



## **MARKET UPDATES JULY 2016: HEALTHCARE IT SERVICES**

This complimentary report is a round-up of select healthcare sector updates from major IT services companies. The focus of the report is on M & A activity, customer wins, strategic initiatives, and leadership announcements.

The report covers IT service companies that have a strategic focus on healthcare, and includes select updates from large and mid-tier global firms with dedicated healthcare BU's. The report also covers a handful of smaller firms that are focused on healthcare.

Email: [info@damoconsulting.net](mailto:info@damoconsulting.net)  
Website: [www.damoconsulting.net](http://www.damoconsulting.net)

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# Terms used in this document

S.No	Term	Meaning
1	HLS	Healthcare and Life Sciences
2	OM	Operating margins
3	QoQ	Quarter on Quarter
4	YoY	Year on Year
5	TCS	Tata Consultancy Services
6	Infy	Infosys Ltd
7	R&D	Research and Development
8	SaaS	Software as a Service
9	Brexit	British exit from the European Union



## KEY UPDATES

Company	Total Revenue for Qtr (in USD MM)	HLS Revenue for Qtr (in USD MM)
Infosys	2501.00	298.65
Wipro	1930.80	295.41
TCS	4362.00	300.98

Company	Healthcare % Revenue	HLS Operating Margin
Infosys	12%	26.05%
Wipro	15%	14.33%
TCS	7%	N.A

Company	Healthcare % Revenue QoQ Growth	QoQ growth for company
Infosys	-3.79%	2.20%
Wipro	46.60%	2.60%
TCS	3.90%	3.70%

- Indian IT majors TCS, Infosys, and Wipro announced their results for the quarter ended June 30, 2016. Wipro and Infosys had a weaker quarter compared to TCS.
- Infy's HLS revenue seems to have declined by 3.79%. Infy had reclassified its portfolio last quarter to combine the Insurance and HLS verticals, making it harder to draw comparisons. Media reports suggest that the cancelation of a major deal from the proposed merger of drug makers Pfizer Inc. and Allergan Plc., might have led to the company missing its forecasts. In the wake of a weak performance for the quarter, the company has announced management changes, including leadership changes in the HLS business.
- TCS seems to have grown in the HLS business by 3.90 % QoQ, and the contribution of HLS revenues to total revenues has remained steady at 7%. TCS announced three client wins in HLS.

- Wipro's healthcare revenues indicate a 46% QoQ growth, partly due to the impact of the Health Plan Services (HPS) acquisition in Q4 2015. There is a corresponding drop in OM for the HLS business from 19.96% to 14.33%. Overall margins for the company have dropped due to compensation increases as well as the HPS merger.

## Note on Brexit

The impact of Brexit, if any, seemed to be mainly in the financial services segment. Infosys CEO Vishal Sikka acknowledged the short-term uncertainties of Brexit as banks take stock of the short-term impact. Wipro sees no immediate impact of Brexit other than currency although in the near term there could be delays in some discretionary spend especially in the European market.

TCS, with over 27% of its revenue coming from Europe, and 16% just from the UK, indicated that they are yet to see any client-level impact, and said the company would have to wait and watch.



# MARKET UPDATES

## ACCENTURE

- 1** Accenture Interactive in Japan completed its acquisition of a majority stake in IMJ full-service digital agency. This enhances the capabilities of Accenture Interactive in the local market, bringing together creativity, knowledge in advanced digital technology, and consulting capabilities from Accenture and IMJ to provide services, with an end-to-end solution.
- 2** Ms. Nancy McKinstry has been appointed to the company's Board of Directors, effective July 13. Ms. McKinstry is chief executive officer and chairman of the executive board of Wolters Kluwer, a global leader in professional information services and solutions headquartered in the Netherlands.
- 3** Accenture plans to hire about 100,000 people in FY16 and spend \$1 billion on acquisitions, as it invests in new technologies at a scale that far outstrips its Indian rivals, focusing its business on three 'new' technologies - digital, cloud and cyber security, which contributes \$10 billion to its top line. The investments and hires are creating a dramatic gap between Accenture and its Indian IT competitors, Accenture's digital workforce has now expanded to 36,000.
- 4** Accenture's life science cloud for R&D, a platform to collect, share and analyze clinical data is being used by seven top pharma companies, including Pfizer, Merck, GSK and Lilly to accelerate drug development and improve patient outcomes

## COGNIZANT(CTS)

- 1** Cognizant announced that Kern Health Systems (KHS), a managed care health plan serving more than 220,000 members in California, has modernized and transformed its technology infrastructure and operations using Cognizant's deep healthcare and technology consulting expertise, coupled with its market-leading TriZetto software. In modernizing its operations, KHS implemented the end-to-end capabilities of Cognizant's TriZetto QNXT Enterprise Core Administration Platform. The new platform enables KHS to effectively manage more members, meet changing Medicaid requirements and improve patient and provider experiences.
- 2** Cognizant announced the acquisition of Idea Couture, a global firm offering a broad range of digital innovation, strategy, design technology services



## DELOITTE

Deloitte has teamed up with Vancouver-based software company Vandrico Solutions to help manage and develop world's largest wearable technology databases.

