

Indicating a Healthy Market

Solid growth in vertical apps is an indication of market maturity. Banking was the star performer with financial inclusion plans of banks driving adoption

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The vertical applications market growth in FY11 was driven primarily by the Core Banking and PLM markets as both these markets grew by more than 20%. While the core banking market's growth was obviously due to the government's agenda of financial inclusion, the arrival of private banks too seems to be contributing its bit. Moreover the competitive spirit of the market forced banks irrespective of size to adopt CBS to grow.

PLM Market meanwhile is on an upswing as Indian enterprises are going global forcing them to innovate. Also with changing perceptions of enterprises, PLM is being seen as a business hygiene tool.

However it is the OSS/BSS market that is expecting to see some downside in growth in FY12 as telecom providers up their investments in upgrading their network infrastructure especially on security and network solutions.

From a stagnant FY10, the PLM market in FY11 emerged from the recession mode and is back on the growth path clocking 22% growth. Even as vendors agree that the overall adoption of PLM continues to be dismal, in FY11 the CAD market saw good traction while in CAE virtual testing adoption is rising. In FY11, vendors observed an

interesting trend that is bound to change the PLM landscape.

With perceptions changing, PLM of late seems to be figuring big on the CIO's agenda, a welcome change since initially it was only associated with the R&D department. However with the top management too seeing the value of enterprise PLM, it won't be long before one sees PLM being used in all product related enterprises.

Moreover, sometime back most

enterprises only concentrated on ERP but there seems to be a growing realization that ERP is only a housekeeping solution for business hygiene, while PLM provides the competitive edge as an innovation platform.

With Indian enterprises going global, the concept of design anywhere, build anywhere is gaining momentum resulting in increased collaboration between design and manufacturing departments, there-

fore resulting in an increased adoption by the 2 departments. Pressure too is building up on suppliers to innovate as enterprises become part of the global supply chain.

Vendor Talk

On the vendors' front, most went in for channel expansion like PTC added 3 major partners including Softcell, Abroite Tech, and Adityan. Siemens PLM added DesignTech (for enterprise products), TCS, and Tata Elxsi.

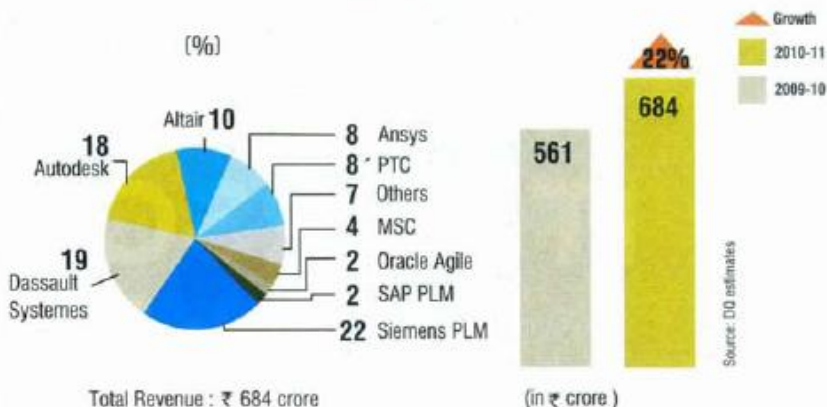
Intending to double India revenues over the next 3-4 years, Dassault Systemes is aggressively pushing for a bigger share since India is its third largest and fastest growing market with a 50% y-o-y growth.

Having seen a dramatic growth in the last 2 years, DS in FY11 added around 250 customers taking the tally to 2,000. Products like CATIA and SolidWorks (a professional design platform), which DS claims occupies 50% of the market, continued to see traction. While SIMULIA (a virtual testing activity) is increasingly being used by engineering services companies, ENOVIA platform too showed phenomenal growth—in the first half alone it grew 200%. However DS's Delmia seems to be having trouble finding takers as Indian manufacturing companies are still figuring out how to use the solution.

In FY12, DS is betting big on its new launch—Exalead, a search based application targeted at sectors like logistics, banking, manufacturing, financial services, etc.

While its core sectors like energy, aerospace, manufacturing, and automation have done well, DS is also foraying into newer verticals like consumer goods, consumer packaged goods, and construction. Some major deals bagged included Ashok Leyland, Tata Motors, defense, and Jaguar Land Rover

PLM Market in India



Automotive, aerospace, heavy engineering, industrial machinery all are driving the PLM adoption as India gradually becomes a part of the global design hub

(linked V6 deal to India).

In FY11, 2 major product launches kept PTC busy. The pathbreaking CREO, the biggest MCAD launch enabling product development companies to improve creativity in doing high-end CAD work, and Windchill 10, the biggest PLM launch wherein it's expecting to rake in \$100 bn worth of revenue globally.

