Intellectual Moves

A high-risk strategy of buying IP, and building on it, has powered this IT firm's drive from the margins to the outer fringes of tech greatness

NANDITA DATTA

Proprietary products for scientific computing and an Indian IT company—the two somehow don't quite gel, especially when we're talking best-in-the-class products like statistical software and 3D empirical data analysis used by scientists in medical research, aerospace, etc. But that's just where Cranes Software has positioned itself. Asif Khader, Managing Director & CEO, puts it aptly in the company's annual report, when he says, "Translating focused research-based technology initiatives into tangible financial value is at the core of our operating philosophy." And how does Cranes do this? "We have a history of being a customer-centric business," he adds. The other side of the story, of course, is the product acquisition spree. In five years (2000-2005), it bought the IPR of four softwares and improved upon them to multiply their market share. This strategy worked out well for Cranes.

A Roller-Coaster Ride

For a company founded by a few friends in 1991 as a distributor of anti-virus software, the last fifteen years have been tumultuous. From anti-virus software, the company moved to Matlab (seen as the finest scientific software) and became its sole authorised distributor in India in 1993. Partnerships were established with MicroSim, Windriver and dSPACE GmbH to distribute their products in India. But, in 1997, two of the top guys quit, taking with them a good chunk of the business—Cranes was left only with Metlab. In 1999, after India's nuclear tests, the US government banned sales of Matlab to defence laboratories in the country. But lady luck smiled and the company signed a reseller agreement with Texas Instruments. By the turn of the century, Khader began to dream big—he wanted the company to become a leading player in the global technical software space. And acquisitions were the fastest way to get there. In 2000, Cranes bought US-based AISN Software's range of visualisation software products, TableCurve 2D, TableCurve 3D and PeakFit, for $1.75 million. The following year, Cranes acquired Systat (award-winning statistical software with 64,000 licensed users) from SPSS, a global business analytics biggie, for $2.25 million and later Sigma too. This acquisition brought clients like Merck, Eli Lilly, Pfizer and NASA.

Negotiating Bumps

The first problem was money. All these buys had to be funded through borrowings—Crane's borrowings today stand at Rs 323.73 crore. But the bigger problem was expanding the products. With former professor at Indian Statistical Institute T Krishnan joining them, newer versions of Systat were released. Later, Sigma had new avatar.

Analysts say Cranes should not find it difficult to maintain a revenue growth of 35-40%, provided the buys pan out well. Besides, the company will have to mine new opportunities. Cranes' promoters say they are always on the look out for under-rated products in tune with the 'acquire, enhance and expand' strategy. At the same time, the company will have to manage debt. Whether Khader and his team continue to deliver in the years to come remains to be seen? ❏

BUSINESS Software products used by scientists in aerospace, medical research, biotechnology
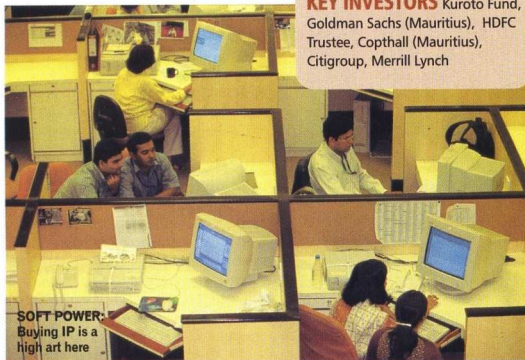
INCOME

FY2006	Rs 213.82 cr
FY2011 (E)	Rs 960 cr
5-YR CAGR (E)	35%

GROWTH STRATEGY Buy under-rated products and enhance them to expand market

KEY INVESTORS Kuroto Fund, Goldman Sachs (Mauritius), HDFC Trustee, Copthall (Mauritius), Citigroup, Merrill Lynch

SOFT POWER: Buying IP is a high art here

ATUL LOKE

INDIA INC'S FUTURE STARS

Company	FY2006 (Rs cr)		3 year CAGR (%)		Sales Y-o-Y growth (%)			Mutual fund & FII holding (%)	Market (Oct 12, 2006)		
	Sales	Net Profit	Sales	Gross Fixed assets	FY2004	FY2005	FY2006		M Cap (Rs crore)	Current Market Price (Rs)	P/E
Ahmednagar Forgings*	375	39	43		29	25	83	27	946	285	24
Allsec Technologies	92	22	67	34	27	129	60	31	323	264	13
Astra Microwave Products	117	37	72	68	71	92	54	33	876	163	33
B L Kashyap & Sons	466	28	70	58	66	99	49	20	1,182	1,170	35
Cranes Software International	187	63	57	20	105	33	42	40	1,105	97	16
Deccan Chronicle Holdings	331	68	147	84	433	42	100	20	2,143	520	28
Educomp Solutions	53	14	36	39	21	24	69	18	1,045	655	63
Entertainment Network (India)	119	29	79	12	169	36	57	20	1,095	230	46
Gateway Distriparks	130	73	42	28	29	58	39	29	1,576	171	21
Geodesic Information Systems	92	42	112	67	81	129	129	58	983	167	21
Hotel Leelaventure	336	73	36	14	45	36	27	27	2,407	65	16
Indo Tech Transformers	112	11	38	13	49	28	37	16	199	171	14
KPIT Cummins Infosystems	258	27	53	85	72	55	33	27	646	444	23
Opto Circuits (India)	116	35	45	19	54	35	47	25	1,428	463	35
Sanghvi Movers	149	32	79	56	75	65	98	31	509	709	9
Subex Azure	181	39	37	15	26	32	55	34	1,679	484	48
Television Eighteen India	127	19	62	62	45	89	56	46	1,279	608	44
Trent	344	24	48	20	42	55	48	30	1,282	889	50

NOTE: COMPANIES HAVING TURNOVER BETWEEN 50 AND 500 CRORE · SALES CAGR OF OVER 35% WITH CONSISTENT 20% PLUS YoY GROWTH, POSITIVE OP CASH FLOW IN THE LAST 2 YEARS & GROSS FIXED ASSETS CAGR OF > 10% AND MF+FII HOLDING >15%
* FY ended 2006 June · Stock Price, P/E and Market Capitalisation as on October 12, 2006

Source: CMIE

OUTLOOK Business