

Indian firms eye major chunk of \$16-bn IT-ITeS market in West Asia

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Bangalore, Nov 20: With modernisation being a key agenda for rebuilding the post-revolution West Asian countries, Indian outsourcing firms are gearing up to claim a larger chunk of the region's \$16 billion IT-ITeS market. Various Indian firms are ramping up their West Asian operations, in anticipation of big government spends on digitisation over the next few years.

For the Indian outsourcing industry, which has been struggling with the euro-zone crisis and a sluggish US economy, West Asia is one of the fastest-growing geographies. A flurry of activity in areas like education, banking, oil and gas and telecommunication—coupled with special outsourcing zones and government incentives—has been inspiring the likes of Intelnet, Genpact, Aegis, Wipro and Mahindra Satyam to expand operations in the region.

BPO major Genpact Global Services last month opened its 80-seater delivery centre in Dubai Outsource Zone (DOZ). It now has plans to expand the centre to a 500-seater in the next three years.

In September, Intelnet announced its foray into the West Asian market with a 200-seater facility in DOZ, offering telecom, banking and financial services. The DOZ is the first free zone dedicated to outsourcing in West Asia, providing companies with free zone benefits, such as 100% ownership and tax exemptions. Dubai's location also makes this a viable centre for catering to the entire Middle East and North African (MENA) region.

"We are seeing a huge appetite for digitisation in the MENA region, particularly in the context of the rebuilding and modernisation post regime changes and political instability," says Aparup Sengupta, managing director, Aegis BPO, the outsourcing arm of the \$15 billion Essar Group.

"It is going to follow the development that happened in places like India and, therefore, is an important growth region over the next 10-15 years," he adds. Aegis, which currently employs 1,000 people in West Asia, plans to take the head count to 5,000 and double its revenue from the region over the next two years. Earlier this year, the company had signed a \$2 billion multi-year deal with Middle Eastern



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telecom giant Saudi Telecom.

According to a Forrester report, IT purchases in the Eastern Europe, Middle East, and Africa will grow by 18.2% in US dollars in 2011. IT bigwig Wipro says it is seeing a healthy pipeline, with major deals in Saudi Arabia, the largest IT market in the region.

"Saudi Arabia is the largest market

with sectors like education and government, oil and gas, banking and telecom fueling the growth. We had some large wins in Saudi Arabia. We have increased our investments in the region," says Anand Sankaran, senior VP and business head, (India, Middle East and Africa), Wipro.

Overall, Wipro has 1,200 people in

West Asia, of which 750 are in Saudi Arabia alone. Among the top IT players in the country, Wipro has the largest exposure in West Asia, generating over \$300 million from the region. Wipro's revenue from West Asia has grown at a CAGR of 71% since 2007.

Mahindra Satyam recorded a 40% growth quarter-on-quarter and 120% year-on-year in West Asia.

The company, which added three new clients during the second quarter, is seeing uptick in the areas of managed services and mobility solutions in the region. "There has been an upsurge in the spending on large transformation projects. The economy is growing at more than 10% in Qatar and Saudi. This region is one of the key geographies which Mahindra Satyam will focus on in the coming quarters," says Bobby Gupta, vice-president and head of Middle East, Mahindra Satyam.

Although Indian IT outsourcing companies have been present in West Asia for several years, opportunities to expand have cropped up only in the past two years.

For the cash-rich nations, saving

money and cost-cutting was not an agenda till the global meltdown. In 2009-10, the market made a move towards cost-savings.

"Post-recession, to serve overseas clients, companies started importing people from the Indian sub-continent and Philippines. About 60% of the workforce was from India, and 25% from the Philippine. Arabs were few in number. That is when they realised, it made sense to give the work to us," says Susir Kumar, CEO, Intelnet Global Services.

Analysts feel that while this region still constitutes a small percentage of revenue for these companies, growth will happen over the long term.

Says Sanjeev Hota, senior analyst, Sharekhan: "Contribution from the mid-east market for top tier IT firms is still quite low at around 3-4%. On the short-to-medium term, it is difficult to see what kind of expansion can happen, but companies will definitely keep a long-term view about it."

The outsourcing market in the MENA region is expected to grow at an annual compound rate of approximately 8% till 2016.