



INVESTORS SUMMIT 2018

21-22 February

IT & START-UP

Innovating Digital Prosperity





**IT AND
ITES
INDUSTRY**

The graphic features the text "IT AND ITES INDUSTRY" in a bold, blue, sans-serif font. The word "AND" is smaller and positioned between "IT" and "ITES". To the right of the text is a cluster of four interlocking gears in red, orange, and yellow. The background is white with several large, semi-transparent arrows in shades of orange, yellow, and blue pointing upwards and to the right. A blue and purple gradient bar is at the top, and a blue and purple gradient bar is at the bottom.



Global Scenario

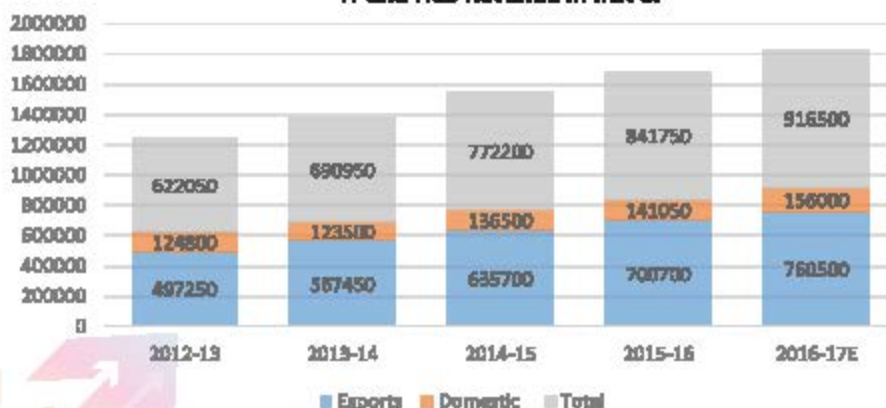
- Information Technology (IT) has emerged as the main economy driver, globally. The IT sector has had an immense impact on businesses, consumers and other industry sectors and is instrumental in paving the path towards the fourth industrial revolution.
- The world is on the brink of a revolution with new technologies such as the Internet of Things, Artificial Intelligence, 3-D Printing, Energy Storage and Quantum Computing unfolding. With increasing penetration of technology in every arena of life, the demand for technological innovation and IT services is on the rise.
- According to the research consultancy firm IDC (International Data Corporation), the global Information Technology (IT) was worth INR 2,40,95,800 Cr in 2016 (constant currency). This covers revenue generated from hardware, software, IT services and telecommunications.
- The vast majority of revenue generated stems from information technology industry purchases made by businesses or enterprises, with a small portion coming from consumer spending.



India Scenario

- India is the world's No. 1 sourcing destination for IT and ITeS services/products with 55% of world's IT and ITeS output coming from India.
- Indian IT and ITeS industries have set up 1,000 global centres in over 200 cities across 80 countries.
- In the last decade, the IT and ITeS Industry has grown six fold in revenue terms, its relative share to India's GDP has increased to 9.3 percent in FY 2016-17.
- Indian IT and ITeS industry revenue is estimated at INR 9,16,500 Cr in FY-17 as compared to INR 8,41,750 Cr in FY 2015-16, registering an increase of around 8.8%.
- The revenue from Indian IT and ITeS Industry has grown by 47.33% between FY 13 and FY 17.
- The segment provided employment to 38 Lakhs individuals directly and 1 Cr people indirectly in 2016-17¹.
- Indian IT and ITeS industry offers services / products that assure cost-effectiveness, great quality, high reliability and speedy deliveries.

IT and ITeS Revenue in INR Cr



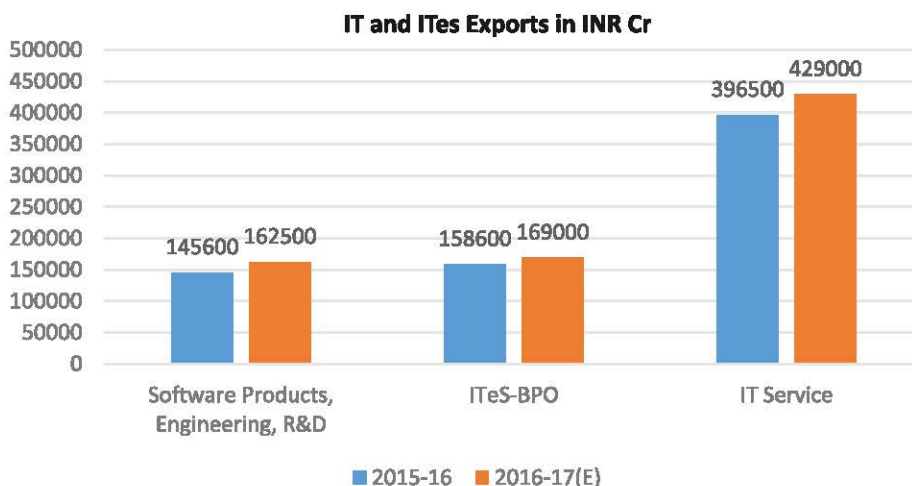
Source: Ministry of Electronics and Information Technology

