

India – Perspectives in Services Offshoring

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OUTSOURCING
&
OFFSHORING

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CONTENT

- **India overview**

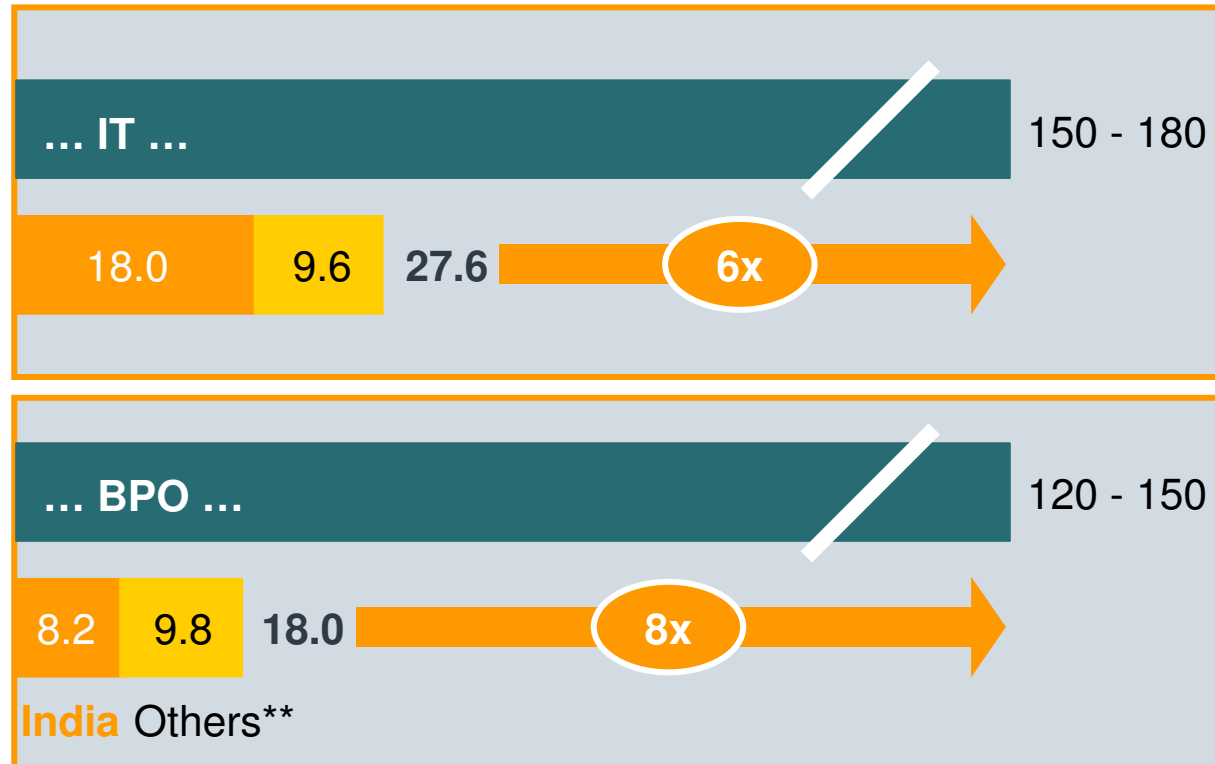
- O&O initiatives in India
- Key learnings

ONLY 10-20% OF THE ADDRESSABLE MARKET CAPTURED IN OFFSHORE IT AND BPO

Key drivers – offshoring

- Large “white spaces” in major industries
- More complex and high-risk services
- Fragmented and high-interaction processes

Global offshore ... industry, FY*2007
USD billions



Addressable market***

Current size

Addressable markets at least USD 300 billion

* Financial year April 1 2006 to March 31 2007

** Includes Philippines, China, Russia, Eastern Europe, Ireland, Mexico

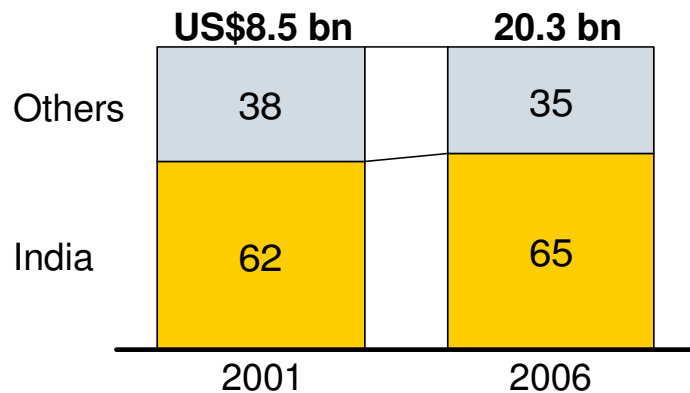
*** Includes addressable markets in currently offshoring industries

Source: McKinsey Outsourcing & Offshoring practice; NASSCOM-McKinsey Report 2005; Tholons; NASSCOM Strategic Reviews and industry fact sheet 2007

INDIA MAINTAINS LEADING SHARE OF GLOBAL OFFSHORE IT AND BPO INDUSTRIES . . .

