



Developing IT/ITES Infrastructure in Kerala

Strategy Document

Trivandrum Development Front

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Executive Summary

- Despite developing India's first IT/ITES park – Technopark – Kerala trails the other 3 South Indian states in the industry
- The other States have developed one hub city and then started to develop Tier II destinations
- Kerala's failure to develop even one hub of critical mass has contributed to its failure to emerge as an IT/ITES powerhouse despite advantages like its talent pool and low cost of operation
- Kerala needs to focus on developing Trivandrum as a hub city to compete with Bangalore, Chennai and Hyderabad
- Cochin can be developed as an ITES hub
- District level IT parks can be initially developed for SMEs using a differentiation strategy
- In 5 years, Kerala could potentially emerge as the 4th IT powerhouse in S. India

Scope of Study

- This study starts off by reviewing the current strategy to develop the IT/ITES industry and associated infrastructure
- The current strategy is compared with the successful approach adopted by other Indian states
- A new overall strategy recommendation is made based on this benchmarking
- Elements of this strategy will be detailed out
- An actionable, time-bound plan to implement this strategy is the final deliverable

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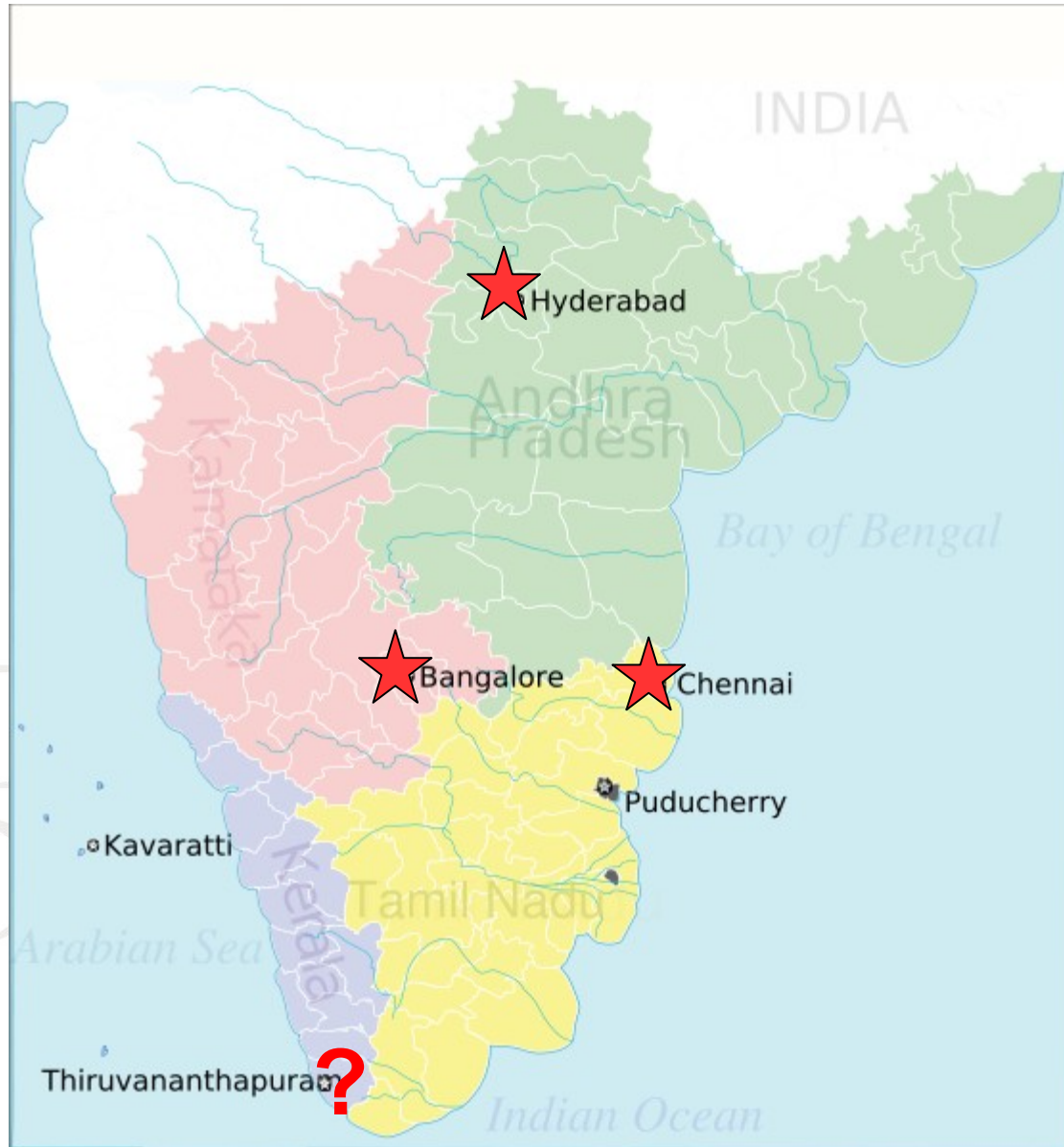
IT/ITES Industry in Kerala

