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Title NASSCOM (National Association of Software and Services Companies) releases findings of "Super Nine" Indian ITES Destinations

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Highlights the need to address infrastructure and policy gaps to make Indian cities competitive in the ITES sector

New Delhi, August 6, 2002: NASSCOM, the apex industry body of Software and Service Companies in India, today, revealed the findings of an extensive study conducted in association with Netscribes to assess the competitiveness of nine Indian cities as destinations for IT Enabled Service companies. The three-month long study evaluated the top nine cities including Ahmedabad, Bangalore, Chennai, Hyderabad, Kolkata, Kochi, Mumbai (including Navi Mumbai), Pune and NCR (Delhi, Noida and Gurgaon). The cities were assessed on factors such as manpower availability, real estate, telecom infrastructure, policy initiatives, power infrastructure, city perception and entrepreneurial history.

RANKING OF INDIAN ITES CITIES	
CITY	RANK
HYDERABAD	1
KOCHI	2
CHENNAI	3
KOLKATA	4
AHMEDABAD	5
BANGALORE	6
MUMBAI	7
NCR	8
PUNE	9

Speaking on the study, **Mr. Kiran Karnik, President, NASSCOM,** said, "About 90% of all ITES companies in India are concentrated in nine major cities while others have not been able to attract more than two companies each. Our study reveals that despite a large number of ITES companies being based in Mumbai, NCR and Bangalore, these cities are facing increasing competition from other cities. Cities such as Hyderabad, and Kochi are emerging as attractive ITES destinations primarily due to rapid improvements in infrastructure (power, international bandwidth and urban transportation) and lower manpower costs due to lower cost of living and lack of alternative employment opportunities in these cities."

	TELECOM	POWER	REAL ESTATE	MANPOWER	CITY PERCEPTION	ENTREPRENEURSHIP HISTORY	POLICY INITIATIVES
AHMEDABAD	9	4	2	4	8	6	3
BANGALORE	8	7	6	6	1	1	6
CHENNAI	4	2	5	5	3	4	4
HYDERABAD	5	3	3	2	2	5	1
KOLKATA	6	1	4	3	7	7	5
KOCHI	2	6	1	1	9	9	2
MUMBAI	1	5	9	9	4	2	8
NCR	3	9	8	8	5	3	7
PUNE	7	8	7	7	6	8	9

According to NASSCOM, the ITES industry in India is experiencing the third wave of growth; both in terms of geographical areas of operation and services offered.

- In the first phase, the industry was dominated by captive centers of large multinationals such as GE, American Express, and Swiss Air who set up operations in leading metros of the country such as Delhi and Mumbai
- In the second phase, the growth of the industry attracted numerous entrepreneurs (in many cases, employees of multinationals who quit their jobs to set up their own ITES ventures) again in and around Delhi (NCR) and Mumbai (including Navi Mumbai)
- The third phase of growth has been more geographically dispersed - with new locations emerging such as Hyderabad, Pune, Bangalore, Chennai, and more recently, Kochi

The growth has been driven by three factors:

- The desire by state governments to attract entrepreneurship, which resulted in the former offering attractive policy environments and incentives
- The rapid improvement in key infrastructure such as power, telecom bandwidth, and real estate in newer locations
- The need for ITES companies to lower operating costs (especially employee costs, and transportation)

According to the report's findings, Hyderabad has emerged as the most competitive city for ITES. Chennai, Kochi and Kolkata too rank highly in their infrastructure offerings, policy incentives, and low cost manpower availability though not at the same level as Hyderabad. On the other hand, Ahmedabad, which ranks highly on availability of low cost manpower, loses out on competitiveness as a result of weaker policy incentives and infrastructure

availability. Bangalore, Mumbai, NCR and Pune ranked low in infrastructure availability, policy support and availability of low-cost manpower.

"Given the potential of the industry to create jobs and generate foreign exchange, NASSCOM will actively work with the various state governments and ITES companies in order to create a conducive policy environment and a world class infrastructure to develop the ITES industry in different states", stated **Mr Kiran Karnik, President, NASSCOM.**

Methodology of the study

	Highlights	Concerns
Telecom	Pune, Ahmedabad and Bangalore have direct international bandwidth.	All cities expect Kolkata have tele-density in excess of 14%.
Power	The variance in the ranking comes due to the tariffs existing across various cities. Kochi has a low tariff of Rs 3/unit and it goes as high as Rs 4.97/unit in	Pune, Bangalore, NCR and Kochi experience pre scheduled power cuts.
Real Estate	Increasing real estate cost have pushed NCR and Mumbai down the 'affordability' list.	There is a large variance in the rates within larger cities, for example real estate cost in Mumbai ranges from Rs 287 to Rs 50 per square feet per month.