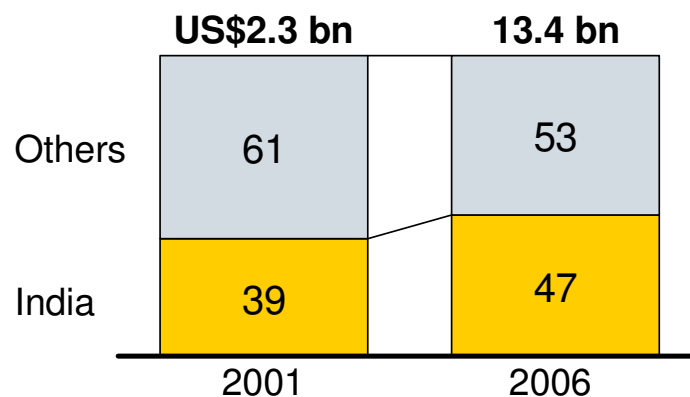
Share of global offshore industry (IT)

Per cent



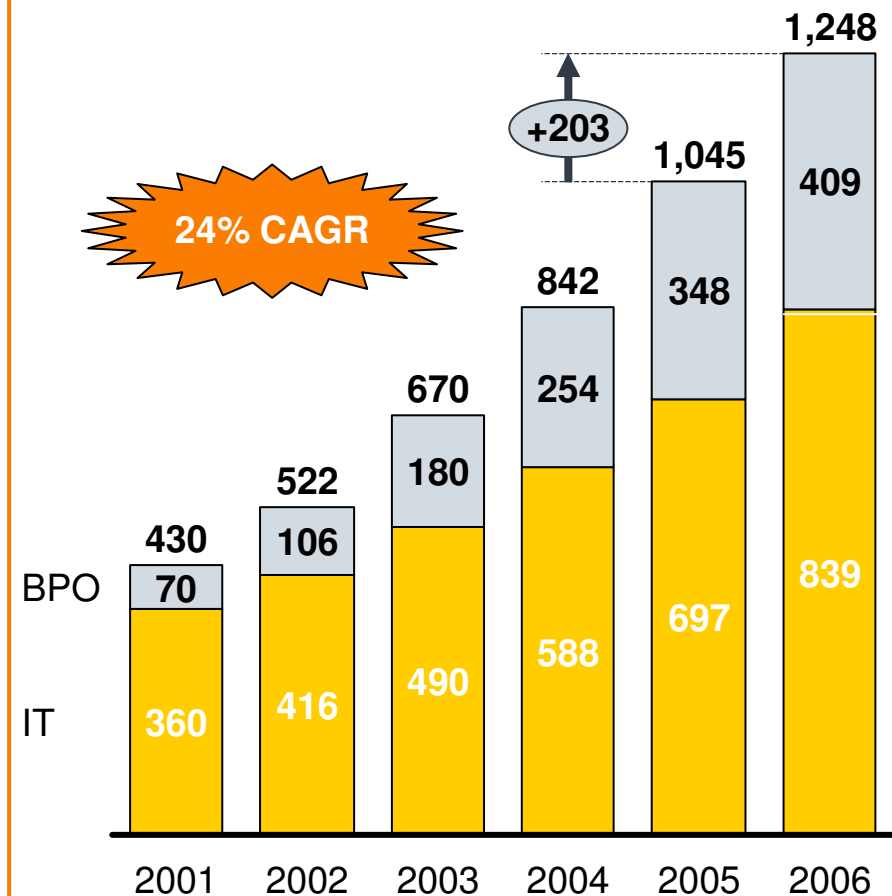
Share of global offshore industry (BPO)

