



# Gearing up!

## Employee transportation services in the Indian IT-BPM sector

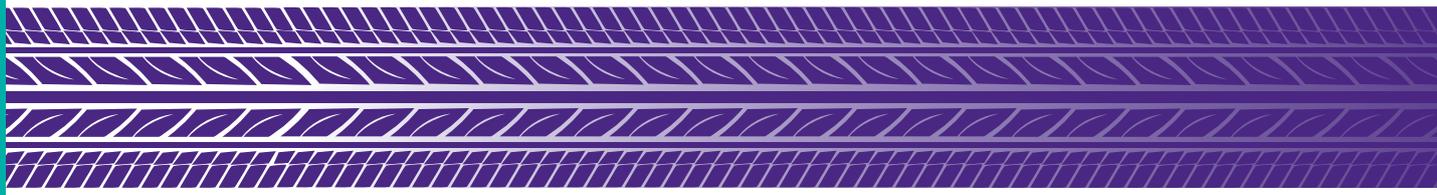
Management Consulting



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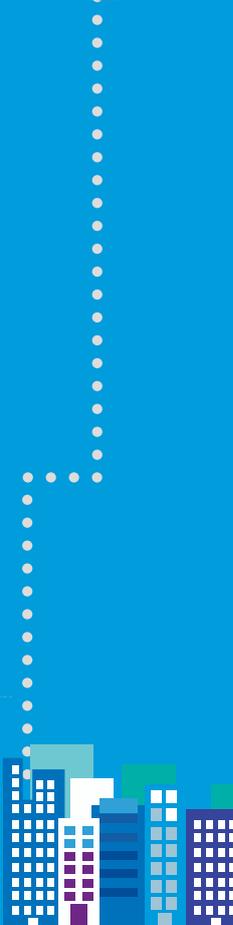
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# Employee transportation in the Indian IT-BPM industry



## An overview

The IT-BPM industry is the largest and one of the most diverse private sector employers in India, with a direct workforce of over 3.5 million. The industry is the face of the Indian Multi National Companies (MNC) story with estimated aggregate revenues of USD143 billion in FY2016. The contribution relative to India's Gross Domestic Product (GDP) is 9.3 per cent and the industry persistently continues its high growth trajectory<sup>01</sup>.

The industry's growth started accelerating in the 1980s and with the necessary impetus in 1990s, the industry has been a remarkable success story. In the last decade, the industry has grown six-fold in revenue terms<sup>01</sup>. The industry, besides being a large direct employment generator, has stimulated the growth of numerous ancillary industries, specifically in real estate, food and beverages, security, facility management and transportation and is estimated to have affected over 10 million indirect jobs in 2014-2015<sup>02</sup>. According to NASSCOM, the industry's impact on direct and indirect employment is projected to be 30 million by 2020<sup>03</sup>.

This publication focusses specifically on the supplementary transportation services (home to workplace and back) rendered by the IT-BPM organisations to their employees and summarises the existing challenges, opportunities and

related strategies adopted by companies operating within the industry environment. Spot rentals including airport transfers, inter-office shuttles, client location visits and any other point-to-point related services are briefly discussed separately.

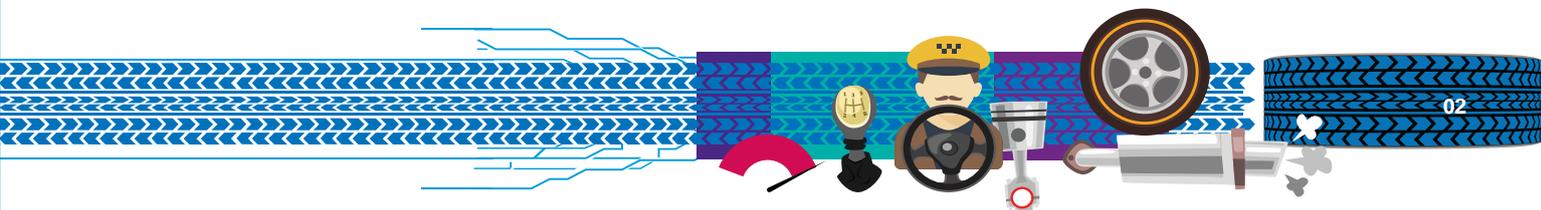
## Employee transportation in the IT-BPM industry

In the context of the Indian IT-BPM industry, transportation is equated to 'employee transportation' services where companies enter into vehicle lease contracts with third party transport vendors to help employees commute from homes to the workplace and back. The industry is a significant contributor within the broader unorganised taxi industry in India, and continues to flourish basis the demand from this industry. In the present day, the success of promoter-driven taxi businesses within the employee transportation industry has encouraged traditional radio and aggregator taxi service companies to explore business opportunities within corporates. The related business proposition coupled with the sustainability of the service delivery model however, is yet to be fully recognised.

01. "The IT-BPM Sector in India - Strategic Review 2016", NASSCOM, February 2016

02. "Fact Sheet of IT & BPM Industry", Department of Electronics & Information Technology, Ministry of Communications & IT, Government of India

03. "Perspective 2020 – Transform Business, Transform India", NASSCOM, May 2009



Taking a closer look at the growth phase of the IT-BPM industry, one is easily able to co-relate to the advent and development of the employee transportation industry in India. The late 1990s and early 2000s saw an aggressive growth phase of the technology sector with workplaces perceived to be located at city outskirts. The lack of public transport infrastructure and aggressive hiring by IT companies necessitated an arrangement for employees to commute at the cost of their companies. The years between 2000 and 2010 witnessed a high growth phase of the industry, with 24X7 operations becoming a norm. The industry's support to clients around the world in various time zones grew exponentially, thereby increasing requirements with taxi vendors to support work shifts' success. Emphasis during this phase, was laid on employee safety and security through government regulations and industry guidelines.