Manpower	Manpower cost varies depending on the city's cost of living. The city's attractiveness also depends on the number of trained manpower.	Manpower cost is as high as Rs 51.59/hr in Mumbai as compared to Rs 17.04/hr in Kochi.
Perception	Perception plays an important role while deciding the location of a new units. Bangalore ranked high because of the state's IT policy.	Kolkata, Ahmedabad and Kochi lag behind in the IT initiatives undertaken by the government. Recent riots at Ahmedabad has harmed its perception even more as a business centre.
Entrepreneurship	Bangalore, Mumbai and Delhi have a large number of starts ups and have more entrepreneurs hailing from the city who in turn set up base in the city.	Kolkata, Pune and Kochi don't score very that high, as they don't have many startsups.

In order to assess the competitiveness of different locations, the relative importance of parameters such as telecom and physical infrastructure, IT orientation and policy support provided, each city was ranked on a scale of 1 to 10, in order of increasing importance. Weights were then assigned to each of the factors. The score for each city was derived by multiplying the rank for each factor with its particular weight and then dividing the sum total of all the factors for each city by the total weight. The study also highlights the importance of qualitative parameters such as entrepreneurial culture and perception of policy environment. It is important to note that these are indicative scores and the attractiveness, or otherwise, of a city could also be a function of a company's business mix and strategy. To illustrate, a

company in the inbound call business would have to invest significantly in training its employees in accent neutralization, thereby offsetting the lower employee costs in a particular city.

ANNEXURE: Findings of the NASSCOM ITES Super Nine Study:
Though the 'Super Nine' cities have already herded a number of ITES firms, there are many areas that need to be addressed to make them globally competitive. These requirements vary from city to city.

Ahmedabad
According to the profile of the ITES companies operating in the city, Ahmedabad is strong in website services and Web applications, call / contact centers and back-office operations. However, in other services such as database management / development, data processing / management and network management/remote maintenance, the city is relatively weak, though it has the telecom infrastructure to support these services. This shows that the manpower available in the city is best suited for call / contact centers and back-office operations. In order to attract the entire range of ITES companies, the city needs to address
- The recent communal riots have raised security concern for businesses. The government needs to address the issue proactively if it has to attract ITES companies
- Though the city's power infrastructure is reasonably good, the same can't be said about the public transport system
- Though power is not a major problem in the city, the cost of power is one of the highest in the country. This reduces the competitiveness of products and services coming out of the city
- The city has a fairly good educational infrastructure, however many students migrate to Mumbai each year in search of better prospects. This drain needs to be stanched to retain local talent

Bangalore
Though Bangalore has got a range of ITES companies, it seems to be stronger in the call / contact center, transcription, and back-office operations services. However, perhaps because of its IT-orientation, the city has also been able to attract a reasonable number of companies into database management / development, data processing / management and engineering, design, and GIS services. Given this, the city should still be able to attract other forms of ITES companies. However some of the issues that need to be looked into are:
- The city's infrastructure, especially power and telecom, are not keeping pace with the IT expansion. While the government promises uninterrupted power supply, the reality is far removed, and many ITES firms have to maintain their own back-up systems. This cranks up costs
- The city's public transport infrastructure is very weak and this has resulted in many people buying their own vehicle
- There is a lack of a neutral accent among the local populace which

necessitates training for call center services

- While real estate is not a problem, property costs in Bangalore are higher than those in Chennai

Chennai

Chennai, despite a relatively sturdy infrastructure, hasn't been able to attract as many ITES firms as Bangalore. However, from the profile of the companies operating in the city, it seems that the city is strong in call / contact center, content management / development & animation, data processing / management / digitization, and website services / Web applications. The city has the potential to attract all types of ITES firms, provided it addresses the following issues.

