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Business Process Outsourcing (BPO)
Indian Supplier Landscape
Report Preview

April 2007

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Scope and suppliers covered (page 1 of 2)

This study focuses on suppliers that meet the following criteria:

- **India-centricity**
  India-centric suppliers include those that are predominantly focused on delivering BPO services from India. More tactically, the suppliers have been selected such that they:
  - Are headquartered in India, or
  - Have the majority of their workforce (>50%) in India

  Additionally, we have included IBM Daksh in this study, which does not meet these specific criteria, but matches this profile for all practical purposes due to retention of its identity/independence[1]

- **Scale requirements**
  We believe the numbers outlined below indicate achievement of critical mass and, hence, form the cut-off for supplier inclusion:
  - CY06 revenues (or annualized revenue run rate) greater than US$100 million, and/or
  - Employees greater than 10,000 (as of December 2006)

Suppliers primarily focused on Knowledge Process Outsourcing segments and India operations of global BPO suppliers have been excluded from the study

1 Another such example is MphasiS (EDS). However, MphasiS does not meet the scale criteria and, as a result, is not included in the detailed analysis but is profiled in Appendix

Scope and suppliers covered (page 2 of 2)

List of suppliers covered in this study[1]:

- EXL
- Firstsource
- Genpact
- HCL
- IBM Daksh
- Infosys
- Sutherland
- TCS
- TransWorks
- Wipro
- WNS

In addition to the suppliers analyzed in detail, this report also provides basic profiles of other emerging players who did not meet our cut-off criteria but have the potential to become serious offshore BPO contenders in the future. This list includes:

- 24/7 Customer
- Datamatics Technologies
- MphasiS
- Nipuna (Satyam)
- vCustomer

1 Hinduja TMT, Aegis BPO, and Intelenet were other India-centric BPO suppliers that met this study's criteria but chose not to participate in the study

BPO offerings covered in this study[1]

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Category	Description	BPO offerings included (examples of processes)	Comments
Horizontal BPO	BPO services that are reasonably similar across industries	▪ Finance & Accounting (accounts payable, accounts receivable, taxes) ▪ Human Resources (payroll, benefits, recruitment) ▪ Procurement (spend management, purchasing, procure-to-pay) ▪ Customer service (sales & marketing, service support) ▪ Others (facilities management, supply-chain management)	Processes that require industry expertise (e.g., telecom technical support) are included under vertical-specific BPO
Vertical-specific BPO	BPO services that require a high degree of vertical-specific knowledge and which are not easily replicable across industries	▪ Financial services (loan processing, mortgage processing, credit cards, claims processing, policy administration) ▪ Telecom (billing, technical support) ▪ Healthcare (clinical data management, clinical trials, health insurance claims processing) ▪ Retail (store solutions, store cards processing) ▪ Other vertical-specific offerings in energy & utilities, travel, etc.	
Knowledge Process Outsourcing	Knowledge-intensive outsourcing services	▪ Business research (consulting support, data collection, report writing, industry analysis) ▪ Data analytics (statistical analysis using tools such as SAS/SPSS, data mining, reporting) ▪ Data management (database creation, database cleaning, database maintenance, reporting) ▪ Market research (survey design and administration, analysis)	Industry-focused offerings like media and publishing outsourcing are included under vertical-specific BPO

1 Engineering services are not included in the scope of this study

Key messages

Indian offshore BPO market overview

- Following in the footsteps of IT ADM, offshoring of BPO services is becoming increasingly mainstream. India is at the forefront of this movement
- Key India-centric BPO suppliers have reached meaningful scale and are now successfully competing with traditional global majors in the BPO space

Key market segments

- To date, growth has been driven through select market segments, including:
  - Geographies: North America and the UK
  - Verticals: Financial services, telecom, and manufacturing sectors
  - Service offerings: Customer service, financial services vertical-specific, and FAO
- Among BPO offerings, the future growth focus is on FAO, vertical-specific offerings, and KPO