- The development of the IT/ITES industry in Kerala started with the establishment of Technopark in 1994
- Currently, Kerala accounts for only 1.2% of the industry in India
- Trivandrum accounts for 75% of this and Cochin about 20%
- Trivandrum has about 170 companies and Cochin about 40
- While Indian IT majors like Infosys, TCS, Wipro and CTS are present, only Infosys has expanded significantly
- No major MNC IT majors present till date
- No major IT infrastructure developers have begun operations
- A “hub-and-spoke” strategy is being adopted with hubs in Trivandrum, Cochin and a third proposed in Kozhikode and hubs in 5-6 districts
- Efforts to establish micro-facilities in progress as well

Analysis of Current Strategy

- Without a major IT hub along the lines of Bangalore, Chennai or Hyderabad, Kerala has failed to achieve a critical mass
 - Insufficient options to attract the best talent
 - Recruiting and retention problems for employers
 - Weak IT brand
 - A strong IT ecosystem has not been developed
- Kerala has no evident advantage even over Tier II competitors like Coimbatore, Vizag, Mysore, Mangalore, Jaipur or Chandigarh
 - No MNC IT major nor major IT space developer
- Even existing IT majors have expanded operations very slowly – Infosys, Wipro and TCS are all examples
- Demand for IT space has stagnated, especially in Cochin where nearly 40% of available space is vacant

Where is Kerala's IT hub?