With India as the fastest growing market, no wonder PTC added close to 300 customers with verticals like automotive (contributing 40% of India revenue), industrial segment like pumps and special process machines, aerospace, and defense (grew fastest at 15%) showed momentum. However PTC is seeing growth momentum in verticals like retail, footwear, and apparel (it won Welspun and an Indian apparel company as clients), and Indian defense & aerospace wherein it works closely with DRDO labs and HAL.

India is a significant market for PTC as 50% of its global product development work happens out of India.

Deciding to make its position clear in the market pertaining to its

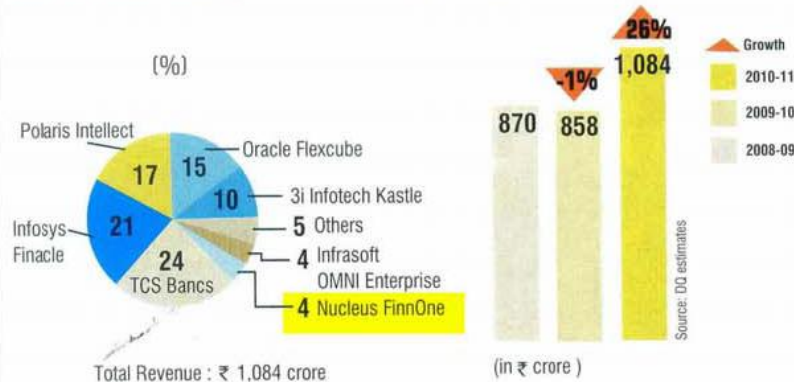
nomenclature, Siemens PLM finally renamed itself as Siemens Industry Software for bringing together applications like PLM, manufacturing execution system, and plant lifecycle management under one umbrella.

In addition to strengthening its presence in the automotive sector by expansion in existing accounts (Maruti, Bajaj), Siemens PLM also saw traction in customers shifting (Daimler shifted to NX) and adding new OEMs (Asia Motor Works, Tata Motors, and Hero Honda). Ditto was the case in the aerospace vertical too apart from seeing huge wins in segments like heavy engineering, engineering to order industrial machinery and ship building (Navy). No wonder it added 250+ customers to its kitty.

In FY11, Altair Engineering kept itself busy by tying up with partners like Ranal Software, DesignTech, and Finite 2 Infinite for training apart from adding 3-4 channel partners in developing states in Bihar, Jharkhand, and Chhattisgarh.

Notwithstanding its placement as a specialized player in the CAE segment, in FY11 around 50% of

Core Banking Market in India



While most PSU banks have finished their first phase of core banking deployment, it was the turn of the RRBs; even larger banks were going for adoption of specialized modules

its business came from the automotive segment followed by aerospace (at 20%), followed by heavy engineering (at 15%), and the remaining from DRDO labs. The company is keen to spread its wings as it entered new verticals like heavy engineering, highway equipment industry (excavators), and ship building. In short it added around 100 new customers mainly DRDO labs, defense contractors, automotive tier-1 companies, aerospace, and wind energy.

On the product front, adding Computational Fluid Dynamics (CFD) opened up the power train

INITIALLY ASSOCIATED WITH THE R&D DEPARTMENT, PLM NOW FIGURES ON THE CIO'S AGENDA; THE TOP MANAGEMENT TOO SEEING THE VALUE OF ENTERPRISE PLM

(engines, etc) segment. It integrated CFD into the HyperWorks 11 product which saw a new version launch offering desktop CAE data management.

Analyzing the Core

The consistent y-o-y growth of the core banking market is a direct outcome of 2 factors—bigger banks aspiring to be as agile as smaller ones; while the smaller ones looking to compete with their bigger counterparts. The next wave of CBS, say analysts will come from the private banks looking to upgrade their legacy systems. There is a growing demand for a new improved CBS, one that's flexible to integrate with changing environments.

In India, with CBS adoption going full steam, it seems that all is well on the RRBs front, as they race to meet the RBI deadline of September 2011 for deployment of CBS. Most vendors seemed to agree that RRBs would be able to meet the deadline comfortably.

Coming to the vendor story, FY11 was a good year overall as the market clocked ₹1,084 crore growing by 26%.

Continuing to lead the market, Finacle in FY11 grew by 42% contributing \$295.6 mn to the Infosys's overall revenue or 5% (the highest among its peer group). The growth shouldn't come as a surprise since it's managed to bag the largest number of wins this year (41 in total and 48 projects went live), currently covering 148 banks in 72 countries serving 297 mn customers. In fact in India alone, out of the 82 RRBs, 45 have opted to leverage Finacle across 9,900 branches.