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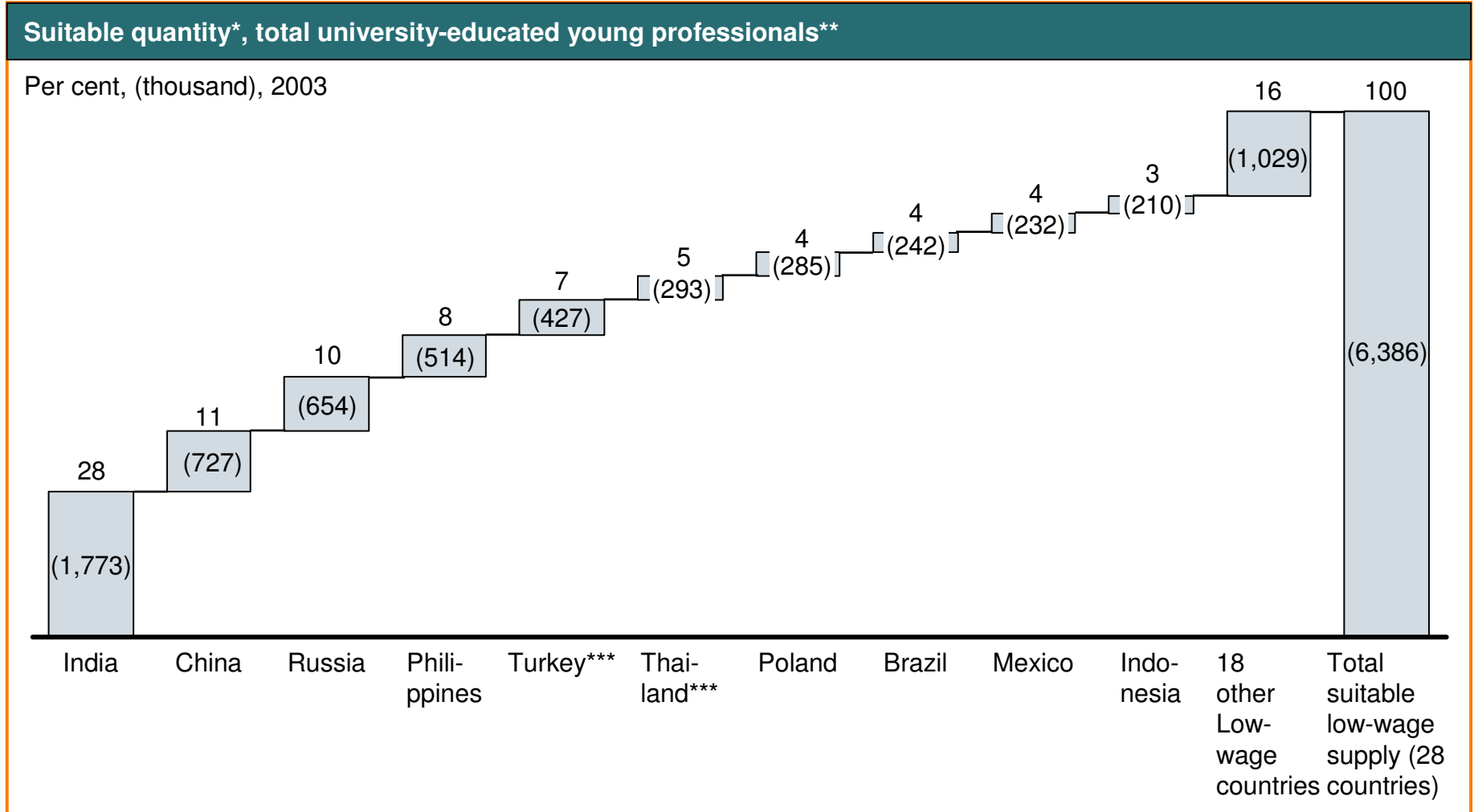


Industry growth in India (IT and BPO)

Headcount '000s



... AND DOMINATES SUITABLE, LOW-WAGE SUPPLY, REMAINING SUPPLY IS FRAGMENTED AMONG MANY COUNTRIES



* Accessibility and willingness of talent are tackled as sensitivity issues later.

** Engineers, Finance/Accounting, Analysts, Life Science researchers, Generalists; ≤7 years of work experience.

*** Number derived via extrapolation.

Source: HR interviews; country labor & graduation statistics; McKinsey Global Institute analysis

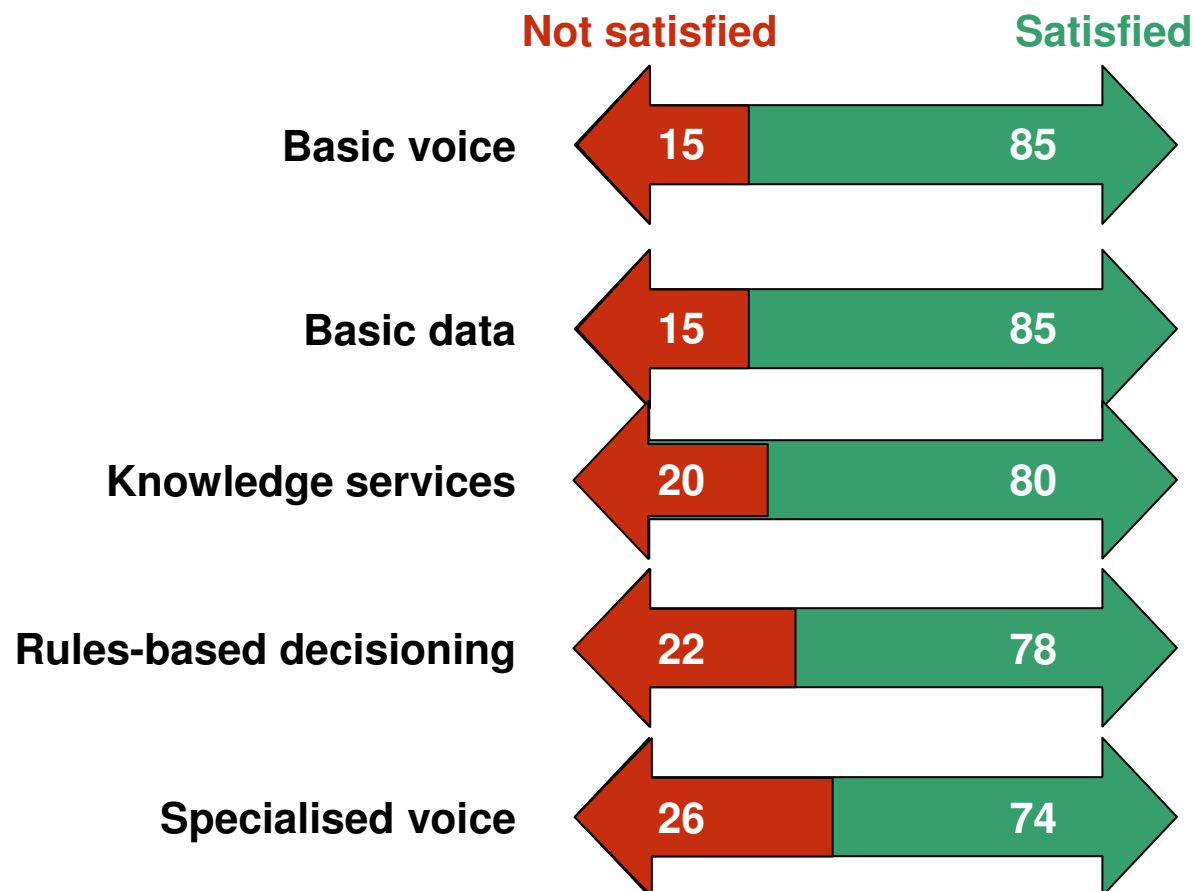
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CLIENT SATISFACTION WITH INDIA OFFSHORING HIGH