Supplier capability analysis

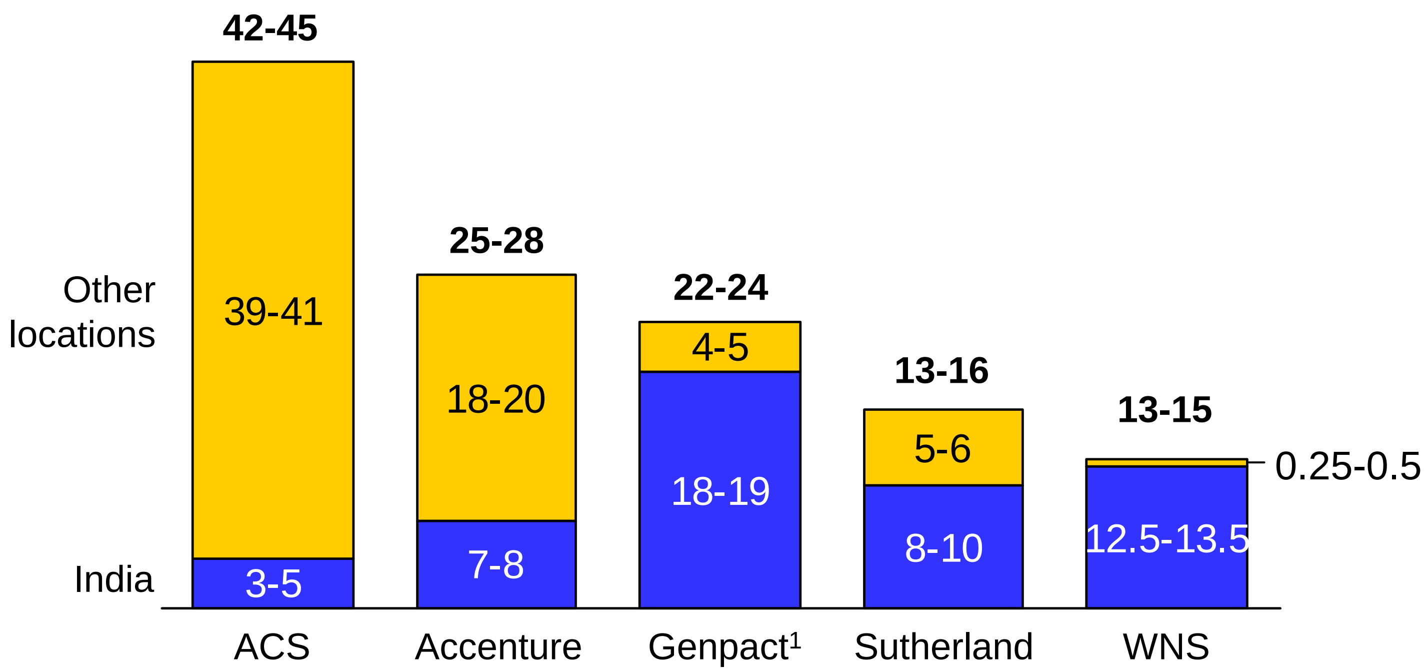
- The majority of Indian suppliers now have a BPO delivery presence outside of India
- Indian suppliers are offering a broad range of services across horizontal BPO, vertical BPO, and KPO segments in order to serve a buyer in multiple areas
- Distinctive spikes are beginning to develop across suppliers
- To fuel growth, suppliers are making significant investments including acquisitions, expansion of delivery footprints, and creation of technology platforms

Beyond labor arbitrage

- Indian BPO suppliers are developing capabilities to move beyond the “low-cost provider” model and become end-to-end “process owners”
- As suppliers make this transition, they will need to:
  - Make significant investments across people, processes, and technologies
  - Structure and manage engagements differently, including higher risk-sharing, greater management participation, moving to output-based pricing, and other changes

The top India-centric suppliers have already achieved moderate scale in terms of employees

