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MARKET FOCUS

Bangalore: Growth opportunities in the Silicon Valley of India

By Ryan Ang, Centre Director, Chennai, International Enterprise (IE) Singapore

Bangalore, the star of India's IT boom, has transformed from a quaint town to one of the fastest growing metropolises in Asia. Spreading over 530 square kilometres, Bangalore is the capital of Karnataka State and home to software giants Infosys and Wipro.

Bangalore's economy is primarily based on software exports, which stand at US\$14.1 billion, 44 percent of India's total software exports in 2007. Software exports include ITES (IT Enabled services) and BPO (Business Process Outsourcing), with clients from the US, Europe and other parts of Asia.

In Bangalore alone, there are about 925 software companies employing more than 80,000 IT professionals. Its success in IT has boosted its infrastructure and attracted professionals from all over India and abroad, making it the cosmopolitan city that it is today.

New areas of growth

The global economic slowdown has hit Bangalore in 2009, as its international clients downsized or removed their ITES and BPOs. However, this negative impact on software exports is mitigated by the Karnataka State Government's efforts to diversify the economy by developing new areas of exports and boosting domestic consumption.

New industries such as biotechnology, pharmaceutical and R&D promise new areas of export growth, while tourism and aviation infrastructure developments encourage domestic consumption. With its cosmopolitan nature, Bangalore has become the default "test bed" for the latest consumer trend or product.

Reduced bureaucracy

Bureaucracy remains a major concern for businesses and the state government is determined to keep red tape to the minimum. The "Single Window Mechanism" is a new government scheme that promises faster approvals for projects seeking infrastructure facilities, incentives, concessions and licenses. Businesses will only need to approach a single point, the Udyog Mitra, for businessgovernment related matters.

Real estate boom

The arrival of professionals and businesses has spurred demand for premium housing and exciting hospitality or shopping concepts. Thus, many Singaporean players entered the lucrative Bangladesh real estate market with roles as master planners (Jurong Consultants, CPG), architects (RSP Architects, SAA Architects), property developers (Ascendas, Keppel Land, Capitaland) and hospitality operators (Ascott Group, Frasers Hospitality). Without a doubt, the lucrative Bangalore real estate market signifies a growing opportunity for property developers and service providers.



INDUSTRY HOTSPOTS

Real Estate - As Bangalore's population grows, demand for real estate (residential, commercial and industry) will also increase.

Aviation - There are increasing options for Singapore's aviation players to provide services such as aviation fueling, ground handling, cargo warehousing and in-flight catering.

Automotive - Bangalore's vibrant automotive industry creates opportunities for automotive components suppliers.

Tourism - Second-tier cities such as Bijapur look to benefit from increased connectivity with the development of "merchant airports". These moves will promote tourism and increase possibilities for tourism operators.

Biotechnology - Bangalore is home to 95 percent of Biotech firms in India. Businesses planning to locate there will expect to benefit from significant economies of scale and knowledge transfer.

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Aviation industry taking off

Efforts to relieve transportation bottlenecks and the opening of new routes represent good opportunities for investors, operators and service providers in the aviation industry. To alleviate the infrastructure bottlenecks caused by Bangalore's rapid growth, the State Government started the Public Private Partnerships (PPPs) where private sector players are invited to invest in, build and operate facilities.

The Bangalore International Airport (BIAL) is a testimony of this partnership. Different aspects such as aviation fueling, ground handling, cargo warehousing and in-flight catering are awarded to private sector players over limited concessions. The Singapore Air Terminal Services (SATS), together with a consortium of local players, clinched a deal to provide ground handling services for the BIAL.

Furthermore, developers have ventured into investing and building "merchant airports" (privately owned and operated airports) in second tier locations such as Bijapur and Shimoga. These airports are key to the opening up of heritage and tourism sites, another future area of growth.

Speeding up with automobiles

Auto components suppliers should find options in Bangalore's fledging automotive industry, despite Chennai's reputation as the "Detroit of India". Bangalore is already home to automotive giants such as Volvo, Toyota, Kirloskar, TVS Suzuki, Telco and L&T Komatsu, as well as major players in the auto component industry such as Bosch, Delphi, Denso and Yuasa.

Moving forward to Bangalore

IE Singapore's iadvisory programme can provide preliminary advice from different channels. Our iadvisors can shorten the internationalisation learning curve of Singapore businesses by providing access to market intelligence that is otherwise tedious to gather. IE Singapore has a positive track record in helping aspiring companies find suitable partners and identify specific project and business opportunities in Bangalore.

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