

Big deals begin to click again for IT companies

Even 'mega-deals', those above \$1 billion, reach \$13.7 billion

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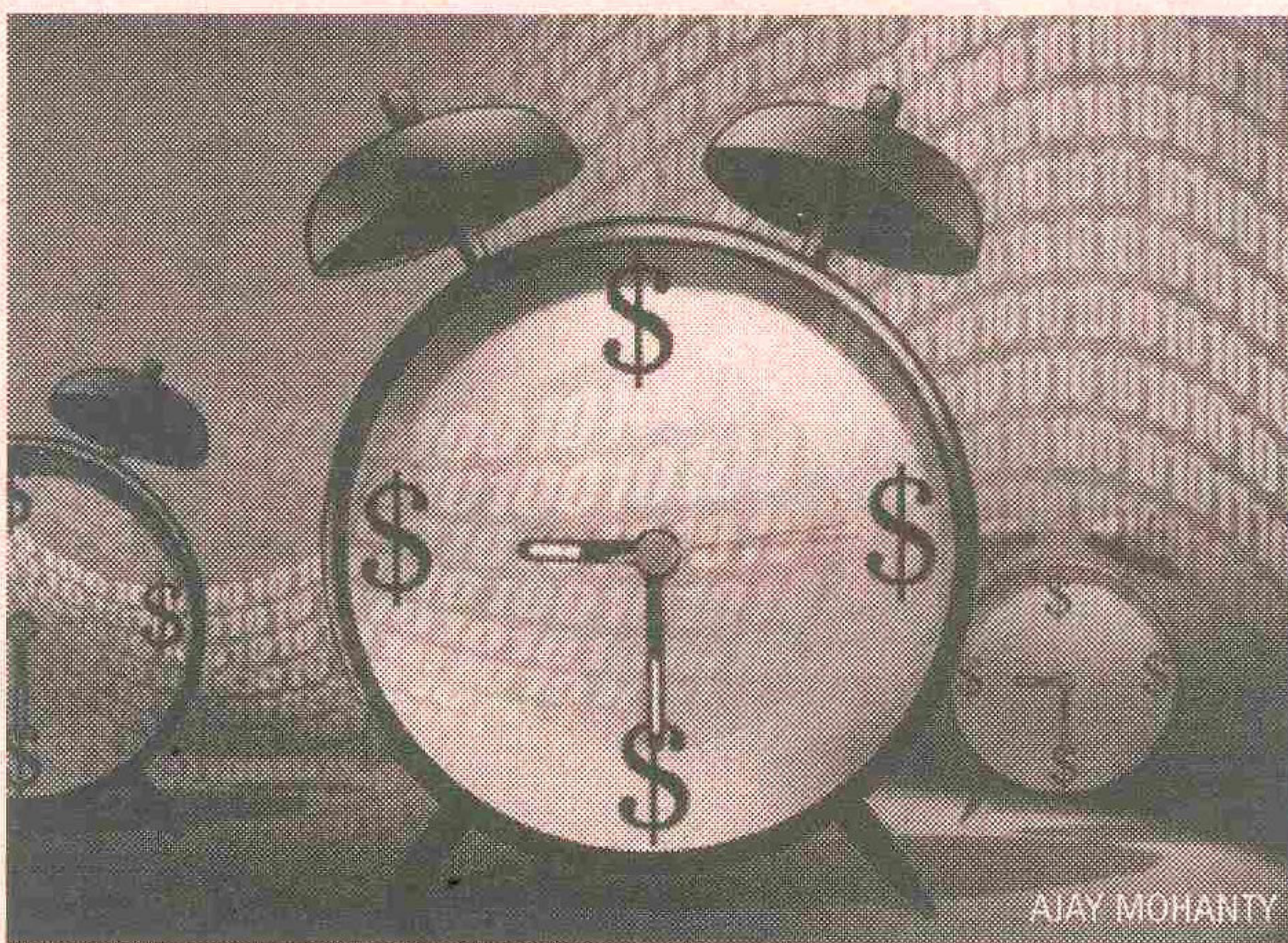
After a year, Indian information technology (IT) companies are back to doing what they do best: Winning deals. While many of the deals closed during the year came at lower prices than earlier, the good news is that analysts believe prices are stabilising.

Take, for instance, HCL Technologies. The company announced three large deals of over \$100 million in the first half of this year. Wipro Technologies also managed to bag a five-year data centre and application management contract from BJ Wholesale Club.

Infocrossing, the company acquired by Wipro, managed to get a contract extension of four years for \$34 million from Sunoco, a leading manufacturer and marketer of petroleum products. Last month, TCS, Infosys and Wipro each won a part of the \$1.5-billion outsourcing contract from British oil and gas firm BP.

That the flow of deals has resumed is evident from the third quarter Global TPI Index that tracks commercial contracts valued at \$25 million or more.

The third quarter Global TPI Index recorded 139 transactions with a total contract value of \$24.7 billion. It was the highest quarterly value since the fourth quarter of 2008 and represented an in-



IT'S DEAL TIME AGAIN

COMPANY	DEAL DETAILS	SIZE
Infosys	Telstra 3-yr deal	About \$500 mn
	BP	Part of \$1.5-bn contract
HCL Tech	Xerox 6-year deal	\$100 million
	RDS	\$350 mn
	Nokia	NA
Wipro	Sunoco 4-yr deal	\$34 mn (extension)
	BP	Part of \$1.5-bn contract
	BJ Wholesale Club 5-yr	NA

crease of 21 per cent over the second quarter of 2009 and 40 per cent over the third quarter of 2008.

The report said: "A brighter picture could be seen in mega-deals, those worth \$1 billion or more. Mega-deal contract values reached \$13.7 billion in the third quarter, the highest total since the fourth quarter of 2002. Excluding telco-to-telco contracts, four

mega-deals were signed, the same amount in the last three quarters combined. The 11 mega-deals signed year-to-date falls within the range of recent years, but the more than \$19 billion of contract value is the highest total since 2005."

TPI Global Resources Management Partner and President Mark Mayo said: "Our day-to-day observations

suggest that the pent-up demand underlies a market that has been deferring decisions in an economic recession. Based on this, we think the market will begin to turn upward over the next six to nine months."

TPI Partner and Managing Director Siddharth Pai agreed too. "The pipeline is beginning to show, but how soon these will transfer into deals is going to be crucial," he cautioned.

Many analysts said that the deals closed before the June period did come at a lower price.

"There certainly is a price deflation. It was varied though in the range of 10-15 per cent, but that happened much earlier. Besides, anybody who was willing to make a decision on spends was getting a bargain. With the majority of players eyeing the same pie, this was bound to happen," said an analyst on condition of anonymity.

Tholons Advisory Partner Sabyasachi Satpathy said: "Over the last 10 months or so, the focus for the global 1,000 companies was cost and, hence, the renegotiation on price. But now the focus is to optimise the cost of the portfolio of services."

Satpathy also believed that, while the pricing will remain in the same range, there were opportunities in certain services where pricing might see an upward trend.