

IT companies tap start-ups to bridge digital skill gap

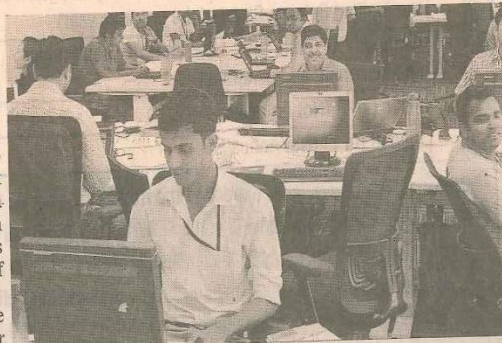
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Big Indian IT firms such as Wipro, Infosys and HCL Technologies are stepping up their acquisition and investment in start-ups to bridge digital technology gap.

Automation and cloud are the most sought-after areas for Indian IT services firms to invest and acquire, global research firm CB Insights said in a recent report. Cyber security, Internet of Things and data management are other areas where these firms showed interest.

Companies such as Infosys, Wipro, HCL and others are concentrating on taking solutions developed by start-ups to businesses in the US and other regions. These companies, who contribute significantly to the software services export market of India, have seen a major shift in demand from clients for offering services through cloud and use of automation to cut costs.

Customers of IT firms are squeezing their IT budgets for innovation, in turn reducing deal sizes. This is pushing the IT firms to add digital technology strengths faster than ever.



Infosys has partnered with 13 start-ups both through acquisition and investment — seven of them through Infosys Innovation Fund. Wipro has added 16 start-ups

START-UP TRIP

Company/entity	Since 2012*
Infosys	6
Info Innovation	7
Wipro	7
Wipro Ventures	9
HCL Technologies	6
Tech Mahindra	5
TCS	1
L&T Infotech	1

*No of start-ups tapped since 2012
Source: CB Insights

in its portfolio, including nine firms through Wipro Ventures. Among the investments, acqui-

sition of Appirio, analysts said, is likely to add significant values in cloud-based service delivery. Appirio was acquired last year at half a billion dollar.

HCL invested in six start-ups.

"Every Indian IT player in our list has made at least one acquisition of a private company, with HCL and Wipro leading the way at five tech acquisitions each since 2012," the research report said.

The report said HCL was most active in 2015, when it acquired three start-ups: US-based TrygTech, which connects IoT devices with business

intelligence, Indian engineering services firm Concept to Silicon Systems, and American customer relationship management company PowerObjects.

"It is more about partnerships and taking solutions from start-ups to solve bigger problems," said Pareekh Jain, IT sector analyst, HFS Research India.

Jain added such partnerships should be a win-win for both — help large firms transform faster and offer start-ups credibility in eyes of Fortune 500 companies, who are clients of large IT firms. "But not all start-ups these firms have invested in or acquired

have scaled up fast. Panaya acquired by Infosys has not scaled up," he said.

HCL in August announced plans to acquire UK-based DataWave, a start-up focused on helping clients automate and manage their data, for ₹58.5 crore.

While HCL spread its bets across multiple industries, Wipro's five acquisitions have been more homogenous, with the company mostly acquiring start-ups operating in the IT services industry. By market capitalisation, Wipro is considered India's third-largest IT company.