

India: The Preferred Outsourcing Destination

A Comparative Study

A Dedication

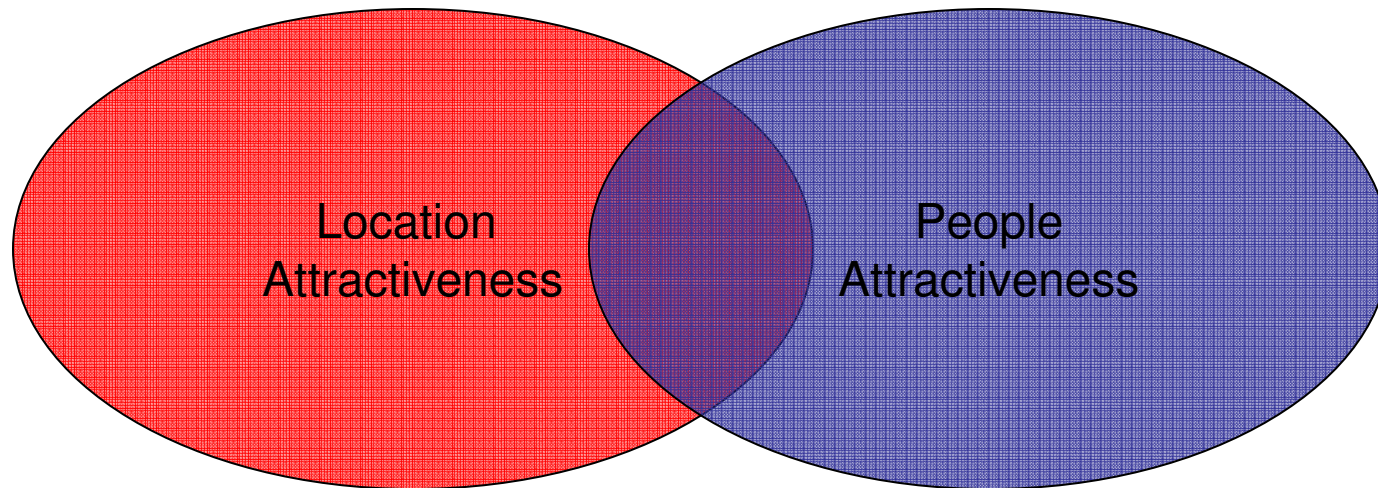
**To India which prepared me for the world...
...and, America which opened the world.**

- 'A personal guide to offshoring in India' by Atul Vohra

India: A Primer

- 50 year old vibrant democracy with established systems and policies
- Active and free Press and a demonstrably independent Judiciary.
- Forward looking economic environment and well developed capital markets
- Strong Regulatory structures and mechanisms
- Consistent growth policies across different political regimes at the State as well as the Central level. Recognition of the growing importance of I.T Services and I.T Enabled Services industries is enabling—
 - Rapid growth of related delivery infrastructure (e.g. Telecommunications). India currently has the 12th largest Telecom network in the world and is growing rapidly.
- Indian Economy is one of the world's better performing and stable economies (GDP growth is between 5–7% over the last decade).
- Limited inflation environment

Key Considerations for Outsourcing



■ **Infrastructure**

- Communications
- Other basic infrastructure

■ **Country risks/ FDI incentives**

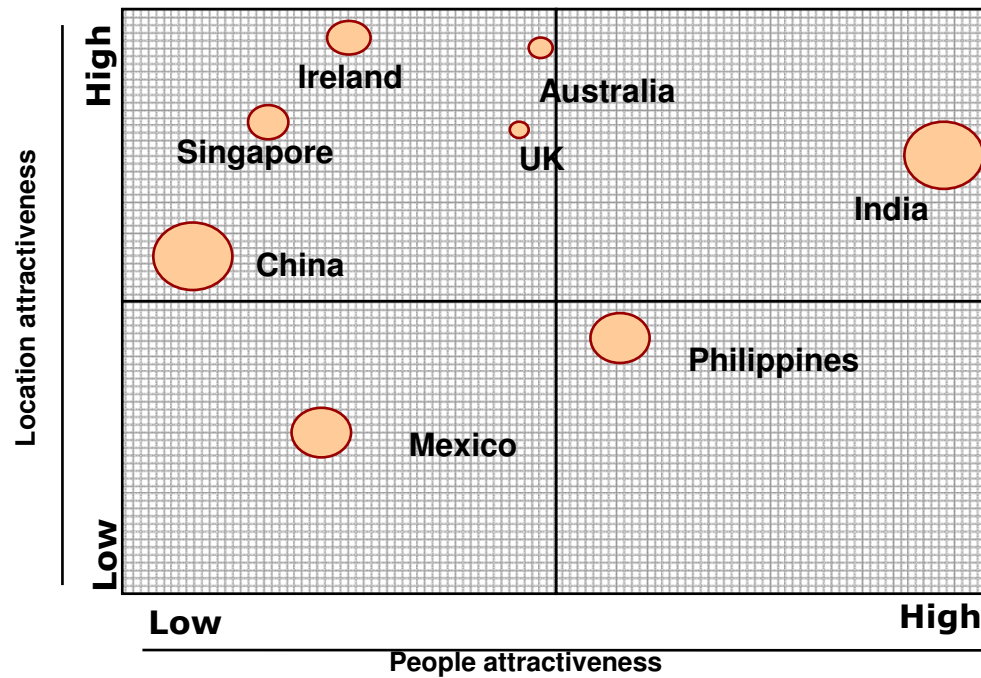
- Attractive incentives
- Government Policies and Political environment
- Time zone attractiveness

