

# A new colonisation

## TECHNOLOGY Non-English markets offer growth opportunities for IT majors from India

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There is a new breed of Indian IT firms that is not exactly enamoured by Uncle Sam or the Queen. Instead, companies like Patni, EMC, Nucleus Software, Subex Azure, 3i Infotech and Fractal Analysis NewGen have ventured into markets that are loosely labelled as "tough nuts", risking their capital in reaching out to non-US/UK markets — a risk that has paid off, insist the players.

Breaking the convention of going to English-speaking countries, the key strategy adopted by the new breed of IT majors has been to harness local talent, tap domestic markets and de-risk the revenue model by reducing their dependence on any one geographical region. Yes, the Americas and Europe remain key markets, ac-

counting for over 90 per cent of IT-ITES, but other regions like Australasia, South-east Asia, West Asia, Africa and Japan are being eyed by Indian IT companies as business platforms outside India. According to Nasscom data, software and services (exports and domestic) grew by 31 per cent to clock revenues of \$29.6 billion, while exports (IT services exports, ITeS-BPO exports, engineering services plus product exports) grew 33 per cent to clock revenues of \$23.6 billion. Export earnings from markets other than the US and the UK are experiencing a double-digit year-on-year growth.

While Indian service providers

have built delivery centres in key source markets (for instance in the US), they are now set to expand their footprints in specialist locations like China for engineering and design; Africa

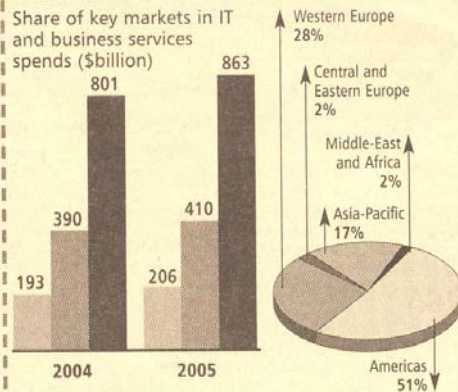
### Australasia, South-east Asia, West Asia, Africa and Japan are new business platforms outside India

for insurance and banking, and near-shore locations like Eastern Europe and Mexico. Nucleus Software began with a \$200,000 project for the World Bank in Mongolia and is today in Mauritius, Indonesia and Thailand with project sizes that

have breached \$1 million mark. Vishnu Dusad, managing director, Nucleus Software, says, "We have crafted a name in the financial product suites in emerging markets. Our existing expertise helps us to lever-

## CHANGING TRENDS

Share of key markets in IT and business services spends (\$billion)



Source: IDC, NASSCOM

age our brand in the US and UK markets." For this quarter, the company's wins are close to \$6.25 million, and it claims to have consolidated its leadership with significant wins in Africa and the Middle East. Adds Dusad, "Nucleus Software concluded this quarter with a multi-country order win with one of the most prominent in-

ternational bank, to implement our financial products."

Patni has been focused on the Japanese and North Asian markets to accelerate its business. Says Deepak Khosla, senior vice president (global marketing), "The size of market for Patni's IT services in Japan is around \$107 billion." Patni too began with an insignificant project for Hitachi, but today the Japan market brings in almost 5 per cent of its revenues. Countries on its radar include Korea, China, Philippines and Taiwan.

Amar Chintopanth, CFO of 3i Infotech, admits that challenges for Indian companies on foreign shores can be daunting. "Creating a base in emerging markets is not a cakewalk." The company, which has a strong presence in Central Asia, Africa, Far East and South-east Asia, has now set its eyes on Japan. "Two years back, we branched in the emerging markets with our banking and insurance products," says Chintopanth. 3i Infotech grew at 60 per cent in Central Asia. Chintopanth says, "The best part is to see the order values increasing at 20 per cent and hope to get 50 per cent of our revenues from emerging markets."

## FORWARD STRATEGIES

Admittedly, barging into mature markets is impossible for mid-sized IT companies. "Additionally, the labour arbitrage and the cost of development can be easily controlled in smaller markets," says the founder chairman of Subex Azure, Subhash Menon. The challenge is how to support the customers with a conducive support system, he notes. Subex Azure has a strong presence in South America and is looking to expand into Africa.

The new markets are bred on relationship-based selling, hence the cycle times

for sales closure is high. "Investments in local partnerships and regional manpower can be of great help in closing deals faster," industry heads echo.

The Middle East and countries like Dubai, Tanzania, Kenya, Abu Dhabi, Bahrain, Saudi Arabia, Qatar, Oman and Jordan have been healthy markets contributing up to 15 per cent for NewGen Software. According to Diwakar Nigam, MD, Newgen, if product companies like Infosys could manage to build their assets from these

markets, there's no reason mid-sized companies should not follow. "These are cost conscious markets where Indian products can match customers' price expectations," he says. With 100 per cent year-on-year in these geographies, NewGen aims to carry forward this expertise and the financial product suites into the more mature markets.

Manoj Chugh, president EMC (India and SAARC), announced the entry of his company in the Sri Lanka market in August 2006. "However, we have been

working on developing this market for the last five quarters. For EMC, Sri Lanka and Bangladesh are burgeoning markets that will contribute to our future growth in the APAC region," he hopes. The future of many mid-sized companies depends on how fast they can grow their respective emerging markets. Ramakrishna Reddy, director (EMEA), Fractal Analytics, agrees. The company, present across countries in East and West Asia, claims that the eastern end of the continent contributed up to 50 per cent of its top line.