A New Strategy

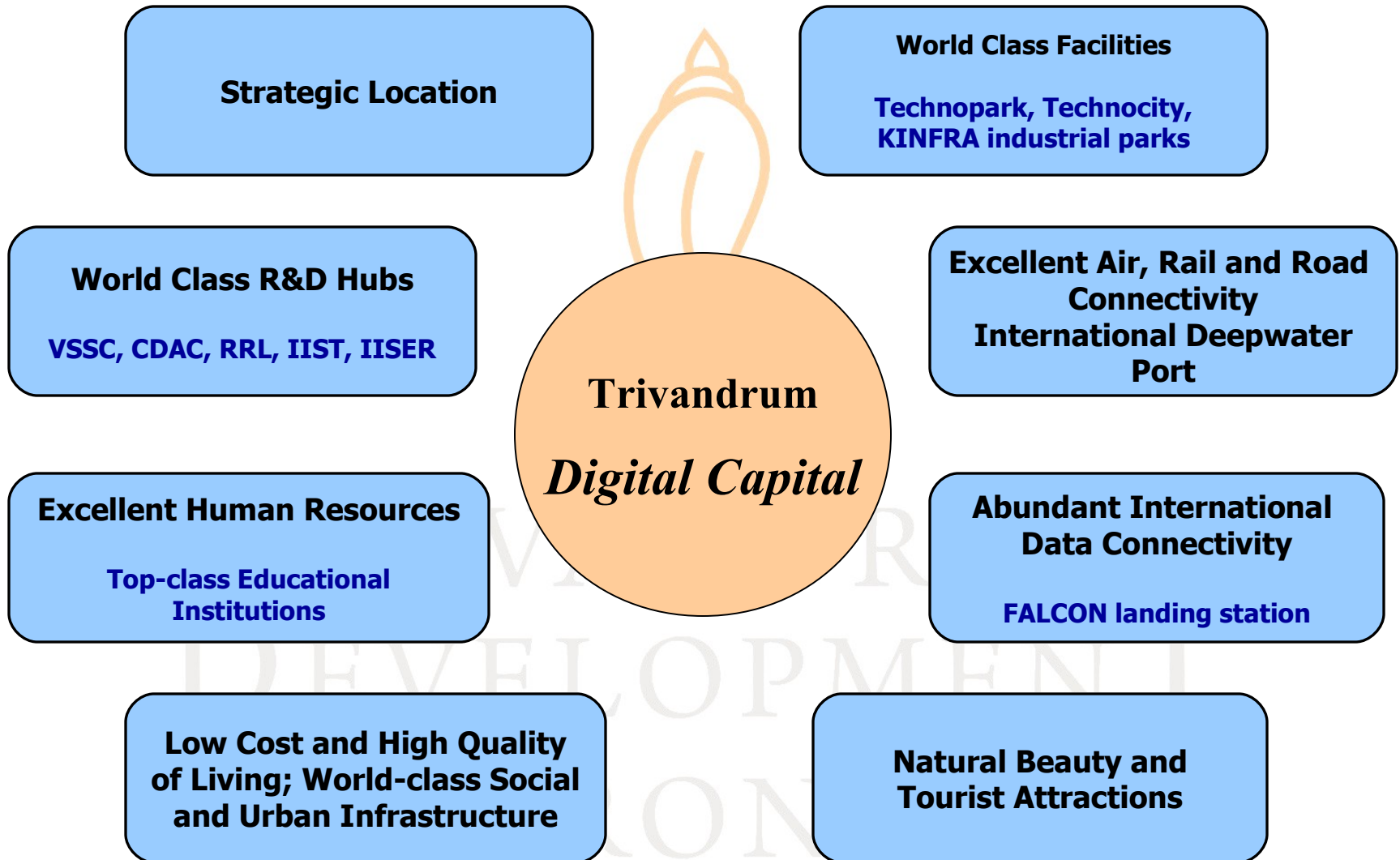
One State – One Hub

- It is clearly evident that the model of building a single Hub before developing a multitude of Tier II locations is a proven one
- Kerala should focus on developing **Trivandrum** as a capable IT hub in the near term (0 to 5 years)
- The immediate aim (within the next 1 year) should be to:
 - Have at least one MNC IT major – *IBM, HP, Accenture, Oracle* etc – establish a presence in Trivandrum
 - Have one or two major IT infrastructure developers – *Unitech, Raheja Corp., Ascendas, Mahindra* etc – establish a facility in Trivandrum
- In the meantime, Cochin can be developed as a center for the ITES industry
- Minimal investment in district parks and Cyberpark
 - Focus only on SMEs and incubation

