

India's Services Delivery Overview – Tier-1 Hubs Continue to Grow, Tier-2/3 Speeding Up

November 2022: Complimentary Abstract / Table of Contents



Our research offerings

This report is included in the following research program(s):

Locations Insider™

- ▶ Application Services
- ▶ Artificial Intelligence (AI)
- ▶ Banking and Financial Services Business Process
- ▶ Banking and Financial Services Information Technology
- ▶ Catalyst™
- ▶ Clinical Development Technology
- ▶ Cloud and Infrastructure
- ▶ Contingent Staffing
- ▶ Contingent Workforce Management
- ▶ Conversational AI
- ▶ Customer Experience Management Services
- ▶ CX Excellence
- ▶ Cybersecurity
- ▶ Data and Analytics
- ▶ Digital Adoption Platforms (DAP)
- ▶ Digital Engineering Services
- ▶ Digital Services
- ▶ Digital Workplace
- ▶ Employee Experience Management (EXM) Platforms
- ▶ Employer of Record (EOR)
- ▶ Engineering Services
- ▶ Enterprise Platform Services
- ▶ Exponential Technologies
- ▶ Finance and Accounting
- ▶ Financial Services Technology (FinTech)
- ▶ Global Business Services
- ▶ Healthcare Business Process
- ▶ Healthcare Information Technology
- ▶ Human Resources Outsourcing
- ▶ Insurance Business Process
- ▶ Insurance Information Technology
- ▶ Insurance Technology (InsurTech)
- ▶ Insurance Third-Party Administration (TPA) Services
- ▶ Intelligent Document Processing (IDP)
- ▶ Interactive Experience (IX) Services
- ▶ IT Services Executive Insights™
- ▶ Life Sciences Business Process
- ▶ Life Sciences Commercial Technologies
- ▶ Life Sciences Information Technology
- ▶ Locations Insider™
- ▶ Marketing Services
- ▶ Market Vista™
- ▶ Mortgage Operations
- ▶ Multi-country Payroll
- ▶ Network Services and 5G
- ▶ Outsourcing Excellence
- ▶ Pricing Analytics as a Service
- ▶ Process Mining
- ▶ Procurement
- ▶ Recruitment
- ▶ Retirement Technologies
- ▶ Revenue Cycle Management
- ▶ Rewards and Recognition
- ▶ Service Optimization Technologies
- ▶ Software Product Engineering Services
- ▶ Supply Chain Management (SCM) Services
- ▶ Sustainability Technology and Services
- ▶ Talent Excellence GBS
- ▶ Talent Excellence ITS
- ▶ Technology Skills and Talent
- ▶ Trust and Safety
- ▶ Work at Home Agent (WAHA) Customer Experience Management (CXM)

If you want to learn whether your organization has a membership agreement or request information on pricing and membership options, please contact us at info@everestgrp.com

Learn more about our
custom research capabilities

Benchmarking

Contract assessment

Peer analysis

Market intelligence

Tracking: providers, locations,
risk, technologies

Locations: costs, skills,
sustainability, portfolios

Contents

For more information on this and other research published by Everest Group, please contact us:

Parul Jain, Vice President

Sumit Kumar, Practice Director

Mohini Jindal, Senior Analyst

Aarushi Rishi Raj, Senior Analyst

Dhruv Guptaa, Analyst

1. Introduction and overview	4
• Research methodology	5
• Background, aim, and coverage of this report	6
• Factors driving services delivery growth in India	8
• Summary of key messages	9
2. India's services market landscape	10
• India's services market revenue	11
– Share by industry segments and overall growth	12
– Share by source geography and industry verticals	13
– Share by city tiers	14
• India's services headcount growth and share by industry segments	15
• Distribution of new center set-ups by city tiers	17
• Distribution of new center set-ups by sourcing model	18
3. Details of IT-BP services delivery from Indian cities	21
• Analysis of tier-1 cities by market maturity, key players, and risk	22
• Analysis of tier-2 cities by market maturity, key players, and risk	26
• Analysis of tier-3 cities by market maturity, key players, and risk	30
• Key drivers and challenges for services delivery from tier-1,2,3 cities	34
4. Appendix	36
• Risk assessment framework	37
• Research calendar	38

