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INTERVIEW: RAJIV KAUL
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'Our focus is clearly domestic'

The someone who has headed a multinational company (Microsoft India) and worked with an emerging markets-focused private equity firm (Actis) in the past, Rajiv Kaul has a refreshing view on government projects and public sector companies. The executive vice-chairman and chief executive of CMS Info Systems says that though government projects work at their own slow pace, "You are not exploiting all the options for growth if you don't focus on the government side." In an interview with Changreet Kharana, Kaul elaborates on the company's current projects with government and its growth plans. Excerpts:

Why is government an important customer for CMS Info Systems?

Today, if we look at the customers we serve, almost half our business comes from banking and financial services—mostly retail banks and insurance. About 15% comes from telecom firms. Twenty percent odd comes from government and public sector undertakings. The rest is fragmented between manufacturing, retail and other services.

Given where all of them are in the lifecycle of outsourcing the services we are focused on, the banks and insurance sector will continue to be a big chunk for us. I think the next would be government.

What are some of the key areas of growth for CMS?

The areas where we feel we have a good value proposition, and which will help government in its objective is number one: large system integration projects. The government is deploying infrastructure because it needs to automate. Deploying this infrastructure is very cumbersome because the reach of the government is vast—very few service providers are able to go and do it in a far-flung manner. There are just four or five companies in India that can really truly do it based on their own skills. We are one of those companies—we have 120 offices in the country, 21,000 people, 10,000 engineers on the ground in close to 300 towns.

And yet you did not purchase the common service centres project under the National e-Governance Plan from the original CMS promoters?

I love that business because of the reach, but the design is flawed. There are two or three problems with this project. One is, the capital expense is huge. To consume this capital expense, you need services. Now the first service you depend on is the government to customer (G2C) services. The G2C services exist in this country in four or five states. In the rest of the states, what do you do? If the core is not there, you're just wasting your time, it will never work.

The second challenge is connectivity. The state wide area networks don't exist even today in most of the states. The projects are done, money has been spent. I don't know where they are.

The third is the time you are allotted this license for is four years—it is just not enough. In government, in my experience, if you want to do anything, you need to have a seven to nine years perspective, otherwise forget it, you are going to lose money on it.

Like a project we are doing for BSNL is a seven to eight year project. I would never do it for three years, because by the time they get started it is one and a half years, and by the time you understand things it is two and a half years. By the time you start recovering your money, it is four or five years. You can only start making money in six or seven years.

For now, we are spending money and a lot of it. BSNL is not. We will recover it slowly, over time, we take all the risk, and the gains are not fantastic, but for a company like us, it is our business model. Printing is in our blood and we know how to do it. I think we can help BSNL.

You were talking to BSNL for a printing contract. What is the status on that?

The company has 15 office centres, we print a billion documents a year and BSNL will double that. We have been declared the lowest bidder for the BSNL contract, but the BSNL machinery takes its own time to come up and we are still waiting. BSNL does not have a full-time chairman right now, and this is an important project because it is to centralise all their billing efforts. Today, it happens case-by-case, enough leakages happen, it is not perfect, they don't collect money on time. Cost trailing billing has two parts—the software and the printing of bills and getting them dispatched. Building the software part, they have already given the contract to CMS. That is going to be complete. The next part is the printing it accurately. Then there is a different phase where they want to market and create more revenue, target more clients and sell them the right scheme. The technology we are bringing in will help BSNL custom market, and do this in colour.

For BSNL, it will be quite revolutionary to go out and marketing aggressively, doing target marketing to the existing base of customers.

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