A geography-wise revenue comparison reveals that close to 45% came from Asia-Pacific, EMEA 45%, and the remaining (10%) from America.

FY11 was a busy year marked by a series of product launches including the Finacle Live (Finacle on Cloud), a game changer allowing co-operative banks to compete with commercial banks (using Finacle features on cloud). The other offering that continued to do well was the rural CBS (launched 8 quarters back) as 46 out of 78 potential RRBs are using this product, a collective mandate of 10K branches. In FY11 alone, 7,000 RRB branches went live on Finacle; in all there are 28,000 branches using Finacle.

Apart from going the mobile way by launching mobile banking 2.0, a device and bank agnostic solution focusing on customer relationship, newly launched Finacle Advisor too is seeing traction. It uses UC combining the convenience of human intervention with banking self-service channels through the interplay of video, audio, and data communication.

Even though a relative new entrant in the market (it debuted in 2009 post Laser Soft acquisition), Polaris managed to bag the coveted RBI deal amidst competition from TCS and Infosys. The \$55 mn deal spanning over decade is for imple-

menting core banking in RBI's 22 regional offices.

Its intellect suite is being used by 8 out of 10 top global banks, in FY11 its core banking lending and cards solution bagged 7 deals while it has in excess of 108 installed intellect products with 40 installed in IMEA.

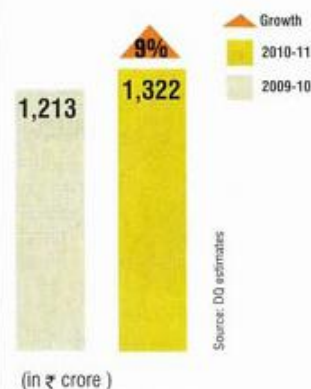
Apart from the RBI deal, it also closed Bangladesh's Sonali Bank (for 1,200 branches), Andhra Pradesh State Co-operative Bank, Kalupur Co-operative Bank, Capital Local Area Bank (Jalandhar), Nilamber Co-operative Bank, Ot-tapalam Co-operative Bank, Citizen Development Bank (Sri Lanka), and Central Bank of Seychelles. The Quantum solution has gone live in 5 Indian banks across private, public, and co-operative sectors.

Business-wise, a new unit was carved out—the IMEA covering India and subcontinent, Middle East, Africa, Jordan, Lebanon, and Syria markets focusing on the high-growth markets. In the first year itself IMEA bagged 4 co-operative bank deals in India. It also set-up shop in Eastern Africa (Kenya, Tanzania, Ethiopia, Uganda, and Rwanda).

The other biggie in the core banking market, the BaNCS brand was accredited with SWIFTRReady 2010 certification for securities settlement, corporate actions, and payments for the 3rd consecutive year.

“THWARTING COMPETITION FROM BIGGIES LIKE TCS AND INFOSYS, POLARIS MANAGED TO BAG THE COVETED RBI DEAL”

OSS/BSS Market India



MNP coupled with the entry of new TSPs resulted in the OSS/BSS market continuing to see investments as TSPs are forced to differentiate in quality of service as focus shifts from customer acquisition to customer retention

Otherwise a quiet year on the product front, the only 2 major launches included launching of mobile trading application as TCS became one of the 1st IT solution providers to deploy its mobile trading solution in India, until now done by exchanges. Launched globally in FY10 itself, it's a J2ME application supported on more than 220 mobile phone models and Treasury 5.0, an enriched version set to define standards of transaction processing systems, HDFC bank was one of its early adopters.

Operational in about 80 countries, it increased its customer base by adding 36 new clients to its active client base of 271 clients apart from 20 clients going live.

Some noticeable overseas client wins include Post Finance Switzerland (for overhauling operations), Shanghai Rural Commercial Bank (to reduce time-to-market for new products), Deutsche Bank (for global transaction banking business), and Nedbank Investor Services (NIS), a division of Nedbank (to replace existing securities and

custodial applications).

It was a quiet year for Nucleus Software on product front as it continued to work on the beta sites of FinnOne Pro apart from working on Cash@Will next release which it plans to release in JFM 2012. For the FinnOne Pro, initially it will be offered to an Indian customer post which will be launched globally in OND.

However this is not to assume that the business front too was quiet. Apart from taking its products to 8 new countries, it also bagged 48 product wins including a Latin American deployment.

