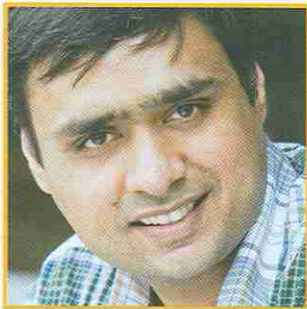


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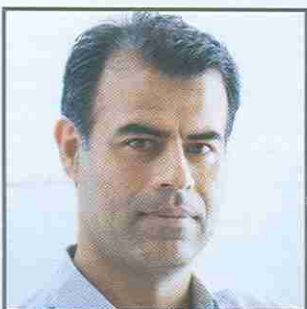


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# Small details make the big picture

Through the story of Mindteck (India) Limited, we understand how an IT services company can achieve scale and become experts in a particular domain and micro-domain

S. PREM KUMAR

There has been enough statistics about the size and growth of the Indian IT services industry. According to a Nasscom report, in FY 2010, the sector aggregated US \$ 73.1 billion in revenues. The report also suggests that opportunities from emerging geographies and newer verticals can catapult this number to US \$ 225 billion by 2020. These numbers certainly look great. And, it gives us a wonderfully rosy view of the macro market. But, what if you are just starting off in the IT services industry? What does it take to capture a small portion of this gigantic pie? In other words, how do you identify your micro market, your initial prospective client base?

In this article, *The Smart CEO* presents the story of Mindteck, a Rs. 240 crore (revenue in FY 2011) IT services company, as a case study for other upcoming startups and growth companies in the space. The article particularly delves into one particular strategy adopted by the company to scale up, its approach to becoming experts in a certain domain and micro-domain.

## *The 'centres of excellence' approach*

In 2010, Mindteck took a fairly important strategic step to foster its growth. It identified verticals in which it had already made initial inroads. The focus was on three verticals – life sciences, smart energy and BFSI (banking, financial services and insurance). Then, taking it a step further, within each of these verticals it identified areas of focus. For instance, within the BFSI space, the focus was on governance, risk and compliance (GRC) for e-payments. In life sciences, it focused on analytical instruments and medical devices, and in the smart energy vertical, it was low power technologies and clean tech.

Pankaj Agarwal, CEO and managing director, Mindteck simply points out, “Eventually, it boils down to what works for you.” In a crowded space, it’s easy to lose focus and just position yourself as a technology partner. But the problem with this approach, unless you are already an industry veteran,

is that, your clients will not buy your pitch. Agarwal adds, “You basically have to think about who your clients are and what you’ve done for them, and how you can capitalise on that.”

Today, Mindteck, in addition to its industry verticals, has established Centres of Excellence (CoEs) for cloud computing, enterprise mobility and storage. The idea behind these CoEs is to build in-depth technology expertise to serve the industry verticals that the company focuses on. Frankly, this strategy is no different from what large IT companies adopted in their starting up phases. But for an early-stage company, it’s quite natural to pick any project that comes its way. This write up aims to inculcate that focus and direction into your early-stage strategic plans.

Start with an industry focus; spend time with prospective customers on what areas they’re interested in engaging with smaller outsourcing partners and execute a few projects. If you want to build iPad applications for consumer brands, make that your focus. Do not

**In a crowded space, it’s easy to lose focus and just position yourself as a technology partner. But the problem with this approach, unless you are already an industry veteran, is that, your clients will not buy your pitch.**

get carried away by other opportunities, and most importantly, bring in those marquee clients. Agarwal agrees and quotes an example, “We made farsighted investments into the life sciences space and today, the top five analytical instrument companies (within the life sciences vertical) are our clients.”

### **Structured M&A**

The second aspect of note in the Mindteck story is about its mergers and acquisitions (M&A) strategy. While on one side it focused on organic growth, it was also open to growth opportunities through acquisitions. The deals were done keeping in mind geographical expansion or entry into new service areas. Typically, these were small acquisitions of profitable operations. Agarwal himself came into Mindteck through one such acquisition. Mindteck bought over Pennsylvania-based Infotech Consulting, a company Agarwal founded in 1996. The company was a premier vendor for the Government of Pennsylvania and was a US \$ 31 million company in 2007. In February 2008, Mindteck acquired Infotech Consulting and marked the beginning of its expansion into public sector projects.

For an early-stage IT services venture, carefully planned acquisitions that can open doors to a new client base or a new service area can be game changing. It especially helps to bring in fresh talent and additional clients. Also possibly, the two merged companies can grow faster as one entity. Of course, all this is easily said.

However, the crucial takeaway that cannot be ignored is this: **Sharp focus on both industry verticals and technology expertise is crucial to win in the IT services space.** If you think you can build wonderful iPad applications, pick an industry segment you want to target, identify the critical ‘solution’ needed for the sector and go after that micro-segment with laser-like focus.



PANKAJ AGARWAL, CEO AND MANAGING DIRECTOR, MINDTECK