



“Next-wave” Location Profile – Hyderabad, India

Locations Insider™ (LI)

Market Report – May 2019: Complimentary Abstract / Table of Contents

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Custom research capabilities

- Benchmarking | Pricing, delivery model, skill portfolio
- Peer analysis | Scope, sourcing models, locations
- Locations | Cost, skills, sustainability, portfolio – plus a tracking tool
- Tracking services | Service providers, locations, risk
- Other | Market intelligence, service provider capabilities, technologies, contract assessment

This report provides perspectives on key aspects of the global sourcing market in Hyderabad

Hyderabad | Snapshot



Leading offshore location for global services delivery; significantly leveraged by technology firms

KEY FACTOIDS

122,000-126,000 annual tertiary graduates

Annual operating cost per FTE
80-85% savings over Dallas
4-7% savings over Bengaluru

Current overview

- Mature location for IT and BP service delivery as evidenced by the presence of multiple global players with scaled operations (2,000+ FTEs)
- Hyderabad's global services market is 340,000-350,000 FTE strong with a healthy mix of GICs and service providers
- The city is dominated by firms in the technology vertical, which constitute nearly 50% of the market share

Key drivers

- Large talent pools at both entry- and experienced-levels; high maturity to support complex ITS and industry-specific BPS with significant cross-functional expertise
- Presents 80-85% cost arbitrage over tier-2 U.S. cities and 4-7% savings over tier-1 Indian cities
- Favorable business environment with strong government support, well-developed infrastructure, established global services ecosystem, and good quality of life for expats

Key challenges

- High competition, especially for small players and new entrants, given presence of several large players with scaled operations
- Some concerns around high turnover rates affecting talent management
- Some concerns due to the recent split of the state Andhra Pradesh (of which Hyderabad is the capital), although IT-BP operations remain largely unaffected

KEY PLAYERS:

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Hyderabad | Risk profile (page 1 of 2)

Geopolitical stability and strong government support for the IT-BP sector

Parameter	Everest Group rating	Comments
Geopolitical		<ul style="list-style-type: none"> • Stable business environment with investor-friendly central and state government, although in 2014, Andhra Pradesh was split in two, with Hyderabad serving as the capital city for both the states (Andhra Pradesh and Telangana) through 2024 • India ranks 41st out of 167 countries in the Economist Intelligence Unit's (EIU) Democracy Index 2019 and was labeled a "flawed democracy" • While India's ranking declined the 32nd position in 2017 driven by the rise of conservative religious ideologies, the IT-BP operations remain largely unaffected • There are some concerns regarding relationships with Pakistan and China; however, there is limited impact on business operations
Macroeconomic		<ul style="list-style-type: none"> • Macroeconomic fundamentals are stable, with the GDP forecasted to grow at a robust 7.3% in FY2019 driven mainly by significant government spending, an expansionary monetary policy, and greater political certainty following the national elections • Moody's has upgraded the government's local and foreign currency issuer ratings from Baa3 to Baa2 and changed the outlook from stable to positive; these changes are likely to unleash a fresh round of foreign portfolio investments and make external commercial borrowing cheaper • Although fiscal and public debt remain substantial, rapid workforce growth, an expanding middle class, and an ongoing productivity shift from agriculture to services will improve macroeconomic stability • However, rising crude oil prices and the steady decline in the value of rupee versus the dollar are some major concerns pressing on the current state of Indian economy
Infrastructure		<ul style="list-style-type: none"> • Hyderabad offers a favorable public transportation system and infrastructure facilities through an extensive road, rail, and air network • Hyderabad has significant international connectivity given the presence of an international airport with direct flights to multiple countries

Source: Everest Group (2019); inputs from recruitment firms, market players, and investment agencies

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Research calendar – Locations Insider

Published
 Planned
 Current release

Flagship Locations Insider reports

Release date

"Next-wave" Location Profiles – Tampa, Florida, The United States	March 2019
"Next-wave" Location Profiles – The Philippines	March 2019
"Next-wave" Location Profiles – Guadalajara, Mexico	May 2019
"Next-wave" Location Profiles – Hyderabad, India	May 2019
Global Locations Annual Report 2019	Q2 2019
"Next-wave" Location Profiles – India	Q2 2019
"Next-wave" Location Profiles – San Jose, Costa Rica	Q2 2019
"Next-wave" Location Profile – Chennai, India	Q2 2019

Thematic Locations Insider reports

Regional Handbook: Focus on Digital Services Talent in Europe	Q2 2019
Talent Hotspots for Risk Analytics In BFSI	Q2 2019
Global Handbook – Focus on Language Skills Availability Across the World	Q2 2019
Changing Fortunes of Delivery Locations – How Macroeconomic Factors Impact Delivery Locations?	Q3 2019
Global Handbook – Focus on Next-Gen Skills Across the World	Q3 2019
What is the Role of Global Delivery Model in an Agile Construct?	Q4 2019
Regional Handbook – Focus on FinTech Talent in the U.S.	Q4 2019

Note: For a list of all of our Locations Insider™ reports, please visit the [Locations Insider™](#)

Additional research references

The following documents are recommended for additional insight into the topic covered in this report. The recommended documents either provide additional details or complementary content that may be of interest:

1. **“Next-wave” Location Profile – Bangalore** ([EGR-2018-37-R-2725](#)); 2019. This report analyzes Bangalore and offers perspectives on global sourcing profile of Bangalore, key opportunities, drivers, and challenges, along with an overview of talent availability, operating costs, and environment risks
2. **Global Locations Annual Report 2018: Service Delivery Portfolios in a Disrupted World** ([EGR-2018-37-R-2646](#)); 2018. The Global Locations Annual Report 2018 is a unique and comprehensive guide to understanding the nuances of the global services locations landscape and interpreting locations-related developments and trends to frame locations strategy. This report has three tenets – Key Trends Shaping the Landscape, Risk Watch, and Locations PEAK Matrix. It presents insights into the size and growth of the global services market, update of locations activity, changes in risk profiles of locations, and an analysis of the relative maturity, arbitrage, and potential of locations for multiple functions
3. **IT Services Delivery from APAC** ([EGR-2017-2-R-2137](#)); 2017. While IT services delivery in the Asia Pacific region has traditionally been centered predominantly in India, companies have shown increased interest in exploring alternative locations such as the Philippines, China, Malaysia, Singapore, and even destinations such as Sri Lanka and Vietnam. In addition to offering lower cost than onshore United States and Europe, each of these locations has a unique value proposition, making them attractive choices for setting up alternative delivery centers / regional hubs for IT operations. This report provides a detailed assessment of location options within the Asia Pacific region for global IT service delivery

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About Everest Group

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