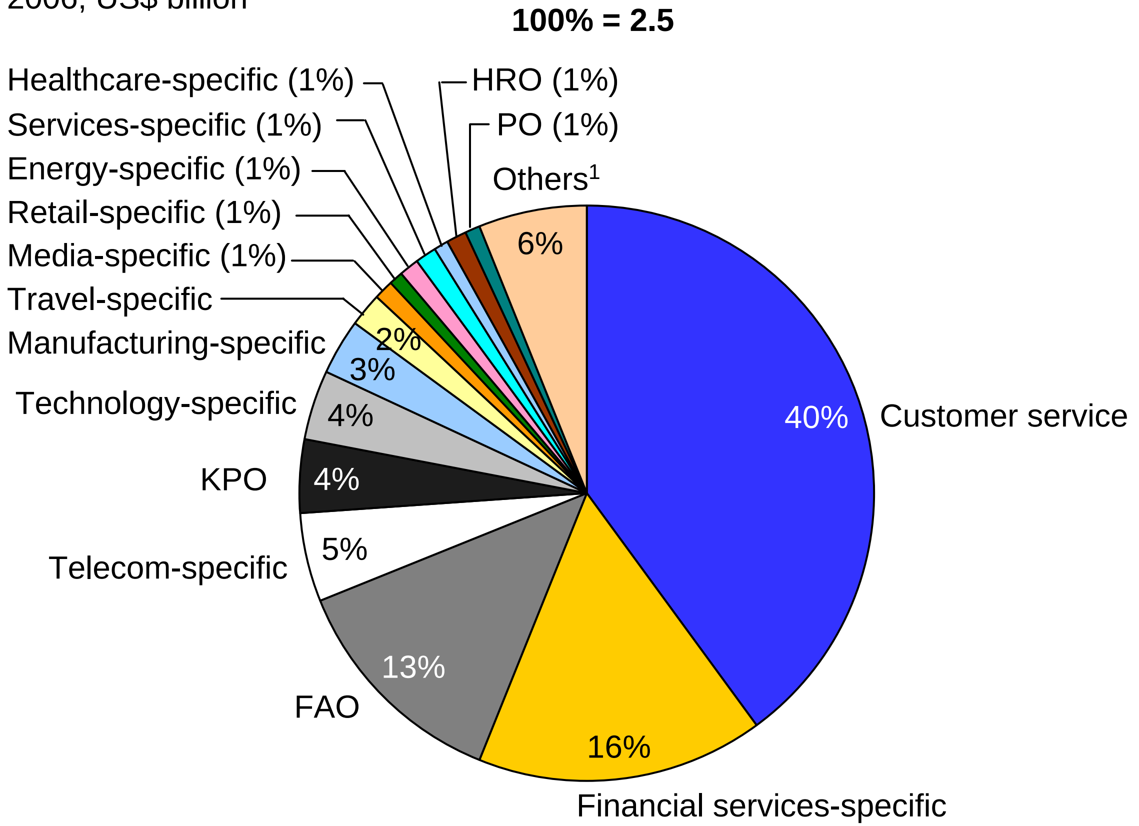
BPO employees of select global and Indian suppliers
'000 employees



1 Everest estimate of Genpact's BPO employees, excludes employees engaged in IT services
Source: Everest Research Institute (2007)

Among service offerings, customer service, financial services vertical-specific, and FAO account for ~70% of supplier revenues

Revenue split by service offerings
2006; US$ billion



Vertical-specific service offerings account for 35% of total revenues

1 Includes risk consulting, call-center consulting, data entry, validation, etc.
Source: Everest Research Institute (2007)

Future growth is expected to come from a different offering set, with FAO, vertical-specific offerings, and KPO providing the bulk of the growth