Client satisfaction

Average satisfaction level on a scale of 1 to 100

Change in satisfied clients in 2007 vs 2006



QUALITY OF OPERATIONS IS LARGELY BEING MAINTAINED

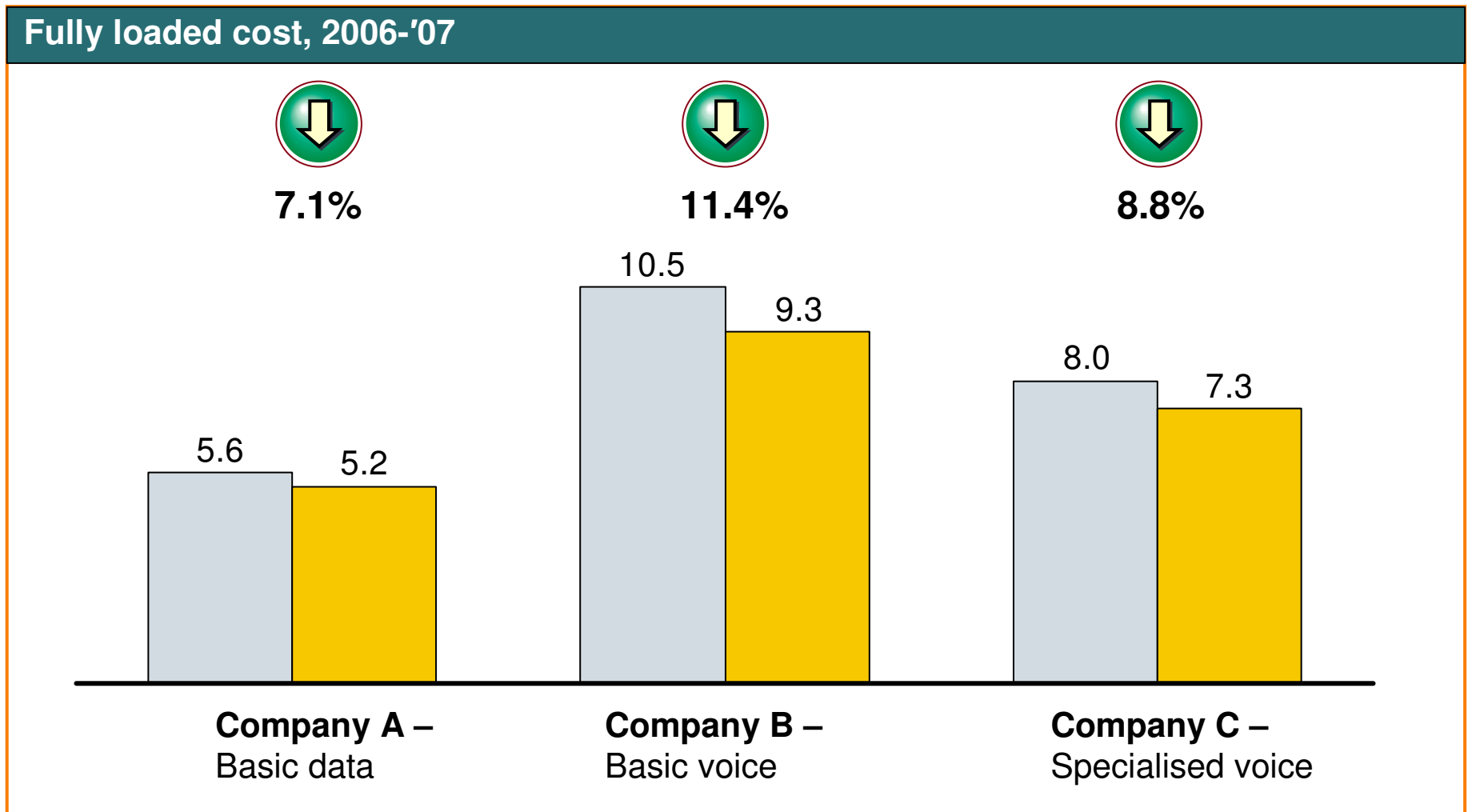
	2006 SLA compliance (Q-0-Q comparison)	2007 SLA compliance (Q-0-Q comparison)
Basic data	 1%	 –
Rules-based decisioning	 1%	 2%
Basic voice	 –	 5%
Specialised voice	 2%	 9%