In relation to the external vendor environment, promoter-driven taxi businesses cater to the majority of the industry's requirements, and the last five years have seen a visible shift in their business model. In the initial phase, taxi companies fully owned their vehicle fleet and serviced capital cost associated with bank loans and vehicle maintenance. Drivers were employed as full time employees, with the resultant capital pressure forcing taxi businesses to reassess their business model. More recently, with the advent of aggregator taxi businesses and continued capital pressures, the business model has shifted to accommodate the aggregation or vehicle attachment model. Taxi companies today run businesses with majority of attached vehicles (owned by individual driver entrepreneurs) to service their clients. This model, although less capital intensive for taxi businesses, has presented its fair share of challenges to the IT-BPM industry.

The next and one of the most recent phases was marked by two key technology-related developments. Niche technology companies offered better automation tools with a promise to address operational inefficiencies, enhance customer experience and ensure process transparency. While the industry began warming up to the idea of end-to-end process automation, operations were impacted with the advent of aggregator taxi business. Based on KPMG in India's analysis, the aggregators, supported by innovative technology platforms, created significant disruptions affecting the IT-BPM companies - in perspective, approximately a 30 - 40 per cent shortfall in taxi supply. This development along with the continuously growing demand within the industry has forced companies to re-evaluate their existing transport service delivery model, some to the extent of questioning the sustainability of the service itself.

The transport ecosystem is constantly in a state of flux, with unreliable supply, dynamic demand, safety concerns, the constant threat of market disruptions and infrastructure dependencies. The focus in the industry to 'get it right' has hence oscillated between the objectives of cost, service reliability, and safety and compliance. The recent development in Delhi in relation to the ban of non Compressed Natural Gas (CNG) taxis<sup>04</sup> is one such example, where the industry is grappling to carefully balance these objectives.

While the employee transport landscape has undergone various changes in accordance to the dynamic business requirements as well as the available infrastructure, it continues to be in the forefront of myriad services provided to employees in the IT-BPM industry. As per the applicable shops and commercial establishment act, transportation service is to be provided to female employees during the night; however, companies choose to provide consistent service to all their employees.

The key motivations or business drivers for IT-BPM companies to provide transportation service to employees have been to:

- Primarily support core business operations
- Incentivise recruitment and encourage employee retention
- Ensure employee safety and security, and
- Aid as a service differentiator among corporates

The primary responsibility for the management of operations rests with the facility management or transport management function within the company, for whom the aforementioned business drivers have translated to the following imperatives:

- Continual management of dynamic operations while ensuring quality of service and reliability
- Proactive risk management considering the business requirements and employee safety
- Effective management of the cost of operations and employee expectations, and
- Adherence to compliances, both internal and regulatory.

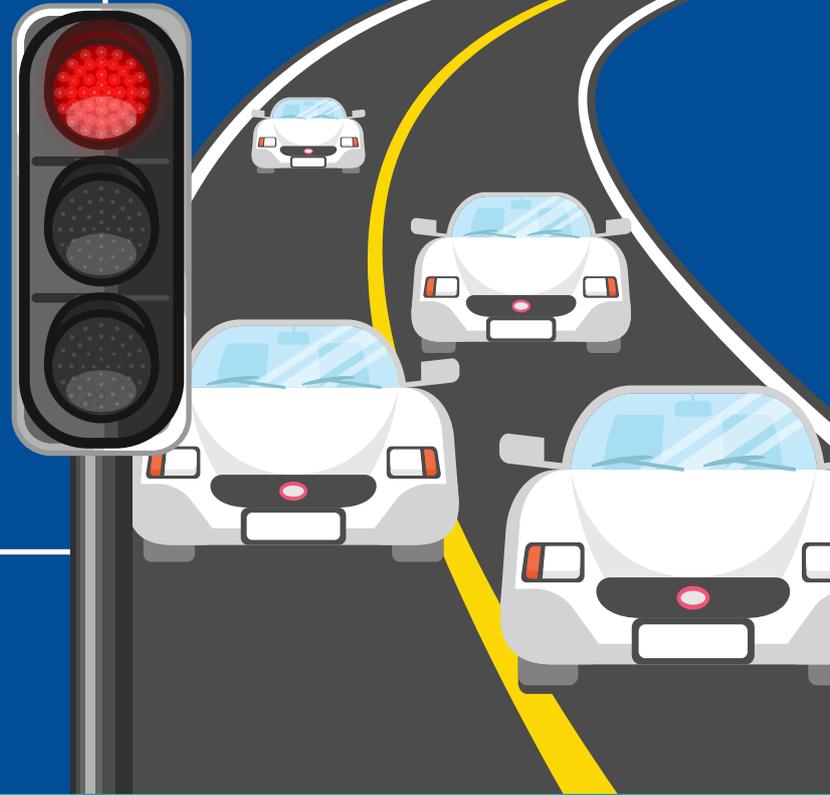
The transport management function in many companies, is further responsible for managing spot rental related services such as airport and hotel transfers, inter-office shuttles, and intra and intercity commute, amongst others. While the process to manage these services is less complicated, the administrative effort required to manage a successful operation is high.

