

DECEMBER 8, 2005

News Analysis

By Jay Greene

[http://www.businessweek.com/technology/content/dec2005/tc20051208\\_637935.htm](http://www.businessweek.com/technology/content/dec2005/tc20051208_637935.htm)

### **Now Microsoft Wagers on India**

Following the lead of Cisco and Intel, Redmond will be making a \$1.7 billion investment in the Subcontinent

In case there was any doubt, the titans of technology believe in India. Microsoft (MSFT) offered the latest proof, saying on Dec. 7 that it would invest \$1.7 billion in the country over the next four years.

Microsoft's plan follows news on Dec. 5 that Intel (INTC) would pump \$1 billion into its India R&D and venture-capital funding over the next five years, and an October announcement that Cisco (CSCO) would plow \$1.1 billion into India over the next three years.

Though hardly startling, the amounts each company plans to invest are eye-popping. But the market for low-cost Indian job talent is rich, and getting increasingly competitive.

"KEEN TO GROW." "With more engineers graduating out of universities and colleges than anywhere else in the world, we can learn from the growing developer and engineering base," says Microsoft spokesman Matt Pilla. "India is emerging as a world-class IT leader, and is supported by an increasingly healthy market and economic outlook that offers tremendous growth opportunities for the company."

It's not like Microsoft hasn't invested in India already. The company first opened shop in the country in 1990. Eight years later, it opened a product-development center in Hyderabad, where most of its 3,000 India employees work. That's about 5% of Microsoft's 63,000 employees worldwide. And earlier this year, Microsoft opened a new research lab in Bangalore.

With the new round of investment, Microsoft plans to add 3,000 more employees, Microsoft Chairman Bill Gates told journalists in New Delhi. "We are keen to grow Microsoft activities in India," Gates said, according to press reports. "The growth in employment for Microsoft will be more in India than the United States."

**SURGING STATS.** The software giant says it plans to use the funds to expand its India operations into a major hub for research, product development, and support services. In addition to the new employees, Microsoft will continue to retain a handful of Indian firms, such as Infosys Technologies (INFY) and Wipro (WIT), for software development.

It's not hard to see why tech companies are keen to establish a bigger beachhead in India. The nation's consumers are expected to snap up 5 million PCs, 70 million wireless phones, and nearly 4 million DVD players this year, according to Semico Research, a Phoenix-based consultancy.

India's talent pool is huge -- and growing. Enrollment in Indian tech schools is expected to surge 70%, to 600,000, by 2008, according to India's IT software trade association Nasscom (see BW Online, 8/22/05, "The Other MIT").

**SCHOOL LARGESSE.** Microsoft's investments in India come at a time of particularly stiff competition from Linux, the open-source operating system that's often cheaper to use than Microsoft's Windows. So Gates announced plans to offer Windows in several of India's local languages. What's more,

Microsoft plans to use a chunk of its investment for computer education and training at 100 schools around the country.

Like Cisco and Intel before it, Microsoft can't invest fast enough in India (see BW Online, 12/06/05, "Intel's Eager Passage to India" and BW, 11/28/05, "Cisco: Sold on India"). But with competition for talent and business on the rise, Microsoft is making a \$1.7 billion wager it can stay ahead of the game.

-----  
Greene is BusinessWeek's Seattle bureau chief

Copyright 2000-2004, by The McGraw-Hill Companies Inc. All rights reserved.

[Terms of Use](#) [Privacy Notice](#)