INDIAN COMPANIES FOCUSING ON OPERATING PRACTICES HAVE MANAGED TO REDUCE COST OF THE OPERATION

THIRD PARTY BPOS

US\$/FTE/hr

2006
2007

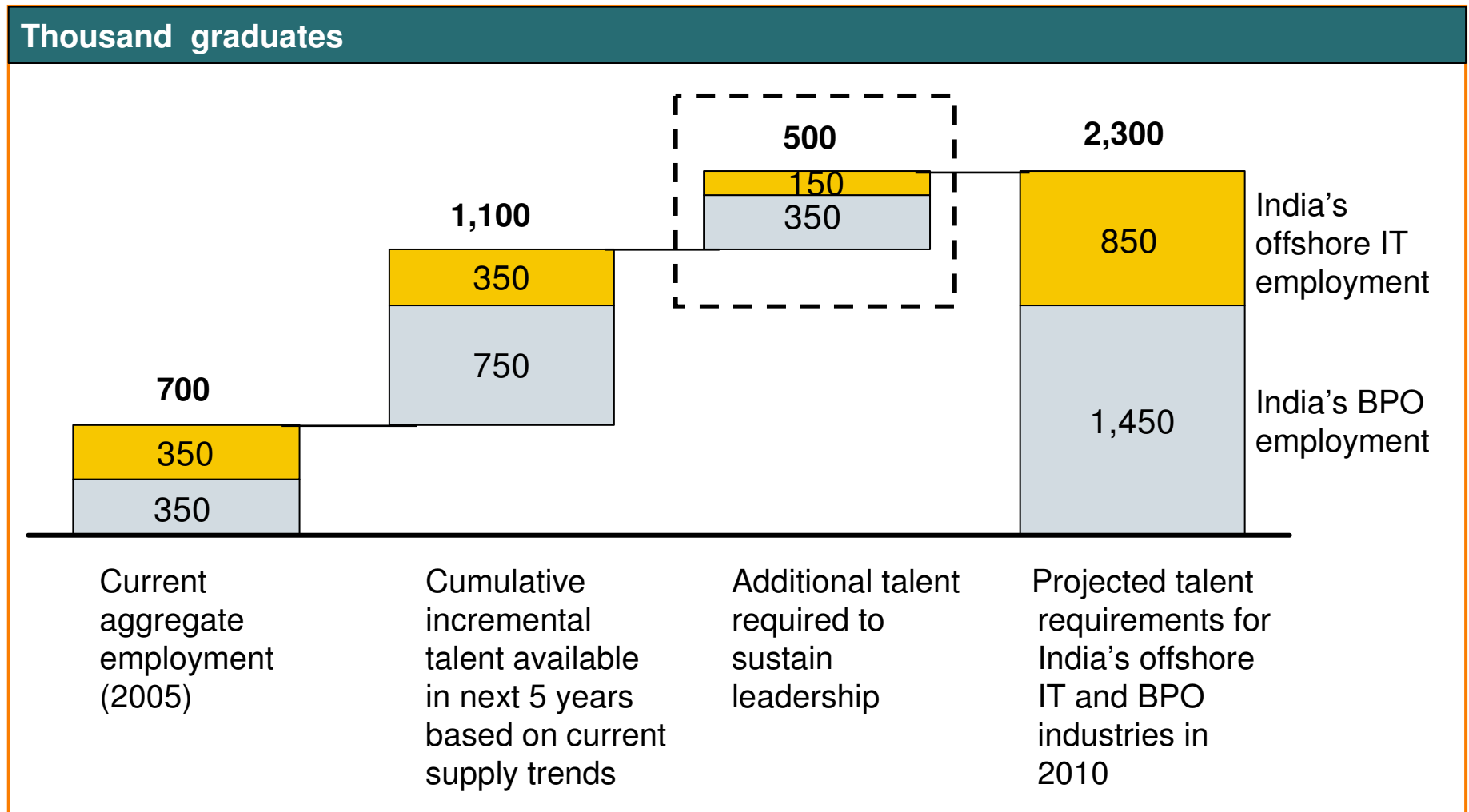


Source: McKinsey 360 benchmarking

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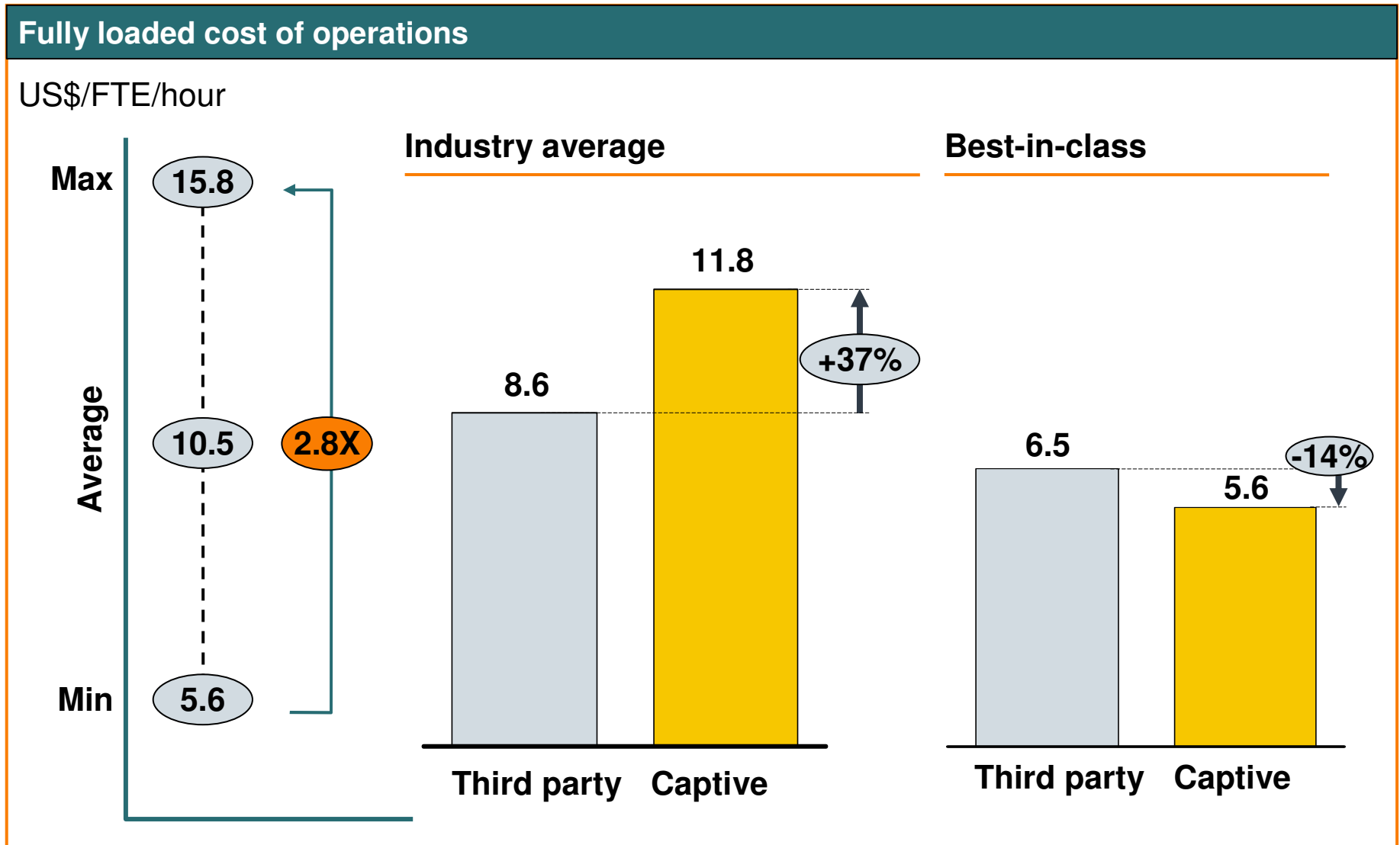
HOWEVER, INDIA LIKELY TO FACE A TALENT SUPPLY CRUNCH BY 500,000 GRADUATES