■ **Quality**

- Cost
- Type of skills
- English language

Offshore Destination Attractiveness

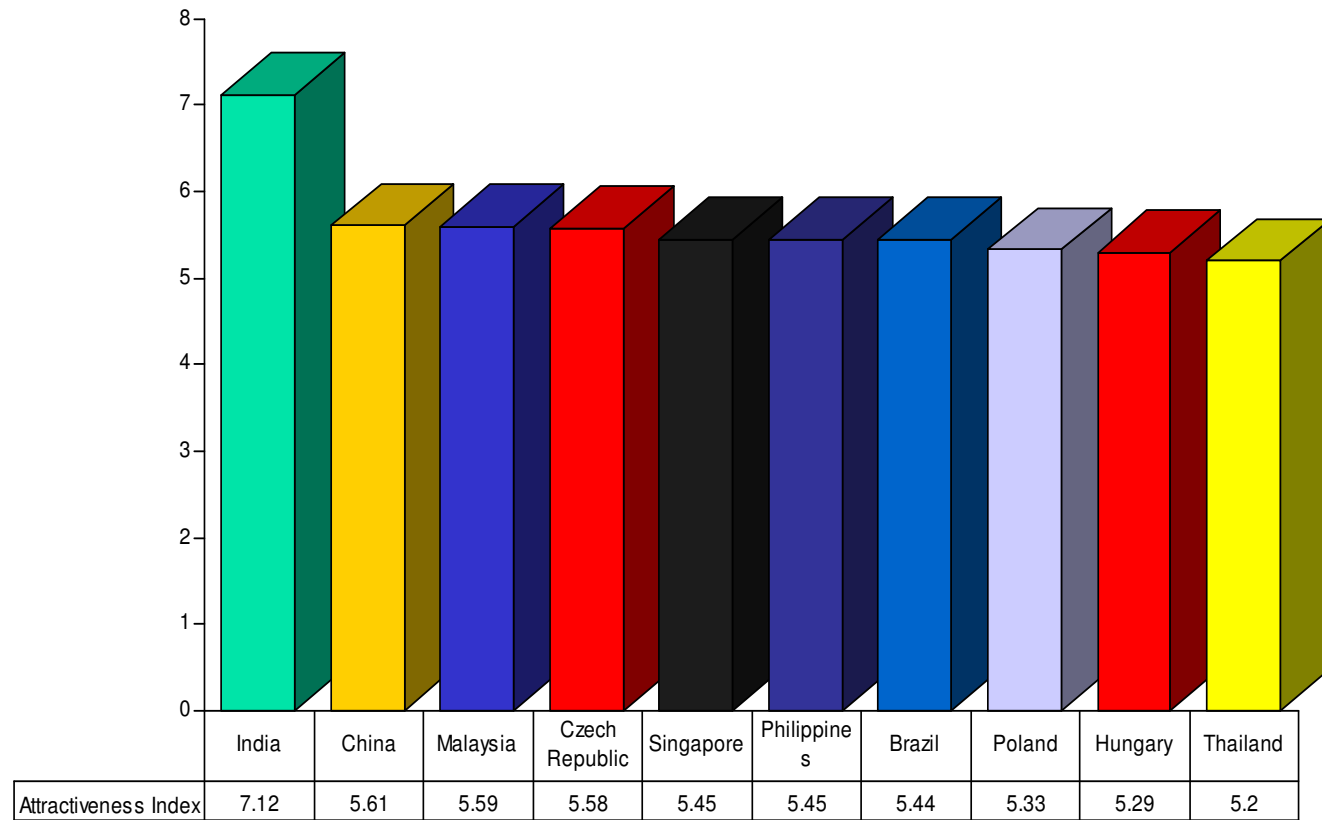
Size of circle indicates quantity of knowledge workers



Selection of offshore destinations is driven by macro factors & cost effectiveness

Source: McKinsey & Co.

