

Smaller firms bridge gap

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Sept. 16: Indian mid-tier R&D service providers have bridged much of the capability gap with top tier vendors such as Wipro, TCS, and HCL during the downturn period, management consulting firm Zinnov said in a study that rated players based on financial strength as well as competencies.

Mid-tier players such as MindTree, Tata Elxsi, Tech Mahindra, Polaris, and Sonata among others have utilised the economic slump to restructure, explore new markets, form strategic alliances, acquire, and proactively engage with customers. Firms like Sonata have acquired the capability to take a customer's product to market.

Most of these companies have strong balance sheets and can mobilise funds for further strategic M&As, chief executive of Zinnov Pari Natarajan said.

To an extent, the trend is counterintuitive since in a downturn, stronger players are known to further increase their lead over smaller companies. Natarajan contended that top tier firms have not made major acquisitions in the R&D space over the last 12 months and hence, may not have added many new capabilities. As valuations plunged, acquisition targets lost interest to sell themselves.

Wipro, TCS, and HCL lead Zinnov's 'Global R&D service provider' list — India makes up half of the global R&D offshoring market that totaled \$18.7 billion in 2008. China, however, is breathing down India's neck, garnering revenues of \$8 billion last year.

Zinnov estimates offshoring to India, China, Russia, and Central and Eastern Europe to grow at 6-7 per cent this year. Although the economic reset has affected offshoring to an extent — mostly in terms of contract re-negotiations, increase in sales cycle time, and client bankruptcies — the key drivers of R&D offshoring remain unchanged: cost competitiveness and availability of talent in emerging markets.

The business climate has

Top 20 R&D service providers

Rank	Company
1	Wipro
2	TCS
3	HCL
4	Aricent
5	Mindtree
6	Tata Elxsi
7	Symphony
8	Tech Mahindra
9	Global Logic
10	Sonata
11	Aditi
12	Polaris
13	Beyondsoft
14	VancelInfo
15	Blue Star
16	Aspire
17	Span Systems
18	Auriga
19	Innominds
20	Dextrys

now improved quite a bit. The consulting firm reported that starting April this year, the R&D services landscape has seen green shoots of recovery. New business leads were visible from early May and lead closures started in early June.

The months of July and August have been relatively good for the industry with many firms announcing new hiring. New business models have started to show traction.