ESTIMATES



SIGNIFICANT VARIATION IN PERFORMANCE SEEN AMONGST INDIAN OPERATING CENTERS

RULES-BASED
DECISION MAKING

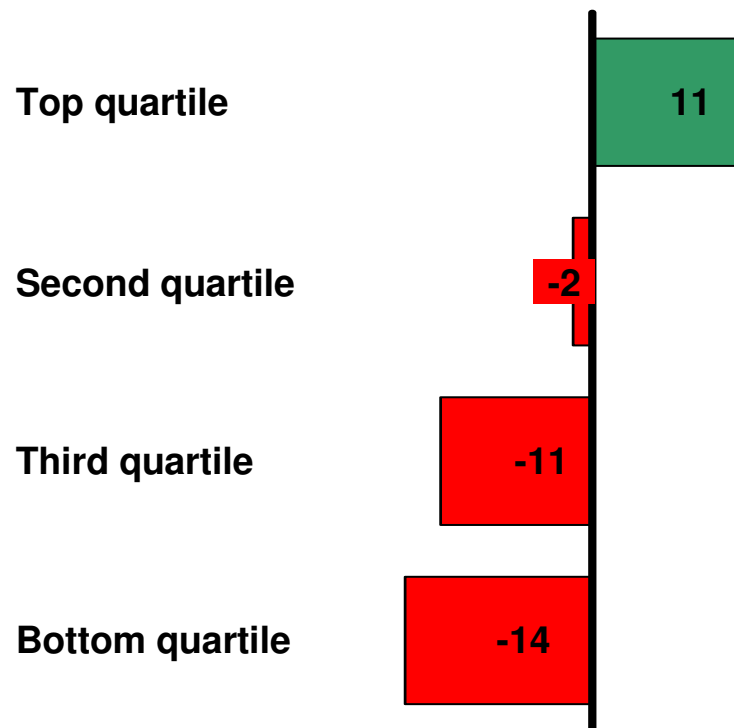


INDIA OFFSHORE PRODUCTIVITY CONTINUES TO LAG ONSITE LEVELS WITH LIMITED PROCESS IMPROVEMENTS

Disagree
Agree

Perceived offshore productivity difference with onshore . . .

