

# Why you should invest in Kochi?

## **Kochi: Local business and economy**

Kochi is the biggest city in Kerala by volume of trade. The economy of the city can be classified as a business economy with concentration on the service sector. Major business areas are Gold and Textile retail, Seafood and spices export, Information Technology, Tourism and allied services and Health Services, Banking, Shipbuilding and allied activities and Fishing.

The economy of the city owes much to the trade and retail activities. As most of the state, inward remittances from abroad by Non Resident Indians (NRI) is a major source of income. Another major income generator is exports and allied activities. Tourism has of late, become a major contributor to the local income.

The state government has given priority to the establishment of Information Technology and Business Process Outsourcing enterprises to exploit the opportunities that have arisen in the field. Projects include Kochi Info Park, Smart City Project (not finalized), SEPZ (Special Export Processing Zone). IT and BPO are seen as fields where there is immense employment and revenue potential for the city.

## Major employers

- Kochi International Airport or CIAL, situated 30 km north of the city at Nedumbassery is the first port of call for most of the people coming to the state of Kerala by air. The airport also acts as an air-cargo terminal for most of the state.
- The Southern Naval Command of the Indian Navy is situated at Venduruthy about 5 kilometers south of the city centre.
- The Kochi Shipyard is another major employer in the city and also one of the biggest ship building facilities in South India.
- Kochi Port Trust, located on Willington Island, controls the Kochi Port.
- Kochi Refineries Limited (KRL), a petroleum refinery situated in Ambalamedu, on the outskirts of the city.
- Fertilizers and Chemicals Travancore (FACT) located at Udyogamandal and Ambalamedu.
- The High Court Of Kerala is situated in the city. Consequentially, legal services are a major contributor to the economy.
- Kochi has now become a major destination for IT and ITES companies. The availability of 15 GBps bandwidth, through undersea cables such as FLAG, SAFE and SEA ME WE 3 ensures seamless data flow from world wide which helps the IT business. The Infopark promoted by Govt. of Kerala is home to companies like Wipro and TCS. The establishment of Smart City project by Dubai Internet City will make Kochi the Silicon Valley of Kerala.

## **Education and health care**

One of the premier educational institutions CUSAT (Kochi University of Science and Technology) is situated in the city. Prominent colleges for higher studies in Kochi include School of Communication and management studies, Toc-H Institute of Science and Engineering [1], Rajagiri College of Engineering, St.Alberts College [2], St.Theresa's College, Union Christian College and Sacred Hearts college.

## **India's No. 2 Super ITES Destination**

Kochi is one of India's most pulsating cosmopolitan cities and is fast emerging as a unique ITpolis. Kochi was ranked number 2 in a report by NASSCOM on the country's Super ITES destinations ranks and number 3 in a study of cities ideal to do business in by Business Today.

The recent NASSCOM survey on 9 leading Indian ITES destinations covering a range of parameters including land costs, power and communication infrastructure ranked the Kochi as the second best ITES destination above Metros like Bangalore, Mumbai and New Delhi. 100 percent literacy and a very high level of e-literacy aided by government led projects such as Akshaya ensures a ready manpower resource for ITES/BPO sector. A dedicated ITES habitat for training in Kochi has commenced operations.

## **Advantage**

- **Better Tele Connectivity**

Kochi is directly connected by two submarine cables and satellite gateways which in fact are used to support cities like Bangalore. This clear telecom infrastructural advantage leads to better reliability and reduced tariff.

1. 100% of 988 telephone exchanges are digital
2. 98% of telephone exchanges connected by OFC to the NIB
3. Reliance, Bharti, Asianet laying own OFC backbones
4. Highest telephone density - 7 per 100 - India's 2005 target
5. 'SEA-ME-WE-3' and 'SAFE' submarine cable landings
6. (1 of the 2 states in India to have two submarine cable landings)
7. 15 GBps bandwidth supported
8. VSNL's primary international gateway in India is in Kochi, Kerala

- **International air, sea, land access**

The Technopolis is just 23 kms from the International airport (incidentally, India's first and only private sector airport), and only 10 kms from the heart of the city. Kochi is only 4 hrs from the Trivandrum international airport and the Kozhikode airport. Kochi's all-weather seaport offer integrated customs operations and at least 10 sailings per week. Only Mumbai has this kind of international access.

- **Weather condition in Kochi**

Climate Months Db (deg.C) Wb (deg.c)

Summer Feb-April 35.0 25.5

Monsoon June-Aug 31.0 27.5

Winter Sep-Jan 25.0 20.0

- **Human Resources Advantage**

1. Highest density of science and technology personnel in India are from Kochi
2. Lowest employee attrition rate in the country - <5%
3. Database of readily employable graduates enabling companies to access the best of professional talent.
4. 25 Arts and Science colleges is established in Kochi which becomes a large talent pool for various companies. Nearly 15,000 students are passing out from the various colleges in the city.
5. Other than the Arts and Science Colleges, Kochi has 15 Engineering colleges offering technical professionals in various disciplines.