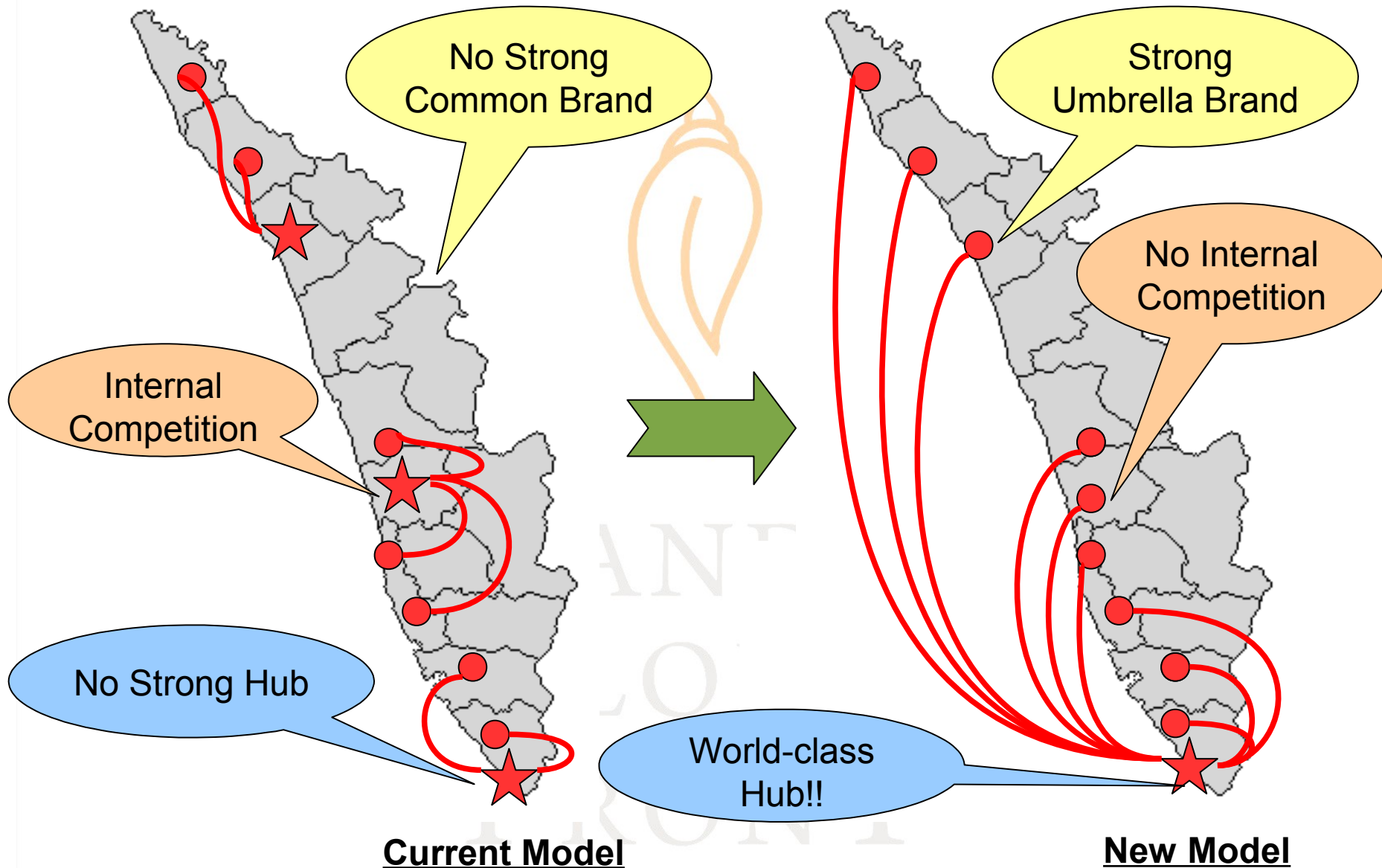
Why Trivandrum?

- Trivandrum accounts for 75% of the IT/ITES industry in Kerala
- There is already over 4 million sq.ft of area operational in Technopark
- The Government has over 500 acres of land available for development of IT infrastructure in Trivandrum
 - 450 acres in Technocity
 - 80 acres in Technopark Phase III
- Significant investment underway in support infrastructure
- Best talent pool in the State
- Best cluster of R&D and higher education institutions in South India
- Number of other strategic advantages on par with established IT destinations

