FREQUENTLY ASKED QUESTIONS

OVER

FINANCIAL PROCESS OUTSOURCING INDUSTRY

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KNOWLEDGE PROCESS OUTSOURCING INDUSTRY (KPO)

Question 1. **What are the options available with a company for sourcing the services?**

Answer. A company may have the following options available:

Domestic in house sourcing	**Example:** Company provides its services domestically without any outside contracts
Offshore in-house sourcing	**Example:** Company uses services supplied by its own foreign based affiliates (subsidiary)
Domestic outsourcing	**Example:** Company uses services supplied by another domestically based company
Offshore outsourcing	**Example:** Company uses services supplied by an unaffiliated foreign based company

Question2. **What is the difference between BPO and KPO?**

Answer. The terms can be explained as follow:

BPO - Transaction Intensive Service

Clients expertise and service provider merely provides delivery. Example:

- Customer Contact Services
- Transaction Services
- HR Data Processing
- Medical Transcription

KPO - Knowledge Intensive Service

Clients expect company to be the domain expert. Example:

- Insurance Underwriting, Risk assessment, and Equity Research
- Intellectual Property Research
- Financial Analysis
- Legal Research

Question3. **What is India's positioning vis a vis contemporary countries in the world pertinent to the BPO outsourcing?**

Answer. India's positioning in BPO outsourcing is as specified below:

PHILIPPINES : (Capitalizing on a strong telecom service base)

JAMAICA : (Answering the call or low cost call centres)

CHINA : (Asian language skills and large labour pool)

MEXICO : (Technical labour base for Latin America)

INDIA : (Best mix of breadth and depth of labour with strong English Language skills and 24X7 support)

Question4. **What exactly KPO is all about?**

Answer. According to Harvard Business Review:

"KPO is another flavor of BPO where the work involved calls for some measure of expertise on the part of the company. It provides value to the client through domain expertise than process expertise."

Question5. **What are the broad areas covered in the KPO industry?**

Answer. The following table elaborates few of the areas covered in KPO industry:

Finance & Accounts Research	• Accounts payable • Accounts receivable • Payroll • Budgeting • Forecasting • Treasury and Risk Management • Tax consulting
Business Research	• Economics Research • Company and Industry Research • Documentation & Library Services
Investment Research	• Corporate Finance • Financial Modeling and Analysis • Investment Banking Support
Market Research	• Data Acquisition and Data Entry • Data Processing • Presentations
Analytic Services	• Data Warehousing • Data Preparation, ETL services • MIS & Reporting • Business Intelligence • Statistical and econometric Modeling • Optimization modeling and OR solutions
Intellectual Property Research	• Patent Drafting and Filing, Patentability Assessment • Overlap Analysis, Competitor IP Landscaping • IP Portfolio Management, IP Licensing & Commercialization
Legal Research	• Legal, Para-Legal Content and Services • Drafting, Review of Documents and Contracts • Legal Research (Case History)

Source: ACCLIVANT Research

Question6. **How to choose the right Country for KPO business?**

Answer. Following are the key parameters for that matter:

- Labor arbitrage
- People skills
- Financial structure
- Infrastructure costs
- Taxation provisions

- Regulatory costs
- Business environment
- Country infrastructure
- Cultural adaptability
- Security of intellectual property

