



**Roundup of
Indian sectors**
October 2023



Telecom Engineering Procurement and Construction (EPC)



Overview

- India's telecom services sector is the second largest in the world with a subscriber base (both wireless and wireline) of 1.2 billion (as of September 2022).
- India has an overall telecom density (the number of telephones per 100 population) of over 80%. However, the rural market is largely untapped with around 50-60% density and the urban market has a density of over 130%.
- More than 50 crore smartphone users have been added over the last decade in India. By 2026, the user count is expected to hit 85 crores.
- The telecom sector is the third largest in India in terms of Foreign Direct Investment (FDI) inflows. As per the data released by the Department for Promotion of Industry and Internal Trade (DPIIT), the sector accounted for 7% of the total FDI inflow in the country as of March 2022. In 2021, the Centre has permitted 100% FDI under the automatic route in the telecom services sector.



Opportunities and Challenges

- The potential customers for Telecom EPC players are government-backed PSUs or government entities operating in the telecom and allied sectors. As per Invest India, there are currently over 80 investible telecom projects in India, out of which 40 are government-led (like BharatNet, BSNL, MTNL, etc.). The value of all the projects is estimated at over US\$21 billion.
- Intense competition among the EPC customers is likely to moderate their profitability.
- Some of the supply contracts have a long timeframe which is expected to impact raw material prices given fluctuation in forex prices.
- The working capital requirement of EPC players will continue to be intensive given the nature of the industry due to delays in receipts from customers, which are primarily government-led entities.