Strategic Advantages of Trivandrum



The New Hub-and-Spoke Model

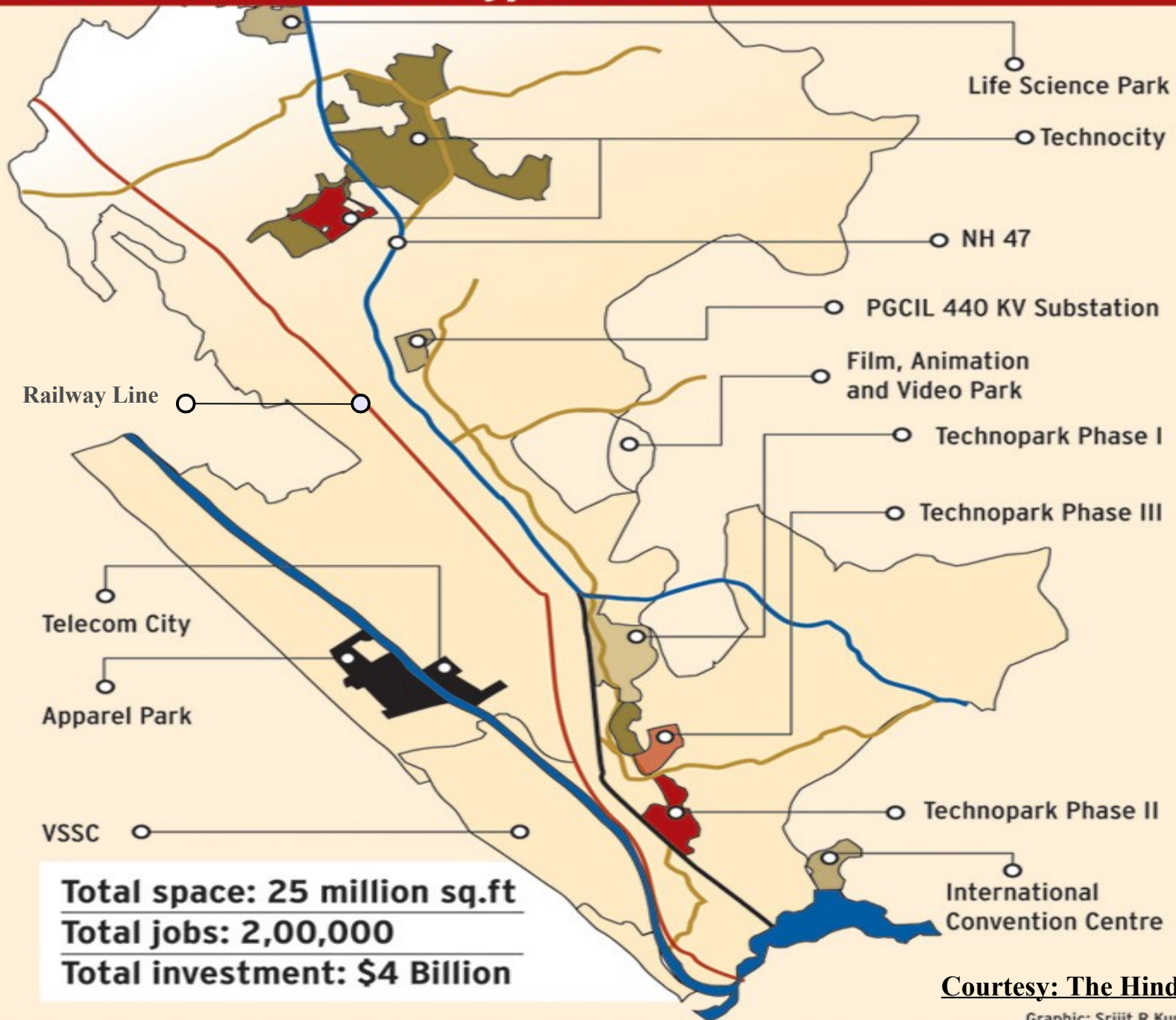


Building the Hub - Technopark/Technocity

- The IT/ITES industry is likely to emerge out of the current recession by Q1 2010 and then experience growth for the next few years
- It is imperative that world-class infrastructure be available to tap this demand
 - Immediate development of Technopark Phase III
 - Identification of an anchor developer for Technocity, possibly through the MoU route
 - At least 3-4 million sq.ft to be developed by 2012
- At least one MNC IT major should be brought in, either directly by Technopark or through the anchor developer
- Social amenities to be developed immediately to attract and retain the best talent