Our research methodology is based on four pillars of strength to produce actionable and insightful research for the industry

01

Robust definitions and frameworks

Talent pool scalability and sustainability assessments, cost arbitrage sustainability, and risk assessment frameworks

02

Primary sources of information

Annual contractual and operational RFIs, provider briefings and buyer interviews, web-based surveys

03

Diverse set of market touchpoints

Ongoing interactions across key stakeholders, input from a mix of perspectives and interests, supports both data analysis and thought leadership

04

Fact-based research

Data-driven analysis with expert perspectives, trend-analysis across market adoption, contracting, and providers

Proprietary contractual database of operating costs, labor pool, market activity, and risks (updated annually)

Year-round tracking of 300+ locations around the world

Large repository of existing research in on all offshore, nearshore, and onshore locations across regions (APAC, Europe, North America, LATAM, and Africa)

Over 30 years of experience advising clients on strategic IT, business services, engineering services, and sourcing

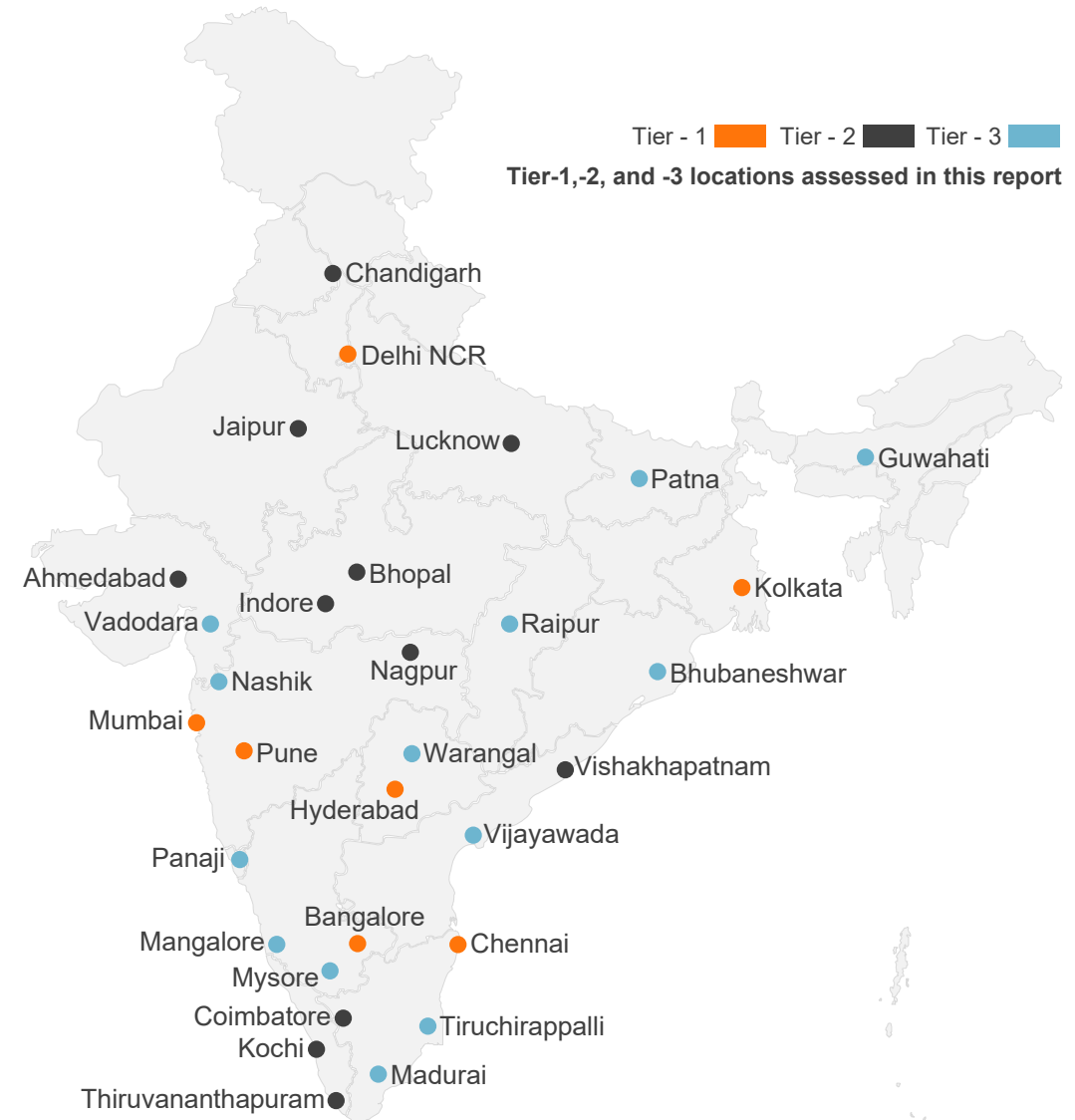
Executive-level relationships with buyers, providers, technology providers, and industry associations

