

Big infrastructure mgmt deals beckon desi IT cos

Indian Majors To Vie With MNCs For \$30-B Renewals Opening Up Next Yr

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AS TOP outsourcing customers in the US and Europe seek to renew their computer infrastructure management contracts worth nearly \$30 billion next year, Indian tech firms including HCL, Tata Consultancy Services (TCS), Wipro and Infosys are bidding against incumbent multinational rivals IBM and HP for their share of the lucrative opportunity.

The top 15 vendors analysed by research firm Forrester in a recent report provided remote and onsite services for about 16.7 million desktops, 1.7 million servers and 23.4 million users globally. These vendors, including IBM, HP-EDS, CSC and some Indian tech firms including HCL delivered \$83.9-billion worth of infrastructure services last year.

By outsourcing the management of their desktops, computer servers, storage and communication infrastructure, customers such as Nokia, Xerox and Citigroup plan to have leaner balance sheets, reduce their operational expenses by up to 40% and focus better on their core business.

At least three outsourcing consultants, involved with helping customers outsource infrastructure management, said nearly \$30 billion of such contracts are up for renewal in 2010, and almost a quarter of these contracts will go to new suppliers, with the rest to be renewed with incumbents IBM and HP-EDS.

"In the last two years, we have demonstrated our capability to take over from incumbent providers," said Anant Gupta, president of HCL's infrastructure services division. "Despite remote infrastructure becoming popular, there were doubts about whether we can provide global support — our recent wins have proved that we can," he added.

Among large outsourcing contracts for infra-

PRIME TIME

16.7 m desktops

1.7 m servers

23.4 m users

Units getting remote & onsite services by top 15 vendors

\$83.9 b

Worth of infrastructure services delivered by vendors last year

40%

Targetted cut in operational expenses by customers



structure management, HCL signed a \$350-million seven-year deal with Reader's Digest earlier this year, apart from similar deals with Nokia and Xerox.

On its part, domestic rival Wipro acquired Citi Technology Services for around \$127 million in December last year, which came with Citigroup's commitment to outsource all future infrastructure management contracts to Wipro, potentially worth almost \$1 billion over six years.

Large multinational rivals such as IBM and HP have traditionally been strong in delivering multi-year management contracts because these companies are able to bundle services with their hardware products and even offer lucrative finance and credit options to customers.

"There's no way we would ever get into financing such deals, but we are aligning with

hardware divisions of some of our competitors for offering newer delivery models such as pay-per-use," said a senior executive at one of the top Indian tech firms. He requested anonymity because his company is in a silent period before announcement of financial results.

"Some clients clearly will require the scope only an IBM or HP can deliver, but many don't," said Dr Paul Roehrig, principal analyst at Forrester Research. "All of the India-centric firms included in the study — Cognizant, HCL Technologies, Infosys, TCS, and Wipro — have excellent forward-looking strategies for the infrastructure business," he added.

Experts such as Diptarup Chakraborti, principal research analyst at Gartner, say that Indian tech firms have already become multinationals by hiring more local workers, which will help them gain large contracts. "With large domestic deals in infrastructure management, Indian IT companies have already proved that they possess the relevant skill sets. Wipro's deal with Uninor for about \$500 million (about Rs 2,500 crore), this year is comparable to any large international deal," said Mr Chakraborti.

Meanwhile, multinational rivals create barriers for any new service provider by owning large data centres on behalf of the customers. "Some customers plan to derisk from this 'lock-in' by attempting to buy back the data centres," said Mr Gupta. "Large customers are looking to outsource contracts worth \$500-800 million," he added.

Although dwarfed in size by the legacy global service provider firms, "India-centric firms — including Cognizant, HCL Technologies, Infosys and TCS — also landed among the leaders by showing good delivery capability and generally strong forward-looking strategies for the global infrastructure services business," Dr Roehrig of Forrester added.

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