Market segment	Growth focus	Comments on market segment potential
FAO	●	▪ Continued strong buyer demand with no indication of a slowdown ▪ Suppliers making investments in people expertise, technology platforms, and process excellence
Financial services vertical-specific	●	▪ Although current contribution is high, buyer penetration is still low due to the large potential of this segment ▪ Fortune 500: will see further growth, with a trend towards captives ▪ Non-Fortune 500: expected to witness significant growth
Other vertical-specific	◕	▪ Significant addressable market ▪ Suppliers focused on developing vertical spikes ▪ Key focus segments are telecom, media, and healthcare
KPO	◕	▪ Expected to grow rapidly by cannibalizing some of the onshore work and creating new demand for these services ▪ Challenges around labor supply constraints and the need for a strong sales force
Customer service	◑	▪ Buyer demand evolving towards integrated services across processes and channels ▪ Tier-1 suppliers attempting to increase non-voice work (e.g., order processing, marketing support) with an increased focus on building competencies in key processes (e.g., customer analytics)
PO	◑	▪ Increasing buyer interest for outsourcing indirect spend ▪ Procure-to-Pay (P2P) seen as an extension of FAO capabilities; fully leveraged offshore sourcing model not yet established
HRO	◔	▪ Inherent buyer resistance to offshore internal employee-facing processes ▪ Suppliers are expected to push for offshore delivery as a lever to reduce costs

Source: Everest Research Institute (2007)

This report analyses suppliers on multiple dimensions to provide a comprehensive view of the suppliers' overall capabilities and strength areas

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The majority of suppliers now have delivery presence outside of India, though client base is concentrated in North America and the UK

● Very high ◔ Low

Supplier
EXL
Firstsource
Genpact
HCL BPO
IBM Daksh
Infosys BPO
Sutherland
TCS
TransWorks
Wipro BPO
WNS

At an aggrega
are based out

Genpact is one of the global market leaders in FAO; Infosys, IBM Daksh, and WNS also have strong capabilities in this space

● Very high ◔ Low

Supplier
EXL
Firstsource
Genpact
HCL BPO
IBM Daksh
Infosys BPO
Sutherland
TCS
TransWorks
Wipro BPO
WNS