Governing Policies and Initiatives	National Rural Internet Mission (2017) eSankranti - Electronic Delivery of Services (2017) Establishment of Software Technology Parks of India (STPIs). Special Economy Zones (SEZ) Policy. National e-Governance Plan (NaGP). National Cyber Security Policy 2013 Digital India Mission
100% FDI in the IT and ITES Sector	Up to 100% Foreign Direct Investment (FDI) is Permitted under the automatic route in data processing, software development and computer consultancy services, software supply services, business and management consultancy services, market research services, technical testing and analysis services.

1. Source: Ministry of Electronics and Information Technology

Exports

- IT and ITeS exports were INR 7,60,500 Cr, in FY 2016-17, growing by 8.5% over FY 2015-16.
- A combination of solutions around disruptive technologies such as SMAC (Social Media, Mobility, Analytics and Cloud), Artificial Intelligence, Embedded Systems etc. have become the Life-force of the Industry.
- The major segments and their contribution to Indian exports are:
 - IT Services** – It is the largest contributor of Indian IT exports, accounting for 56% of IT export in FY 17 while contributing INR 4,29,000 Cr in 2016-17. The value of the exports segment has grown with CAGR of 10.59 % in the period 2012-17. It accounts for 56% of IT exports in FY 17.
 - ITeS/BPO segment**- The segment has been reinventing itself in the past few years, it's exports has been growing with a CAGR of 10.34%. The segment contributed for 22.5% of IT and ITeS exports in FY 17.
 - Engineering R&D and Product Development** – It is the fastest growing sector in the export area, registering a CAGR of 13.97% in 2012-17. The segment contributed 21.5% of Indian IT and ITeS exports in FY 17.



Source: Ministry of Electronics and Information Technology

- The USA, UK and EU remain the major markets for the Indian IT software and service exports, accounting for nearly 90% of the total IT-ITES exports.²

India`s Start-up Ecosystem

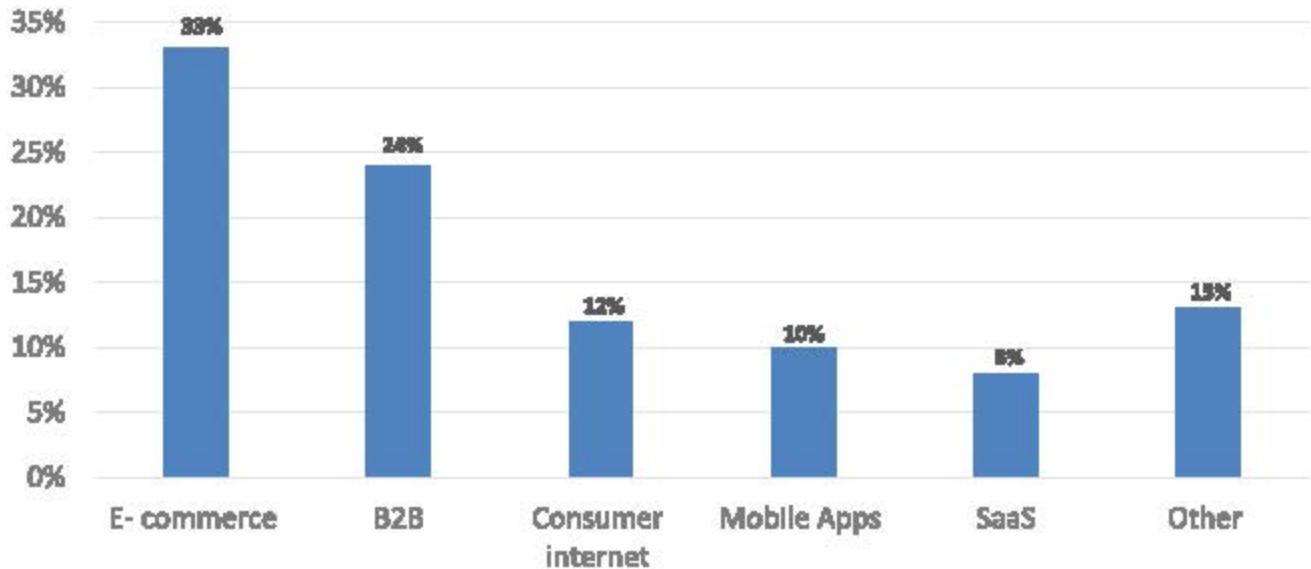
- India has the third largest Start-Up ecosystem in the world, with 4,750 technology based Start-Ups in 2016.³
- India is an attractive destination for investors with INR 40,582 Cr of funding being allocated in the first half of 2017 demonstrating 167% over the first half of 2016.⁴
- The country has more than 140 Start-Up incubator and accelerators to facilitate growth of IT based Start-Ups.
- There was 40% YoY growth in number of incubators in 2016, 66% of new incubators are established in Tier 2 and Tier 3 cities.³

