Business And Market Research Outsourcing:

Contributed by ValueNotes
Thursday, 11 October 2012

Revenue growth of pure-play providers almost at a standstill

Revenue growth of Indian pure-play business and market research service providers dropped from 60% in 2007 to 3% in 2011

Return on capital employed dropped from 45% in 2007, to single digits in 2011

Dun & Bradstreet came out as the leader, with Beroe a close second

Up until 2007, the business and market research outsourcing segment in India prospered with enviously high revenue growth, good margins and returns. This strong financial performance was attractive to investors. During the time, financially there was almost nothing that was a concern for the industry. Many top analysts were optimistic about the growth, some estimating a CAGR of 47% between 2007 and 2012 for the market research outsourcing industry.

Five years on, it is a very contrasting picture. The fast growing pure-play KPO companies in the business and market research outsourcing segment in India has seen growth fall rapidly since the 2008 global financial crisis. Annual growth rates dropped from 60% in 2007 to 3% in 2011. This was one of the findings in ValueNotesâ€™ latest report titled â€œBusiness and Market Research Outsourcing: High revenue growth muted by economic slowdownâ€•. The report analyses the key financial ratios of pure-play service providers with operations in India, which specifically cater to the business and market research segment.

Arjun Bhuwalka, project manager at ValueNotes says,
â€œWe found that by 2011, companies in this segment had been impacted across various financial measures with revenue growth coming almost to a standstill, and revenue per employee decreasing at a CAGR of 0.5% in the five year period.â€•

To add to the downward spiral, returns on capital employed (ROCE) were almost wiped out during the economic slowdown. The ROCE of pure-play business and market research outsourcing companies in India was 45% in 2007. These returns, backed by even higher revenue growth rates, made the segment an extremely attractive market for investors. However, things changed subsequently, with ROCE falling to single digits in 2011.

Top 5 service providers in the business and market research outsourcing segment in 2011
Companies that came out on top were Dun & Bradstreet, Beroe, Annik Tech, Ugam and Exevo. The leader, Dun & Bradstreet is ranked the best among all the business and market research outsourcing companies covered in this study.

Among the top 5, no company has outperformed its peers across all the key financial ratios. Dun & Bradstreet is ranked the highest on revenue per employee and net profit per employee, while Beroe topped the ranking on EBITDA margin and return on equity. Annik Tech, Ugam and Exevo have been ranked the highest on the remaining parameters. However, among the top 5 companies, their ranking has remained fairly constant between 2007 and 2011.

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October 2012