- The Government has been proposing an “IT Corridor” for the last 3 years
- The NH-47 between the International Airport and Thonnakkal can be declared as the IT Infrastructure Corridor
- Mixed-use zoning to be introduced along the Corridor, with incentive FAR for specific uses
- Infrastructure to be developed with the participation of the IT/ITES industry and developers
 - 6/8 lane carriageway, possibly with an MRTS route
 - Provision of utilities
 - Creation of social infrastructure
- Seperate administrative authority to be created
- IT Corridor can later be extended to the proposed Outer Ring Road (under NHDP Phase VII)
- Complete detailed study for IT Investment Region (ITIR)

Information technology corridor



Courtesy: The Hindu

Graphic: Srijit R Kumar

- Entire IT branding and promotion campaign to be based on the primary IT Hub for the first 3 years
 - To attract IT/ITES firms
 - To attract IT infrastructure providers
 - To attract the IT/ITES talent pool; from inside and outside Kerala
- Property Management Consultants (PMCs) to be engaged to market IT/ITES space as well as to promote Trivandrum/Kerala as a premier destination to their IT/ITES clients
 - Most major IT firms engage PMCs to acquire and manage their facilities; hence PMCs are critical influencers
- Dedicated marketing team to be set up under KSITIL
- Aggressive promotion through road-shows and one-on-one meetings with top managements of Indian and global firms

- Cochin is already established as a Tier III destination and accounts for about 20% of Kerala's IT exports
- Although TCS and Wipro are present, the city predominantly hosts ITES firms like Sutherland, ACS and OPI.
- The presence of international cable connectivity also makes it suited to ITES work
- The Infopark can be expanded to accommodate new firms both in terms of built-up space like the Athulya MTF and the 150 acres of land currently being acquired
- The land earmarked for the proposed Smart City project may be developed on a PPP route like Technocity if TECOM pulls out
- Facilities for imparting top-class training for ITES work can be developed in and around Cochin

- Since **Cyber Park, Kozhikode** is yet to be established, it needs to be considered on par with the District IT Parks
- With vacant space in Cochin and Trivandrum, not to mention in the major IT hubs across India, it is unlikely that any major IT/ITES firm will consider the District IT Parks (DIPs) in the next 3 - 5 years
- Even medium sized firms may prefer the two bigger cities
- However, the DIPs could attract the **small IT/ITES firms** which are operating on their own in the surrounding areas by offering them incentives such as benefits under the SEZ Act
- DIPs could also play a crucial role in **incubating start-ups** in close cooperation with the engineering colleges in the vicinity
- Between 50 to 100,000 Sq.ft of space can be built initially at each DIP
- Social amenities like residential and retail facilities can also be created inside each DIP to stimulate demand

Hub-and-Spokes

Allocation Strategy

- As the hubs and spokes all become ready, incoming IT/ITES investors can be allocated space in each facility using a matrix of their critical requirements

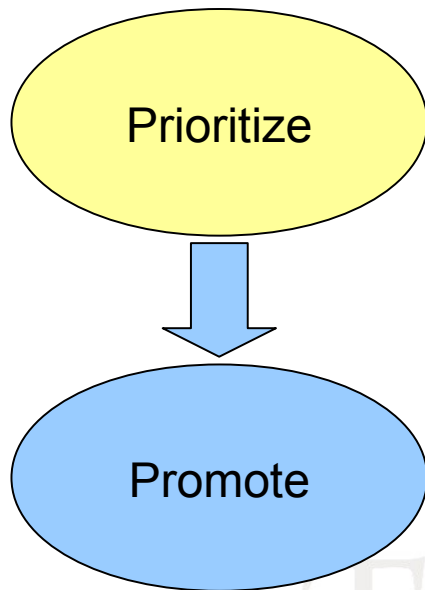
Type of Company	Big 10 MNC	Indian Major	SME	R&D/Hitech	Hardware
Example	IBM	Infoys	SunTec	Google	NEST
Importance of:					
IT Infrastructure	High	High	Medium	Medium	Low
Talent Pool	High	High	Medium	High	Low
Cost of Operation	Medium	High	High	Low	Medium
Social Infra.	High	Medium	Medium/ Low	High	Low
Connectivity	High	High	Medium	High	Low
Knowledge Network	Medium	Medium	Low	High	Low
Best Fit IT Park	Integrated Development	Large Park	District	Integrated Development	District
Example	Technocity	Technopark /Infopark	Kollam/ Thrissur	Technocity	Eramam/ Ambalapuzha