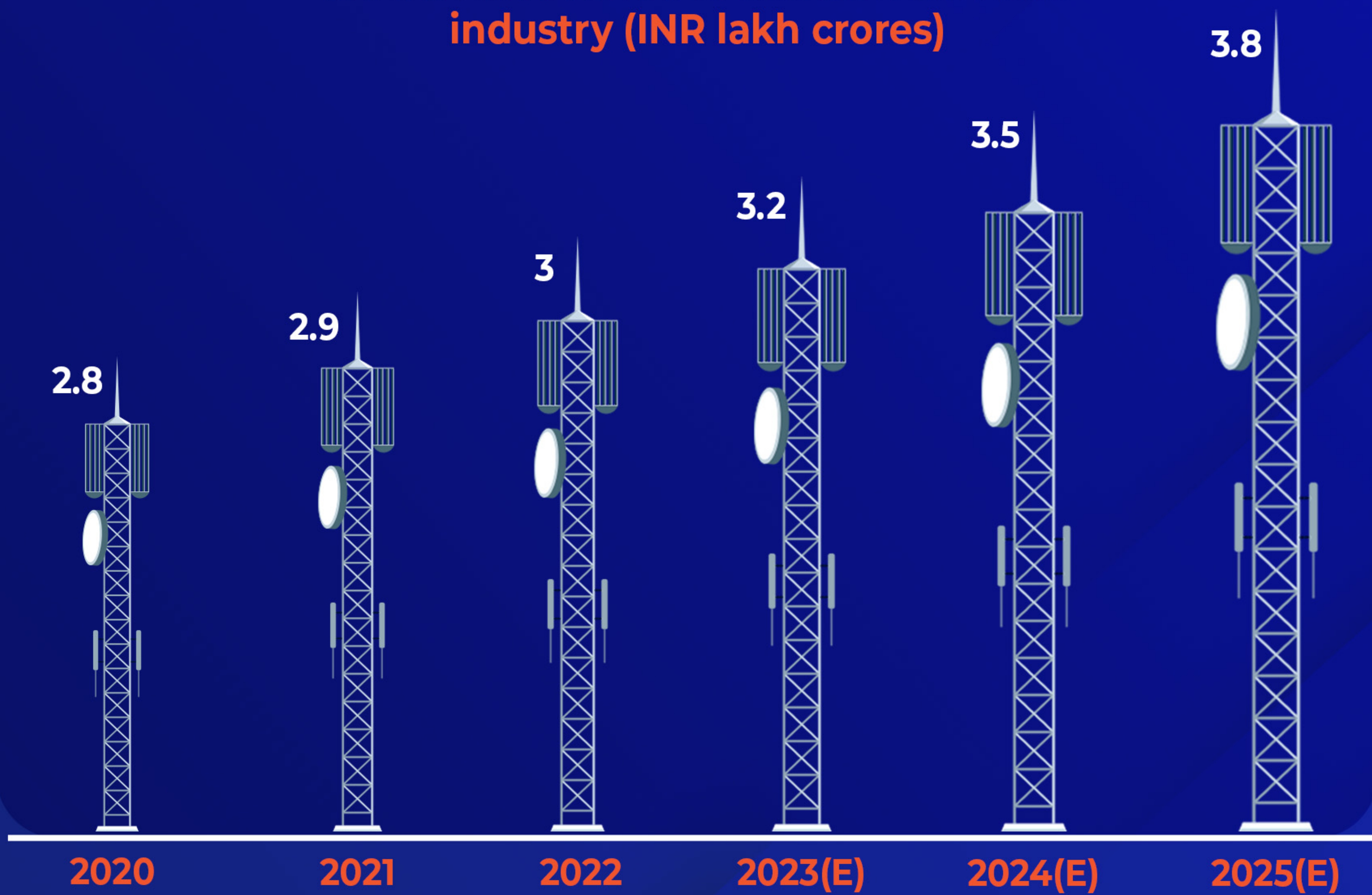


Current Outlook

- The telecom sector is undergoing a remarkable expansion and advancement due to the transition from 4G to 5G. As per ICRA, the operating and financial metrics of the industry have been improving steadily, led by increasing data usage and upgradation by subscribers. However, due to the absence of further tariff hikes in the transition, the growth in operating income is expected to moderate in FY24.
- The capex for the industry (excluding spectrum acquisition) is expected to be INR 65,000-70,000 crores for network upgradation and expansion. For the rollout of 5G services, ICRA estimated a capex of ~INR 3 lakh crores over the next 4-5 years.
- The telecom service revenue in India is expected to grow over the next few years driven mainly by mobile data and fixed broadband segments.



Growth in revenue of telecom services industry (INR lakh crores)



Source: Statista



Recent News

- During the second quarter of the year, India outperformed China and the United States in mobile subscription growth, adding a significant number of new subscribers. India's telecom industry witnessed substantial expansion in mobile subscriptions during this period, demonstrating the increasing demand for mobile services in the country.
- The Telecom Regulatory Authority of India (TRAI) is seeking input on strategies to enhance digital connectivity and literacy in the country. TRAI is particularly interested in feedback related to the proliferation of broadband and internet access, as well as measures to improve digital literacy and bridge the digital divide.
- According to a survey by Ericsson, over 3 crore users in India are expected to upgrade to 5G-enabled smartphones in 2023. The survey reveals the growing interest and adoption of 5G technology among Indian consumers, as they seek to experience faster data speeds and enhanced connectivity.



Office Leasing & Managed Workspace



Overview

- Managed or Flex workspaces have emerged as a strong category of the Indian sector due to structural changes in the Indian workplace market and the delivery of quality services by operators. The sector has witnessed two paces of growth during the pre-Covid and post-Covid periods. The pre-Covid era was marked by the proliferation of more coworking-styled formats with a focus on enterprise solutions while the post-Covid era witnessed a full transformation in the sector with pure-play managed operators providing 360-degree bespoke space solutions driving the resurgence of the sector.
- Record-high completions took place in 2022 as new projects that were delayed or stalled due to the pandemic underwent the full construction cycle. Back-to-office plans of corporates and positive job creation led by general economic expansion helped in increased occupancies.



