

## CEO Spotlight



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### “2007 - Year of Combat and Build”

The industry faced tough pressures through supply constraints, rising wages, appreciating Rupee/Peso and a smarter buyer. The top players did really well to come out of what could have been troubled waters. The margins did not see a very severe impact and billing rates were raised to acceptable levels.

While combating these challenges the service providers also “Built” their position as Global broad based service providers. MNC’s such as IBM and Accenture showed significant increase in offshore presence and leading offshore firms like TCS, Infosys, Wipro, Genpact and others established a presence in global locations. Large companies also broadened their service offerings by niche acquisitions.

Let me dwell a little more on the Combat and Build activities in the last year:

**With an exciting 2008 ahead, let me take this opportunity to reflect back on the past year.**

2007 in my opinion was a year of “Combat” and “Building”.



**C**ombat: As I mentioned earlier, service providers in India and Philippines faced the downward pressure on their margins because of various factors like - rising wages, appreciating rupee, rising infrastructure costs etc. The service providers did well to parry the threat caused by these negative forces. Companies relied on the operational, financial and HR levers to combat this challenge. To name a few - utilization was improved, hedge exposure was increased, fresher hiring was increased and a strong focus on Europe business was laid for a natural currency hedge.

The offshore centric IT and BPO services firms have done well to combat the challenges and very effectively "Saved the Turf". A minor concern though is the near saturation of the levers - Utilization might not have a great leeway now and fresher hiring as a percentage cannot be increased significantly. Pricing saw an increase of 3-5% on an average, which may not sustain. Focus will be on higher productivity, utilization and revenue realization from IP and not mere cost arbitrage.

**B**uild: While the companies focused their attention on combating the challenges of the market, the good thing is that they did not take their eyes off from their growth strategies. All the leading offshore vendors had a strong focus on geographical diversification, addition of new services, innovation and consulting. This was achieved either organically or through an acquisition. The focus was on winning large integrated contracts and also to provide "high value" services to existing clients. By and large all the leading offshore centric service providers followed the common vision of being recognized as a "Global but local" company with a full range of service offerings.

With the buyer confidence in offshoring becoming firm and the buds of offshoring of core functions like Engineering Design and Analysis, Healthcare and high end analytics already becoming visible, we enter into 2008 with a lot of excitement and hope.



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