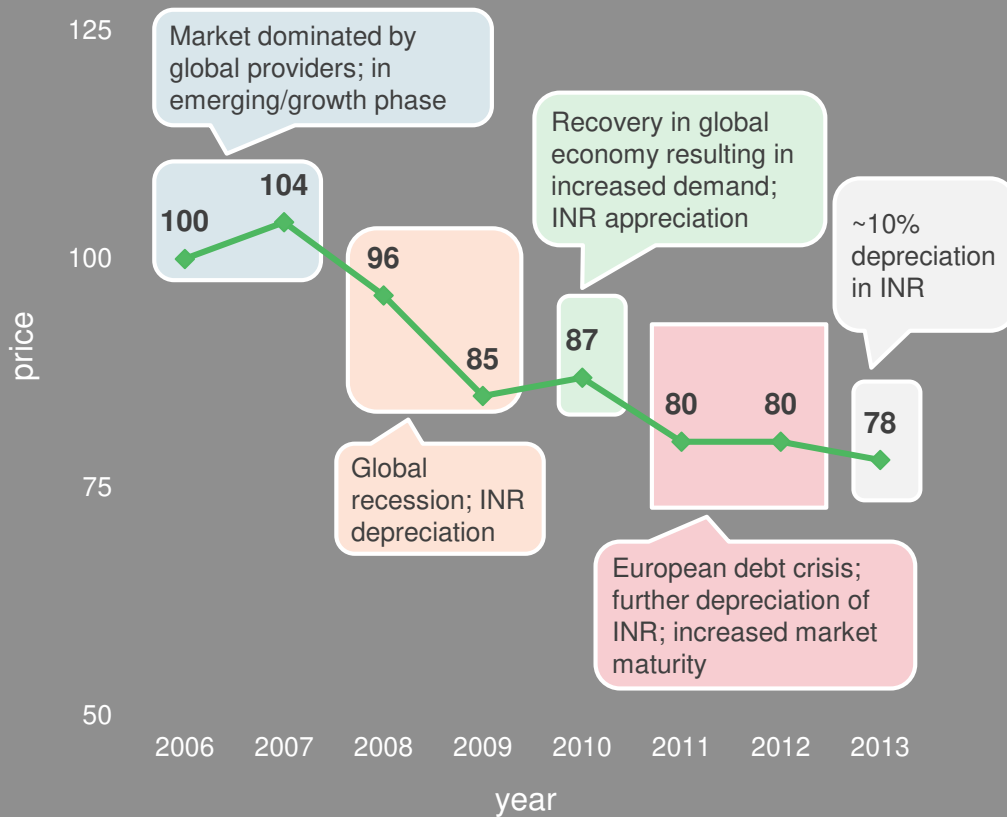


BPO services pricing in India down 18-20% from 2006-13

Trend in BPO pricing in India, 2006-2013

Base index (100) = 2006 price



Key Trends in BPO Services Pricing in India 2006-13

- Overall BPO services pricing in India declined by 20-24% from 2006 to 2013. Key factors that contributed to this trend were:
 - Global recession (2008-2009) and European debt crisis (2010-2012) leading to increased pricing pressure from buyers
 - Depreciation (~30%) in Indian currency against US dollar allowing providers to maintain margin despite lower price
 - Increased competition due to entry of new players, forcing the dominant global providers to rationalize prices
 - Increased maturity of outsourced functions, allowing providers to deploy lower skilled talent at reduced cost
 - Increased leverage of tier 2/3 cities (such as Jaipur, Pune, and Hyderabad), lowering providers' operating costs by an additional 15-20%
- While overall pricing declined in past seven years, the year-on-year trend showed marginal increase in 2007 and 2010:
 - Till mid-2007, the global economic sentiment was largely positive, allowing providers to realize COLA/inflation-based price increases
 - In 2010, price saw a minor uptick due to recovery in buyer spending led by pent-up demand built during the recession
- In 2012 BPO pricing remained mostly stable, though it again declined in 2013