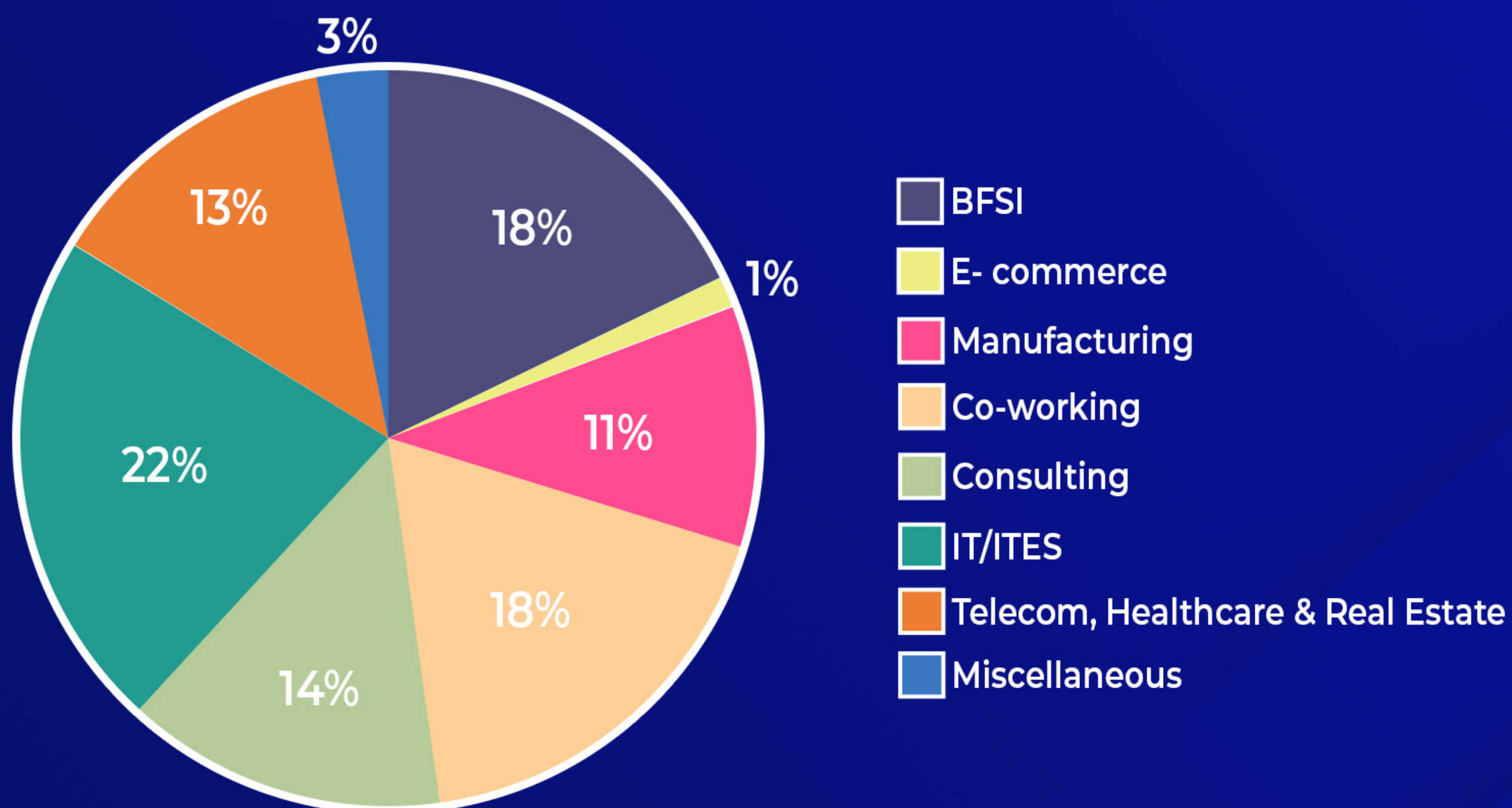
- The sector has witnessed significant disruption in 2020 due to the pandemic with several corporates switching to work-from-home or hybrid regimes leading to a shortfall of demand and increased office vacancies as some corporates even gave up large parts of their leased office space. With a return of economic activity, the period starting Q4CY21 saw a turnaround in the Commercial RE & Office Leasing market with net absorption levels inching closer to the 5-year average of the pre-pandemic era in 2022.
- The sector is largely dominated by IT/ITES, global tech giants (such as Microsoft, Google, etc.), R&D centers for semi-conductor/ chipmakers (such as AMD, Micron, Intel, etc.), domestic pharmaceutical companies (such as Dr Reddy's, Bharat Biotech, etc.) as well as large banks.
- Hyderabad is India's largest growing office leasing market with 12% growth in absorption in CY2022 (~8mn sq ft).
- Major managed office space providers in India include WeWork, Cowrks, Indiqube, Smartworks, Simpliwork, Table Space, Awfis, etc.



