



The Indian IT Services Industry in 2007

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The Public Sector

1. The Public sector, sometimes referred to as the state sector or the government sector, is a part of the state that deals with either the production, ownership, sale, provision, delivery and allocation of goods and services by and for the government or its citizens, whether national, regional or local/municipal.
2. Public Sector ,Thus Includes all those Industrial and commercial enterprises that are owned and funded by the government and are managed either by government itself or by any other authority appointed by the government to manage them on its behalf

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OBJECTIVES:

The public sector aims at achieving the following objectives:

- To promote rapid economic development through creation and expansion of infrastructure
- To generate financial resources for development
- To promote redistribution of income and wealth
- To create employment opportunities
- To promote balanced regional growth
- To encourage the development of small-scale and ancillary industries, and
- To promote exports on the one side and import substitution, on the other.

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Role of Public Sector:

The public sector has been playing a vital role in the economic development of the country. Public sector is considered a powerful engine of economic development and an important instrument of self-reliance. The main contributions of public enterprises to the country's economy may be described as follows:

1. Filling the Gaps in Capital Goods:

At the time of independence, there existed serious gaps in the industrial structure of the country, particularly in the fields of heavy industries such as steel, heavy machine tools, exploration and refining of oil, heavy Electrical and equipment, chemicals and fertilizers, defense equipment, etc. Public sector has helped to fill up these gaps. The basic infrastructure required for rapid industrialisation has been built up, through the production of strategic capital goods. In this way the public sector has considerably widened the industrial base of the country.

2. Employment:

Public sector has created millions of jobs to tackle the unemployment problem in the country. Public sector accounts for about two-thirds of the total employment in the organised industrial sector in India. By taking over many sick units, the public sector has protected the employment of millions. Public sector has also contributed a lot towards the improvement of working and living conditions of workers by serving as a model employer.

3. **Balanced Regional Development:** Public sector undertakings have located their plants in backward and untrodden parts of the country. These areas lacked basic industrial and civic facilities like electricity, water supply, township and manpower. Public enterprises have developed these facilities thereby bringing about complete transformation in the socio-economic life of the people in these regions. Steel plants of Bhilai, Rourkela and Durgapur; fertilizer factory at Sindri, are few examples of the development of backward regions by the public sector.

4. **Generate Resources of Development:** Apart from generation of internal resources and payment of dividend, public enterprises have been making substantial contribution to the Government exchequer through payment of corporate taxes, excise duty, custom duty etc. In this way they help in mobilizing funds for financing the needs for the planned development of the country.

5. **Export Promotion and Foreign Exchange Earnings:** Some public enterprises have done much to promote India's export. The State Trading Corporation (STC), the Minerals and Metals Trading Corporation (MMTC), Hindustan Steel Ltd., the Bharat Electronics Ltd., the Hindustan Machine Tools, etc., have done very well in export promotion.

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6. Import Substitution: Some public sector enterprises were started specifically to produce goods which were formerly imported and thus to save foreign exchange. The Hindustan Antibiotics Ltd., the Indian Drugs and Pharmaceuticals Ltd. (IDPL), the Oil and Natural Gas Commission (ONGC), the Indian Oil Corporation Ltd., the Bharat Electronics Ltd., etc., have saved foreign exchange by way of import substitution.

7. Research and Development: As most of the public enterprises are engaged in high technology and heavy industries, they have undertaken research and development programmes in a big way. Public sector has laid strong and wide base for self-reliance in the field of technical know-how, maintenance and repair of sophisticated industrial plants, machinery and equipment in the country. Through the development of technological skill, public enterprises have reduced dependence on foreign knowhow. With the help of the technological capability, public sector undertakings have successfully competed in the international market.

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Public Sector Outlay, Targets And Actual Growth Rates During The Five Year plans

Plans	Period Covered	Public Sector Outlay (Rs in Cr)	Target	Realised
First Five year plan	1951-1956	1,960	2.1	3.5
Second Five Yr plan	1956-1961	4,672	4.5	4.2
Third Five Yr plan	1961-1966	8,576	5.6	2.8
Three Annual Plans	1966-1969	6,625	N.A	3.9
Fourth Five Year Plan	1969-1974	15,778	5.7	3.2
Fifth Five Year Plan	1974-1979	39,426	4.4	4.7
Annual Plan	1979-1980	12,176	N.A	-5.2
Sixth Five Year Plan	1980-1985	1,09,291.7	5.2	5.5
Seventh Five Yr Plan	1985-1990	2,18,729.6	5.0	5.6
Two Annual plans	1990-1992	1,23,120.5	-	3.4
Eighth Five-Yr plan	1992-1997	4,85,457.2	5.6	6.5
Ninth Five –yr plan	1997-2002	8,59,200	6.5	5.5
Tenth Five –yr plan	2002-2007	15,25,639	7.9	7.7
Eleventh Five-yr plan	2007-2012	36,44,717	9.0	7.9

Source : Compiled from Planning commisions various reports

Reasons of growth of Public Sector

The Major Two Influential people at the time of Independence were :

M.K Gandhi 2. Jawaharlal Nehru

Both Had Contrasting views about how to lead the Economy. M.K Gandhi Trusted Entrepreneurs and Business Men But He never had a liking for machines. Jawaharlal Nehru Never trusted Private Parties or Entrepreneurs To lead our economy but He had a Liking for machines as he thought that would Lead to better Development for the Economy .So he made the 'State' The Entrepreneur And This Resulted in growth of public sector in India And the Introduction of Industrial policy of 1956