The following section dwells on the specific challenges faced by companies in managing the various business imperatives.

04. 1M.C.Mehta versus Union of India & ORS., I.A. Nos.366, 367, 368, 370, 371, 372 in I.A.No.365 in I.A.No.345, I.A.No.369, 373, 374 in I.A. No.366 in I.A. No.365 in I.A. No.345 in Writ Petition (Civil)

No.13029/1985 WITH Writ Petition (Civil) No.817 of 2015 WITH Writ Petition (Civil) No.116 of 2013 AND Writ Petition (Civil) No.728 of 2015, December 16, 2015

# Key challenges surrounding employee transportation



While the management of dynamic operations, proactive risk management, employee convenience, and cost and compliance are the major transport management imperatives, the function is faced with a multitude of challenges, relating to:

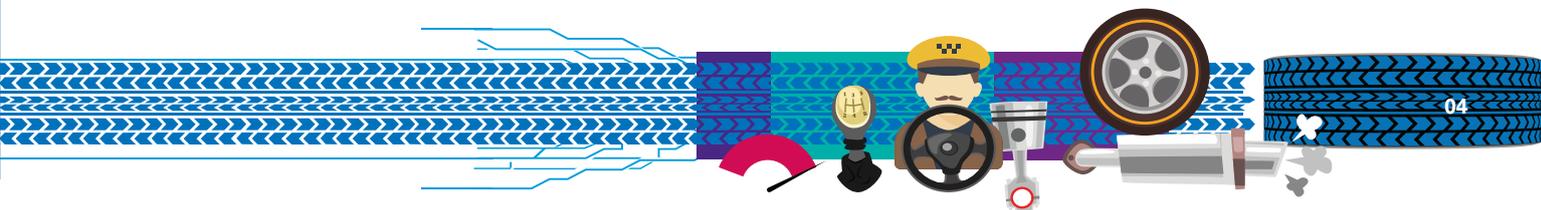
## Vendor environment

Based on KPMG in India's analysis in 2016, India's taxi market servicing the IT-BPM industry is dominated by the unorganised sector with a vast majority of the vendors having a regional presence and an insignificant number of vendors with a national presence. Due to the inherent nature of operations, there exists a high level of dependency and reliance on vendors. For companies having a multi-city presence, especially, this could mean that more vendors are empaneled than necessary. Furthermore, the challenge is amplified as regional markets are constrained with very few large vendors capable of fulfilling clients' demand. More often, due to this reason, companies accept differential pricing arrangements within and/or across locations, and struggle to exercise higher bargaining power with vendors.

Certain markets are dominated by one or two vendors with a very strong local presence, leaving companies with little or no choice in selecting the right vendor(s) to cater to their requirements.

## Vendor reliability

The effect on aggregator taxi businesses in the IT-BPM industry was discussed earlier. The vendors' (those servicing IT-BPM companies) existing business model, with few owned and majority attached vehicles, has resulted in high driver attrition around the attached fleet. While the aggregator taxi business marches ahead aggressively in acquiring customers, the drivers servicing the IT-BPM companies are lured with attractive incentives, potentially higher income and quicker cash payment cycles. The trend has affected IT-BPM companies in the fulfillment of vehicle demand in the past and is expected to continue in the future.



## Total cost of operations

Transport spends are generally known to rank amongst the top five facility operating expenditures. There are several strategic and operational factors affecting transportation cost; however, many IT-BPM companies grapple with inadequate market information of vendors' price in the region and the constitution of price offered to the company. High transport costs in companies (both direct and indirect costs) are directly attributable to extent of policy levers exercised, control over operational efficiency, employee convenience and safety considerations. Further, contract structures and pricing models (i.e. consideration of the minimum guarantee/per km/per trip/per employee/hybrid/lease, etc.) are also considered as key determinants to manage cost.

## Technology and data integrity

The key to manage operational efficiency is dependent upon the availability and right interpretation of data, and the ability to take informed decisions thereafter. In many companies, processes are managed manually with little or no technological intervention. Physical trip sheets, manual grid maps (i.e. location based km/trip agreements based on physical dry runs), and over-reliance on an individual's route knowledge are some examples which have led to inefficiencies in the internal environment. Further, while end-to-end automation systems are a great way to manage data integrity, the purpose is commonly misunderstood to yield a high percentage of cost savings directly attributable to technology implementation within the transport environment.

## Employee safety and security

Employee safety and security practices in the IT-BPM industry are largely guided by government statutes and NASSCOM guidelines. While the subject of employee security, especially women safety, is treated with utmost importance, the focus continues to remain on security during the employees' commute. Many companies continue to face challenges around driver background verification, employee data security, driver behaviour and fatigue management, accident protocol and in-premises safety management.

## Internal stakeholder expectations and employee satisfaction

Employee satisfaction is a factor of information availability (enabled through helpdesk or self-service apps), extent of on-time arrivals and departures, commute time (actual commute and waiting), additional distance travelled due to deviations, and overall ride comfort. Unfortunately, the influence of these factors to a large degree is related to cost and better operations management. The ability to consistently deliver the same experience to employees, however, has rather proved to be difficult.

## Regulations

While there are a few regulations pending finalisation/ court orders/guidelines for the aggregator business, there is an absence of regulations governing taxi businesses in India. Further, there is an inherent need for better alignment between government policies and corporate requirements within the taxi industry.