- Some of the factors that led to the growth in Managed Workspace –
 - Shift towards work-from-home/ hybrid office spaces means that organizations want workspaces that can be scaled-up/ scaled-down dynamically.
 - Managed Office Space operators with multiple centers present within a city and across geographies can cater to the seating needs of corporates on short notice.
 - The tenant does not have to spend on the fit-outs, furniture, and other expenses that are typically required at the time of furnishing the office space.
 - In the case of expansion plans, the managed office space provider is open to the idea of relocating the tenant to a larger center managed by the same operator during the lifetime of the contract.
 - All the activities pertaining to the maintenance of premises, safety and security protocols, repairs of faults, access management, etc. are undertaken by the operator.



Tenant Profile - Gross Quarterly Leasing Activity (Q12023)



Source: Real Estate Intelligence Service, JLL Research; Charts represent 7 cities (Delhi NCR, Mumbai, Bengaluru, Chennai, Hyderabad, Pune, Kolkata)



Opportunities and Challenges

- In terms of total flex seat leasing, Bengaluru, Pune, and Delhi NCR led in 2022 together contributing ~ 60% share, followed by Hyderabad and Mumbai. In terms of enterprise deal size, deals above 500 seats accounted for a one-third share for the full year 2022, highlighting the rising demand for large, enterprise bespoke/managed spaces as part of the overall portfolio strategy.
- A slowdown in developed markets could specifically impact demand for IT/ITES offerings. Indian IT companies (across sizes) that are heavily dependent on such spending by offshore clients are moderating their demand outlook in anticipation of global slowdown/recession risks.



Current Outlook

- Superior quality assets are expected to do better in maintaining rentals and occupancies across key micro-markets. Lower-grade properties in peripheral or out-of-favor micro-markets with a significant supply pipeline are likely to face demand challenges with increased risks of vacancies.
- As per a recent report by ICRA, the net absorption of office space in India is projected to decline by approximately 10% year-on-year in the fiscal year 2023-24. This anticipated reduction in office leasing activity is attributed to factors such as the ongoing impact of the COVID-19 pandemic, remote work trends, and cautious expansion plans by businesses.



Recent News

- Office leasing in nine major Indian cities increased by 30-35% year-on-year, indicating a robust recovery in the office real estate market, as revealed by CBRE India. The surge in leasing activity is driven by strong demand from IT and business process management companies, as well as sectors like healthcare, consulting, and financial services. Cities like Hyderabad and Bengaluru witnessed significant growth in leasing, with increased demand for quality office spaces.
- In the third quarter of 2023, India's office real estate market demonstrated resilience by achieving a six-quarter high in net absorption, per insights shared by JLL India. This strong performance is attributed to increased demand from the technology and flexible workspace sectors, along with significant pre-leasing activity in cities like Bengaluru and Hyderabad.