Strategy Summary

Prioritize

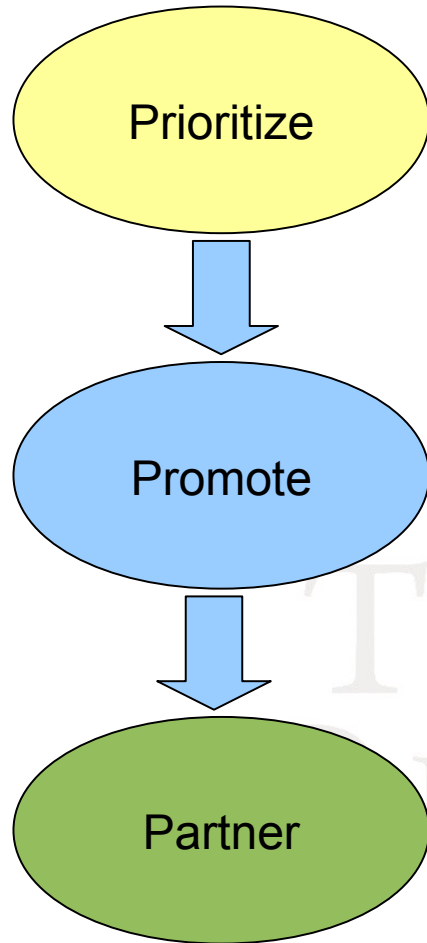
- Development of infrastructure and promotion to focus on Trivandrum for the next two years
- Operationalise KSITIL in the next 6 months
- Focus on Technopark Phase III/Technocity
 - Bring at least one Big 10 Global MNC to Trivandrum
 - Identify an Anchor Developer for Technocity
- Commence development of IT Corridor
- Acquire new land for Infopark
- Limited development for District Parks
 - 250,000 Sq.ft for Cyber-park
 - 50-100,000 Sq.ft for other DPs

Strategy Summary



- Aggressively promote Trivandrum as the fourth IT hub in South India
- It can be show-cased as the leader among all Tier II destinations
- Create dedicated marketing team and/or engage global Property Management Consultants
- Road-shows to be held in major Indian, US and European cities
- One-on-one discussions with potential investors, both IT firms and infra developers
- Explore MoU route to allote space in Trivandrum and Cochin
- District parks to be promoted through separate channel

Strategy Summary



- Identify a Top 10 MNC investor in Trivandrum and hand-hold till operations commence
- Partner with a leading infrastructure developer to kick-start the Technocity project with top-level sponsorship from identification through to commissioning
- KSITIL to be the Govt. partner in all PPP ventures for all new projects
- Technopark/Infopark can continue to market the space in the short term
- Marketing eventually to be merged with KSITIL
 - Technopark/Infopark brands can be retained
- Govt. to stop developing space directly

About TDF

- The Trivandrum Development Front is a registered not-for-profit organisation which promotes developmental initiatives and projects in and around the city of Trivandrum, India
- Our aim is to achieve betterment of the community through development of the regional economy
- TDF has been working with the Government, its agencies, the business community of Trivandrum and major domestic and international investors on promoting projects worth over US\$ 4 Billion over the last 5 years
- TDF has a team of professionals working on a pro bono basis, with a cumulative experience of over 50 man-years in the infrastructure, property development, IT/ITES and strategy consulting fields



Thank You!

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an editable version of this presentation