- **Govt. Parks Initiative:**

The city of Kochi will be promoted as an ICT hub where facilities offered will match the best available worldwide. A Hi-tech park will be developed here, comprising an area of 200 acres. An IT Corridor connecting the new international airport at Nedumbassery with the city will also be established as part of the larger proposed Special Economic Zone continuum. These facilities shall be developed through Joint Venture partnerships with the private sector and shall endeavour to provide an international business infrastructure and environment at Kochi. Kochi has all the necessary enablers in place including virtually unlimited bandwidth on tap from the VSNL gateway, concentration of quality, technical and non-technical human resources, a cosmopolitan social infrastructure and environment, and excellent air connections. These advantages shall be leveraged to make the city amongst the most preferred IT investment destinations of India.

The Govt. recognizes it as an imperative to attract global IT Products companies to Kerala. Kochi offers several natural advantages to become a choice location for Supply Chain Management Operations (SCM). Further, Kochi is home to one of four Special Economic Zones of the country that provides a flexible, fast track environment for running predominantly export oriented SCM operations. Special incentives have been announced for such SCM units. The IT products companies based at designated IT parks in the State have enjoyed harmonious labour relations over the last several years in addition to high productivity levels. The new labour regulatory framework shall lay the foundation for such operations to proliferate. The Govt. commits itself to playing a strong enabling role in this regard.

- **Outsourcing Advantage:**

Kerala with its focus on Business Process Outsourcing, Customer Interaction Centres and Digital Content Creation/Processing, Training for relevant skills at sub-domain level to ensure adequate supply of trained human resources to ITES companies and employment regulations that uniquely facilitate ITES operations, is poised today to become the IT industry's dream destination.

- **Low cost of living:**

When compared with the other cities across India, Kochi was graded the 9 among 12 cities.

<b>Cost of Living Rankings</b>			
<b>City</b>	<b>Rank</b>		
	<b>2004</b>	<b>2003</b>	<b>2002</b>
Mumbai	1	1	1
Delhi	2	2	2
Ahmedabad	3	7	6
Kolkata	4	5	7
Pune	5	4	4
Chennai	6	3	5
Bangalore	7	6	3
Lucknow	8	-	-
Kochi	9	-	-
Patna	10	-	-
Jaipur	11	-	-
Hyderabad	12	8	8

### **ITES companies setting up shop in Kochi**

- GE
- Transworks
- L&T

### **Major ITES companies already functioning in Kochi**

<b>Name of the Company</b>	<b>Domain</b>
Affiliated Computer Services of India Pvt Ltd	IT & BPO
Art Technology and Software.	IT & BPO
Genfocus infotech (I) Ltd	IT & BPO
Tata Consultancy Services	IT & BPO
Wipro Technologies / Infotech	IT & BPO
Outsource Partners International	BPO
Promyx	BPO - Market Research & Legal
Popular e-Solutions	BPO - Accounting

### **State wise comparison on competitive Advantages:**

	<b>Kerala</b>	Karnataka	Tamil Nadu	A P	M'rashttra	Delhi
General Achievement	<b>6</b>	15	13	12	7	4
Infrastructure Penetration	<b>5</b>	12	4	10	11	1
Finance	<b>6</b>	7	4	10	2	1
Labour	<b>8</b>	11	1	3	4	9
Social Sector	<b>2</b>	10	4	13	6	1

Law & Order	<b>1</b>	10	8	12	9	11
Affluence	<b>3</b>	7	11	12	5	1
Education, Health Expenditure	<b>1</b>	8	5	12	4	3
Investment Attractiveness	<b>5</b>	10	6	8	3	1
<b>Overall Composite Rank</b>	<b>3</b>	10	6	12	5	1

## SWOT Analysis

<b><u>Strength</u></b>	<b><u>Weakness</u></b>
<ul style="list-style-type: none"> <li>▪ Abundant qualified manpower</li> <li>▪ Lower attrition rate (less than 5%)</li> <li>▪ Infrastructural advantages</li> <li>▪ International air, sea, land access</li> <li>▪ Proactive State Government Policies</li> <li>▪ Favorable climatic condition</li> <li>▪ Low cost of living</li> <li>▪ Relatively low cost of power</li> </ul>	<ul style="list-style-type: none"> <li>▪ Absence of clear and well defined policies</li> <li>▪ Inadequate infrastructure to match the expectation</li> <li>▪ Shortage of senior and middle level professionals</li> <li>▪ Work disruption</li> <li>▪ Inadequacies &amp; interruptions in power</li> <li>▪ Lack of quality connectivity</li> </ul>
<b><u>Threat</u></b>	<b><u>Opportunities</u></b>
<ul style="list-style-type: none"> <li>▪ Threat from other 2 tier cities in India</li> <li>▪ Political instability and red tapism</li> <li>▪ Lack cosmopolitan outlook</li> <li>▪ Psychological block towards working in shifts</li> </ul>	<ul style="list-style-type: none"> <li>▪ Untapped potential of manpower</li> <li>▪ Rebates and concessions by Government for setting up base</li> <li>▪ Readily available infrastructure (Infopark)</li> </ul>

## Existing and Upcoming IT Hubs in Kochi:

- KINFRA Information Technology & Electronics Park (KITEL)

Kerala Industrial Infrastructure Development Corporation (KINFRA), a statutory body of Government of Kerala has developed several industry specific parks. KINFRA has developed two IT parks i.e. KINFRA Information Technology & Electronics Park (KITEL) at Kakkanad, Kochi. The task of improving infrastructure would be given the highest priority by KINFRA. The plans for infrastructure development will take into account the resource endowment and growth potential of each area. Special emphasis will be given to the development of thrust sectors, which have been identified keeping in view their infrastructure requirements, growth potential and the capacity to generate employment.