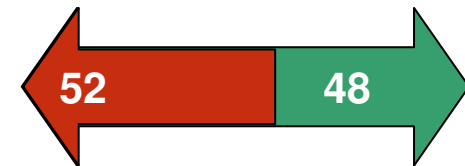
Per cent



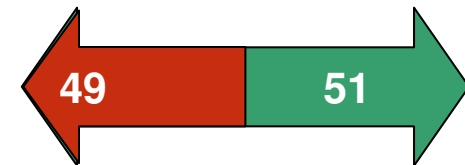
. . . driven by limited perceived investments in process improvement practices

Per cent

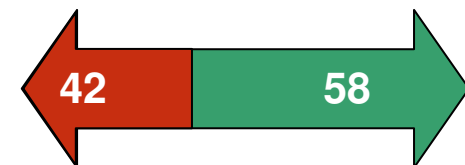
Deploying practices like benchmarking, 6σ, LEAN, automation to improve process



Offshore team are working on new products and services



Management encourages new ideas for process improvement



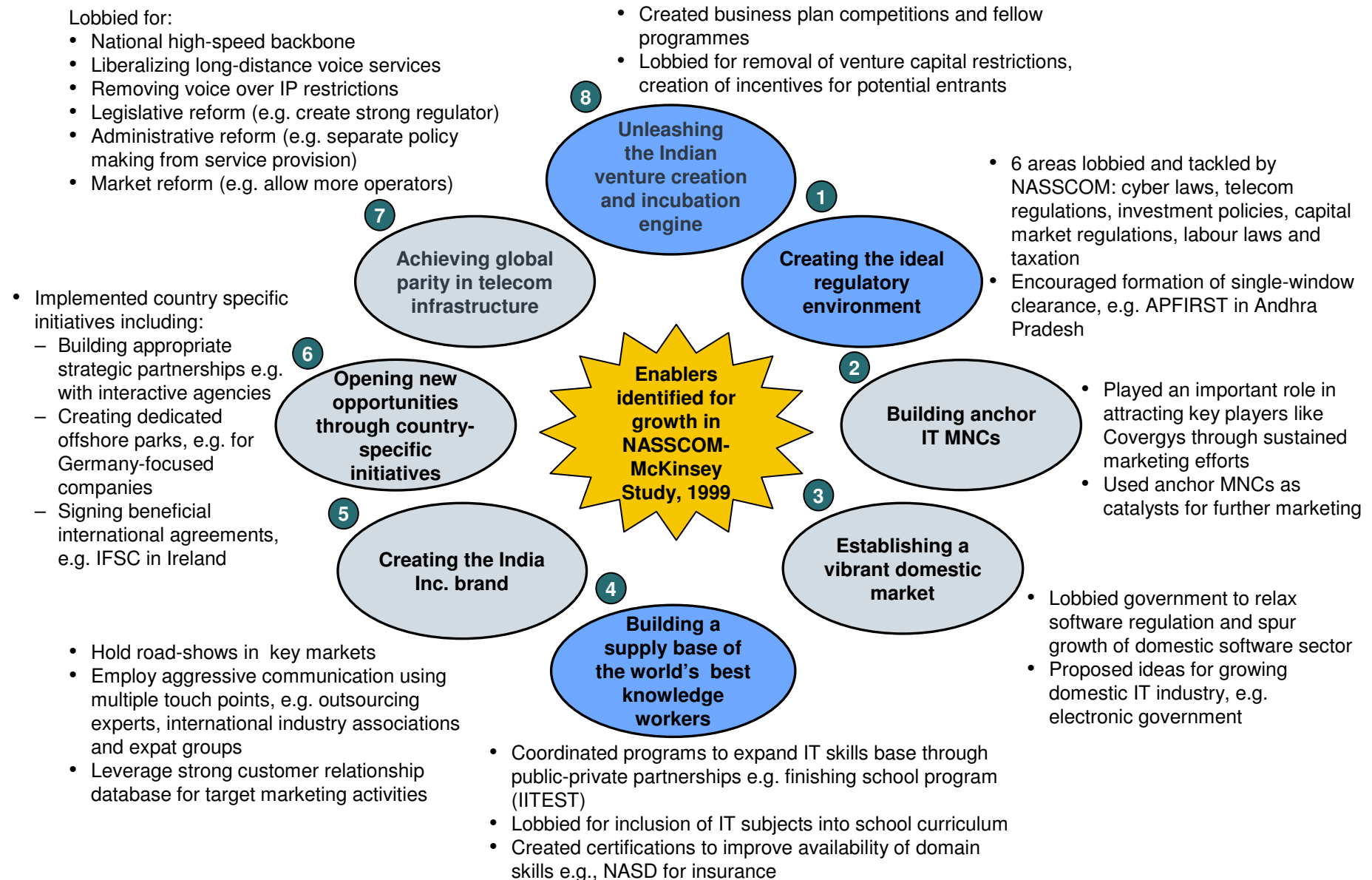
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ENABLERS & BIG BANG INITIATIVES REQUIRED TO ACHIEVE GROWTH OPPORTUNITIES



Source: McKinsey

MULTIPLE REGULATORY CHANGES WERE SUCCESSFULLY COMPLETED

Regulatory area

Objectives

Key initiatives implemented

Telecom regulations

- Attract the investments required to create a world-class local loop, national backbone, and international gateways

- New Telecom Policy (1999) led to introduction of IP telephony and end of state monopoly in international long distance telephony

Procedures

- Reduce red-tapism and create a problem-free environment

- Deemed approval system initiated in key states
- Self certification option for companies started

Labour laws

- Create an environment which supports IT businesses, while protecting employee interests

- ITES declared as an “essential services industry”
- 365X24X7 operations enabled through State Government GOs

SINGLE WINDOW CLEARANCE AGENCIES PUT IN PLACE

AP GOVERNMENT

From ...