- Chennai loses out to the likes of Delhi and Bangalore in the 'perception game'. The city is perceived to be conservative and lacking in infrastructure. It would help if the government found a way to highlight the success stories of companies based in Chennai.
- The lack of a neutral English accent among the local populace is a problem that needs to be addressed. However the city is well placed for services like back office accounting and transcription

Hyderabad

Though the city scores high on infrastructure and policy, it has been able to attract only certain kinds of ITES companies. The current ITES population in the city is favourable towards engineering, design, GIS, and data processing / management / digitization and seems to lag in the contact center and transcription businesses. The following are the issues that should sit atop the state government's priority list:

- **The Andhra government is aggressively marketing Hyderabad as a choice destination for ITES companies. Thus, it has to take much greater care of the city's infrastructure**
- **The city's public transport infrastructure can definitely stand improvement.**
- **The state's ITES policy is perhaps one of the best in the country and puts a lot of emphasis on quality manpower. The government must now deliver on those intentions and support institutes that train manpower suitable for ITES**
- **Accent is a major problem that needs to be addressed through training support**

Kochi

Kochi is an upcoming city in Kerala and is aggressively being promoted by the state government as an IT destination. Though it doesn't have any ITES companies of significance yet, it holds a lot of potential to attract many. The city needs to address the following infrastructure issues:

- Though it has the lowest power tariff among the Super Nine, it still experiences some power cuts
- Like most cities in India, Kochi lacks a decent public transport

infrastructure.

- Compared to its larger brethren, Kochi has only a few colleges. As ITES companies would mainly hire graduates, the state needs to ensure abundant supply of trained manpower
- Kochi loses out in the perception game. The government needs to ensure that the city moves up this scale to start attracting new businesses

Kolkata

The profile of the ITES companies in Kolkata suggests that it is relatively strong in data processing / management / digitization and back-office operations. However, in other areas, the city hasn't been able to attract many companies. The government needs to address several issues, especially on policy, to attract companies from other kinds of services. Some of these are:

- The main issue that needs to be tackled to place Kolkata firmly on the ITES map is perception
- Although the state government is aggressively promoting Kolkata as a destination for ITES firms, it needs to do more. Offering more incentives - possibly following the Andhra model - and showcasing the success stories coming out of the city could be the first step toward achieving this
- The state also needs to increase its tele-density, and bring it at par with other leading cities
- The city's public transport system needs to improve dramatically, as does the quality of the road network

Mumbai

Next only to NCR as the preferred choice of destination for ITES firms, Mumbai is strong in call / contact centers, back-office operations, and data processing / management. However, it seems to be quite weak in transcription services and network management / maintenance. The city holds the potential to attract all kinds of ITES companies, but at the same time, it needs to take some steps to maintain and improve its competitiveness. These are:

- Mumbai is plagued by high real estate rates. Even a depressed real estate market has failed to bring down the prices on par with the other metros
- Though Mumbai has adequate trained manpower, the cost is among the highest in the country
- Though Mumbai has the best public transport infrastructure in the country, the same can't be said about its road network. The city's congested roads need to be de-clogged

NCR (Delhi, Noida and Gurgaon)

By far the leader in ITES in the country, NCR, unlike Bangalore, hasn't been able to attract every type of ITES company. For instance, from the profile of the companies operating in the region, it seems to be particularly strong in

call / contact center, back-office operations, website services / Web applications, and data processing / management / digitization, with call /contact centers leading the way. This region too has the potential to attract every kind of ITES firm, given some of the following initiatives:
- A lot remains to be achieved on the physical infrastructure front. Delhi's power supply needs immediate attention, as it necessitates backup power systems at companies, thus increasing costs
- The public transport infrastructure in NCR is quite inadequate. This adds to the companies' operational costs and thus is not a cost effective destination
- Like in many other parts of the country, the lack of a neutral accent may be a problem for some ITES firms, especially those in the call center business

Pune
Though Pune hasn't managed to attract many ITES companies, those that are there seem to be evenly distributed between the call/ contact center, data processing/ management/ digitization, data processing/ management/ digitization, and back-office businesses. But the other services are conspicuous by their absence. Infrastructure tops the list of concerns. A reliable and continuous power supply needs to be provided. Currently, ITES companies need to have their own backup power systems to supplement the utility's supply.
Some of the other concerns are:
- Arickety public transport system forces firms to spend on transportation. Additionally the road network needs to be expanded on a fast track
- Despite the government's sops for ITES units on the FSI norms, real estate rates in Pune are not that low