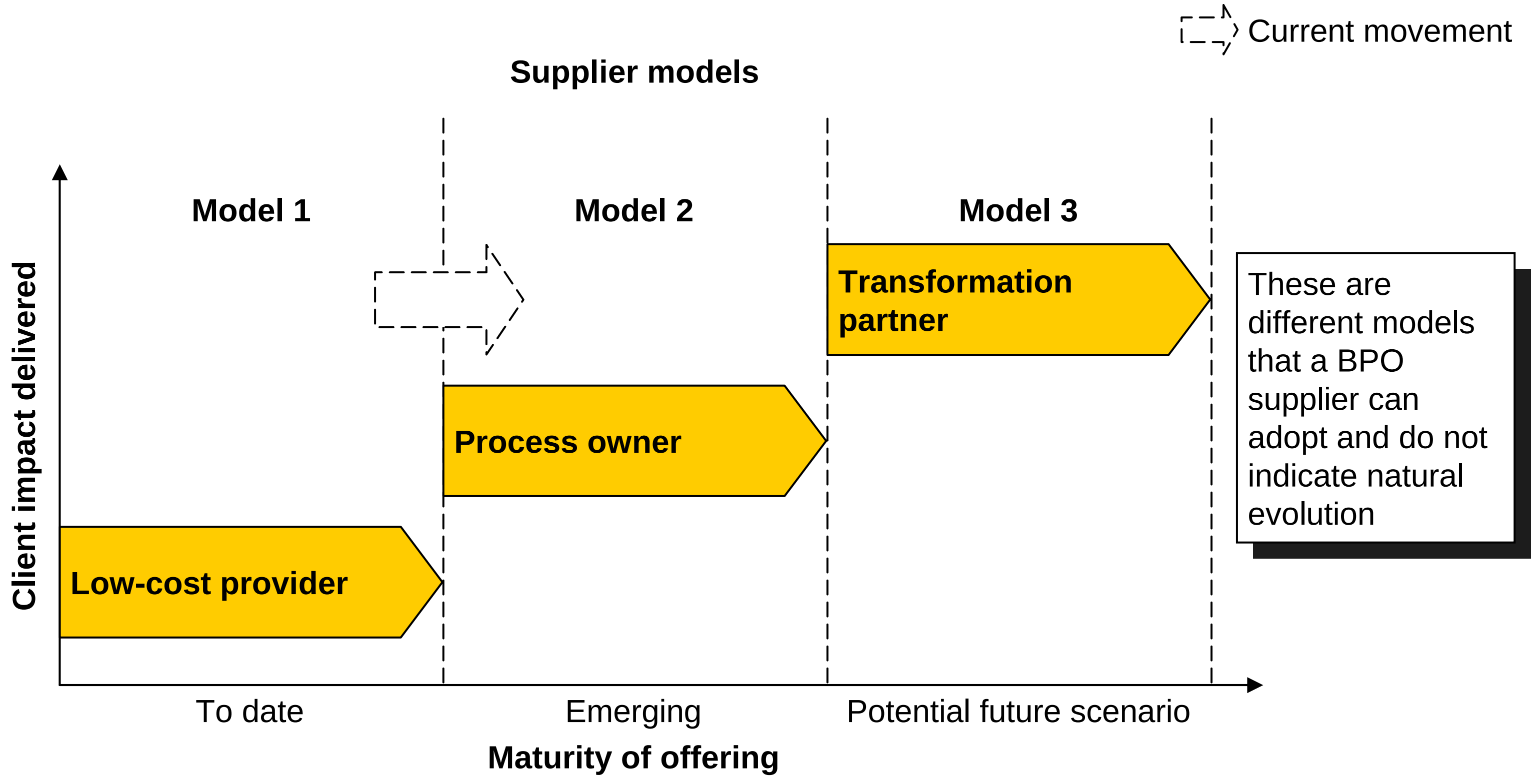
Customer service is generally a strong offering across suppliers, but HCL, IBM Daksh, and Wipro have clear leadership in this space

● Very high ◔ Low

	Depth of customer service delivery capability	
Supplier	**Rating**	**Comments**
EXL	◑	Offers capabilities in customer service largely due to its clients in the financial services domain
Firstsource	◕	Strong credentials in customer service especially for clients in the financial services domain. Sizable presence in telecom/media domain as well
Genpact	◕	Strong credentials in this segment, as customer service is one of the key components in a majority of Genpact's deals
HCL BPO	●	Very strong credentials in the customer service space with a definite spike in the telecom vertical
IBM Daksh	●	Daksh was one of the leaders of the Indian BPO market in the voice space prior to the acquisition. IBM Daksh retains the position due to the continued focus on CRM
Infosys BPO	◑	Started off by staying away from customer service but has built capabilities as part of its broader deals, especially in telecom
Sutherland	◕	Very strong credentials in customer service for the ICT vertical
TCS	◔	Customer service has not been a significant focus area for TCS; it has only built some capabilities as part of its broader deals
TransWorks	◕	Primarily a voice-based customer-service player. The Minacs acquisition has made it one of the strongest contenders in the automobile industry in this space
Wipro BPO	●	Wipro BPO continues to focus heavily on this space and has strong credentials in technical helpdesk and customer service for the technology and telecom verticals
WNS	◑	WNS has capabilities in customer service offerings built around its travel and transportation, consumer products, and financial services clients

- All the suppliers have been evaluated in detail using a robust quantitative model on four dimensions:
  - Scale
  - Geographic reach
  - Breadth of offerings
  - Depth of offerings
- Additionally, qualitative perspectives based on Everest experience and knowledge have also been provided to supplement the quantitative evaluation

Further, it evaluates different supplier models prevalent today and provides tactical suggestions on how suppliers can move beyond labor arbitrage