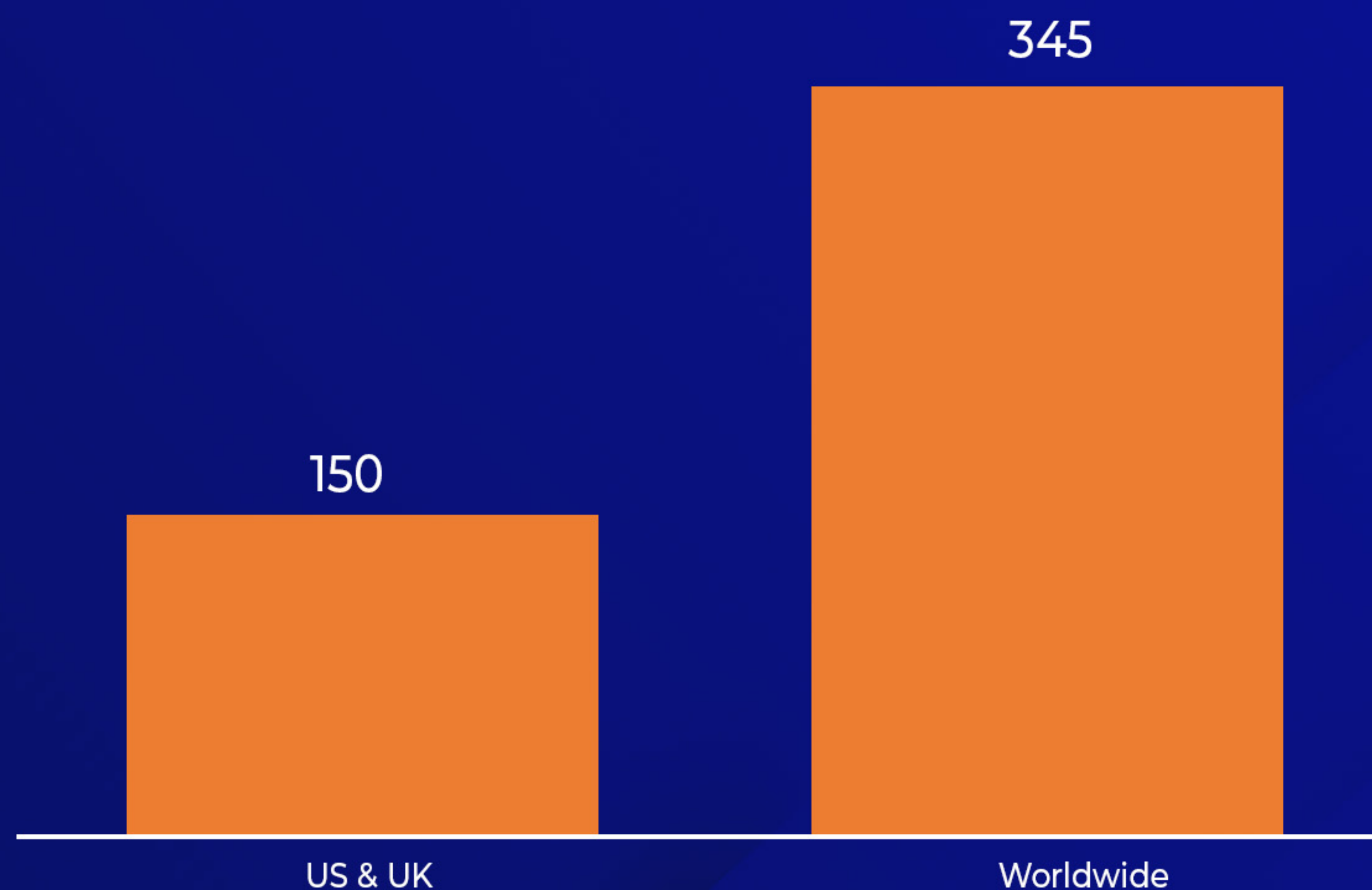
Marketing Technology



Overview

- In 2021, the worldwide marketing technology (MarTech) sector was worth about US\$345 billion and is expected to maintain a robust growth trajectory with a projected compound annual growth rate (CAGR) of 20% from 2023 to 2030.

Revenue of MarTech market (US\$ billion)



Source: Statista



- According to a survey on the allocation of marketing budgets, marketers across the globe spent roughly 25-30% of their annual budgets on marketing technology in 2021.
- Companies transitioned from customer acquisition to retention and growth, amplifying the importance of personalized customer experiences. This strategic shift gained momentum in the wake of the pandemic and associated lockdowns, as consumers swiftly migrated to digital platforms for information, connectivity, and entertainment.
- In 2020, marketing automation software revenues amounted to ~US\$4 billion and it is expected to exceed US\$11 billion globally within the next few years.
- Multichannel marketing hubs became pivotal, orchestrating multichannel communications to deliver contextually relevant customer experiences across websites, mobile, social, email, and more.