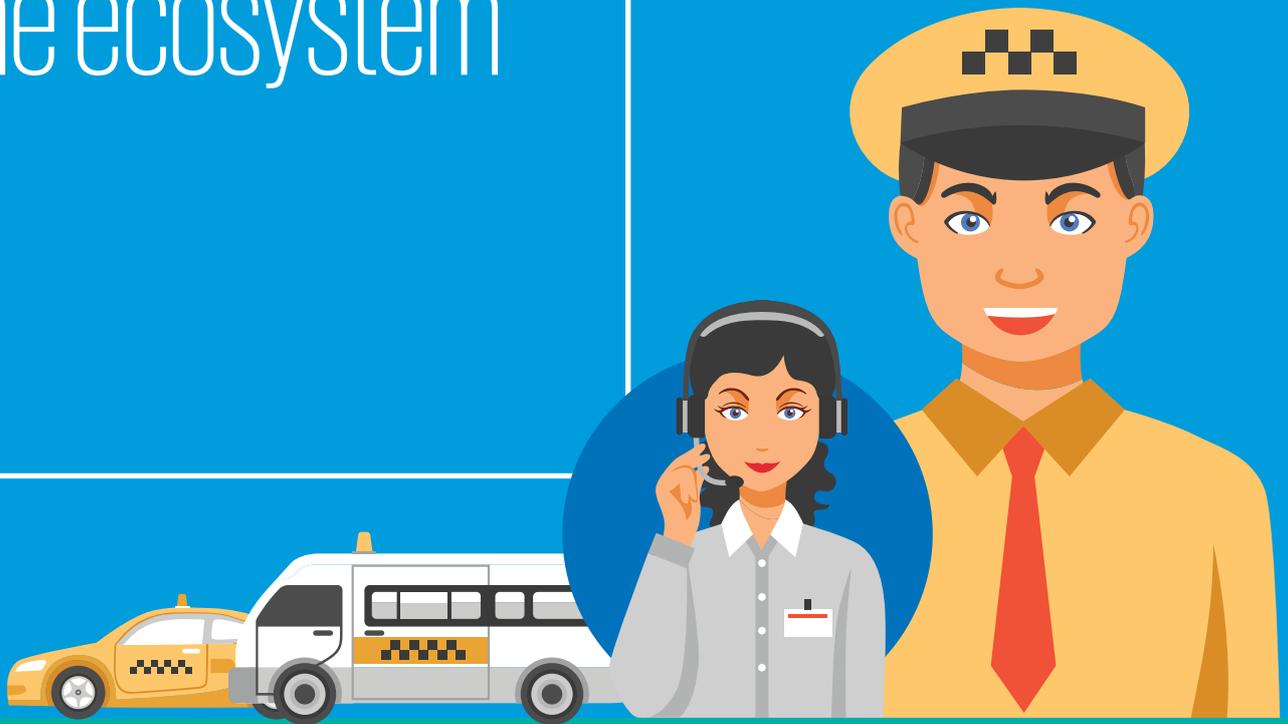
### Spot rentals

- While vendor reliability is relatively higher, the cost of operations is significantly higher (at least twice that of regular employee/shift transportation).
- While the number of transactions are comparatively lower, issues pertaining to data integrity (in terms of trip validation) persists.
- The level of technology penetration to aid spot rental operations is low.

The following section focusses on various transport initiatives that can be/are being considered by IT-BPM companies to mitigate the indicated challenges.



# Key trends within the ecosystem



Considering the multitude of challenges prevalent in the interdependent transport ecosystem, it is imperative for companies to define their strategy to strike the right balance between cost, service reliability and safety and compliance. Over the past few years, transportation as a service has transpired to be a key influencer for driving employee satisfaction; however, companies need to consider the cost of providing such conveniences.

If cost is not a criteria, a dedicated fleet may perhaps eliminate the challenges relating to operational reliability and employee convenience, and technology (for example) can address several concerns around employee safety. In order to add value and be relevant to the business, a transport function must be careful in managing the aforementioned priorities.

## Key trends in the industry

### 1. Vendor-related strategy

Challenges relating to supply are expected to persist in the unorganised taxi market as well as continue to be vulnerable to disruptions. While the primary responsibility of managing drivers lies with the vendor, companies are increasingly interested in vendor business models and vendor initiatives pertaining to driver wellbeing. Some of the trends are mentioned below:

#### 1.1. Promoting a multi-vendor ecosystem

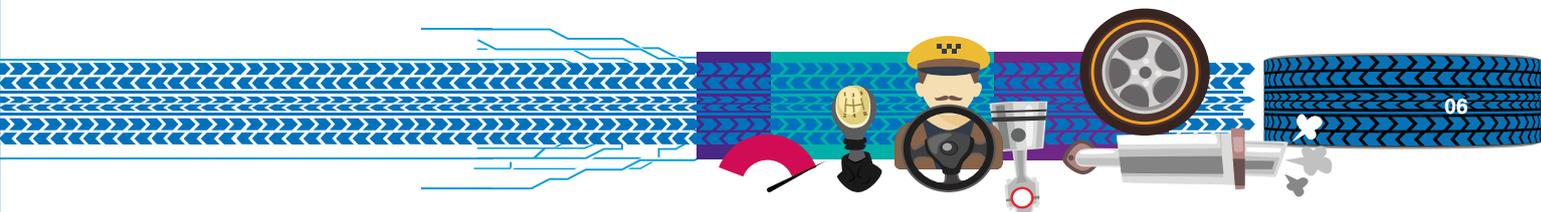
Companies are focussing on diversifying the supply portfolio and reducing dependency on any specific vendor. Companies should ensure that the onboarded vendors are allocated a fair share of business so as to motivate them.

