

India misses outsourcing boat

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Indian outsourcers have not lived up to predictions that they would devastate the Australian technology industry, delivering growth rates and revenue that barely match the performances of the country's small services players.

Many large computer and communications users are also yet to outsource work offshore, and Indian players are facing stiff competition from established United States companies that have sunk millions of dollars into facilities on the sub-continent.

The situation has led independent outsourcing advisers such as Swamy and Associates director Sriraman **Annaswamy** to proclaim that India's largest outsourcers may have missed their chance to establish an early beachhead in Australia.

"This whole thing about Australia being unionised and Australians being laggards as the reason why [offshore outsourcing] hasn't really taken off in Australia is an absolute smokescreen," Mr **Annaswamy** said.

"It is simply that these fellows have not been able to put together a proposition that is as competitive as what they were able to do five years ago in the US."

India's four largest outsourcers - Infosys, Satyam Computer Services, Tata Consultancy Services (TCS) and Wipro - each generate more than \$US1 billion (\$1.3 billion) a year in global sales.

But like many multinationals they are reluctant to disclose revenue and profit figures for their Australian subsidiaries, and some do not file regular annual returns breaking out local income with the Australian Securities and Investments Commission.

One that does is Infosys, which reported just a 6 per cent increase in revenue to \$96.8 million for the 12 months to March 31 this year.

The operation delivered a \$5.6 million profit, up from a \$339,000 loss in the previous corresponding period.

Infosys managing director Gary Ebeyan acknowledged that revenue growth reported in the ASIC return was slow, but said the company booked revenue for Australian work that was completed in India.

He claimed the subsidiary's sales for the quarter ended June 30 rose almost 20 per cent year on year and close to 17 per cent quarter on quarter.

"We are seeing demand in just about any industry you can name," Mr Ebeyan said.

"When I say demand, probably in Australia it's a lot of interest. It's not necessarily that we're

signing up 10 contracts a month. But we are in advanced stages of bids in a number of areas, and certainly the interest and progressed state of some of the proposals we've put in are exciting."

Infosys's sluggish revenue growth comes as many Australian companies are enjoying prolonged strong demand for technology services.

Earlier this year, Oakton reported a 54 per cent rise in first-half revenue to \$36.95 million, while SMS Management & Technology increased sales for the six months to December 31 by 21 per cent to \$61.9 million.

Minnow ASG Group enjoyed a 69.4 per cent rise in first half sales to \$28.1 million.

Indian group NIIT Technologies, a relative newcomer to the Australian market, closely matched Oakton's growth rate during its financial year to March 31. However, its ASIC filings show revenue for the period totalled just \$3.7 million, up from \$2.4 million a year ago.

Satyam, which holds an offshore outsourcing contract with Telstra alongside Infosys, is on record as saying Australian sales were \$US55 million for the year to March 31, up from \$US33 million the previous year. The bulk of that gain reportedly came from a single contract with consumer goods conglomerate Unilever's Asia-Pacific arm.

Satyam did not respond to a request for comment.

Wipro, Satyam and TCS do not file annual reports that detail their Australian performance with ASIC.

However, TCS Australia boss Rick Marmur maintained the company was grabbing market share from its competitors here and said it would double its local headcount to almost 800 over the next 12 to 18 months.

"We are growing much more strongly than the overall IT services market in Australia, so we're gaining market share," Mr Marmur said.

"The demand has been pretty much across the board."

He declined to name Australian customers, but TCS has agreements with Woolworths and Hutchison. Other local users of offshore services include ANZ Banking Group and National Australia Bank.

Westpac is believed to be in discussions with Infosys and Indian firm Genpact over possible offshore outsourcing within its BT funds management business, indicating that a long-awaited take-off in the practice may be just around the corner.

However, Mr **Annaswamy** said the decision by NAB to send work to India through Accenture indicated Indian companies might lose out to the big US firms in the chase for Australian outsourcing contracts.

"The Indian companies have not presented their propositions very well," he said.

"Unlike in the US, they have been late starters here."

"What has happened is that the global players like IBM or EDS or even Accenture have had time to catch up with that . . . so in effect the cost advantage that the Indian companies had

is no longer there