2. Source : Ministry of Electronics and Information Technology

3. Source : Indian Start-Up Eco-system manufacturing 2016, NASSCOM

4. Source : Indian Start-Up Eco-system - Traversing the maturity cycle - edition 2017 , NASSCOM

Composition of Technology based Start-Ups in India



Source: Start-Ups India-An overview 2017 Grant Thornton & Azocham

UTTAR PRADESH OVERVIEW

- Uttar Pradesh has emerged as the hub of IT and ITES sector, including software and captive business process outsourcing.
- Noida is one of the key IT cluster of the country. In 2014-15, software exports from the State reached INR 26,130 Cr. These exports have been achieved through software technology parks of India alone.
- State has an existing consumer base of 5.18 Cr Internet Subscribers (2017), 17.36 Cr Wireless data subscribers (2017) and 26.47 Cr E-transactions for public services were made during Jan–Oct 2017.
- Under the Smart Cities Mission launched by the Central Government in the State of Uttar Pradesh, 13 cities were proposed to be developed as smart cities.
- Uttar Pradesh has 25 plus Special Economic Zones for IT and ITeS and more than 40 IT and ITeS Parks.





Uttar Pradesh has Improved Internet connectivity through programs such as National Optical Fibre Network (NOFN) and BharatNet. The performance status of NOFN Project in 2016 is as follows:

No. of Gram Panchayat in Phase-I	22,514
Pipe Laid (Kms)	27,991
Cable Laid (Kms)	18639
Gram Panchayat for which cable laid (Kms)	8,569

Source : Telecom Regulatory Authority of India



Start-Up Ecosystem in Uttar Pradesh

- Average age of Start-Up founder in India is 28 years,⁵ Uttar Pradesh with its favourable demographic profile has potential to become a hotspot for Start-Up.
- 651 patents were applied by Uttar Pradesh in 2016⁶
- As per State budget 2017-18, INR 5 Cr is proposed to set up Incubators in Lucknow.
- Existing Incubators supported by UP Government as of January 2018 are:
 - IIT Kanpur
 - IIT-BHU
 - KNIT Sultanpur
 - UPDESCO-IB Hub
 - IT-UPVAN (Ghaziabad and Lucknow)
 - IIM - Lucknow (Noida Campus)
 - Ambedkar Institute of Technology
 - BIMTECH
 - MIP Rohilkhand



5. Source : Start-Ups India – An overview (2017), Grant Thornton & Associates

6. Source : Annual Report(2015-16), The Office of the Controller General of Patents, Designs, Trademarks and Geographical Indicators



INVESTMENT ENABLER

Human Resource Availability

- World class academic institutions viz. IIT Kanpur, IIT-BHU, IIM Lucknow and IIT Allahabad.
- Dr. Abdul Kalam Technical University has 600+ management and engineering colleges in the State.
- Uttar Pradesh Skill Development Mission has facilitated training of about 4 Lakh youth in just 4 years of its existence under different trades and more than 3 Lakh youth are targeted to be trained in different vocational courses in the financial year 2017-2018.

e -GOVERNANCE



Uttar Pradesh is moving swiftly in implementing e-Governance reforms and ensuring its wide usage. 62 Citizen Centric Services have completely been made online to ensure effective delivery of public services.