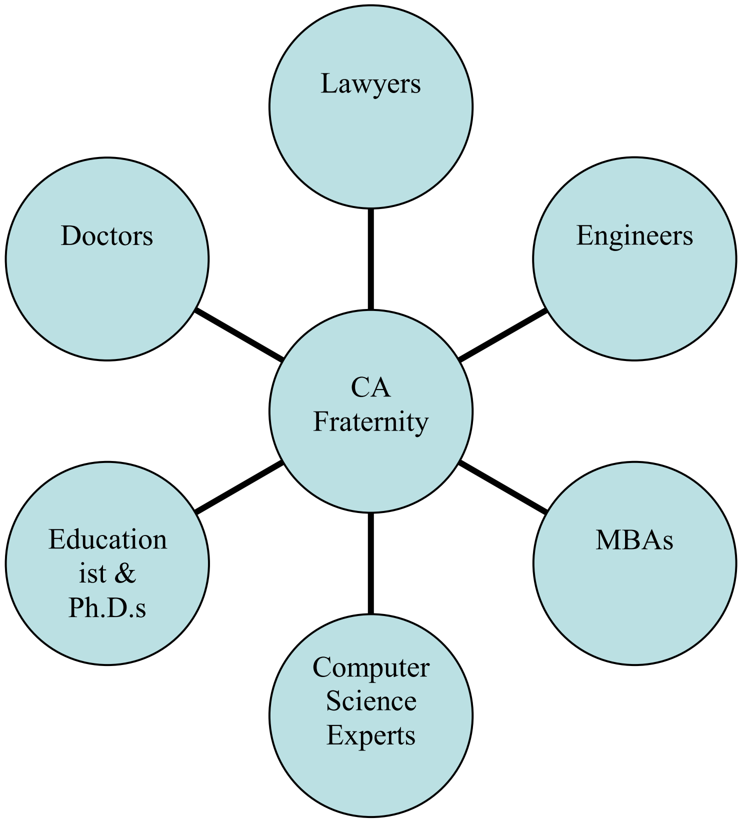
Question7. **Which are the KPO hotspots in India?**

Answer. The KPO hotspots in India are:

RAJASTHAN	Jaipur and Jodhpur
GUJRAT	Gandhnagar
PUNJAB	Amritsar, Patiala
MAHARASTRA	Nashik, Nagpur, Navi Mumbai
UTTAR PRADESH	Lucknow, Kanpur
KARNATAKA	Hubli, Mangalore
ORISSA	Bhubhaneshwar
HARYANA	Faridabad
ANDRA PRADESH	Vishakhapatnam
KERALA	Kochi, Thiruvananthapuram
TAMIL NADU	Coimbatore, Madurai

Question8. **Who is going to be the Opportunity Class w.r.t. KPO emergence in India?**

Answer. The following diagram describes the Opportunity Class for KPO in India:



Question9. **What are the Billing Rates for services in KPO Industry?**

Answer. Billing Rates In KPO Industry

Area	Amount*
Telemarketing	5-12
Transaction Processing	10-14
Tech Support (inbound)	11-12
Printing Support Services	15-25
Basic Back Office	15-25
F&A	15-35
Document Management Services	30-50
Research and Analytics	40-90
Patent Drafting and Legal Search	150

*[Verticals Industry Rates (hourly basis-in Dollar)]

FINANCIAL PROCESS OUTSOURCING INDUSTRY (FPO)

Question10. What about Indian ITES-BPO Exports by key services lines-FY 2003-2005?

Answer. The ITES-BPO exports were as follows:

SERVICE LINE US $ MILLION	FY 2002-03 EMP*	REV*	FY 2003-04 EMP*	REV*	FY 2004-05 EMP*	REV*
Customer Care	66,400	830.0	96,000	1,200.0	122,000	1,500.0
Payment Service	12,000	230.0	21,000	430.0	30,000	620.0
Finance	25,500	540.0	41,000	835.0	64,000	1,3000
Administration	26,000	325.0	40,000	540.0	57,000	840.0
HR	21,000	45.0	4,500	75.0	10,000	165.0
Concept development	48,000	510.0	51,000	555.0	65,000	670.0
TOTAL	**180,000**	**2,480.0**	**253,000**	**3,630.0**	**348,000**	**5,095**

(Source: NASSCOM)

Question11. What do we mean by FPO and its prospect in the Indian arena?

Answer. FPO is "FINANCIAL PROCESS OUTSOURCING" which covers outsourcing of financial services from foreign countries. It is the next big thing for the KPO industry in the recent future.

It has got a bright prospect due to following reason:

- Huge growth potential
- Based on highly technical manpower
- Talent pool in India – 50000 students appearing for the final exams of ICAI
- As of now, 5000 professionals are deployed in this industry

Question12. How is FPO a big draw amongst the Chartered Accountants?

Answer. It is because of the following key reasons:

- Pass outs heading towards FPO firms
- FPOs are doling out huge salaries
- 50% of CAs passing out in next 5 years to join FPOs
- In last few years, 30% of pass out CAs joined FPOs
- FPO firms : grew from 40 to 120 in just 2 years span of time

Question13. What are the primary drivers to Outsourcing in Financial Process Industry?