Attractiveness Index for Offshore Location



India is a clear leader in its ability to deliver on all the requirements of being an Offshore Location

Source: AT Kearney

India: Core Strengths

- **Large Human Resource**
 - 19 million students in high schools
 - 10 million students in pre-graduate degree courses
 - 2.1 million graduates + 0.3 million post-graduates
 - At current rates, there will approximately be 17 million people available to the IT industry by 2008.
- **Indian Education System**
 - Strong emphasis on mathematics and science → Large number of science and engineering graduates.
 - Mastery over quantitative concepts coupled with English proficiency
- **Quality Manpower**
 - Indian programmers are known for their strong technical skills and their eagerness to accommodate clients.
 - Access to more specialized engineering talent (for e.g. Telecommunications)
 - India also has one of the largest pools of English-speaking professionals.

India: Core Benefits

- **Cost**
 - 45-55% factor cost savings
 - Labor cost arbitrage to continue for 20-30 years
 - Additional cost saving from task re-engineering and economies of scale
- **Productivity**
 - Effective process execution
 - Time zone advantage and 24x7 operations
- **Environment**
 - Government taxes and duty exemptions
 - Established infrastructure through technology parks
 - Subsidies on capital and utilities
- **Quality**
 - Access to skilled, young motivated and trainable labor pool
 - Established methodologies and process maturity among vendors
 - Metrics based management

Multi National Companies in India

Microsoft	British Airways,	Dell
Oracle	Convergys	Fidelity Investments
Google	Morgan Stanley	JP Morgan
IBM	PTC	Cognizant
Deloitte	Qualcomm	Accenture
Hewlett Packard	Citibank	Computer Associates
General Electric	Software Paradigm Intl	GE
CSC	HSBC	Lloyds TSB

... and more

India: Value Proposition beyond IT Services

Industry	Transaction Processing	Design and Analysis	Research and Development
Information Technology	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Pharma/ Healthcare	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Education Services	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Automotive/ Engineering		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Chemicals		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Financial Services	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	

Beyond IT Services...

Developmental Research and Product Design

- Hewlett Packard
 - Develop low cost, easy to use scanners and printers
- Akzo Nobel
 - Develop economical car paints
- GE Plastics
 - Develop polycarbonate resins for GE's plastic products, washers that economizes water usage
- Delphi
 - Develop new age products for automobiles. e.g. passive occupant detection system

Fundamental Research

- General Electric
 - Nanotechnology, hydrogen energy, photonics, advanced propulsion
- Whirlpool
 - Core research for global products in consumer durables
- Daimler Chrysler
 - Avionics, simulation
- Texas Instruments
 - Digital signal processors
- Du Pont , Hekel Loctite
 - Global R&D for chemicals

About Hyderabad

Hyderabad is the capital of Andhra Pradesh, a state in the south of India. It is one of the most vibrant states and is among the top five state economy in India. Hyderabad is a 400 year old city steeped in tradition and embracing the modern world.



In favor of Hyderabad

- Infrastructure
 - Basic amenities: power, water, eSeva, ...
 - Commute times
 - Low density of population
 - Smaller, congestion-free airport
- Availability of Engineers
 - People from Andhra form a high proportion of the IT workforce
 - Coming back in droves
- Government support
 - Previous Government put Hyderabad on the world map
 - All major Corporations have set shop here
 - Current Government continuing support with IT friendly policies
- Cost versus quality of life
 - In the top five Metros of the country
 - 10th in the cost of living
 - People are more stable, and job-hopping is not common
- Comment made by a Manager from a leading technology provider in US, while visiting ValueLabs and being driven around Hyderabad: *“Why ever did we not set up an office here? Life and commute are so much better here compared to Bangalore.”*

In favor of Hyderabad



**World Bank Group releases
Doing Business in South Asia 2007:
India is the top reformer in the region, **Hyderabad has the country's most business-friendly regulations****

Washington DC, February 13, 2007 – Doing business became easier in India in 2005-2006, according to a new report entitled [Doing Business in South Asia 2007](#) released today by the [World Bank](#) and its private sector arm, [IFC](#). Five reforms reduced the time, cost, and hassle for businesses in India to comply with legal and administrative requirements, placing the country in the top 20 reformers worldwide.

Of the **12 major Indian cities** covered by the report, **Hyderabad has the most business-friendly regulations**, followed by Bangalore and Jaipur. Mumbai came in second-to-last and Calcutta last, as these cities impose the most complex and costly business regulations. Bhubaneshwar, Chandigarh, Chennai, Lucknow, New Delhi, Patna and Ranchi rank in the middle. Typically, large urban centers such as Mumbai and Calcutta have a high volume of business, so regulatory and administrative bottlenecks there create serious congestion.

According to a recent World Bank report on “*Doing Business with South Asia 2007*”, Hyderabad has been rated as the most ‘**business-friendly**’ city in India

Thank You!