IT e-Governance Core Infrastructure Projects

- State Data Centre (SDC)
- State Wide Area Network (SWAN)
- Common Service Centres (CSC's)
- e-District Project
- Capacity Building

State Initiatives

- UP Dial-100
- IGRS-CM helpline
- Women Helpline-1090
- Electronic Delivery of Services

Digital India Initiatives

- Digidhan Mela
- Digital Payments
- My-Gov
- Cyber Security Cell
- Smart City Initiatives



IT City, Lucknow

- The 100 Acre, IT City Lucknow is an SEZ developed by HCL Group. HCL has envisaged an Initial Investment of approx. INR 1,500 Cr.
- The IT city is expected to provide direct employment to 25,000 people and indirect employment to approx. 50,000 people.
- It is based on the Walk to Work concept such that 60% of the total area i.e. to be used for IT and ITeS activities and the balance 40% i.e. reserved for commercial, residential, health and education etc.
- It will also have State of the art Skill Development Centre (SDC) churning out 5,000 students every year. The State Government will provide grant-in-aid up to a maximum of INR 5,000 to every student of the state.

IT-Park: Agra, Meerut, Gorakhpur and Kanpur

- IT Parks are being developed at these locations with the help of Software Technology Parks of India (STPI).
- Land has already been acquired from respective development authorities for development of the Parks.

E-SETU (E-Skill Entrepreneurship Training Unit)

- E-SETU are being established to promote entrepreneurship and create innovation hubs.
- The E-SETU project will solve the problem of shortage of skilled labour and unemployment in rural areas.
- The State Government plans to establish E-SETU in 13 districts of the state which will provide technical training and skill development in rural areas.

Highlights of the IT & Start-Up Policy, 2017 of Uttar Pradesh

IT Infrastructure Development

To facilitate the development of IT Parks, six models have been identified and approved:

- Development Agency may develop IT Parks with its own funds and resources.
- Development Agency may develop an IT Park under the Software Technology Park of India (STPI) Scheme in association with STPI.
- Development Agency may develop an IT Park on Design, Build, Finance Operate and Transfer (DBFOT) on Public Private Partnership (PPP).
- The Development Agency and private sector together may form a JV company or SPV under the Companies Act 2013 to undertake design, develop, finance, construct, operate, and maintain the IT Park.
- The Development Agency may develop IT Park in association with premier institutions of the State such as IIT, IIM or equivalent institutions.
- The Development Agency may develop IT Park in association with private investors/developers selected through a bidding process.

1. Fiscal Incentives

- 1.1 **Interest Subsidy** - 5% per annum on the rate of interest paid on the loans for a period of 7 years shall be reimbursed subject to a maximum of INR 1 crore per annum per unit
- 1.2 **Stamp Duty** - 100% exemption of stamp duty on purchase/lease of land/office space/ buildings for IT and ITeS use with condition of commencing operations within 3 years
- 1.3 **Electricity Duty** - 100% reimbursement on Electricity duty for new IT and ITeS units for a period of 10 years post commencement of commercial operations
- 1.4 **Incentives for Certifications** - Reimbursement of the cost incurred by an IT and ITeS Company with maximum reimbursement of 3 certifications with total limit of INR 25 Lakhs per unit.
- 1.5 **Grant on EPF for Employment generation** - 100% reimbursement of the total EPF amount paid for IT and ITeS Professionals of Uttar Pradesh domicile with employment for continuous 1 year, after start of commercial operation, subject to the max of INR 20 Lakhs per annum for 5 years for a unit.
- 1.6 **Recruitment Assistance** - Recruitment Assistance @INR20,000 per employee of a unit located in Tier-II and Tier-III cities subject to continuous employment of min 6 months and annual recruitment of at least 50 students in the field of IT-BPM, recruited from UP based colleges.
- 1.7 **Patent Filing Cost** - Reimbursement of up to 100% of actual filing costs on awarded patents, subject to a max of INR 500,000 for domestic patents and INR 10,00,000 for international patents
- 1.8 **Provision for Land**
Reimbursement of up to 25% of the cost of land on purchase of land from State agencies @INR 15,000 per employee, providing employment to minimum 200 people per acre of land. The employment should be for a continuous period of one year.
- 1.9 **Incentives on Case to Case Basis**
Incentives are offered on Case to Case basis for Mega Projects.

2. Non-Fiscal Incentives

Exemption from the purview of the UP Pollution Control Act, except in case of power generation sets of capacity of more than 25 KVA for IT and ITeS Industry.