Background, aim, and coverage of this report

Over the last two decades, India has constituted a lion's share in the overall global services delivery landscape and continues to be the most leveraged location globally. This is primarily driven by the country's strong talent base to support all the major source geographies (such as the US, the UK, and Europe) at a significant cost arbitrage. The country's stable business and operating risk environment and strong business resiliency exhibited during COVID-19 further amplifies the already strong value proposition.

Tier-1 Indian locations such as Bangalore, Mumbai, Hyderabad, and Delhi NCR are heavily leveraged for supporting the breadth and depth of global services – however, high attrition and intensifying competitive intensity in tier-1 hubs is forcing organizations to widen their India's locations portfolio to include tier-2/3 locations. For this, market players will need to be cognizant of the value proposition (such as talent availability, services delivery portfolio, type of services being supported, key market platers, domestic vs global delivery, and business risk) of these tier-2/3 locations vis-à-vis tier-1 hubs.

This report aims to support market players in their quest for supporting the right service from the right location within India. It highlights the relative attractiveness and value proposition of key tier-1,-2,-3 cities for supporting global services delivery, based on a multi-faceted assessment.



There are multiple drivers pushing global services delivery growth in India



Strong talent-cost proposition

India offers one of the largest and youngest talent markets to support global services delivery across breadth and depth of IT Services (ITS), Business Process Services (BPS), and Engineering R&D (ER&D) services. The proposition is further strengthened with significant cost arbitrage (up to 80%) over source geographies.



Rise in demand for digital capabilities

With companies looking to drive business growth and transformation through the adoption of digital technologies, many Indian GBS organizations and providers are upskilling talent for niche technologies such as AI, ML, and IoT to gain buy-in from clients and parent enterprises.



Untapped talent pockets in tier-2/3 locations

With increasing maturity and saturation in tier-1 cities, enterprises and service providers are expanding their footprint across tier-2 and -3 locations throughout the country to leverage the untapped talent potential, lower competition and operating costs, as well as to diversify location risk.



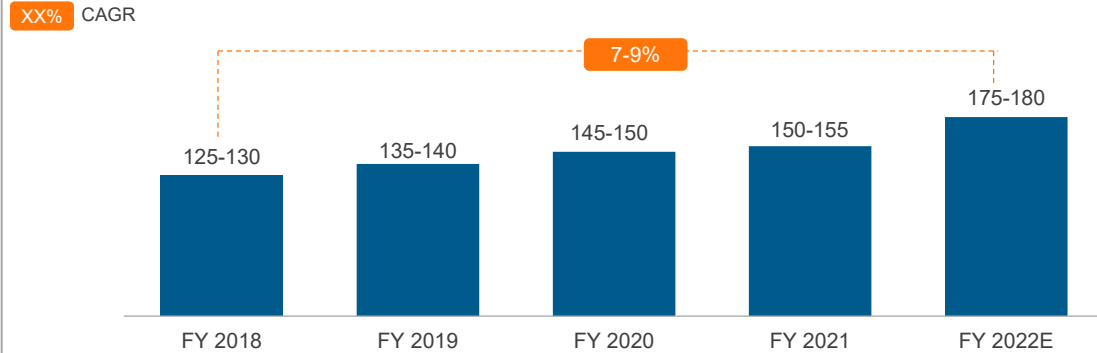
Attractive business environment with pragmatic government support

