

HCL BPO going non-linear

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HCL BPO, the business process outsourcing arm of HCL Technologies is pursuing a non-linear growth strategy, which will protect the company from currency fluctuations.

The company will move to an outcome-based pricing model from its present input-based model.

HCL BPO contributes about 12% to the parent's revenues. It closed FY08 with \$225 million in revenues.

Ranjit Narasimhan, president and CEO (BPO services), HCL Technologies, said in 2007, the company decided to re-architect the business and move from linear monolithic headcount dependent growth to a more sustainable model. "Creation of platform-based BPO and expanding footprint in geographies are steps in that direction," he said.

The company realised that if it was to continue its linear growth strategy to become a billion dollar business, it will need a headcount of 50,000, which is unsustainable.

In July HCL BPO acquired UK-based Liberata Financial, which is to life insurance and pensions. It then bought US-based Control Point Solutions, a provider of voice, data and wireless telecom expense management services.

Narasimhan said, "Liberata has revenues of \$80 million with 8,740 people on rolls. Control Point has revenues of \$37 million and employs 260. So revenue per employee of both is about \$100,000. We are at \$225 million with 13,000 people. We can improve per-employee revenue by 5-6 times."

"The company has decided to set up delivery centres in markets where it operates in order to reduce vulnerability to currency fluctuation.

Quoting a Gartner report, Narasimhan gave another reason for setting up and maintaining centres in high-cost destinations. Not more than 10% of the outsourced business is offshored. "Now, by having local presence, we are able to target the balance 90%," he said.

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