The IT and ITeS industry are permitted to file self-certifications in the prescribed formats for:

- I. The Factories Act
- II. The Maternity Benefit Act
- III. The Shops & Establishments Act
- IV. The Contract Labour (Regulations & Abolition) Act
- V. The Payment of Wages Act
- VI. The Minimum Wages Act
- VII. The Employment Exchanges (Compulsory Notification of Vacancies) Act

- 2.1 **24x7 Operations** - Permission to IT and ITES companies to have 24x7 operations (to run in three shifts) and employment of women in all three shifts.
- 2.2 **Applicability of Industrial Tariff** - Industrial Power tariff will be applicable to all IT and ITeS units.

3. Additional Incentives to MSME IT and ITeS units

- 3.1 **Rebate on Lease/Rental Space** - Reimbursement up to 25% of lease /rental charges with max limit of INR 10 Lakhs per year, for a period of 3 years from date of commencement of operations.
- 3.2 **Power subsidy** - 25% subsidy on power bills for a period of 3 years from the date of commencement of commercial operations, subject to a maximum limit of INR 30 Lakhs,

4. Special Incentives for Bundelkhand/ Poorvanchal Region

In addition to the incentives mentioned above, IT and ITeS/BPO units in Bundelkhand / Poorvanchal region shall also be eligible for additional incentives, given below:

- 4.1 **Rebate on Lease/Rental Space** - Reimbursement up to 50% of lease /rental charges with max limit of INR 20 Lakhs per year, for a period of 3 years from date of commencement of operations.
- 4.2 **Power subsidy** - 50% subsidy on power bills for a period of 3 years from the date of commencement of commercial operations, subject to a maximum limit of INR 50 Lakhs.
- 4.3 **India BPO Promotion Scheme** - State Government shall provide capital support equivalent to 50% of capital expenditure incurred on every seat under India BPO Promotion.

Incentives for Promoting Start-Ups

The Uttar Pradesh Start-up Policy gives thrust to “START IN UP”, to nurture Start-Up culture using INFUSE model (INcubators – FUnd of Funds – Start-Up Entrepreneurs)

1. Incentives for Incubators/Accelerator

State Government shall promote establishment of Incubators with a vision of having Incubator in every district in Uttar Pradesh. The State aims to develop country's largest Incubator in State's capital, Lucknow. Host Institutes like Government and Private Technical, Management, R&D Institutes, Organizations / Non-profit Organization / Corporates / Industry Association or through PPP mode shall be encouraged to establish Incubators or Accelerators in Uttar Pradesh.

The following incentives can be availed for establishing Incubators / Accelerators :

- 1.1 **Capital Grant** - Capital grant on setting up of Technology Infrastructure shall be reimbursed upto 75% in case of Government Host Institutes and 50% in case of other Host Institutes, subject to a maximum limit of INR 1 crore.
- 1.2 **Operational Expenditure** - Financial support of maximum INR 5 Lakhs per year for 5 years, covering the deficit of the operational expenditure in running the Incubator / Accelerator.
- 1.3 **Rebate on Lease/ Rental Space** - Reimbursement up to 25% of lease / rental charges on the space in which Incubator / Accelerator operates, shall be eligible with maximum limit of INR 10 Lakhs per year, for a period of 5 years or until the Incubator is self-sustainable, whichever is earlier.
- 1.4 **Reimbursement of paid Stamp Duty and Registration Fee** - Incubators / Accelerator shall be eligible for 100% reimbursement of the Stamp Duty and Registration Fee paid on sale/ lease / transfer of land and office space for the first transaction.
- 1.5 **Electricity Duty Reimbursement** : 100% reimbursement on electricity duty will be given to Incubator / Accelerator for a period of 5 years.
- 1.6 **Mentorship Assistance**: Mentorship Assistance of INR 2 Lakhs per mentor shall be given to Mentors associated with Incubator / Accelerator. This assistance shall be given for covering expenses incurred on coaching, guiding, travelling, lodging etc. Further, Coaches would also be appointed. These coached would be the mentors, who possess deeper knowledge about the local ecosystem of the State.

- 1.7 **Empanelment of Experts:** The State Government shall empanel a pool of experts from diversified fields such as accounting, legal, financial, investment, marketing etc to provide such services to start-ups / Incubators.