India's pro-investment government continues to make significant progress in strengthening the enabling ecosystem for global services delivery. Notable initiatives have been undertaken by state and central governments, and enabling bodies such as NASSCOM to facilitate industry growth.

This study provides a deep dive into the key aspects of India's services delivery market; below are four charts to illustrate the breadth and depth of this report

Breakdown of export services revenue – by year

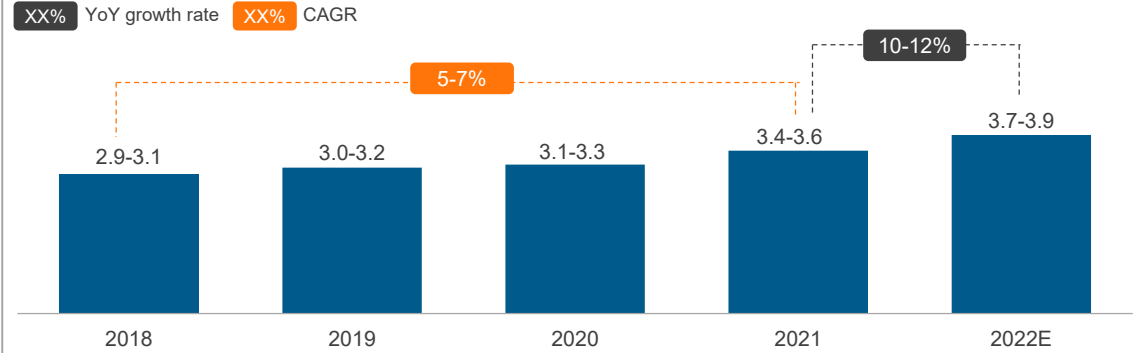
Breakdown of export services revenue – by year
FY2018-22E; US\$ billion



Note: E = Estimate
Source: Everest Group (2022)

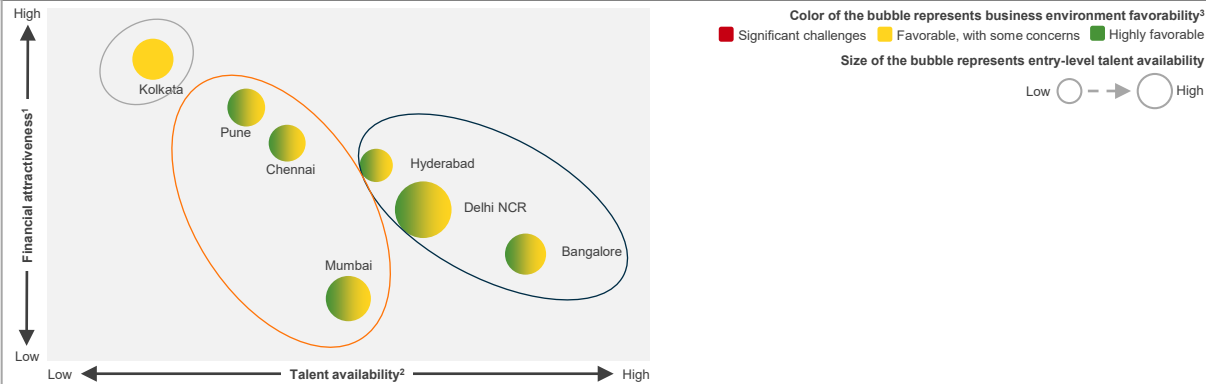
Breakdown of export services headcount – by number of FTEs

Breakdown of export services headcount – by number of FTEs
2018-22E; in millions



Source: Everest Group (2022)