Department

Activity

Fire services

- Look at investor credentials
- Examine drawings
- Apprise investor of norms
- Grant NOC

Pollution control

- Look at investor credentials
- Examine drawings
- Apprise investor of norms
- Grant NOC

Chief electricity inspector

- Look at investor credentials
- Examine drawings
- Apprise investor of norms
- Grant NOC

AAI*

- Look at investor credentials
- Examine drawings
- Apprise investor of norms
- Grant NOC

Construction approval

- Look at investor credentials
- Examine drawings
- Approve investor of norms
- Check other NOC and grant approvals

- The role of each department is to inform investor of rules as per various acts and ensure verbal compliance

... to

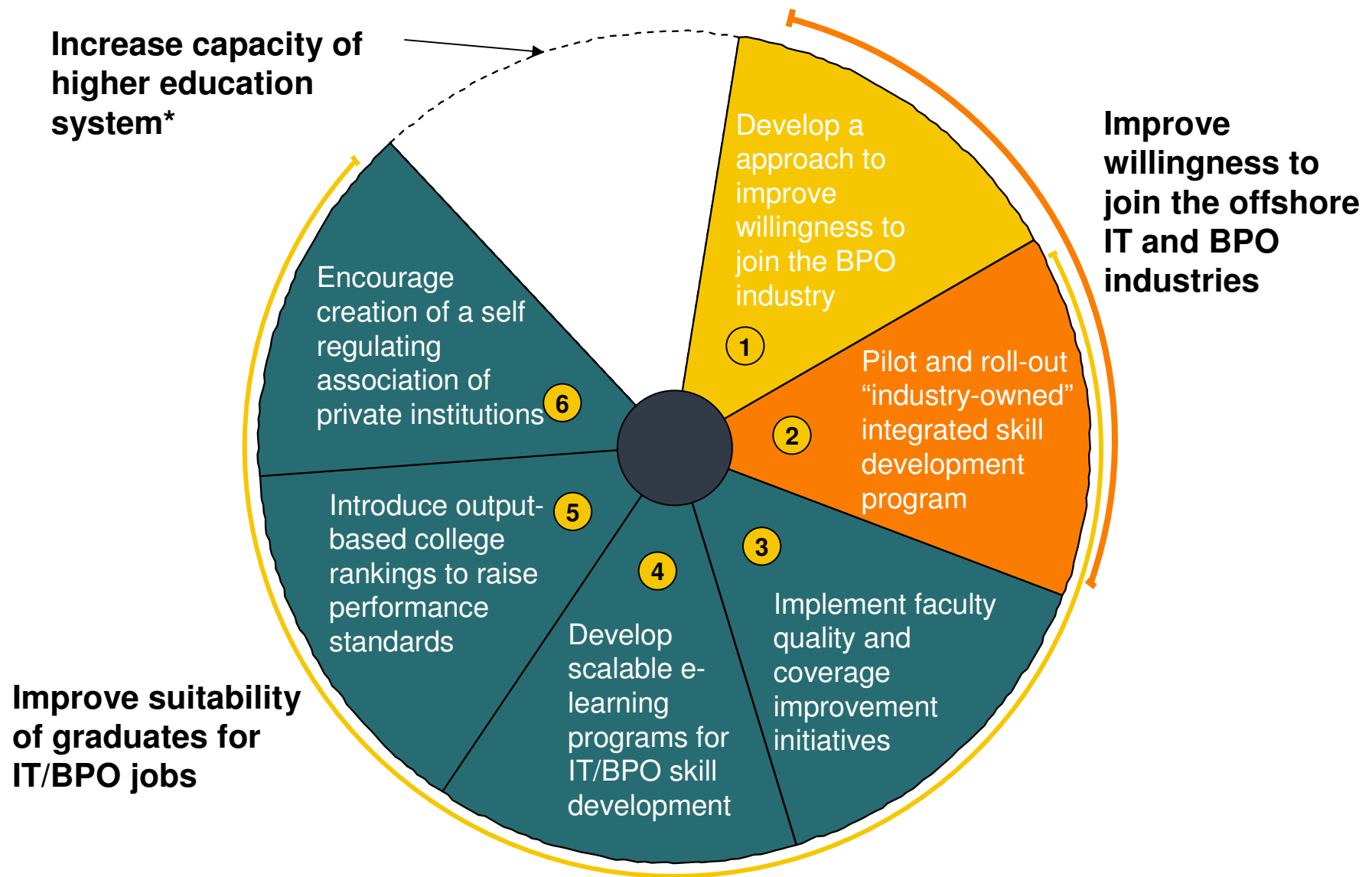


Single counselling agency

- Apprise investor of norms as per various acts
- Provides NOC on behalf of these departments

- Will reduce critical path by 60 days
- Will reduce investor interaction with multiple government agencies

SIX TARGETED INITIATIVES LAUNCHED TO IMPROVE TALENT SUPPLY



* Not a priority to sustain leadership

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KEY LEARNINGS

- **Focus on creating a disproportionate share of suitable, willing and accessible talent**
- **Be competitive on policies and regulations to attract investment within industry e.g., tax incentives**
- **Ensure availability of cost effective and accessible Grade A commercial real estate**
- **Create a Government and industry partnership to create awareness and branding**
- **Focus on attracting anchor MNC vendors**