

There could be a rebound in the second half of 2010

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Q&A: Paul Hermelin,
Group chief executive
officer, Capgemini

Paul Hermelin, group chief executive officer of Europe's largest IT services firm, Capgemini, is one of the earliest proponents of the offshoring model. The \$8.7-billion (over Rs 40,000-crore, as of 2008) company is the only European one that employs 23,000 in India, making the country its largest global centre — bigger even than its headquarters in France. For Hermelin, India is probably a centre where innovation will stem from. Attending the Nasscom 'India Leadership Forum' for the first time, he spoke to Leslie D'Monte and Shivani Shinde on trends in the industry. Edited excerpts:

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Q&A

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Is the worst behind the IT (information technology) sector?

There are four stages in any situation. The first is of pure surprise when you are taken aback by something not expected and people generally react by cutting down on things that are not vital. Two, is of doing things in a cheaper way. Third, is to do things differently but cost efficiency remains to be of concern; and, finally, just do things differently. Currently, we seem to be at a stage when some of the customers are looking at scaling up. This is true within some of our clients in the BFSI (banking, financial services and insurance) sector.

The second sector that is of importance is the automotive one. I think we have reached the bottom of a pool but are yet to surface. The positive aspect is that there is no pricing pressure. The pipeline of opportunity is big and the budgets are there. It is just a matter of confidence among customers. I believe there could be a rebound towards the second half of 2010.

Your major markets are the Europe and US. How are these markets moving?

Europe contributes 75 per cent to our business, North Amer-



ica 20 per cent and Asia-Pacific (APAC) 3 per cent. Europe is not a single homogenous market. So, from an outsourcing trend, some of the regions have reacted positively, like Sweden, Holland and Belgium, as they were impacted by the slowdown. But countries like Germany and France are still not too open to offshoring. The UK has two markets — public and private. While private markets have been open to offshoring, the public markets need to open up.

What strategy do you have for your offshoring business?
My first visit to India was in

2001, when we had just 160 people in India. It was only in 2006, after our executive team came to India, that I said this is the future and we need to increase presence. I then said India will be a 40,000-people unit, based on the growth that was being registered in the boom of 2007. Today, we have 23,000 in India. But we have opened centres in other regions as well. We expect to grow 25-30 per cent and touch around 35,000 by the end of 2010.

We have opened centres in Poland, Argentina, Morocco and China. I would like to say that 40,000, as our offshoring number, was just the beginning of that journey. I will be bringing our Executive Committee back in India in March, and then decide where the journey will take us. There is a lot more anxiety within the group than earlier.

What about inorganic growth?

Because of the slowdown, we did go a bit slow on acquisitions. You will probably see us trying to make an acquisition in 2010. But, the acquisition will be much more focused and not just be based on numbers.

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