



## **“Next-wave” Location Profile – Chennai, India**

Locations Insider™ (LI)

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

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- 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 Chennai

## Chennai | Quick snapshot



Mature location for global delivery of IT-BP services; significantly leveraged by financial institutions and engineering services firms

### KEY FACTOIDS

120,000-125,000 annual tertiary graduates

Annual operating cost per FTE 80-85% savings over Dallas 8-10% savings over Bangalore

### Current overview

- High maturity across IT-BP service delivery as evidenced by the presence of multiple global players with scaled operations
- Chennai hosts multiple large-scaled IT players (1000+FTEs) leveraging the available IT & engineering talent pool
- IT exports from Chennai grew at a CAGR of 8.6% between 2013-2014 and 2017-2018 and stood at US\$17.1 billion; it is the second largest IT services exporter in India

### Key drivers

- Access to sizable talent pool at both entry and experienced levels, coupled with significant cost arbitrage over the U.S. cities and many tier-1 Indian cities
- High availability of government incentives, including administrative incentives, capital subsidies, and tax exemptions for investors especially for IT/BP services
- Mature location for supporting full spectrum of global IT services, significantly leveraged to support traditional processes

### Key challenges

- Concerns around ineffective single window system and low ease of doing business
- Some concerns around high attrition rates owing to high competitive intensity
- Safety concerns owing to poor planning within the city leading to frequent water logging and flooding
- Trade unions in IT sector might lead to stringent conditions and high cost for an employer

KEY PLAYERS:



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## Chennai | Risk profile (page 1 of 2)

Stable geopolitical and macroeconomic environment along with strong government support for developing the suitable infrastructure for industries

Parameter	Everest Group rating	Comments
Geopolitical		<ul style="list-style-type: none"> <li>• Stable business environment with investor-friendly central and state governments</li> <li>• India holds 41<sup>st</sup> rank among 167 countries in the Democracy Index 2019 compiled by the Economist Intelligence Unit (EIU) and was marked as "flawed democracy"                             <ul style="list-style-type: none"> <li>– While India's ranking came down from 32<sup>nd</sup> position in 2017 driven by rise of conservative religious ideologies, the IT-BP operations remain largely unaffected</li> </ul> </li> <li>• Some concerns regarding relationship with Pakistan and China; however, limited impact on business operations</li> </ul>
Macroeconomic		<ul style="list-style-type: none"> <li>• Stable macroeconomic fundamentals with the GDP forecasted to grow at a robust 7.3% in FY 2019, mainly driven by robust government spending, expansionary monetary policy, and greater political certainty following the national elections</li> <li>• 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                             <ul style="list-style-type: none"> <li>– It is likely to unleash a fresh round of foreign portfolio investments and make external commercial borrowings more affordable</li> </ul> </li> <li>• Although the fiscal and public debt remains substantial, rapid workforce growth, an expanding middle class, and ongoing productivity shift from agriculture to services, will improve macroeconomic stability</li> <li>• However, rising crude oil prices and steady decline in the value of rupee in terms of dollar are some major pressing concerns on the current state of the Indian economy</li> </ul>
Infrastructure		<ul style="list-style-type: none"> <li>• Chennai offers favorable infrastructure facilities and public transportation system through extensive road, rail, and air network</li> <li>• Strong international connectivity driven by presence of an international airport with direct flights to multiple countries</li> <li>• Three world class submarine cables of 14.8 Tbps that connect Chennai to the world</li> <li>• WEF ranked India 63<sup>rd</sup> out of 140 countries indicating moderate quality of infrastructure</li> </ul>

Source: Everest Group (2019); EIU; World Bank; Moody's; IBEF; interviews with market participants



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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 Profile – Hyderabad, India .....	May 2019
"Next-wave" Location Profiles – San Jose, Costa Rica .....	May 2019
"Next-wave" Location Profiles – India .....	June 2019
<b>"Next-wave" Location Profiles – Chennai .....</b>	<b>June 2019</b>
Global Locations Annual Report 2019 .....	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 – Philippines** ([EGR-2019-37-R-3086](#)); 2019. This report analyzes the Philippines and offers perspectives on global sourcing profile of the country, 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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