



Nagarro is a software company specialising in solving technically challenging and complex problems. Dr. Manas Fuloria, executive vice president, corporate development and strategy, Nagarro Software Pvt Ltd., has some interesting facts to share about the company and the SME segment...

Swapnil Bhartiya, EFY News Network

Saturday, July 19, 2008: **Q. What industries or the market segment do you target?**

Dr Fuloria: About 60 per cent of the company's business comes from independent software vendors (ISVs) that offer software products in areas as diverse as accounting, automation, interior design, e-commerce and ERP. We also work directly with leading companies in the pharmaceutical, manufacturing, finance and retail domains. Our primary market is mid-size ISVs in the US and Europe. These companies most appreciate our agility, quality and minimal red-tape. When we work directly with industry, we target the most complex and challenging projects that these companies are unwilling to subcontract to other "routine" software providers.

Q. Where are SMEs in your radar? How much of market potential do you see in SME segment in India?

Dr Fuloria: As a mid-sized company, many of our clients are US or European SMEs. Additionally, a few of our technology partners are also SMEs.

We think the SME segment in India can be a huge market for software services and especially products. Tapping this market will however require very different skills from those companies like Nagarro have at present. To sell software products to SMEs will require great skills in mass-marketing at very low cost. Selling software services will be easier but there are few economies of scale in that market, and Indian SMEs will probably be serviced by relatively smaller firms.

Q. What kind of challenges do you face while dealing with SMEs and on the other hand, what is your impression of the problems faced by SMEs?

Dr Fuloria: When working with an SME, our biggest challenge is the uncertainty surrounding its own existence and direction. SMEs in the software space (i.e. ISVs) are often not very strong financially, they often change product direction, and sometimes the investors step in and change top management. All this can result in a lot of inefficiency and stress in an outsourcing contract.

In our view, the biggest problem SMEs face is that until they grow to a certain size, they cannot make use of the full capabilities of their employees. Every little change in government rules, fluctuation in exchange rates, key employee resignations, or sales slowdowns, can be fatal for them. That is why we try to be as

cooperative with SMEs as possible - to give them the best chance at success.

Q. According to NASSCOM's recent report Indian software and services sector grew by 28 per cent in year 2007-08, what do you think has contributed to that growth?

Dr Fuloria: We think that the market continues to grow as more and more companies decide to try offshoring. Outsourcing and offshoring are no longer dirty words in developed countries. Growth of the sector in India is also being helped by a booming European economy and a change in European attitudes. Since we have been in Europe since 1998, we feel well positioned to take advantage of this seismic shift.

Q. How many centres Nagarro has globally and what is the strength of Indian centre?

Dr Fuloria: Nagarro has four offices in the US, an office each in Sweden and Germany, and one office in India in Gurgaon. The India operations are by far the largest, employing approximately 500 people and hiring aggressively through 2008 and 2009. The India center is the technical hub of the company, providing business analysis, architecture, development and quality assurance services to our customers worldwide.

Q. Which of the Indian clients Nagarro caters to?

Dr Fuloria: Most of Nagarro's clients are foreign clients. However, Nagarro does work with several companies looking to launch their products or services in India. Two interesting examples are the Swedish firm Kiwok (wearable heart monitors that use mobile networks) and the US company PayTXN (mobile-based store coupons).

Q. What are the key expert areas of Nagarro?

Dr Fuloria: Nagarro is a Microsoft Gold Certified Partner with top-notch skills in .NET. We are also a leading provider of open source solutions (Java, LAMP etc.).

Two newly developed areas are SAP services and Business Intelligence. In SAP, our people are especially good, so we expect rapid growth in this segment.

Q. Could you also tell us a bit about the organisational structure of Nagarro, especially the Indian operations? (Who is heading the Indian team, who he/she reports to, how many facilities, departments you have in India)?

Dr Fuloria: Nagarro Inc. is headquartered in the US and Nagarro Software GmbH in Germany and Nagarro Software Private Limited in India are its fully owned subsidiaries. Each company is fairly self-contained in its finances and working, but all major decisions that affect the entire group are taken by a Management Committee that comprises members from each of the three companies.

The Nagarro Software Private Limited subsidiary in India, with its approximately 500 employees has Vikram Sehgal as the managing director and Manmohan Gupta as the CTO.

The company has several departments - the biggest being engineering. There are also specialised

groups, including the Center for Technical Excellence, the Center for Quality Assurance, the Pre-Sales group, the Knowledge Management group, the Market Research Group and IT Support. The various support groups include Finance, Accounts, Administration, and Human Resources.

Currently, NSPL is spread across four buildings in Electronic City, Gurgaon. It has recently acquired a large tract of land in the Jaipur SEZ and work will likely commence there in 2009.

Q. What kind of marketing strategy Nagarro has for India, and how different is it from its global operations, if it is?

Dr Fuloria: Our sales effort is not focused on India, though we expect that to change in 2009 or latest 2010. So our marketing in India is mainly to attract the best talent in the country. In contrast, in other geographies - US, Germany and the Nordic countries - our marketing is focused on attracting customers.

Q. How much of the market share you have in the Indian industry?

Dr Fuloria: The answer to this depends a lot on how the market is defined. We are probably among the top 5 companies in India that cater primarily to the mid-size ISV market for software services. However, the market potential is huge and we have only made a tiny dent. We feel we have a lot of room to grow with our business model.

Q. The growing global inflation and high fuel prices are affecting all other industries, how do you see this affecting the service industry, especially in Indian context?

Dr Fuloria: The slowdown in the global economy will definitely put pressure on the weaker players in the Indian service industry. At the same time, companies with strong fundamentals will continue to grow. I am happy to say that Nagarro's own growth has been accelerating despite these tough conditions.

I must add that there might in fact be some temporary benefits of inflation. There appears to have been only a modest growth in salaries this year, barely keeping pace with the inflation rate. At the same time, inflation in India is likely to result in a declining rupee, that is, a more favorable exchange rate for exporters. These two factors taken together may take some pressure off the Indian services industry.

-- Swapnil Bhartiya, assistant editor, EFYTimes.com

[Dr. Fuloria is a global expert in operations management and supply chain management. He holds PhD and B.Tech degrees in operations management and manufacturing from IIT Delhi, an MS in manufacturing systems from Stanford University, and has worked as a researcher with the Technology and Operations Management group at the Harvard Business School. At IIT Delhi, he was awarded the RKM Medal for Responsible Student Leadership, and at Stanford he was a recipient of the SIMA Fellowship.