

Cognizant in breakthrough European deal

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Cognizant Technology Solutions, US-based but for all practical purposes an Indian company, struck a major entry into a huge, largely untapped European information technology market on Wednesday in a strategic partnership with T-Systems, Deutsche Telekom's IT outsourcing services division.

It smelt as good as a scalable joint venture that could transform the technology outsourcing landscape in Europe, which has thus far only nibbled at India's offshore potential despite the cost advantages here.

The deal also throws a challenge to US-dependent industry leaders like Wipro, Tata Consultancy Services, Infosys and Satyam, which get only about 20 per cent of their business from Europe.

For starters, about 1,150 of T-Systems' employees in Bangalore and Pune would transfer to Cognizant in what seems like the acquisition of a mid-sized company through a takeover of operations.

No revenue size has been disclosed for the deal, which some industry observers estimate at \$700 million over five years. Cognizant, which currently has about 55,000 employees, officially expects \$40 million of revenue in the first year.

Whatever the numbers, it is clear that the partnership opens up a cosy avenue for Cognizant in conservative Europe, where deals depend more on nurtured relationships than raw talk on dollars and cents.

"From a strategic perspective, this demonstrates a mix of managing partnerships and intellectual property, which other Indian firms have not yet managed to achieve," said Peter Schumacher, CEO of Value Leadership, an offshore advisory company. He called the deal as "game changing" for Europe.

T-Systems, whose global clients include Daimler Benz, does business worth about \$18 billion every year by maintaining hardware and software and providing systems integration services. Cognizant's annual revenues are just a little above \$2 billion.

Analysts reckon that this business model is unique and could transform the landscape of IT offshoring to Indian companies in the future and feel that this could open the more deals in the German and European market, which has been traditionally dominated by local companies like Siemens, Atos Origin and CapGemini.

"This alliance enables us to leverage T-Systems' strong onshore systems integration platform in Europe," R Chandrasekaran, President and managing Director, Cognizant, told **Hindustan Times**.

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