Opportunities and Challenges

- The rapid evolution of marketing technology and channels means marketers must continually invest time and resources in staying current. Adapting to new platforms, algorithms, and customer behaviours can be resource-intensive and requires a commitment to ongoing training and development.
- Achieving and maintaining high levels of customer engagement requires sophisticated personalization and content strategies. Marketers must sift through vast amounts of data to deliver relevant content and offers, using data-driven insights.
- Companies that can develop or integrate customer data platforms into their offerings can help marketers unify and leverage customer data effectively, allowing for precise targeting and personalization.



- With the growing importance of data-driven decision-making, the industry faces significant challenges in collecting, storing, and securing customer data. Meeting compliance standards and ensuring data privacy is vital.
- There is an opportunity for technology providers to develop and enhance mobile marketing platforms, helping marketers engage with audiences through mobile apps, push notifications, SMS campaigns, and other mobile channels.

Current Outlook

- The marketing technology landscape in 2023 is marked by prominent trends such as an increased emphasis on safeguarding customer privacy and data security, the growing significance of data integration and standardization, the incorporation of artificial intelligence and machine learning into marketing automation, the advancement of chatbots with human-like capabilities, a mobile-centric strategy, and the surge of ultra-personalized marketing approaches.



- The aftermath of the pandemic continues to accelerate digital transformation, compelling organizations to adopt remote work and transition from traditional to digital channels, establishing a lasting trend.
- Purpose-built mobile marketing platforms are gaining prominence due to the growing demand for mobile-centric solutions. In India, notable players such as MoEngage and CleverTap have attracted substantial investments and achieved significant customer growth, demonstrating the rising importance of mobile marketing capabilities in the industry.

Recent News

- Marketing technology plays a significant role in advancing the branding sector. It highlights the importance of data-driven insights, personalization, and customer engagement in brand-building efforts. MarTech tools are helping brands improve their strategies, connect with customers, and enhance their market presence.



- According to a Deloitte report, marketing technologies are continually evolving, and organizations must stay committed to investing in them to remain competitive. The report highlights various trends in MarTech, including data analytics, AI, and personalization, which are essential for delivering effective marketing campaigns.
- Retailers are transitioning from traditional brick-and-mortar stores to a more integrated approach that combines physical and digital channels. Omnichannel retailing offers consumers a seamless shopping experience, allowing them to interact with brands across various touchpoints, including in-store, online, and via mobile apps.
- Artificial intelligence and machine learning are poised to drive India's growing digital advertising industry, which is estimated to be worth US\$8 billion. Experts suggest that AI and machine learning technologies offer advertisers the ability to target consumers more effectively, optimize ad campaigns, and enhance overall user engagement.



