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When Li Keqiang visits Mumbai, he'll first go to TCS Goregaon office; what's so important about this visit?

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If the US tightens its immigration laws, making it tougher and more expensive for Indian IT companies to get H1-B visas for their employees, spreading its risks by growing its business in China will only make more sense for TCS. Photo: Mint

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With just a little over Rs.350 crore in revenue from its China operations as on 31 March 2012, one can be excused for wondering what India's largest software services provider, Tata Consultancy Services Ltd (TCS), has been doing in that country for the last decade. Especially since TCS had slightly over 276,000 employees worldwide and $11.6 billion in revenue as on 31 March.

The question becomes all the more pertinent when Chinese Premier Li Keqiang visits Mumbai on Tuesday. While Li will address the industry at a Confederation of Indian Industry-hosted conference in the evening, he will first visit TCS's offshore development centre in Goregaon, a Western suburb, around 3.40pm. He will be accompanied by Tata group chairman Cyrus Mistry and TCS MD and CEO N. Chandrasekaran, even as the company is tight-lipped about other details. The event is not open to the media, except for some photo shoots.

So what's so important about Li's visit to TCS?

For one, TCS pioneered the entry of the over $108 billion Indian IT industry in China in 2002. Currently, it has six global delivery centers in China—Beijing, Shanghai, Hangzhou, Tianjin, Shenzhen and Dalian. It can provide services in nine languages including English, Mandarin, Cantonese, Japanese, Korean, Thai, Indonesian and Vietnamese. In 2005, TCS was invited by the Chinese government "to form a joint venture to create a large offshoring base in China". The National Development and Reform Commission (NDRC) supports the joint venture.

Incidentally, Vish Iyer heads the Asia-Pacific, or Apac region, since 2010. Based in Singapore, he manages the 12,000-odd employees in 12 countries including Australia, Japan, South Korea and China. More than 40% of onsite employees are locals, the company says on its website.

However, Qiqi Dong is the CEO of TCS China, which makes sense since 97% of the employees are locals. Besides TCS China is a wholly foreign-owned enterprise (WFOE). WFOEs do not need a mainland Chinese investor, and are limited-liability corporations that can give greater control over the business venture.

In an April interview to the holding company Tata Sons Ltd's website, *www.tata.com*, Dong said TCS China sees a lot of opportunity in technologies such as cloud, mobility and big data. "Currently, a key TCS project in China is iCity, a host of cloud-based IT solutions that aims to enable integrated urban management, improved quality of life and inclusive economic, social and sustainable growth," he said.

TCS, said Dong in the interview, has built significant inroads in China and foresees growth in the banking and financial services areas, where banks will be looking to technology systems to help them stay nimble and lean in times of economic uncertainty. Outlining his other plans, Dong said TCS China has completed the healthcare portal for citizens in Panyu, which offers online health counselling and other health services. TCS has also partnered with Singapore Management University (SMU) to harness the strength of SMU's and Singapore's urban IT solutions for citizens and to take it global.

TCS, Dong added, will invest $6 million over three years to create an IT roadmap for iCities, build a comprehensive IT platform on a cloud-based infrastructure to provide intelligent solutions in all aspects of iCities including healthcare, education, safety and sustainability, B2B services for SMEs, intelligent transportation and smart grids/utilities.

Speaking about the challenges in China, Dong said the sales cycle process is generally longer than in other countries. Strong relationships must be built in order to sell to companies or authorities in China. He added that in spite of having world-class engineering talent, there is relative scarcity of domain knowledge in China. "Scarcity of middle management and project management talent and low English language capabilities are some of the challenges multinationals face."

Research firm IDC forecast that 2013 IT spending in emerging markets—including the Central and Eastern Europe, Middle East and Africa, Latin America, and Asia/Pacific (excluding Japan) regions—will grow by 8.8% to exceed $730 billion, while BRIC, especially China, will continue to dominate. China, it added, will continue to account for over one- quarter of emerging markets IT spending, even as it predicted a 4-point dip in growth rate to "only" 10% in 2013.

On 14 May, IDC lowered its global IT-spending forecast to grow 4.9% to $2.06 trillion in 2013, down from its previous forecast for an increase of 5.5%. Among other things, it

added that slower growth in China contributed to volatile spending patterns and vendors reporting difficulty closing deals at the end of the first quarter. Despite the lowering of forecast, China remains a very important global market for IT spends.
Going forward, TCS, according to its website, aims at making China the “delivery epicenter for its neighbouring markets comprising Taiwan, Korea, Japan and Hong Kong”. TCS China’s current 40-odd clients include the China Foreign Exchange Trade System (CFETS), Bank of China, the Hua Xia Bank and the Guangdong Provincial Rural Credit Cooperative Union. The Skandia involved TCS BaNCS insurance implementation. TCS hopes to take this further with the Chinese premier’s support.

Further, TCS China may have only around 3,000 employees as of date. But if the US tightens its immigration laws, making it tougher and more expensive for Indian IT companies to get H1-B visas for their employees, spreading its risks by growing its business in China will only make more sense for TCS.

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