

'Big buyouts have still not happened'

EXL Service CEO Rohit Kapoor has always played it safe for his company. Whether it is timely acquisitions or refraining from domestic business. In an interaction with Diksha Dutta & Kirtika Suneja, he discusses how the BPO company's portfolio will change post the acquisition of Outsourced Partners International (OPI), focus on employee training and hiring and the BPO industry dynamics. Excerpts:

What is the expansion plan that you are looking forward to for EXL Service?

We are looking at expanding more facilities and growing our business. The momentum is good. We have a new facility in Noida in special economic zone (SEZ). We did the first phase in the beginning of the year which was about 1,100 seats. The second phase is commissioned right now which is going to be another 1,200 seats in Noida. We are expanding in new areas such as Bangalore and Kochi also. We are setting up a second site in Philippines, which will be another 500 seats. There is a fair amount of physical infrastructure expansion and business expansion. The total investment in the expansion is close to \$25 million, out of which India expansion will attract a total of \$15-17 million.

We are also setting up a recruitment and training facility in Noida. We will have a specialised facility in which we will hire and train internally. We will also be recruiting new trainers from different universities to train these employees. On a whole, we are hiring 6,000 people by December. At present our headcount is 17,000 across the globe, 15,000 being in India.

Are you mapping any new hiring strategies onshore?

We have been hiring subject market experts onsite for a while now. Our business model is very different from other BPOs. We hire front-end and delivery manpower on the basis of the geography we function in. We have approximately 500 professionals in the US that consist of senior leaders and subject matter experts. Moreover, our Europe headcount has reached to 50 people now.

Even Outsource Partners International (OPI) has over 3,700 professionals globally, approximately 80 clients, and an extremely talented management team. This acquisition will firmly establish our onshore outsourcing presence in the US while enhancing our European and Asian delivery footprint.

What are the kind of salary hikes that you are giving this year?

During recession, many BPOs were laying off people. We did not fire anybody and instead gave a salary hike of 6%. Last year, we raised the hike to 8% and this April we have increased it marginally to 9%. We might increase it to 10% in future. So if others are giving higher salary hikes now, one should realise that we have had a balanced increase over the last three years.

How is the transformation business shaping up, which is a separate segment for EXL?

Our transformation deals business was 12% in 2009 and the rest was outsourcing business. However, in 2010 the transformation business increased to 23% as we had additional work in



business analytics, process re-engineering and alike. This year, post the acquisition of OPI for deeper domain in finance and accounting (F&A), our outsourcing business is likely to have a higher proportion than transformation.

At present, our transformation business employs 800 professionals and is close to 20% in revenues.

What are the new verticals and geographies that look attractive?

Our focus is on the core five verticals—banking and financial services, travel, insurance, utilities and transportation. We have three clients in healthcare which are US based. We employ doctors and nurses to cater to this specific segment.

We did the same for insurance, by setting up a dedicated insurance academy to make our employees professionally trained. Geography wise, China, Latin America and South Africa look interesting.

What do you feel about the acquisition spree going on in the BPO industry?

I think there will be a lot of acquisitions in the IT-BPO industry. Genpact acquired Headstrong, we acquired Outsource Partners International (OPI) and Serco acquired Intelnet, and iGate acquired Patni previously. But the big acquisitions have still not happened. The big IT players are still sitting on a lot of cash. And they will make big acquisitions soon, because a small sized acquisition of \$100-200 million acquisition for a company that has \$5 billion in revenues does not make sense. I do not know whether these IT companies will go particularly for BPO acquisitions. They might go for some product technology, entrance into different geographies, and may go into BPO also.

Why is EXL Service not concentrating on domestic BPO business?

No, we are not looking at it and it is not our focus area. We realise that this segment requires different skill sets and investments, which we are not keen to invest in.