

AT&T, T-Mobile deal to benefit Indian IT vendors

Pankaj Mishra, ET Bureau Mar 22, 2011, 06.33am IST

BANGALORE: Indian outsourcing vendors like Infosys, Cognizant and [Tech Mahindra](#) are set to gain new projects worth hundreds of millions from AT&T's acquisition of T-Mobile, as the two telcos seek to integrate their systems and lower their operational costs.

While [Tata Consultancy Services](#), Infosys, [Wipro](#) and Tech Mahindra count AT&T among their top customer, multinational rival Cognizant counts both AT&T and T-Mobile among its key clients. Infosys too works with both the telcos, people familiar with recent outsourcing decisions taken by AT&T and T-Mobile said.

New outsourcing projects after AT&T receives necessary regulatory approvals could include integration of billing and customer systems apart from consolidation of other operational support systems. "We are still watching this; as of now, it's business as usual. But consolidation and M&A is a good news for IT business, there are always systems to be stitched together," said a top official at one of the companies working with a US-based telecom customer.

Over past few years, Indian outsourcing vendors have seen business from telecom customers come down as telcos such as BT Plc trimmed their budgets and chose to work with more vendors at lower rates. BT, which once was Infosys' top customer contributing some \$300 million every year in revenues is now down to almost \$100 million a year.

Outsourcing experts said Tech Mahindra, Infosys and Cognizant are set to benefit from this consolidation. "TechM does huge amount of business with AT&T. It is definitely going to be a plus. TechM was also planning to enter into T-Mobile. In fact, T-Mobile released an Infra RFP some days back.

Considering TechM expertise now in mobile telephony area across the globe, they are definitely going to take advantage of this move and leverage their existing AT&T relationship to do the same kind of business that they had done when AT&T acquired Bell South couple of years back," said Suranjan Panda of QS Advisory, a Europe-based sourcing advisory firm.

"Infosys shall definitely try to move into AT&T quicker now but they have lost grounds in many areas inside AT&T. I don't see them coming strong," added Panda. Infosys and Cognizant are the only two vendors working with both the telcos.

"Cognizant on the other hand is definitely going to be more aggressive and had already started getting inside AT&T doing smaller projects. Now because of their background of working with T-Mobile in the past and currently working with them in Europe, they might get some big chunks. Their chances are definitely positive," said Panda. Overall, any consolidation brings good news for the business of outsourcing.

Over past few months, merger between top US banks helped TCS, Infosys and Cognizant sustain their double digit growth rates at a time when customers from other verticals shelved many projects.

"In general, merger integration work typically is good for outsourcing because a large amount of Systems integration work needs to be completed in a short period of time. Hence if this merger has any impact on the offshore firms, it is more likely to be positive," said Peter Schumacher, CEO of European advisory firm Value Leadership.