Vandrico's database has comparable information on over 400 wearable technologies from over 300 companies. Both Vandrico and Deloitte believe that businesses and industries that adopt wearable technology will be the first to capitalize on this opportunity to aim at employee safety and efficiency.

## INFOSYS

Livemint India has published a story on the impact of a major HLS deal that was included in the company's forecasts and which has failed to materialize.

In the wake of a weak performance for the quarter, Infosys has announced several management changes. The head of the healthcare business, Manish Tandon, has departed and the HLS portfolio has been reallocated among other business units.

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In November, Pfizer, which outsources more than \$150 million of work to Infosys every year, announced its decision to merge with Allergan.

A preliminary work of intent made by Infosys's healthcare and life sciences unit, along with Pfizer executives, and submitted to Infosys's corporate planning group in February suggested that the IT firm could expect "\$70-\$80 million new business" in fiscal year 2016-17 from the proposed deal.

That would have translated to up to \$20 million of business every quarter this fiscal year.

The importance of this lost business can be gauged from the fact that the Infosys management said it lost about 1% growth, or about \$25 million in business, during the April-June period. ”

## TATA CONSULTANCY SERVICES (TCS)

TCS announced three client wins in HLS for the quarter:

- 1 Won a deal to deploy digital solutions to help doctors at the Royal College of Physicians of Ireland (RCPI) interact with each other over the cloud to help doctors share expertise.
- 2 Chosen by a North American healthcare provider for a consulting engagement, deploying the TCS iON digital learning platform
- 3 Chosen by a leading North American biopharmaceutical firm to help improve throughput of their new molecule pipeline.



## WIPRO

Wipro announced three client wins in HLS :

- 1** Wipro has won a multi-year engagement with a large US-based pharmaceutical company to design and implement customized end-to-end procure-to-pay services by reimagining their customers' digital purchasing experience
- 2** A global pharmaceutical company has hired Wipro and Designit to establish a Digital Innovation Lab. This lab will identify opportunities in patient-centric digital health innovation and support the development of new product-service experiences
- 3** Wipro has been chosen by a global healthcare major to create a single global Source-to-Pay platform. The solution is based on a SaaS based platform to develop a Collaborative Care platform to enable patient segmentation, higher engagement and optimize healthcare costs
- 4** Wipro to buy controlling shares in private healthcare chain KIMS Hospitals in a deal estimated at around \$220 million, Kerala-based KIMS operates 2,000 beds through a network of hospitals in the Middle East and southern India. Founded in 2002, KIMS has a network of eight hospitals and a string of medical centres employing 850 doctors and 950 nursing staff. Its Middle East footprint covers Bahrain, Oman, Qatar, Saudi Arabia and the UAE.

## OTHER UPDATES

### Infogain Announces Sunil Bhatia as Chief Executive Officer

Infogain named Sunil Bhatia as Chief Executive Officer. Mr. Bhatia has held the position of CEO Designate at Infogain since the completion of Infogain's acquisition of the IT assets of Blue Star Infotech Ltd. (BSIL) in January 2016. Founder and former CEO Kapil Nanda will remain an active part of the company as full-time Executive Chairman of Infogain's board of directors.

### Persistent Systems reports quarterly results

Persistent Systems reported quarterly revenue of USD 104.76 Million and profit after tax of USD 10.94 Million for the quarter ended June 30, 2016



# About Damo Consulting

Damo Consulting is a Chicago-based management consulting firm that works exclusively in healthcare. Our clients include healthcare enterprises and technology firms. We provide growth strategy consulting, market intelligence and digital marketing solutions.

## USA

One Lincoln Center, suite 1500  
18W140 Butterfield Road, Oakbrook Terrace  
Oak Brook, Illinois, 60181  
Phone: (630) 613-7200

## INDIA

Mariam Center, 7M - 302,  
2<sup>nd</sup> Floor, HRBR Layout,  
Bangalore - 560 043  
Phone: +91 8064051999

Email: [info@damoconsulting.net](mailto:info@damoconsulting.net) | Website: [www.damoconsulting.net](http://www.damoconsulting.net)

