



ISGN receives \$25 mn from venture firms

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New Delhi: ISGN Technologies Ltd, a software services firm servicing US funding from mortgage customers, has received \$25 million (Rs102.5 crore) venture capital firm New Enterprise Associates (NEA) and an affiliate NEA-IndoUS Ventures Fund, a firm controlled by Vinod Dham, a former engineer who was part of the Intel team that designed the first Pentium chip.

ISGN will use the investment to set up new offices and finance sales and marketing. "We plan to set up a centre of excellence either in Chennai or Gurgaon by September this year at an investment of \$3-5 million, besides increasing headcount both in India and globally," said Krishna Srinivasan, chief executive officer of the company. The centre will look at innovation, research and development, knowledge process excellence as well as analytical work for the ISGN clients.

The NEA firms declined to disclose financial terms but said they will pick up equity between 10% and 30% at ISGN. "The US mortgage market is a growing and exciting one. There is a lot of pain in that space and not too many solutions to solve the problems. ISGN is in the right space," said Ben Mathias, vice president for NEA India. Estimates by tech researcher Gartner Inc. put back office services for banking and financial companies at \$18.76 billion in 2007, a number that is projected to grow to \$22.32 billion by 2010.

Mortgage processing will account for around 9% of such outsourced work with a concentration on origination of mortgage and loan business, underwriting and servicing.

"The mortgage processing market is estimated to grow from \$1.47 billion in 2005 to over \$2 billion in 2010 growing at a compound annual growth rate of 6.4%. We can expect higher growth rates for mortgage processing if the current market dynamics and sentiment continues—as banks and mortgage companies look to outsource their mortgage processing operations," said T.J Singh, a Gartner analyst in Singapore on email.

Lenders in the US can save around 40-50% of their costs by outsourcing said. their services to low-cost back office destinations such as India, ISGN The company currently has 330 people globally with around 70 people in Chennai including in Michigan, and Gurgaon; the remaining spread over offices in the US Philadelphia, New Jersey, Atlanta, California and Iowa.

The revenues of ISGN, backed by India's K.K. Birla group of companies, as on March 2007 were \$30 million. "We plan to recruit around 500 people in India in the next

six-eight months and around 4,000 globally in the next two years. We aim to double our revenues by March 2008," said Srinivasan. K.K. Birla is the chairman of HT *Mint*, the publisher of chairman of HT *Mint*.

Other recently set up finance-focused business process outsourcing firms structured akin to ISGN aimed at clients in the global financial services and mortgage industry have raised funds from venture capitalists and investment groups. Early this year, Adventity, a back office firm specialising in financial services, announced its first round of funding of \$20 million from an investment to fund its domestic and overseas group led by Norwest Venture Partners expansion plans.

New Delhi-based Global Vantage, that had carved a niche in the insurance recovery industry got strategic funding of around \$8 million from private equity firm ChrysCapital in 2002, and was acquired by an Essar group call centre company in February 2007. Indecomm Global Services Ltd, which provides financial services to its clients, received \$5 million funding from West Bridge Capital Partners and Acer Venture Capital in 2003.