#### 1.2. Nurturing a collaborative model with vendors

To counter the impact of taxi aggregators on company operations and vendors' business, companies are on the lookout for 'collaborators' rather than vendors. Companies are willing to consider long duration contracts (for three years) and shorter payment cycles to help vendors raise capital and manage cash flows. Further, performance based vendor incentives are included to encourage vendors to consistently meet business and statutory requirements.

#### 1.3. Ensuring driver loyalty

Based on KPMG in India's analysis in 2016, the motivation of drivers is quite different to that of their vendor organisations. While vendors are interested in a larger business share and on-time payment, drivers are usually concerned about their guaranteed income (gathered to be around INR 60,000 – INR 90,000 gross per month, depending on the taxi vehicle type and category). Companies are working with vendors on their pricing model based on a minimum business guarantee to meet the expected income and incentive programmes much like in the aggregator business.



Further, some companies promote additional benefit programmes for drivers (e.g. child's education) as part of their Corporate Social Responsibility strategies.

#### 1.4. Green initiatives

Companies which are conscious of their carbon footprint are keen on utilising electric vehicles for their regular operations. This market is still evolving in terms of infrastructure availability for charging and assessing vehicle performance, and companies are conducting pilot initiatives to evaluate its fitment. While, the analysis of pilot outcomes is yet to be validated, early feedback from user groups has indicated a reduction in journey time (considering the vehicle size). However, concerns on the ability to cater to long distance travel, technology integration and passenger comfort exist.

## 2. Streamlined transportation policy

A strong and reliable vendor strategy can only be successfully implemented if the business rules considered are practical and acceptable to all stakeholders. A robust transportation policy is a key lever to drive user behaviour and helps to forecast demand, thereby reducing operational uncertainties. Some of the trends are mentioned below:

#### 2.1. Changes to the operating model

Companies are actively pursuing methods to consolidate demand and maximise utilisation. The methods being adopted are based on shift rationalisation (i.e. aligning log-in and log-out timings based on actual business requirements), optimising the fleet mix and shifting from door-to-door to nodal pick/drop services, amongst others.

#### 2.2. Driving discipline

In order to optimise the process and reduce wastages, companies are focussed on enhancing the predictability of vehicle supply by working with vendors, effective management of the available fleet, and lastly to reduce the dynamism of demand from business and employees. The latter is being curtailed to a minimum by driving discipline through policy adherence, minimised exceptions to process and a reduction of no-shows.

## 3. Risk management

Risk management in the context of employee transportation encompasses issues such as employee safety and security management, and compliance with regulatory requirements. Some of the trends observed include:

#### 3.1. Background verification of drivers

Companies have traditionally relied on vendor attestation and/or police verification certificates towards background screening of drivers. While many companies continue the practice, some engage professional third party background verification vendors (those utilised for full time employees). While this practice is welcome, police verification or criminal background check is limited to the address(s) provided by the vendor/driver. In the absence of a centralised government database, these checks cannot be considered as fool proof.

#### 3.2. Driver over shift

Opportunities in the aggregator taxi business for individual taxi owners and/ or over-utilisation of vehicles across companies (driven by the vendor), have in the recent past led to severe driver fatigue. Unfortunately, the industry has observed fatal incidents due to this reason and companies have begun to make a conscious effort to curb such practices. However, companies have found it challenging to monitor the movement of drivers/vehicles beyond their duty hours.

#### 3.3. Accident/incident management

Installation of Global Positioning System (GPS) in vehicles is a mandatory requirement in some states and through this technology, companies are able to trace vehicles during commute. Technologies have further enabled security functionalities such as a panic alarm for employees to prepare for eventualities. Some companies have further defined accident/incident protocols to respond to emergencies. In spite of these measures, companies believe they are under prepared to respond to emergencies due to inadequate infrastructure to support such eventualities (e.g. absence of quick response teams, traffic conditions, etc.).

#### 3.4. Training and awareness

Companies are mandating regular training for drivers (defensive, soft skills, etc.), transport teams and periodic employee awareness sessions (policy and risk management).

## 4. Bus operations

Bus operations within the IT-BPM industry have generally been preferred for the general shift or day time operations, especially in IT service companies catering to the domestic market. Typical challenges associated with bus operations have been around seat utilisation, user's ability to track bus movement, perceived inconvenience with respect to journey time and last mile connectivity. However, companies looking to consolidate demand, reduce dependency on taxis, and promote employee self-sufficiency, are enhancing user experience by providing better comfort (air conditioning) and Wi-Fi connectivity services. Companies are exploring opportunities to further consolidate with similar, like-minded companies by sharing resources.

### Spot rentals

Some companies are encouraging employees to manage their transport requirements and claim expenses through a direct reimbursement route. With the availability of taxis through the aggregator business, employees find it convenient to adhere to such policy provisions. Further, taxi aggregators have offered corporate solutions, which enable employees to avail services in a cashless manner.

# The increased role of technology in managing transport operations



Technology solutions in the market for employee transportation processes have evolved over the last few years with the advent of multiple automation vendors and the introduction of user friendly applications by taxi aggregators. From spreadsheets to basic Transport Management Solutions (TMS) focussed on scheduling to seamless end-to-end solutions, this industry has grown by leaps and bounds.