Corporate Expense Management Solutions

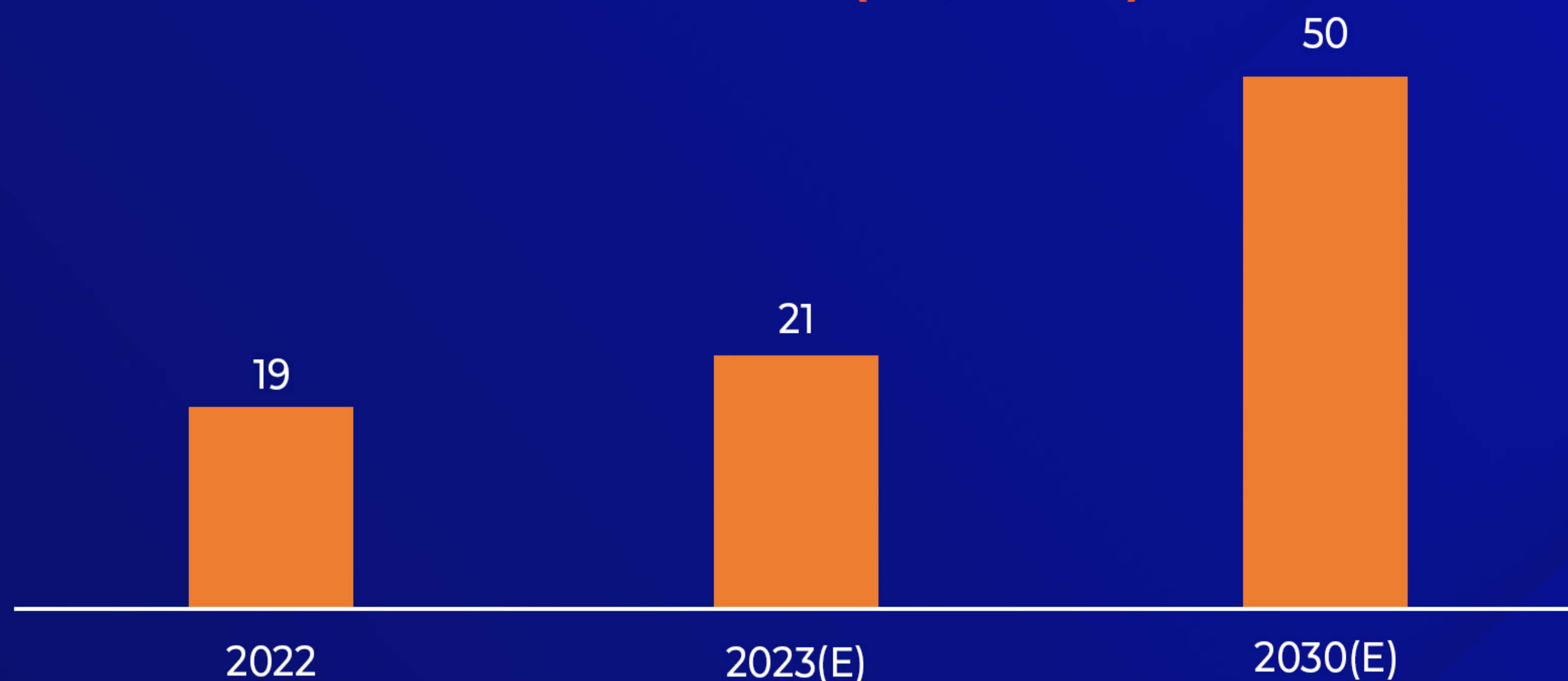


Overview

- An expense management software tool helps enterprises streamline and automate processes for delivering expense report management. The software tool aids employees in managing as well as reporting their business expenditures. Besides, the expense management software is used via finance teams for managing travel requests, expense reports, and reimbursements. The software helps to streamline each facet of expense management to minimize the perils related to traditional expense management.
- The software tool has multiple advantages such as reimbursing expense reports along with its growing perks, employee expense reports processing, and reduction in efforts and time for hassle-free submission and approval. Mobile terminals, PC terminals, and others are the different types of expense management software that have wide applications in large businesses, mid-sized businesses, and small businesses.



Size of Global Expense Management Software Market (US\$ billion)



- **Competitive landscape:** In India, there are several players across segments such as payment solutions and financial services, travel, and technology solutions. The entities include Zaggle, EbixCash, One97 (Paytm), Mobikwik, Unimoni, and Sodexo, among others.



- In India, corporates typically manage the transactions related to employee spends, reimbursements, tax benefits through direct debit to bank accounts of the employees. However, in a platform offered by players in this segment, corporates can also choose to drive the transactions through designated payment instruments issued by the same platform provider. The most common instrument of choice is the pre-paid card which comes with multiple features such as multiple reloading options, sub-wallet categorization as per end-use and overall ease in use. The most common instrument in the segment is the pre-paid card which comes with multiple features such as multiple reloading options, sub-wallet categorization as per end-use, and overall ease of use. The players (like Zaggle) have chosen to integrate their software offering with such prepaid cards as a single point for loading, transacting, and analysing of spends across multiple categories.



- Due to the increasing penetration of the internet and smartphones, India's e-commerce industry has witnessed significant growth in the last decade, which has catalysed the growth of online payments using prepaid instruments. This growth has also been driven by demonetization and the government's encouragement of a cashless economy. In addition to this, an increasing number of organized retailers have also contributed to the growth of the prepaid instruments market in India.

Current Outlook

- The pre-paid cards market is expected to grow significantly, with the increasing penetration of financial services, the internet, and the e-commerce industry.

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