

# IT firms getting more business from Europe

iGATE bags \$35-million contract from Swedish firm; Royal Philips extends deal with Infosys

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For the first time since the 2008 financial crisis, Indian software exporters are beginning to see early signs of outsourcing business from Europe.

iGATE has won a \$35 million, five-year outsourcing contract from Länsförsäkringar Alliance, a large Swedish financial services company. Around the same time, Royal Philips of the Netherlands extended its existing seven-year outsourcing agreement with Infosys to provide finance and accounting-related services for another five years.

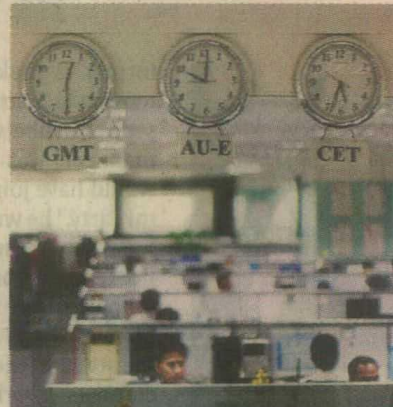
Some of the outsourcing is coming through the inorganic route. For instance, late last month, Tech Mahindra, one of the top five Indian IT outsourcers, said that it would acquire the software services unit of German chemicals company BASF.

Similarly, in January, Virtusa acquired TradeTech, a Swedish financial services company.

## Winds of change

Outsourcing deals, which were hard to come by in the pre-2008 era for Indian firms, got worse after the great recession. But they are starting to come back. "In the past, European companies were not convinced, unlike their American counterparts, regarding cost reduction as the sole motive to outsource. They demanded more value, which Indian outsourcers were unable to offer then. This is changing," says Sanjoy Sen, a senior director at Deloitte.

In 2012, European companies were sitting on \$1 trillion of working capital, according to European consultancy firm REL. This translates to roughly ten times the size of the Indian out-



## Outsourcing services in Europe

Country	(in %)	
	Outsourced	Not outsourced
Denmark	9	91
Finland	19	81
Germany	15	85
Netherlands	13	87
Norway	10	90
Sweden	9	91
Spain	17	83
UK	17	83

Source: Ernst & Young

sourcing sector. But when compared to the overall contribution, Europe accounts for around 30 per cent of the \$100 billion IT exports sector.

A growing number of European companies believe that offshore firms are ideal partners to help them stay competitive, be more agile and address talent shortages," says Peter Schumacher, President & Founder, Value Leadership Group.

Further, a study by Ernst and Young has estimated that 75 per cent of IT services have not been outsourced.

All that is starting to change, according to Indian IT companies. Some of them are putting in strategies to reap benefits once outsourcing demand opens up completely. For example, late last year, Wipro appointed Carl-Henrik Hallstrom as Regional Head for the Nordic region.