Key characteristics			
	▪ Focused on low-cost solutions leveraging labor arbitrage	▪ End-to-end capabilities for identified set of processes ▪ Platform-based solution ▪ Best-practices approach	▪ Holistic solution with outsourcing as a component ▪ Consulting-driven ▪ Deep domain expertise ▪ High breadth of offering

The report also includes detailed profiles of sixteen key Indian BPO suppliers

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Sample supplier profile
Genpact (page 2 of 2)

● Very high
○ Low

Established offering
Nascent/Emerging offering
Not a focus area

Dimension	Score	Comments
Scale	●	Genpact is the largest Indian-headquartered global BPO supplier both in terms of revenues and employees
Geographic reach	◕	Though the majority of revenues are from North America, Genpact has a client base in the UK, Continental Europe, and APAC as well. Delivery network spreads to Mexico, Eastern Europe, and APAC. Expected to further increase its global presence in 2007

Breadth of offering	
Key horizontal BPO offerings and KPO	Cus serv
Key vertical-specific BPO offerings	Fina serv

Depth of offering in select s	
Segment	Sco
FAO	
Customer service	
Financial services vertical-specific BPO	

Sample supplier profile
Genpact (page 1 of 2)

Company description: Genpact is a provider of business services and technology solutions. Genpact, which was formerly known as GECIS, was established to serve General Electric's (GE) business units and support back-office processes. GE continues to be a major client and joint owner of Genpact

Key leaders: Pramod Bhasin, President and CEO, VN Tyagarajan, EVP Business Development, Shantanu Ghosh, SVP and Business Leader for F&A

Headquarters: Delaware, USA (Corporate headquarters), Gurgaon, India (Administrative headquarters)

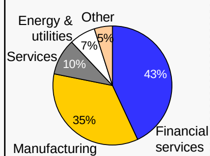
Delivery centers: India (Gurgaon, Hyderabad, Delhi, Bangalore, Jaipur, Kolkata), Philippines (Alabang), China (Dalian, Changchun), Hungary (Budapest), Mexico (Juarez, Caborca), Romania (Bucharest)

Outsourcing offerings: FAO, PO, HRO, contact center, KPO, industry solutions

Market news:
- Dec 2006: Genpact receives clearance to set up three Special Economic Zones (SEZz) in Bhopal, Bhubaneshwar and Jaipur
- Nov 2006: Philippines Business Service and Technology Center with 200 professional inaugurated in Alabang
- Oct 2006: Genpact opens second delivery center in Kolkata
- Sep 2006: Genpact launches new facility in Juarez, Mexico. This will provide software development, customer service, F&A, and collections services

	CY 2006	CY 2005	CY 2004
Revenue range[1]	\$400-600 M	\$200-400 M	\$200-400 M
Employees[2]	26,000	19,500	16,000

Revenue vertical mix
2006; Percentage



Revenue geographic mix
2006; Percentage

N.A.

Key clients[3]: General Electric, GlaxoSmithKline, Linde, Wachovia, Kimberly-Clark

Recent transactions[3]:
- Feb 2007: GlaxoSmithKline, FAO contract covering F&A processes ranging from corporate consolidation to statutory reporting for UK operations
- Jan 2007: Kimberly-Clark, five years, FAO contract
- May 2006: GlaxoSmithKline, five years, FAO contract for U.S. operations
- Jan 2006: Linde, \$60 M, seven years, FAO contract
- Dec 2005: Wachovia, \$50 M, seven years, BPO contract

1 Using US\$ revenues for LTM (last 12 months) ending December 31
2 Includes employees providing IT services
3 Client and transaction information from public sources only

Each profile contains the following supplier information and assessment:
- Company overview (description, leadership, etc.)
- Financial metrics (revenues, splits by geography, etc.)
- Details of service offerings
- Key clients
- Delivery locations
- Key transactions and other market news
- Quantitative and qualitative assessment along key dimensions (scale, breadth and depth of offerings, etc.)

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