Answer. The primary drivers of the industry are:

- Improve service levels
- Migrate to New Technologies
- Focus on Core Business
- Need to supplement IT stuff

- Reduce Capital Costs
- Optimize the back-office processing capabilities.

Question14. **How to give a brief idea about the compensation policy in this industry?**

Answer. The compensation policy in this industry is:

- Entry level package : Rs.3-3.5 lakh + Bonuses
- With 3-5 yrs experience : Rs.7-9lakh
- 15-20% annual increase

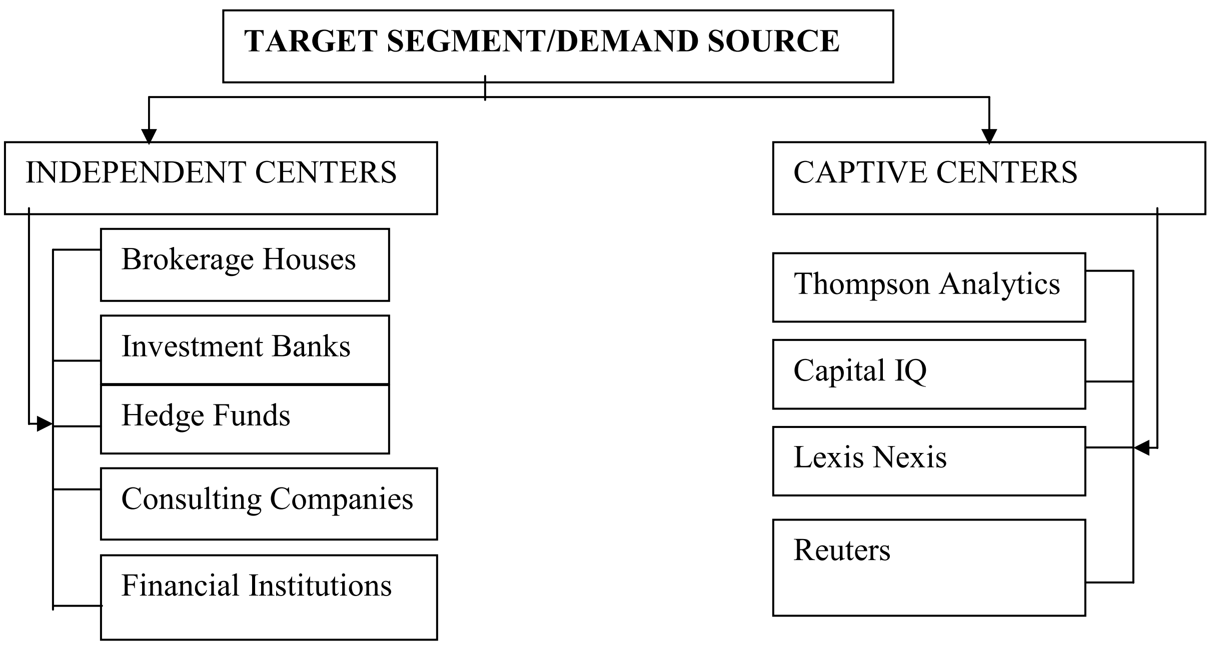
Question15. **What is the growth process of FPO?**

Answer. The growth process of FPO is due to:

- US regulation : Separates operation of i-banking & securities research at financial services firms
- Delinking of research from investment banking
- US investment banks moving offshore to cut costs & retain profitability

Question16. **What about the target segment of FPO industry?**

Answer. The target segment of the FPO industry is given below:



