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POLITICAL UNCERTAINTY

IT firms put West Asia expansion plans on hold

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NEW DELHI

The political unrest in North Africa and West Asia is forcing several Indian information technology (IT) companies to defer their expansion plans in the region.

Business process outsourcers **Intelenet Global Services Ltd** and **Spanco BPO Services Pvt. Ltd** have put their expansion plans on hold citing uncertainties in the region, and **Tech Mahindra Ltd** expects business in the region to stabilize only after a year.

In the recent past, West Asia had emerged as an attractive market for the \$60 billion Indian IT industry, prompting several companies to draw up aggressive expansion plans there. IT purchases in West Asia, Africa and eastern Europe is expected to increase at 9.8% in

2011, the fastest growth rate in the world, compared with the 7.1% global average, according to **Forrester Research Inc.**

Intelenet, which has been planning to enter the region and was looking at opening a centre in Qatar or Dubai and Oman, has shelved the plan. "I would call it a six month deferment. With the current uncertainties, we are taking it a little slow," said an official of **Intelenet**, requesting anonymity.

Intelenet, backed by private equity firm **Blackstone Group LP** and **Barclays Plc.**, employs as many as 33,000 people across 35 centres globally.

Spanco BPO, which has a team of 700 people in West Asia, has also deferred its expansion plans. "Though we have operations in Oman and Qatar, which are not impacted, we are watching the situation closely and have put on hold future expansion plans for

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now," said Pravin Kumar, chief executive of **Spanco BPO**.

Over the past three years that it has been operating in the region, the firm has grown at a scorching pace of 70-80% and so the expansion would be in the form of natural growth, Kumar said. "Even earlier, policies adopted by the region were limiting business, the current political unrest has further

limited the scope," he said.

Firms are having a rethink about the region, said Vikash Jain, a partner at research and consulting firm **Everest group**.

"They are waiting to hear about the new political regime and how business friendly they are," he said. "We are expecting delays in the medium term."

Another official of a consultancy firm, which has been advising firms on their expansion plans, said that in the wake of the current crisis in the region, other locations that could serve as alternatives are now getting queries from investors.

West Asia had become extremely attractive for the industry as most of the region showed resilience during the global economic crisis. In the past few months, Indian IT players have won some large contracts there. For instance, outsourcing firm **Aegis Ltd**

struck a \$2 billion, eight-year contract with **Saudi Telecom** under which the two firms will set up a joint venture to manage the entire customer care operations of the telecom firm.

HCL Infosystems has also been expanding in West Asia and Africa through its unit **HCL Infosystems MEA**. **HCL Infosystems** acquired two Dubai-based companies last year. It bought a 20% equity stake in **Techmart Telecom Distribution FZCO**, a partner of **Nokia Corp.** and a 60% stake in **NTS Group**, an IT services company. But the industry is turning wary now because of the recent pro-democracy movements in countries such as Egypt, Libya and Yemen.

Krishna Gopal, vice-president, **MEA (Middle East and Africa)** sales, **Tech Mahindra**, admitted that there is an impact on sentiment.

"It will take at least two quar-

ters for the recovery and the third quarter of the year is as it is not very productive. So, we are expecting things to normalize only after a year," he said.

But **Satyam Computer Services Ltd** (now **Mahindra Satyam**), which **Tech Mahindra** acquired two years ago, says it's business as usual in its West Asian operations. Recently, **Mahindra Satyam** struck a deal with state-backed Oman firm **Omran** to deliver major projects and manage tourism assets and investments and had announced plans to double its workforce in the region.

Satyam has been present in the region for over 12 years and has a workforce of 300 people there and more than hundred customers. The company anticipates the current situation will settle down quickly. "We are winning more business than ever in the region and are on an aggressive hiring mode," said Bobby Gupta, vice-president and head of **MENA (Middle East and North Africa)** at **Mahindra Satyam**.