

## REPORT REPRINT

# L&T Infotech steps up Cloud Apps push with renewed focus and integrated offerings

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Leveraging its heritage of vertical domain experience, L&T Infotech is keen to capture a new wave of cloud application adoption with integrated service packages using its own IP and a proven management framework.

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SaaS has increasingly become a part of enterprise IT strategies as companies continue to transform the way they do business. Our Voice of the Enterprise: Cloud, Workloads and Key Projects survey notes that more than 60% of enterprises have already deployed SaaS applications within their organizations, more than 70% of which are deploying SaaS broadly in production environments. L&T Infotech's (LTI) decision to form a strategic business unit – called Cloud Apps – to meet anticipated demand for SaaS across industry verticals is a well-timed endeavor. Led by Rajesh Gharpure, the strategic unit looks to stake a claim in the growing SaaS market.

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## THE 451 TAKE

Keeping pace with changing industry requirements, LTI is well positioned to exploit growing SaaS opportunities across key industry verticals. Investing in new-age technologies is important, as is its ability to deliver a streamlined process by combining industry best practices and its own IP with partner offerings. As key vertical segments begin to revolutionize their operations, the company has a bigger role to play in capturing a new wave of cloud application adoption with a fully integrated management framework, regardless of deployment model and IT environment. While North America remains the single biggest market for LTI, the company will need to diversify its revenue stream. Its collaborative efforts with strategic partners for joint marketing and product development may help identify where the adoption and commercialization opportunities lie.

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## CONTEXT

Founded in 1997 and headquartered in Mumbai, LTI is a spinoff of the IT arm of India's industrial conglomerate Larsen & Toubro. Leveraging decades of experience in managing IT infrastructure, LTI has deep vertical knowledge and domain expertise in key industries, including engineering, construction, manufacturing, technology and financial services. Keeping pace with the changing business requirements, the company has made substantial investments in what it refers to as new-age technologies, such as digital and automation, and will continue to do so to drive technology innovation. One area that has caught the company's attention is the robustness of the tech startup community, where it is looking to foster a culture of innovation by investing in seed-stage tech startups.

The company takes a collaborative approach when it comes to fostering an ecosystem of partners. Its recent announcement of a strategic partnership with GE Digital to co-develop vertical-specific offerings, leveraging GE Predix analytics capability to glean real-time insight, is just one example. More co-development initiatives in the areas of big data, IoT and automation are likely to come.

With about 20,000 employees operating in 44 sales offices and 22 delivery centers around the globe, the company has established a solid presence in North America, Europe and Asia-Pacific. LTI reported total revenue of \$887.2m for the fiscal 2015-2016, ended March 31, 2016, an increase of 9.5% year over year. Geographically speaking, North America remains the single biggest market for the company, accounting for approximately 69% of revenue, followed by Europe (17.4%) and India (5.8%). The company claims nearly 260 global clients, including 49 Fortune 500 companies.

## PRODUCTS

LTI has developed a suite of cloud offerings that spans three service layers (IaaS, PaaS and SaaS) of the cloud stack. The Cloud Apps unit primarily focuses on enabling enterprises to reap the full benefits of SaaS-enabled applications for agility, cost-efficiency and scalability. The Cloud Apps team believes that the use of SaaS applications has moved beyond the early phase of product lifecycle, in which SaaS applications were used on an ad hoc basis without central planning. The company notes growing interest in adopting vertical-specific cloud applications, rather than generic SaaS applications, in some industry verticals. Leveraging its vertical domain experience, LTI is keen to capture a new wave of cloud application adoption with integrated SaaS offerings.

The company seems to have employed a fairly comprehensive methodology to onboard cloud app customers – including advisory services, end-to-end migration and integration of SaaS applications, custom-built cloud applications, and post-implementation support – and is backed by its expertise in managing cloud apps across key functional areas (sales, service, procurement, supply chain, finance and HR) for multiple vertical segments. Additionally, it is working closely with leading ISVs such as Salesforce, PROS and Coupa for joint marketing and product development opportunities.

While building its competencies in the areas of IoT, data analytics and automation, LTI has productized four major offerings that combine its vertical domain expertise with proven management framework.

- Integrated Inquire to Cash: Designed to enable integrated sales, e-commerce, CPQ and marketing – anytime, anywhere, on any device – for improved customer interaction and streamlined processes.
- Field Service Excellence: Suite of purpose-built cloud apps for companies to deliver optimized field services and enhanced omni-channel support with full visibility into customer needs.
- Procurement Savings as a Service: Enables a streamlined procurement-to-pay cycle by deploying cloud applications for improved visibility and control.
- Connected ERP: Maximizes existing investment in ERP systems while tapping the value of API-driven SaaS apps.

## STRATEGY

With the Cloud Apps unit, LTI has a fairly straightforward value proposition for its customers: Years of experience managing IT systems for the group companies and clients across industries have helped the company create vertical-specific cloud offerings by combining its own IP with partners' SaaS applications. It has already established an ecosystem of partners, including well-known brands such as Salesforce, PROS, Coupa and SuccessFactors. As part of its growth strategy, the Cloud Apps team will continue to forge strategic partnerships with ISV partners to build out a SaaS and business process ecosystem.

The company is also pushing its agile development framework as a value-add for customers. Aside from reusing and leveraging its existing codes, it also promotes industrial best practices. There are senior architects involved in each stage of development for end-to-end service implementations, LTI says. At present, the Cloud Apps unit has a small percentage of the company's total headcount. With that said, the team is expected to quickly scale up its resources.

## CUSTOMERS

The Cloud Apps division claims more than 75 engagements from over 50 customers across key industry verticals, including manufacturing, oil & gas, banking and insurance, consumer packaged goods, retail and wholesale, and media and entertainment industry verticals. It will continue to focus its efforts on growing revenue on a per-customer basis and pursuing growth opportunities from an installed base of nearly 260 global clients, particularly vertical segments that have already invested in cloud-based services.

The company does not provide a revenue figure for its Cloud Apps business, but it's part of the Enterprise Solutions group – \$206.9m, up 12.2% Y/Y for the year ended March 31, 2016. Geographically speaking, North America continues to generate the bulk of opportunities for the Cloud Apps unit, followed by Europe.

## COMPETITION

LTI faces fierce competition from global technology providers such as Accenture, Capgemini, CSC, Fujitsu, Dimension Data, NEC, IBM and Hewlett Packard Enterprise, as well as Indian IT outsourcing peers HCL Technologies, Infosys, TCS, Tech Mahindra and Wipro. Given that the company's cloud strategy spans the three service layers of the cloud stack, it can expect competition from telecommunications and hosting companies seeking to move up the stack by delivering IT as a service. Companies such as CenturyLink, Tata Communications, NTT Communications, Telstra, BT, T-Systems, Datapipe, Rackspace and SoftLayer are in this group. Microsoft Azure and Google are leading cloud contenders that have a balanced portfolio of services. AWS, on other hand, has established a robust ecosystem of SaaS partners through its apps marketplace enablement platform.

## SWOT ANALYSIS

### STRENGTHS

Its years of experience and expertise in vertical domain knowledge and business process management work in its favor when it comes to articulating differentiable value propositions.

### WEAKNESSES

While establishing a base of some 50 cloud app customers, it's just the tip of the iceberg of a fast-evolving marketplace for IT services.

### OPPORTUNITIES

There is pent-up demand for API-driven SaaS applications across the board.

### THREATS

Although North America remains the single biggest market for LTI, it will need to fight hard to make an impact in an already crowded marketplace for cloud implementations.