

IT deal pipeline gets bigger in April-June

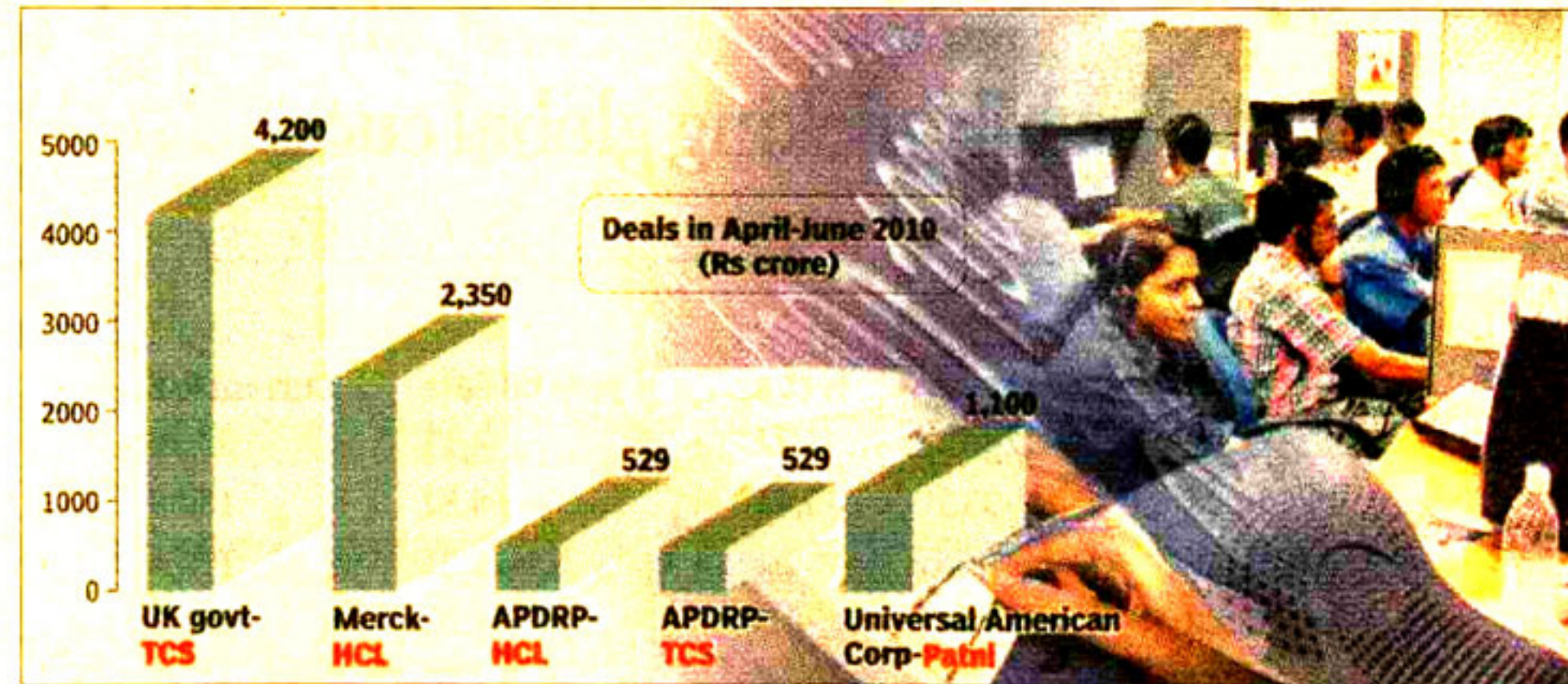
■ India's software industry likely to remain robust as global players continue to focus on cost optimisation

Debojyoti Ghosh

Bangalore, Jun 22: The information technology (IT) sector is turning buoyant again with a healthy surge in deal conversions during the April-June period, resulting in a slew of client pacts and an assortment of tie-ups across verticals.

Recent deals range from software development, infrastructure, engineering services and policy-administration contracts across sectors like automotive, aviation, telecommunication and insurance.

Analysts and industry watchers told *FE* the deal pipeline picked up from January this year. The trend is expected to continue, as global players continue to focus on cost optimisation. Delayed contracts will also be cleared in the coming quarters. Large deals with annual contracts worth over \$10 billion, and heading for expiry in 2010, will come up for renegotiations. Indian IT vendors are competing with global players for these large contracts.



From April-June, major deals included a Rs 4,200-crore UK government pension contract won by TCS, HCL's Rs 2,350-crore deal with pharma major Merck to provide integrated services in near-shore locations like Raleigh, North Carolina, Poland and China.

The government sector led the order pipeline this quarter, with the Accelerated Power Development and Reform Pro-

gramme (APDRP) shelling out IT contracts for Rs 1,220 crore. The APDRP deal included IT contracts for Rs 529 crore with HCL, Rs 476 crore with TCS and Rs 125 crore with Infinity Computers.

MindTree bagged the application development and maintenance services contract from *Aadhaar*, previously known as unique identification (UID)

project for an undisclosed amount.

In the automotive vertical, Wipro and TVS announced a 10-year multi-million outsourcing contract, under which Wipro will provide IT infrastructure and applications across TVS business units.

Kumar Parakala, global head of sourcing, KPMG, said: "The deals witnessed in the last three months have been mid-to-long-term deals with large sizes, varying from \$200 million to \$700 million. Leading IT vendors such as Infosys, TCS, HCL and Patni have reported a number of significant wins."

The fourth quarter of the 2010 fiscal, ended March 31, 2010, saw Infosys adding 47 clients — one of the highest additions in the recent past — and winning five large deals. Wipro added 27 new clients. TCS which added 39 new clients bagged 10 deals, including deals worth over \$500 million.

TCS had stated that the deal pipeline in the quarters ahead appeared robust and there was 'tremendous momentum' in

banking, financial services and insurance (BFSI), retail, and life sciences. An Angel Broking report noted that though TCS has started witnessing large transformational deals, the same has been coming in a phased manner and will take few more quarters to witness strong rampups.

Ashok Vemuri, global head, banking and capital markets, Infosys Technologies, had told *FE* before the silent period that recession had created tremendous integration opportunities. "There is several transformation deals related to M&A activity in the BFSI space and we will see a lot of traction in the sector," he said.

Analysts told *FE* the slowdown has brought about a new wave of 'cautious spending'. The client is now looking at deriving maximum value from the outsourcing deals it engages in. Transformational deals that took a set-back in the previous quarters are showing signs of recovery as companies aim to create business models that provide an edge.