While the primary objective of technology has been to reduce manual effort, companies are also increasingly focussed on:

- Strengthening safety features by utilising GPS tracking and panic buttons,
- Enhancing user experience by utilising apps to encourage self-service tools, and
- Optimising operations by utilising routing algorithms to help improve efficiency.

Additionally, companies that have moved to an automated environment have faster access to reliable data, enabling them to take informed decisions on a near real-time basis. These companies are able to derive benefits across the transportation lifecycle from scheduling to routing and tracking to billing. Based on KPMG in India's analysis in 2016,

a company providing door pick-up and drop-to approximately 2000 employees, can save about 1 million trip sheets (utilised to authenticate proof of trip) per annum and benefit from a reduction of up to 40-60 per cent in manual effort (depending on the commercial model).

While a lot of companies are investing on available software products in the market (which have evolved over the years by learning across multiple locations/clients), some companies are developing 'in-house' solutions which are customised to meet their objectives rather than a 'one size fits all' solution. The critical components of an automated solution are:

- A simple and interactive user interface
- A powerful and robust routing engine configured with necessary business requirements
- Reliable in-taxi devices to support tracking and data capture and
- Effective and efficient mobile apps catering to all use cases.



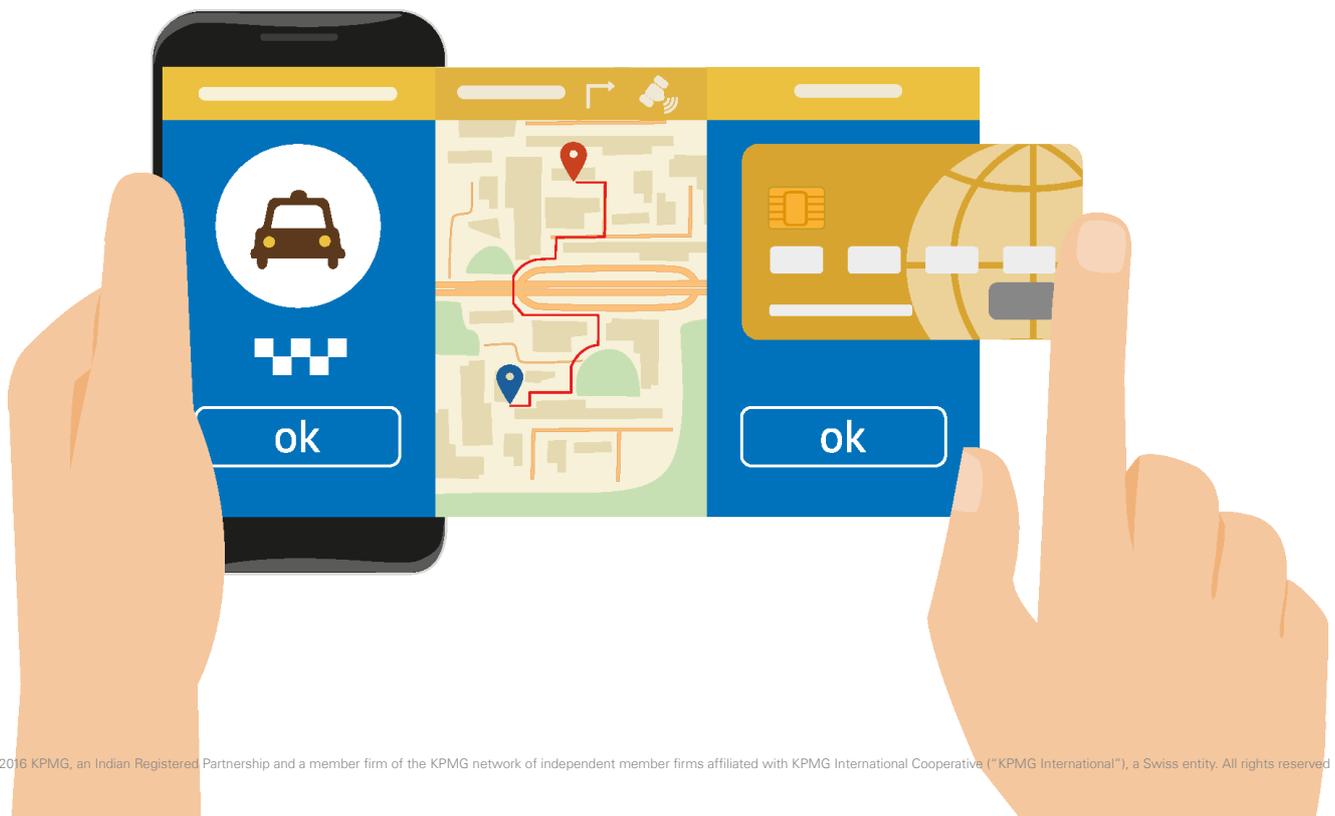
While a lot of technology tools and features are available, it is critical for a company to define the use cases and prioritise its objectives to help ensure that the actual benefits are derived. Technology should not be seen as a solution to transportation-related concerns, but as an enabler. A reliable vendor ecosystem, comprehensively documented policies and processes and a skilled transport team are paramount for successful technology transport management. Also, to set and manage the expectations of the stakeholders, an effective change management programme, robust processes and a skilled/reliable team is essential for successful implementation and use of technology. Setting service level expectations with employees, convincing drivers/vendors of fair and transparent billing, and obtaining a buy-in from the organisation's transport team are the critical success factors in the transportation automation engagement.

