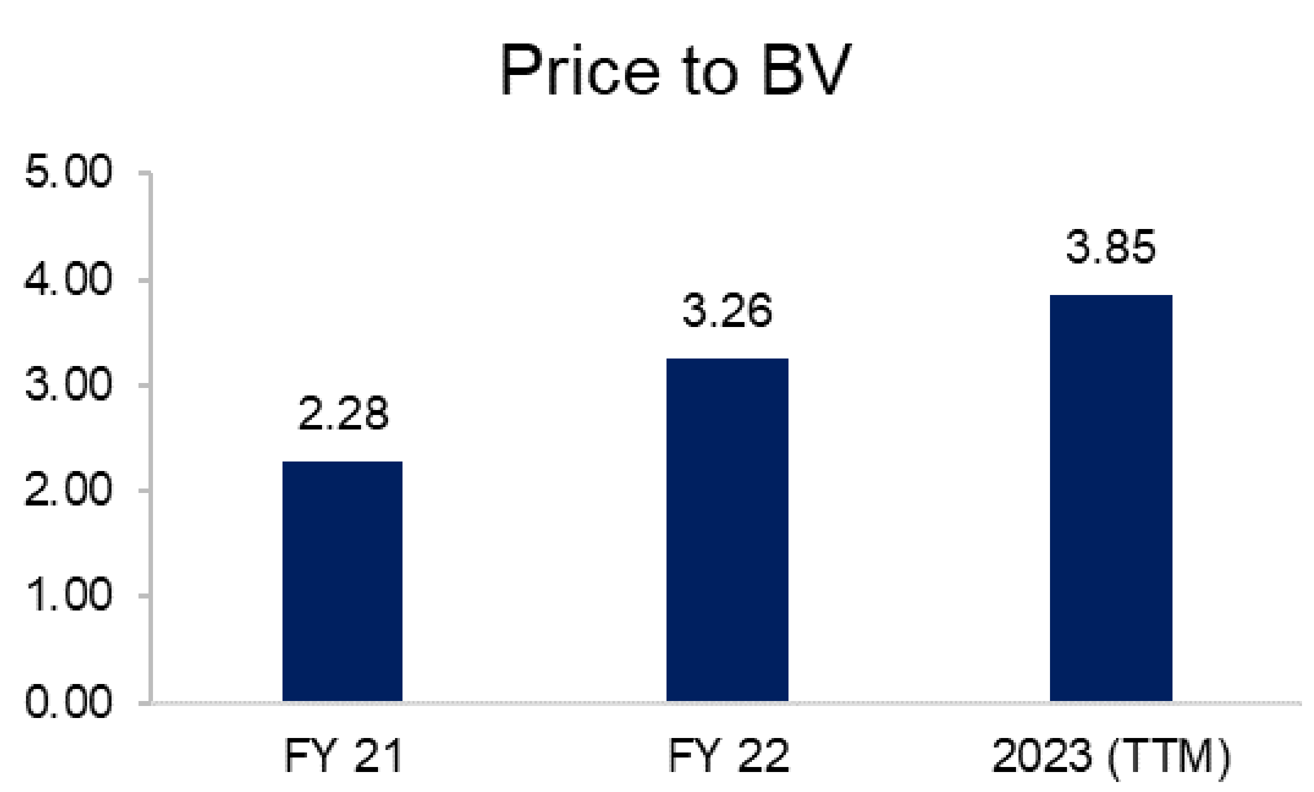


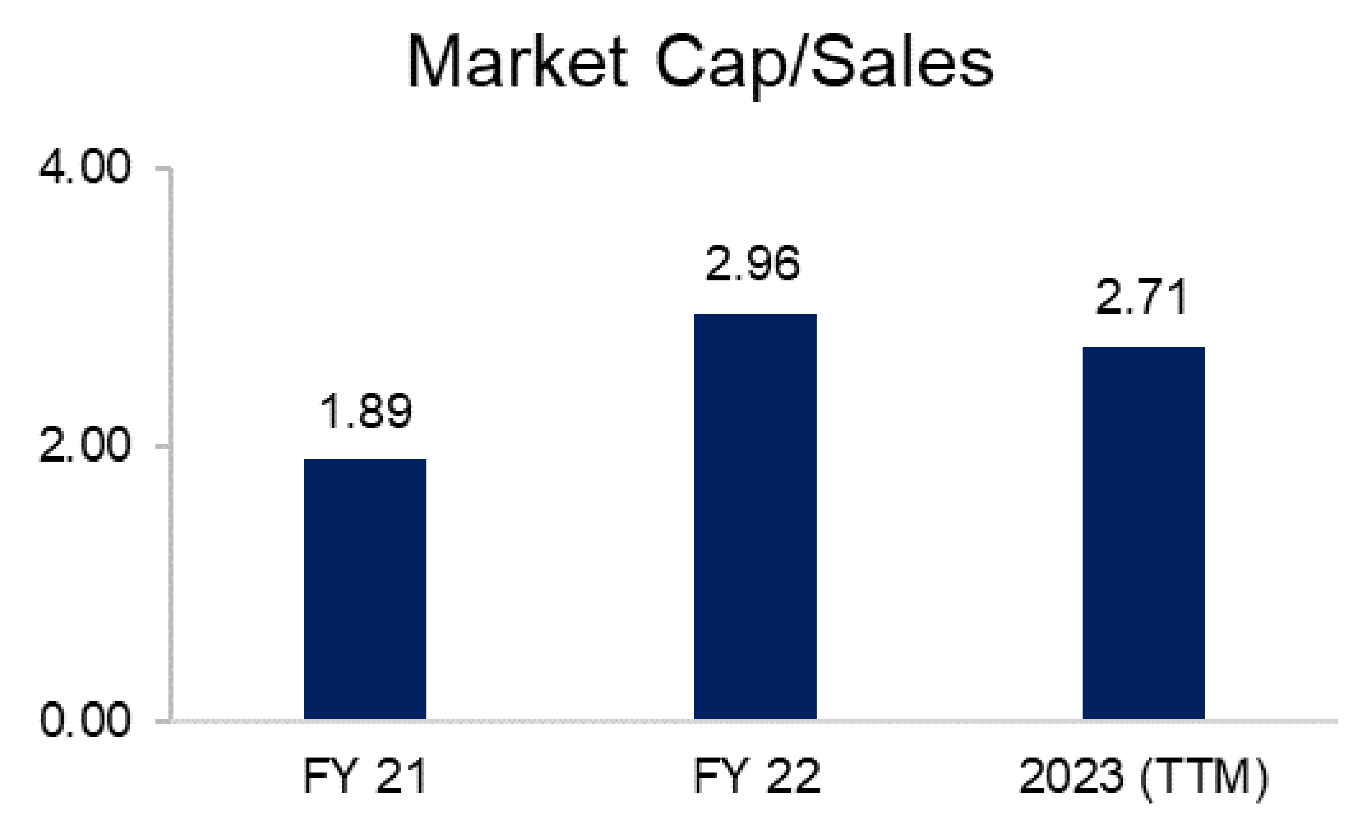
Source: Capitaline
*TTM as on 20 -07-2023

Valuation Multiples Trend analysis for 3 Years of Information Technology Industry









Source: Capitaline
*TTM as on 20 -07-2023

Top Performing Companies in Information Technology Industry

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Computers - Software & Consulting	tcs TATA CONSULTANCY SERVICES	Infosys	HCL
Computers Hardware & Equipments	nelco	CONTROL PRINT	D-Link
IT Enabled Services	LT	CYIENT	affle
Software Products	ORACLE	tanla	NUCLEUS SOFTWARE