Risk-reward assessment | tier-1 cities



1 Reflects market average annual costs for steady state of operations blended across the delivery pyramid and excludes capital expenses related to setup, transition, expat costs, and of economies of scale for large-scale operations
 2 Represents presence of employed talent pool for ITS-BPS delivery
 3 Combination of safety & security, quality of infrastructure and connectivity, quality of life, fitment of hybrid model, and government support
 Source: Everest Group (2022)

Market maturity | tier-1 cities

City	Employed talent - ITS/BPS split 2022; in %	Evidence of global services delivery	Key functions supported (in order of prevalence)
Bangalore	59-61% 39-41%	■■■■■	Application development/support, digital services, automation
Chennai	55-57% 43-45%	■■■■■	Application development/support, F&A, IT infrastructure
Delhi NCR	48-50% 50-52%	■■■■■	F&A, contact center, application development/support
Hyderabad	56-58% 42-44%	■■■■■	Application development/support, digital services, IT infrastructure
Kolkata	50-52% 48-50%	■■■■■	F&A, application development/support, IT infrastructure
Mumbai	45-47% 53-55%	■■■■■	F&A, industry-specific BPS, application development/support
Pune	56-58% 42-44%	■■■■■	Application development/support, digital services, F&A

Source: Everest Group (2022)

Research calendar

Locations Insider™

■ Published
 ■ Planned
 ■ Current release

Reports title	Release date
Global Locations State of the Market 2022: Talent Drives Locations Strategies Risk Watch	May 2022
Location Spotlight – Uruguay	June 2022
US Talent Supply Landscape of the Top 10 In-demand Technology Skills	June 2022
Location Spotlight – Quebec City	June 2022
Risk Radar Newsflash Presidency Win for Gustavo Petro in Colombia Poses Short-term Services Delivery Risk; Firms Should Adopt a Wait-and-Watch Approach	June 2022
Location Spotlight – Peru	July 2022
Location Spotlight – Colombia	July 2022
Location Spotlight – Dubai	July 2022
Location Spotlight – Malaysia	August 2022
Middle East and North Africa: The Next Frontier in IT-BP Services Delivery	August 2022
Location Spotlight – Kenya	August 2022
Location Spotlight – Pune	September 2022
Location Spotlight - Barcelona	October 2022
India's Services Delivery Overview – Tier-1 Hubs Continue to Grow, Tier-2/3 Speeding Up	November 2022
Global Locations State of the Market 2022: Talent Drives Locations Strategies Key Trends Shaping the Landscape	Q4 2022

Note: [Click](#) to see a list of all of our published Locations Insider™ reports



Everest Group[®]

With you on the journey

Everest Group is a research firm focused on strategic IT, business services, engineering services, and sourcing. Our research also covers the technologies that power those processes and functions and the related talent trends and strategies. Our clients include leading global companies, service and technology providers, and investors. Clients use our services to guide their journeys to maximize operational and financial performance, transform experiences, and realize high-impact business outcomes. Details and in-depth content are available at www.everestgrp.com.


Stay connected

Website

everestgrp.com

Social Media

 @EverestGroup

 @Everest Group

 @Everest Group

 @Everest Group

Blog

everestgrp.com/blog

Dallas (Headquarters)

info@everestgrp.com

+1-214-451-3000

Bangalore

india@everestgrp.com

+91-80-61463500

Delhi

india@everestgrp.com

+91-124-496-1000

London

unitedkingdom@everestgrp.com

+44-207-129-1318

Toronto

canada@everestgrp.com

+1-647-557-3475

This document is for informational purposes only, and it is being provided "as is" and "as available" without any warranty of any kind, including any warranties of completeness, adequacy, or fitness for a particular purpose. Everest Group is not a legal or investment adviser; the contents of this document should not be construed as legal, tax, or investment advice. This document should not be used as a substitute for consultation with professional advisors, and Everest Group disclaims liability for any actions or decisions not to act that are taken as a result of any material in this publication.