Data analytics tools are being combined with automated transportation solutions to provide targeted insights. While many companies are moving towards technology enablement to achieve efficiencies and benefits, one cannot ignore the need of human intelligence to manage disruptions due to vendor unreliability.

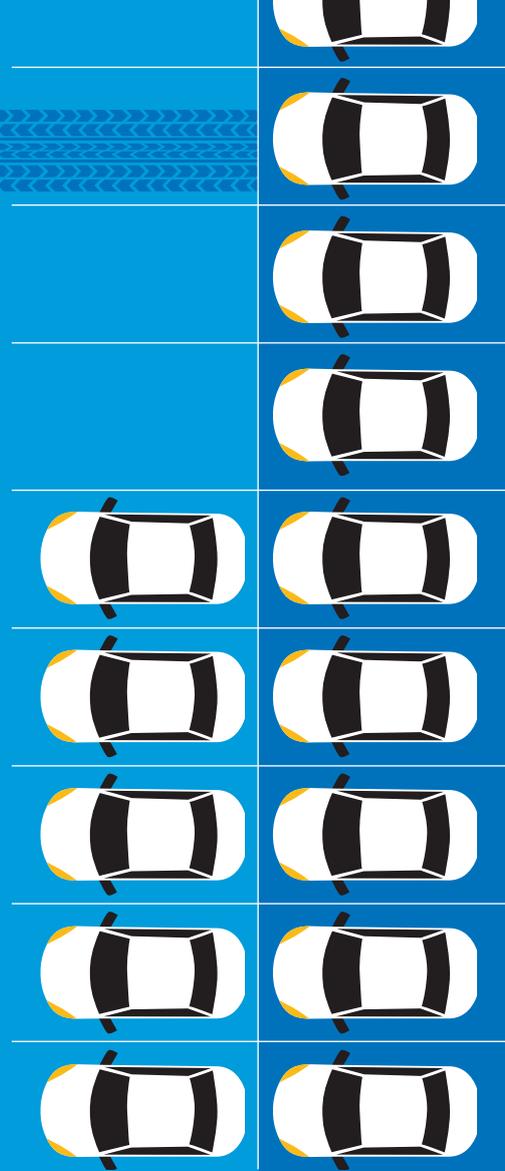
Additionally, advanced vehicle and driver behaviour monitoring technology in the form of vehicle telematics has gained popularity globally. In its current form, insurance telematics is popular in the western countries to provide accurate insight into the insurees' driving behaviour to determine the insurance policy premium. Additionally, features such as driver risk profiling, real time theft and hijacking detection, different driver detection, real time driver behaviour monitoring, vehicle tracking, advanced driver assistance system, among others, could be beneficial in the context of employee transportation.

### Spot rentals

From a spot rental operations perspective, technology penetration is minimalistic when compared to shift transport operations. While, few vendors have explored in-house tools, a majority of vendors have been unable to leverage technology for the purposes of client operations. Taxi aggregators' corporate solutions are based on leveraging their existing technology platform to service client needs.



# Building a sustainable and scalable operating model



Companies have strived hard to stabilise operations and improve their transport management capabilities. However, factors such as a sudden increase in the number of employees and work shifts, regulatory changes or disruptions in vehicle supply are likely to rapidly lead to operational challenges. It is therefore imperative for companies to work pro-actively in building a scalable and sustainable operating model.

The current focus areas may include:

- Management of vehicle supply and employees' demand
- The feasibility of outsourcing the management of transportation.

## 1. Management of vehicle supply and employee demand

Unpredictability in the supply environment coupled with the expected headcount growth and increase in number of business shifts warrants companies to effectively manage their supply and demand by considering the following approaches:

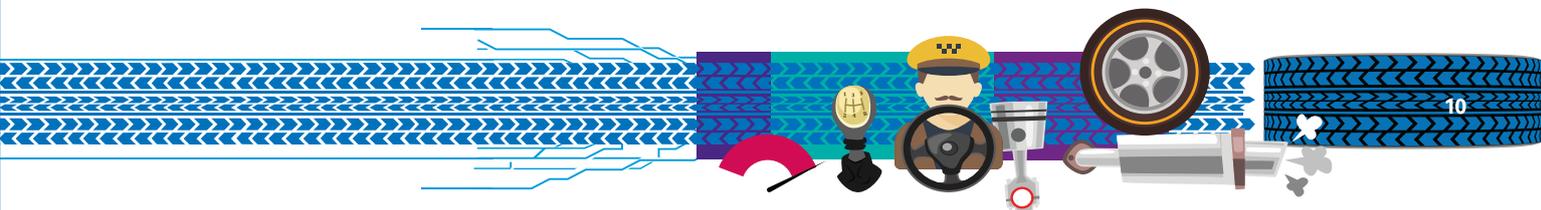
### 1.1. Policy level restrictions

Companies may restrict employee entitlement based on organisational level (designation, band) or based on whether the individual is a beneficiary to other company provided facilities. For example, employees above a certain level or those who have availed the car-lease facility may not use company provided transportation.

### 1.2. Employee chargeback

This approach considers charging employees for the use of the transportation service. One of the following methods may be adopted:

- Flat chargeback (i.e. fixed charge) irrespective of the distance travelled. This method is easy to manage for companies.
- Chargeback tiers based on the distance travelled – It is a more equitable way of chargeback as employees residing further away from the workplace, pay a higher amount.
- Chargeback based on the employee level – Employees at junior designations are provided transportation at no cost or at nominal charges, while senior level employees are charged a higher amount for the use of company transportation.