OSS/BSS Market

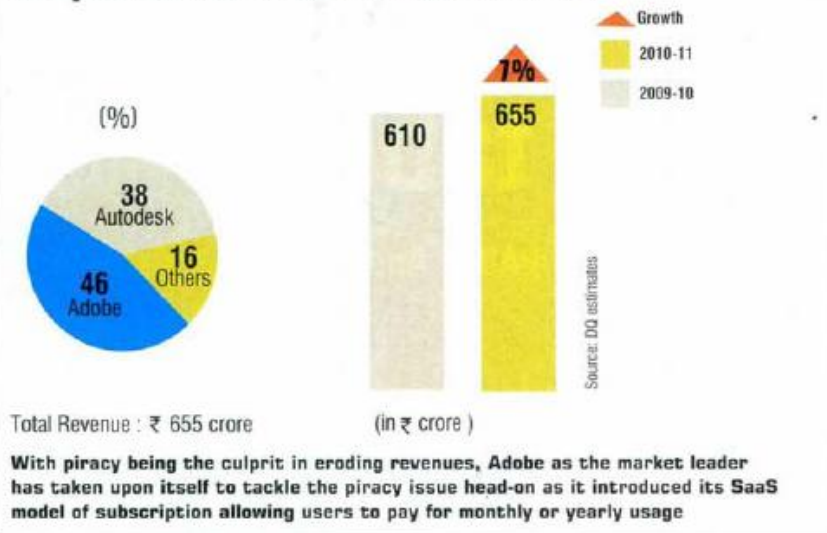
There was a lot of action on the telecom front in FY11—introduction of 3G services, launch of mobile number portability, the arrival of new Telecom Service Providers (TSPs). The MNP, a relatively new phenomenon in India and the entry of new TSPs resulted in the OSS/BSS market continuing to see investments simply because competition has been increasing and TSPs are being forced to differentiate in terms of quality of their service, focus has shifted from customer acquisition to customer retention.

The need for differentiation also forced the TSPs to roll out new services on converged platform as customers demand anytime, anywhere, any device services access. However having already invested in legacy systems, replacement hasn't been easy therefore the TSPs are deploying adapted layer to re-energize their OSS/BSS as per Information and Communications Technology Practice, Frost & Sullivan, South Asia & Middle East.

For new TSPs, however, setting-up a OSS/BSS set-up without the legacy system complications is easier.

While the global markets see TSPs providing managed services,

Graphic Software Market in India



there has been no such trend in India but moving ahead it's expected to see high traction.

In FY12, in OSS/BSS billing in customer management solution will see traction, apart from BI and customer analytics tools providing insights into customer behavior and usage.

Vendor-wise, the market continues to be dominated by IBM (having more than 50% share) followed by

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Wipro (at over 20%), Tech Mahindra (10-15%), and other players occupying 5% share. IBM's lead is understandable as way back in 2004 it had a strategic partnership with Airtel and thereafter it replicated the same template for other TSPs.

In FY11, Tech Mahindra (already a big player globally) shifted focus to India resulting in bagging deals with MTS, Etisalat, and S Tel. TCS meanwhile continues to focus in the government. Wipro, the only player to focus on the SME segment bagged deals with Aircel, Unitech Wireless, and Vodafone.

Over the next few years, OSS/BSS spending might take a beating with TSPs upping investments in upgrading their network infrastructure especially on security and network solutions. This will result in OSS/BSS growing between 8-10%.

Graphic Software

As the market leader, Adobe has taken it upon itself to address the software piracy related issues rather seriously. Perhaps this is the reason it intends to launch the Software-as-a-Service (SaaS) subscription model enabling users to pay for the

usage monthly or yearly at prices lower than for unlimited use of the full suite. The new model has been implemented for its latest launch of the creative suite applications—the Creative Suite 5.5, a collection of Photoshop, Dreamweaver, InDesign, and other software. The launch also holds significance as it is targeting the high growth segments like tablets and smartphones since CS 5.5 can create content for tablets and smartphones too.

With specific plans to drive sales of newly launched CS 5.5, the company is increasing its focus in the South India targeting emerging markets like the film industry, KPOs, and outsourcing companies. In fact a Telugu film, *Dongala Mutta*, was edited using the Adobe suite.

Autodesk meanwhile in FY11 is hopeful about the emergence of design as a possible business advantage in segments like architecture, engineering, construction, and manufacturing. There is also a gradual change in the customer mindset as well as customers are now asking for solutions to create sustainable designs, meeting the growing demand for infrastructure, and operating in a productive and profitable manner.

For the manufacturing sector and the SMEs too, a good design is all about connecting ideas and turning ideas into inventions. Besides Autodesk is also focusing on how the power of cloud computing, mobile access to data are shifting the design mindset, and increasing design impact.

The company also announced the release of its digital entertainment creation software and middleware. The 2012 versions enable iterative workflows, help users manage complexity, and provide new creative tools. In the past Autodesk products have been used in movies like 'Black Swan' and video games like 'Medal of Honor.' ■