Based on Market Capitalization

Industry, Sub Industry & Sub Group Classification

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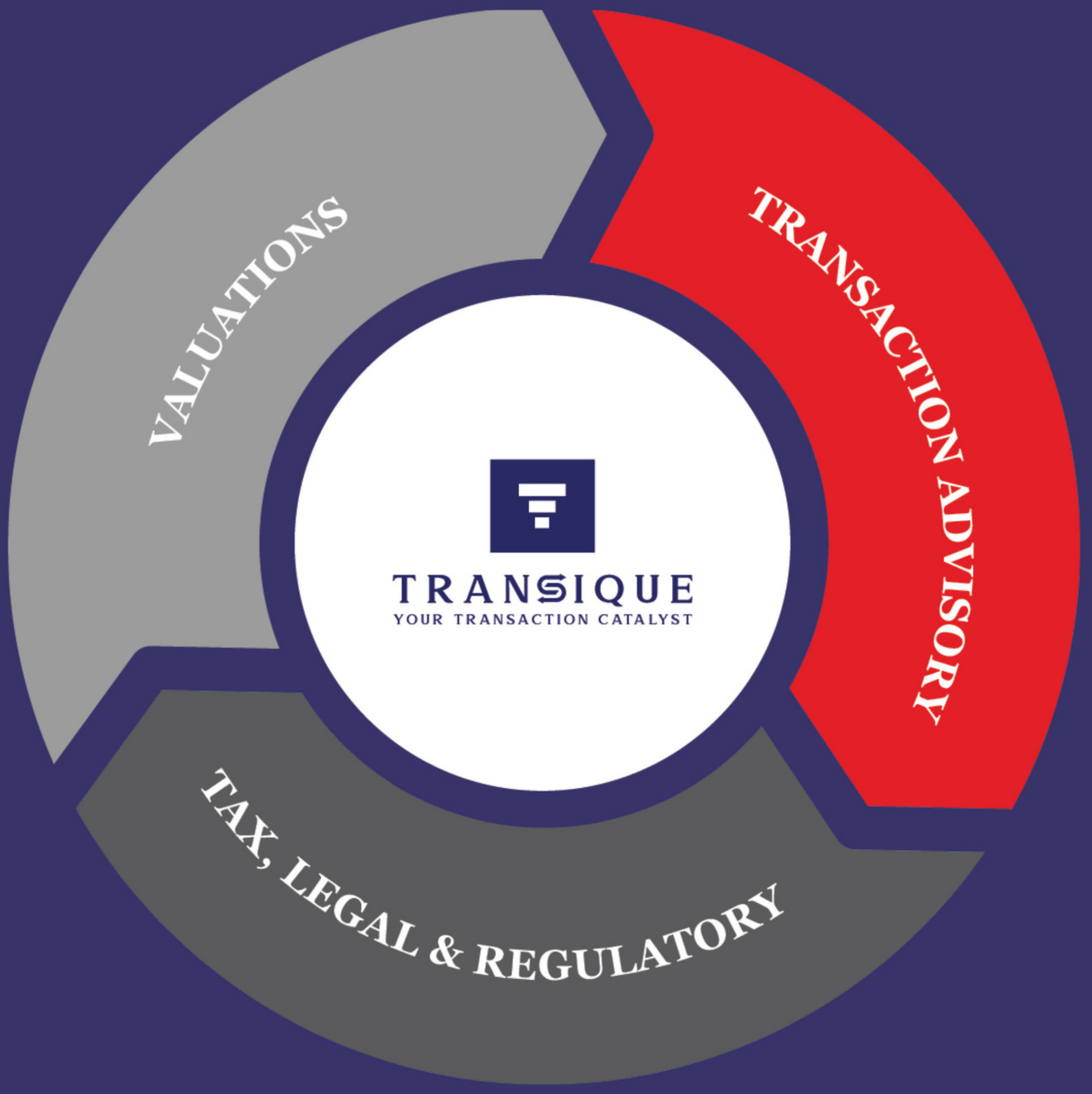
Industry	Sub Industry	Sub Group	No. of companies
Information Technology	Computers - Software & Consulting	Computers - Software - Large	**7**
		Computers - Software - Medium / Small	**25**
		IT Enabled Services / Business Process Outsourcing	**1**
	Computers Hardware & Equipments	Computers - Hardware - Medium / Small	**2**
		Computers - Peripherals / Accessories	**2**
		Electronics - PCBs	**2**
		Finance - Investment / Others	**1**
		Telecommunications - Equipment - Medium / Small	**1**
	IT Enabled Services	Computers - Software - Converts	**1**
		Computers - Software - Large	**1**
		Computers - Software - Medium / Small	**16**
		Construction - Factories / Offices / Commercial	**1**
		Engineering - Light - General - Medium / Small	**1**
		IT Enabled Services / Business Process Outsourcing	**4**
	Software Products	Computers - Software - Medium / Small	**10**
		IT Enabled Services / Business Process Outsourcing	**1**
		Grand Total	**76**



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