

cover story CRANES SOFTWARE



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

roprietary 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 antivirus software, the last fifteen years have been tumultuous. From anti-virus software, the company moved to Matlab

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

(seen as the finest scientific software) and became its sole

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.

Rs 213.82 cr FY2006

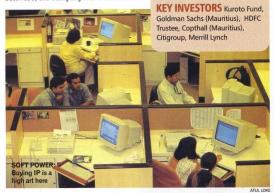
BUSINESS Software products

used by scientists in aerospace,

medical research, biotechnology

Rs 960 cr FY2011 (E) 5-YR CAGR (E)

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



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?

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