

Tech firms win big deals as Europe outsources more

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BENGALURU: Indian IT firms are getting bigger in continental Europe, winning large deals helped by the greater investments they are making in that geography, and the rising propensity of European players to outsource more of their technology work.

TCS, Infosys, Wipro and Mindtree have all reported positive growth in the last 5-6 quarters on constant currency even as growth was flat or negative in the main North American market. Continental Europe still represents a small pie in the revenue, but analysts expect it to go up in the coming days.

“It is the fastest growing geography and Indian players have gained a fair bit of market share from European vendors. Few factors that have accelerated this are the propensity among European companies to outsource increasingly, and Indian players building up near-shore centres leading to higher localisation,” Apurva Prasad of HDFC Securities, said.

GROWING FASTER THAN N AMERICA

Q3FY21 growth (%)*

Company	Europe	North America
TCS	3.6	-0.2
Infosys	1.3	8.8
Wipro	1.4	-3.2

* Growth is year-on-year for revenue in constant currency

Infosys and Wipro do not break revenue up between UK and continental Europe

Source: Company financials

TCS's business in the region grew at 3.6% in Q3 compared to the previous year, significantly higher than in the US. Infosys and Wipro do not break up revenue between the UK and continental Europe, but they have maintained a positive growth in the region at a time when the UK has remained weak due to Brexit.

"In Europe, traditionally, a lot of companies were a little bit suspicious or careful with public cloud adoption, and therefore, were going a little slower on cloud transformation. I believe with the pandemic, they've realised the necessity to accelerate," Wipro CEO Thierry Delaporte said last week. The last few months have seen some major billion-dollar deals emerging from the region. These include the one between Infosys and Daimler, and between Wipro and Metro.

Analysts say that as the EU and the UK move into a post-Covid world, many of their large firms face the necessity to both cut costs and modernise their IT and business process services.

"The Indian heritage firms are fairing particularly well as they have lower operating costs and are also leveraging their balance sheets aggressively to win these large transactions. Firms like TCS, HCL, Infosys and Wipro have been patiently investing in putting in place large and talented European operations and are now in the position to be rewarded," Peter Bendor-Samuel, CEO of Everest Group, said.

Mindtree said that deals in Europe come in three forms: Firms increasing spends in digital transformation, in cost optimisation and in “end-to-end classical outsourcing”. The company, which is looking to focus more in this zone, has already put in place a leadership team for the Nordics due to the “significant demand out there”, CFO Vinit Teredesai said.