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Lanco Global to raise Rs160cr via FCCBs

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Lanco Global Systems Limited (LGS), a Hyderabad-based software development company, will be raising \$40 million (around Rs 160 crore) through the issue of foreign currency convertible bonds (FCCBs) to fund its proposed expansion.

The company expects to list the FCCBs in the next two months, and intends to use the issue proceeds to enter new lines of business, go in for significant acquisitions, besides aggressively penetrating the MENSA (Middle East and South Africa) market. The company has shortlisted half-a-dozen companies that are into banking, financial services and insurance (BFSI), telecom frameworks, service-oriented architecture (SOA), mobile computing and distribution computing.

"We are currently doing due diligence on three companies, and expect to acquire them in the next 12 months for a total consideration of \$30 million (Rs 120 crore)," Anand Swaroop, director and chief executive officer of LGS, told *Business Standard*, adding that the company was expecting 30 per cent growth through the inorganic route every year. LGS had, in December 2006, acquired US-based software consulting companies Global IT and TechOrbit Inc for \$4 million (around Rs 16 crore).

To cash in on the increasing



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global demand for network operating centre (NOC) services, which enables to monitor, manage and troubleshoot problems on a network. Swaroop said the company was proposing to set up an NOC in Hyderabad with an initial investment of \$5 million (Rs 20 crore). "The NOC will go on stream within eight months from now," he said.

Having achieved sustained presence in the remote infrastructure management (RIM) space, the market for which is estimated to grow to \$10 billion by 2011 globally, Lanco Global plans to scale up to the next level in this arena by offering end-to-end solutions.

The company is setting up an additional 30,000-sft facility in Hyderabad at an investment of \$500,000, Swaroop said, adding that the company expects to occupy the 400-seater facility by the first quarter of the next financial year. It is also looking at enhancing

its presence in the MENSA market, and would shortly open offices in the Middle East and South Africa for the same.

"Till last year, we saw a single digit growth from this region. We expect this market to account for 10-12 per cent of our revenues next year, on the back of our enterprise application, business intelligence (BI) and SOA service offerings," he said.

Driven by its major thrust on the small and medium businesses (SMB) segment, Lanco Global reported a net profit of Rs 22.72 crore on consolidated revenues of Rs 177 crore for the nine-month period ended December 31, 2007. Its outlook for the full year is between \$60 million and \$65 million (Rs 240 crore and Rs 260 crore).

The scrip of the nine-year-old company, which entered the capital market in 2000, is currently hovering around Rs 100 on the Bombay Stock Exchange (BSE).