

**GOVERNMENT OF INDIA  
COMMUNICATIONS AND INFORMATION TECHNOLOGY  
LOK SABHA**

STARRED QUESTION NO:386

ANSWERED ON:21.12.2011

INDIA'S GLOBAL POSITION IN IT

Adsul Shri Anandrao Vithoba; Joshi Shri Pralhad Venkatesh

**Will the Minister of COMMUNICATIONS AND INFORMATION TECHNOLOGY be pleased to state:**

- (a) whether the Indian Information Technology Industry is facing a tough competition from other emerging global locations;
- (b) if so, the details thereof and the reaction of the Government thereto;
- (c) whether there has been a slowdown in revenue generation and profit margin of some of the major IT companies during the last two years and the current year;
- (d) if so, the details thereof and the reasons therefor; and
- (e) the action taken by the Government to support the IT industry/companies to maintain India's global position in the IT sector?

**Answer**

MINISTER FOR COMMUNICATIONS AND INFORMATION TECHNOLOGY (SHRI KAPIL SIBAL)

(a) to (e) : A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO LOK SABHA STARRED QUESTION NO. 386 FOR 21-12-2011 REGARDING  
"INDIA'S GLOBAL POSITION IN IT"

(a) and (b): As per the National Association of Software and Services Companies (NASSCOM), India continues to be a premier destination for the global off-shoring market of Information Technology and Information Technology Enabled Services (IT-ITES), accounting for almost 55% of global sourcing in 2010. Certain Asian and Latin American countries have also emerged in this Sector and are steadily gaining momentum as destinations for IT-ITES investments. However, India's unique value proposition of a mature customer focused industry, domain experience, large pool of talent and proven track record has ensured that India remains at the centre stage of most global sourcing decisions.

(c) and (d): As per NASSCOM, revenue of major IT companies have grown in double digits in the last year (FY 2010-2011). Some companies faced challenges in FY 2008-2009 and FY 2009-2010 due to the global economic slowdown. The profit margins have also grown during the last two years (FY 2009-2010 & FY 2010-2011). In the current year, the margins have declined slightly due to increase in wage cost, currency fluctuations, expenses on Selling, General & Administration (SG&A) and pricing pressures, which are market driven.

(e): Government extends several incentives for Information Technology Sector in the country: (i) Under Software Technology Parks (STP) scheme, approved units are allowed to import goods required by them for carrying on software export activities as per the Foreign Trade Policy. Such goods may be imported either on outright purchase basis or free of cost or on loan basis from the client without payment of custom duty. Apart from this, the approved STP units can avail CST reimbursement, excise duty exemption on procurement of indigenously available capital goods, components & other specified goods, (ii) Besides, software is also exempted from basic customs duty, (iii) 234 IT-ITES specific Special Economic Zones (SEZs) have been notified across the country, which are contributing to IT-ITES exports. Section 10AA of the Income Tax Act provides for a deduction from the total income of hundred percent of profits and gains derived by a unit located in a SEZ from the export of articles or things or from services for the first 5 consecutive assessment years, of fifty percent for further 5 assessment years and thereafter, of fifty percent of the ploughed back export profit for next 5 years.