- Infopark:

Fourteen months after it started, the Infopark here is home to 24 IT companies, including biggies like Wipro, TCS and OPI, and its new building that will be ready in the next two months is already "fully booked", say officials. "We began operations on November 2003 and by now 24 companies here occupy 120,000 sq ft of space. Our newest building of 220,000 sq ft is getting ready in less than two months' time and it has already been fully booked. Reports indicate that among those who will set up shop in the new building are Spanish IT company DITRD and ACS, which is the second biggest IT company at the Technology Park in Bangalore.

- **Kochi Special Export Processing Zone:**

Spread over 110 acres of land and fortified by high walls, the Kochi Special Economic Zone is an imposing presence in the vicinity of the headquarters of Ernakulam district, Kerala. The public has no free access to the SEZ; entry into the Zone is perhaps more difficult than to the restricted areas of the Southern Naval Command, also in Kochi. The Zone has its own water supply system, power supply and effluence-treatment plant. It has 79 factories manufacturing ready-made garments, rubber gloves, electronic items, software, hardware, food items and jewellery. More than 7000 people work in these factories.

The Kochi Export Processing Zone has already been converted into an SEZ. Government have already taken the lead to develop a Greater Kochi SEZ by adding on more phases of the SEZ at Kochi Port, Kochi Airport, and by forming customs-bonded industrial areas along the Airport-Seaport Highway connecting the two, to form an Industrial Corridor, to the existing SEZ at Kochi. The strategy would be to form an Freeport and a multi-modal logistics hub at Kochi to enhance its geo-strategic locational advantage.

- **Smartcity:**

Dubai's Internet City will set up the Smart City in Kochi, Kerala. Kerala government announced that they received the letter saying they have decided to set up the Smart City at Kochi. Several states like Andhra Pradesh, Karnataka and Tamil Nadu were after the the Dubai Internet City for the project, and finally Kerala bagged the project. The total project cost would be Rs.15 billion and they would bring in the whole investment. To start with, Kerala government is providing them 200 acres of land in Kakkanadu, near the Kochi Infopark. The smart city will need around 1,000 acres of land when it reaches the final stages of the project. The Smart City, expected to create more than 100,000 new jobs in the first stage and around 5 Lakhs jobs directly and indirectly in the last stage, would provide critical infrastructure for IT services and IT-enabled service companies. The smart city gives a great opportunity for Kerala to compete with Karnataka and Tamilnadu in Information Technology.

### **Kochi and Future:**

- The Indian Central Government has given permission for an international transshipment container terminal at Vallarpadom (Vallarpadom Container Transshipment Terminal Project). This port will be operated by Dubai Ports International (DPI) for 30 years under a Build, Operate, Transfer (BOT) agreement.
- Also on the cards is Petronet LNG terminal. The proposed LNG plant is expected to become operational by 2009 at Puthuvypu. This terminal would have a capacity of 2.5 million metric tonnes per annum initially and will be eventually increased to double its initial capacity. An agreement for the supply of 5 Mt/yr from Iran had been signed which would be sufficient to meet the additional capacity.
- The Kerala State Government has concluded talks with Dubai Internet City to develop an Information Technology park called 'Smart City' in Kochi.
- A metro rail project was mooted by the K.S.R.T.C (Kerala State Road Transport Corporation) to alleviate the traffic congestion in the city. A viability study was concluded by Delhi Metro Rail Corporation (DMRC) and the project is waiting for the go ahead from the central government.
- A Special Economic Zone would be setup to promote the industrial growth of the city in the areas of Biotechnology and Nanotechnology.

### **Kerala and the Future**

Leading IT analysts consider Kerala's advantages will make it the next stop for those seeking to expand their businesses.

- Maximum general achievement
- Best law and order
- Best work force quality
- Good investment climate
- Best social infrastructure
- India's 2nd most literate state
- India's most advanced society
- India's highest Physical Quality of Life Index
- India's highest life expectancy and lowest infant mortality rates
- Top urbanization rates
- 2 submarine cable landings linking East and West
- Thiruvananthapuram and Kochi rated No. 2 and No. 3 to do business in
- Highly educated, inexpensive workforce, Zero IT man day loss
- Highest density of science and technology personnel
- Large pool of English speaking manpower
- No man days lost in the IT sector in the last 8 years
- Lowest attrition rate in the country (below 5%)