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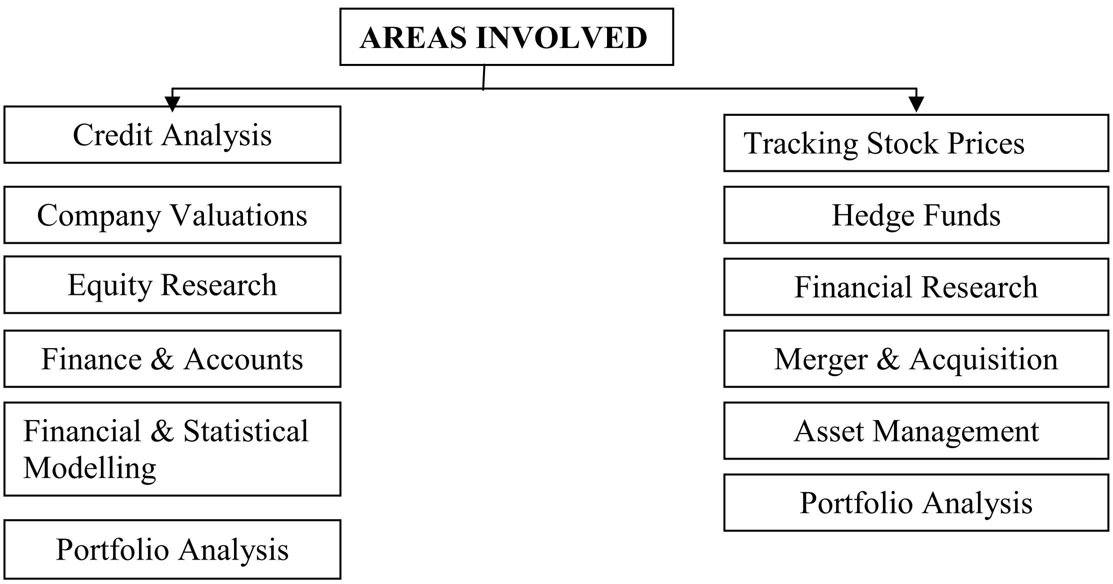
Questien17. **What are the supply mines in FPO?**

Answer. The following are the supply mines:

INVESTMENT BANKS	**Goldman Sachs, Lehman Brothers, JP Morgan, Morgan Stanley**
MUTUAL FUND	**Fidelity, Franklin**
BANKS	**American Express, ABN Amro**
THIRD PARTY PROVIDERS	**WNS Global, GE Analytics, Evalueserve, Office Tiger, ICICI onesource, Genpact and Progeon**

Questien18. **Which are the areas covered in financial process outsourcing?**

Answer. The areas covered under financial process outsourcing are:



Question19. What are the key areas covered in finance & Accounting?

Answer. The key areas covered in finance & accounting are:

- Accounts payable
- Accounts receivable
- Payroll
- Budgeting
- Forecasting
- Treasury and Risk Management
- Tax consulting
- Statutory reporting
- Financial statement analysis

Question20. What are the growth prospects in financial research?

Answer. The growth prospects in financial research are as follows:

- One of the fastest growing legs of FPO in India
- The work requires knowledge of the basics of finance
- Chartered Accountants are top contenders for jobs
- Training is required about getting information and specific calculations
- Skills training schedules –
  - Valuation and US GAAP
  - Building familiarity with the functioning of i-banking and Wall Street
  - Cross-cultural training

Question21. What are the key areas covered in financial analytics?

Answer. The key areas which are covered are:

SEGMENTS	FINANCIAL RESEARCH
Analytical Support	Pitch books/Company Profiles, Presentation Services, Financial Analysis & Valuation
Equity Research	Financial Models, Forecast & Updates, Report Preparation/Authoring, Earnings call/Q&A
Corporate Finance	Statistical Modelling, MIS Reporting, Credit Analysis
Asset Management	Financial Modelling, Fund Accounting, PerformanceReporting

Question22. How does an FPO Relationship progress?

Answer. The FPO relationship progresses in accordance with the following steps:

- Pre-contract stage Assessment

- Gap Analysis : future state processes / service levels / volumetrics / investments / best practices
- Determining outsourcing strategy
- Identification of core project team
- RFP study, site visits and due diligence
- Contract formulation phase
- Negotiation about key aspects
- Contract execution phase : service delivery stage
- Post-contract phase : assets transfer back to client

Question23. Who are the Finance & Accounting Service Providers in India?

Answer. The following are the service providers in India:

- Accenture
- Outsource Partners International
- Datamatics Financials
- Enlink Infotech
- Intelnet Global Services
- GTL Ltd.
- Ford Business Service Center Private Ltd

Question24. What are the key brand development steps in FPO Industry?

Answer. The brand development steps in the FPO Industry are as follows:

- Robust marketing efforts
- International exposure
- Quality of resources
- Experience of working in offshoring environment
- Sound understanding of the industry

Question25. What are the major obstacles to further FPO in Indian context?

Answer. The major obstacles are:

- Perceived Higher cost
- Perceived lower quality of service
- Fear of losing control
- Company Culture
- Threat to Team
- Employee Unrest
- Others