2. Incentives for Start-ups & Entrepreneurs

2.1 Fund of Funds - Access to Finance by UP Government.

The Government of Uttar Pradesh shall establish an INR 1000 Cr UP Start-Up Fund for providing access to finance to start-ups in Uttar Pradesh. The Fund shall be in the form of fund of funds.

- 2.2 **At Idea Stage -** Startups shall be provided sustenance allowance of INR 15,000 per month for a period of 1 year

- 2.3 **At Pilot stage -** Startups shall be provided marketing / commercialization assistance of upto INR 10 Lakhs to launch their prototype product /services in the market at Pilot stage.

- 2.4 **Patent Filing Cost -** The cost of filing & prosecution of patent application reimbursed subject to a limit of INR 2 lakh per Indian patent awarded and INR 10 Lakh per Foreign awarded patents.

2.5 Non-Fiscal Incentives for Start-ups and Incubators :

Start-Ups and Incubators in the State will be permitted to file self-certifications and such units will be exempted from inspection for the first 3 years of operation, in the prescribed formats under the following acts and rules framed (may be amended from time to time) there under barring inspections arising out of specific complaints.

- I. The Factories Act
- II. The Maternity Benefit Act
- III. The Shops & Establishments Act
- IV. The Contract Labour (Regulations & Abolition) Act
- v. The Payment of Wages Act
- vi. The Minimum Wages Act
- vii. The Employment Exchanges (Compulsory Notification of Vacancies) Act

Permission shall be available for 3-shift operations with women working in the night for startups, subject to such units taking the prescribed precautions in respect of safety and security of employees.

2.6 Uttar Pradesh Start-up Mela and UP Aavishkaar Puraskar

The Government of Uttar Pradesh shall organize Start-Up Mela every quarter, wherein Start-Ups would be invited to offer innovative solutions for problem statements. The selected start-ups would be awarded UP Aavishkaar Puraskar, along with a funding of upto INR 50 Lakhs & shall also be eligible to receive free incubation support for a period of 2 years.

The Government shall provide sponsorship assistance, subject to a maximum of INR 50,000 per Start-Up for organization/participation in National/International forums.

3. Incentives for Centers of Excellence:

- 3.1 **Grant-in-aid** (covering capital and operational expenditure) upto INR 10 Cr to CoE for a maximum period of 5 years. It is expected that the CoE would become self-sustainable by the end of 5 years.



INVESTMENT OPPORTUNITIES

Software Development and IT Consulting With an already existing vibrant ecosystem of IT and ITeS companies spread across the State, Uttar Pradesh also has the second highest number of MSMEs in India. Development of IT solutions to improve business processes of local and global enterprises offer immense investment potential in the State.	App Development As Uttar Pradesh has the largest consumer base with Crores of mobile phone users, there is an immense potential in designing of apps that solve everyday problems and are available in local languages.	Security Products Increased demand from Government and Banking Services, increased use of mobile phones and internet and rise in data rich enterprises offers immense potential in development of Security Products in the State.
Artificial Intelligence/ Machine Learnings Development of artificial intelligent applications, platforms and solutions for work processes of industries and consumers.	Cloud Computing Immense opportunity exists in development and delivery of various cloud based services such as Software as a Service, Platform as a Service, Infrastructure as a Service etc.	Digitalization in Banking, Financial Services and Insurance With high growth in BFSI sector, there is an opportunity in digitisation of their customer service and operation.
Healthcare IT Services Healthcare IT services to increase the access and the quality of services especially in rural areas is another potential area for investment.	Gaming Higher use of mobiles and computers by the huge population of the State, offers potential for the gaming industry.	Skill Development • As IT and ITeS sector is rapidly expanding, there is an opportunity in providing technical education. • Development of IT solutions to increase access and improve the quality of education especially in rural area.

Major Start-Ups in Uttar Pradesh

- **Paytm** - Paytm is an Indian electronic payment and e-commerce brand.
- **Khet-e** - This Start-Up tries to eliminate the discrepancy and uncertainty in farming methods for improving the economic condition of farmers.
- **Tulisys Technologies** – The one and only company in world that has developed wireless charging solution using the pulsating light and power sharing technology.
- **EduGorilla** - This Start-Up is a one-stop solution for career needs with 30,000 free study material available across various categories for students preparing for various entrance examinations.
- **Bridgedots Techservices** – They engage in technology development related to cleantech, polymers and advanced materials.
- **IMinBit Tech India** – Deals with water saving RO water filter.

Key Players





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