### 1.3. De-registration incentive

Some companies provide incentives to employees for opting out of company transportation. As it is a policy level change, many employees who are currently not availing transportation will also become eligible for incentives and this could result in increasing the total cost of operations.

### 1.4. Reducing day time transportation by leveraging city infrastructure

Some companies have leveraged city transport infrastructure to reduce/discontinue day time transportation for employees. For instance: the metro-shuttle programme in Gurgaon with its last mile support to the workplace.

### 1.5. Collaborating with taxi aggregators

To manage transport operations, one of the key requirements is to help ensure an adequate level of vehicle occupancy. While it is easier for large companies to manage the required occupancy, it is challenging for many smaller companies as they may lack employee scale. Taxi aggregators have come up with a distinct approach to help better manage this situation by offering integrated vehicle requirements across multiple companies in an area/ business park to bring about cost efficiencies. Further, with multiple services, employees have greater flexibility in deciding their login/logout time. Currently, such services offered by taxi aggregators are based on nodal pick-up points for daytime operations.

## 2. Outsourcing transport management

Unlike other facility related services like housekeeping, security and cafeteria services which are managed by third party service providers, employee transportation as a service is yet to be fully outsourced. With many companies managing the service in-house or through a co-sourced model, the organisation size of the transport function is still considered large.

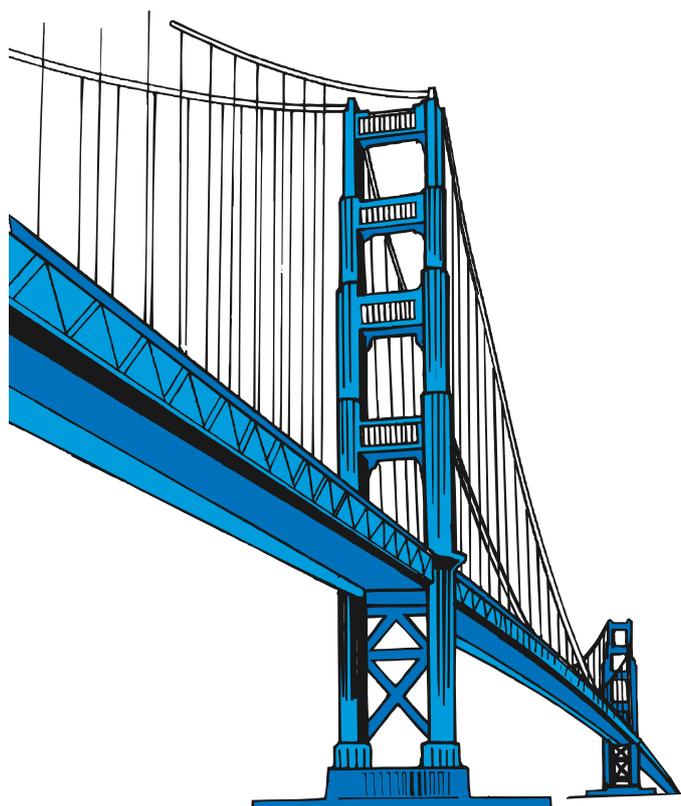
The existing market offers two options to outsource to third parties:

### 2.1. Master vendor model

Client organisations enter into an agreement with a third party master vendor to manage and operate transportation. In this arrangement, the responsibility for selecting taxi operators, technology providers and for ensuring operational reliability, employee satisfaction and safety requirements lie with the third party vendor. Companies manage their master vendor through the monitoring of Key Performance Indicators (KPIs), periodic reviews and their ability to bring down/sustain the base cost.

### 2.2. Agency model

In this model, third party vendors are responsible for day-to-day operations management, while vendor contracts continue to be managed by the client company. As the magnitude of employee transportation as a service increases, a greater number of companies are expected to rely on one of the above models for transportation management. Companies are expected to benefit from third party vendors, who may help introduce leading practices based on their market know-how, connect and experience.



In conclusion, the employee transportation industry continues to operate in an uncertain environment with constant exposure to external factors and ever increasing expectations of internal stakeholders i.e. employees. It is therefore imperative to equip the transport management function with the right organisation structure, decision-making powers and technology-enabled tools to achieve the key business objectives of optimal cost, reliable service and a safe environment for its employees.

# Glossary

CNG	Compressed Natural Gas
GDP	Gross Domestic Product
GPS	Global Positioning System
IT-BPM	Information Technology - Business Process Management
MNC	Multi-National Company
NASSCOM	National Association of Software and Services Companies
TMS	Transport Management System

# KPMG in India

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## **Compliance team**

- Sameer Hattangadi
- Nisha Fernandes
- Aamir Munshi

## **Design team**

- Sheekha Panwala



# KPMG in India contacts:

**Nitin Atroley****Partner and Head**

Sales and Markets

**T:** +91 124 307 4887**E:** [nitinatroley@kpmg.com](mailto:nitinatroley@kpmg.com)**Ambarish Dasgupta****Partner and Head**

Management Consulting

**T:** +91 33 4403 4095**E:** [ambarish@kpmg.com](mailto:ambarish@kpmg.com)**Akhilesh Tuteja****Partner and Head**

Technology

**T:** +91 124 307 4800**E:** [atuteja@kpmg.com](mailto:atuteja@kpmg.com)**[KPMG.com/in](http://KPMG.com/in)****Follow us on:****[kpmg.com/in/socialmedia](http://kpmg.com/in/socialmedia)**

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