

Infosys Strategic Automotive Engineering Bet: in-tech Acquisition

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In 2024, anyone aspiring to excel in engineering should consider investing in the automotive sector. Infosys exemplified this strategy with a \$480 million in-tech acquisition. This PoV explores the details of this acquisition and how it could potentially become a strategic growth opportunity for Infosys.

About in-tech and Acquisition

Infosys acquired 100% stake in in-tech, an engineering R&D services provider focused on the German automotive industry for €450 million (\$480 million).

Headquartered in Germany, in-tech, is one of the fastest growing Engineering R&D services providers that shapes digitization in the automotive, rail transport and smart industry sectors. in-tech develops solutions in e-mobility, connected and autonomous driving, electric vehicles (EV's), off-road vehicles and railroad. in-tech offerings include system design, methodical consulting, advanced electronics platform development and validation of automotive specific software and hardware systems, infotainment, and experience validation.

in-tech brings to Infosys, marquee German original equipment manufacturers (OEMs) deep client relationships, and an extensive industry expertise with a multidisciplinary team of 2200 people across locations in Germany, Austria, China, UK, and nearshore locations in Czech Republic, Romania, Spain, and India.

A Perfect Match For CTOs, CDOs, CIOs & R&D Leaders: Complementing Each Other As Two Pieces of One Puzzle

Some matches are made in heaven, and this seems to be one of them. in-tech perfectly fills Infosys's gaps in automotive engineering services, both in onboard and offboard services.

In onboard vehicle development and validation, in-tech addresses gaps in hardware development, firmware and embedded development, ADAS, powertrain, validation, functional safety, and certification. For offboard applications and platforms, in-tech enhances capabilities in data and analytics, product and platform verification and certification, and on-road testing.

To fully capitalize on the SDV market, end-to-end capabilities across the automotive software tech stack are imperative. This acquisition strengthens Infosys's position to achieve this.

As the lines between engineering, digital, and IT in automotive blur, Infosys's full-stack automotive capabilities will appeal to all stakeholders, including CTOs, CDOs, CIOs, and R&D leaders.

Value Creation Path For Infosys

This is Infosys' largest acquisition ever, with aspirations to generate significant revenue in the next few years from the combined capabilities of Infosys and in-tech in automotive, railways, and smart industries. Here are five key strategies:

- **Engineering Offering to Infosys' Existing Customers in Europe:** Infosys has marquee accounts in the automotive sector in Germany and Europe, primarily on the IT side. Infosys is one of the largest IT service providers in automotive IT services in Germany. With the integration of in-tech's capabilities, Infosys can now extend its value proposition to engineering services for its automotive clients. In-tech's strong relationships with German OEMs on the engineering side will enable Infosys to penetrate the German Auto OEM and Tier 1 Supplier market for engineering services, overcoming the high entry barriers.
- **Offshore Offerings for Existing and New Customers:** There is a growing trend of offshoring automotive engineering services to India. in-tech had limited offshore capabilities, but now Infosys can offer scaled offshore engineering services to both in-tech's existing clients and new clients, leveraging this trend effectively.
- **Expanding Globally Beyond Europe:** While Europe is a crucial region for automotive engineering services, other important hubs include North America, Japan, Latin America, the Middle East, and Southeast Asia, which were underserved by in-tech. Infosys's extensive delivery footprint and initial customer base in these regions enable it to take these combined capabilities global, starting with current customers and expanding to new ones.

- **Leveraging Nearshore Capabilities:** Nearshore operations play a critical role in automotive engineering outsourcing. Many automotive enterprises have established significant engineering and manufacturing presence in nearshore hubs such as Romania, Poland, and China, often preferring engineering services delivered from these locations. in-tech has a strong base and talent pool in Romania, China, and Poland, which Infosys can build on and expand further. This strategic move will help Infosys accelerate its growth in the automotive segment in these regions.
- **Bonus Opportunities Beyond Automotive Engineering:** Beyond automotive, there are additional engineering opportunities in other verticals such as railroads and smart manufacturing, where Infosys's capabilities and credentials are enhanced with in-tech. Additionally, there are bonus opportunities for IT services for Infosys with current in-tech customers.

Acquisition Value Creation Is Always Uncertain, but Infosys Has a Good Shot

Acquisition value creation often looks promising in theory but can be uncertain in reality. Despite potential pitfalls, we believe Infosys has a strong chance of success for the following reasons:

- **Proven Track Record:** Infosys has a solid history of successful acquisitions. Its past engineering service acquisition, Kaleidoscope, was highly successful. Other acquisitions, such as InSemi, WONGDOODY, Simplus, Fluidio, and BASE, have also demonstrated significant value creation.
- **Automotive Engineering Tailwind:** The automotive engineering services sector is experiencing significant growth and holds the largest market share in engineering services. This positive trend will likely support Infosys in creating value from the acquisition.
- **Marquee Customer Base:** Infosys has a strong customer base in the automotive and manufacturing sectors in Germany and Europe. Previously, Infosys secured one of the largest IT services deals in the automotive sector. These strong customer relationships will aid Infosys in replicating IT services success in engineering services.
- **Cultural Affinity:** Cultural affinity and client comfort with offshore-centric service providers can be challenging, especially in countries like Germany. Infosys's past success in overcoming these cultural barriers in IT services will be advantageous in automotive engineering.
- **Strong Intent:** Infosys has shown a strong commitment to engineering services, evidenced by its largest acquisition to date and its recent purchase of semiconductor engineering service provider InSemi. The best way to gauge an entity's intent is by examining where it invests. For Infosys, the focus is clearly on engineering. This strong intent is crucial for creating value.

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“We have been very successful with automotive and manufacturing clients in Europe, particularly in Germany, in IT services. We have successfully navigated the cultural uniqueness of our clients while creating value for them and Infosys. We look forward to creating an even bigger impact in automotive engineering with the addition of in-tech.”

Ruchir Budhwar,

EVP & Industry Head Manufacturing, Europe at Infosys.

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“Automotive is a significant tailwind in engineering services, and we want to leverage that with in-tech capabilities for both existing and new customers worldwide. in-tech's capabilities complement Infosys' engineering services portfolio, and together, we will now be a formidable force in the automotive engineering space.”

Raghavendra K.A,

SVP & Global Head Product, Engineering and IoT at Infosys.

Bottomline: Ambition, Strategy & Execution

There has never been a better time to be in the automotive engineering business, and the Infosys-in-tech combination ticks all the boxes for a strong automotive engineering service provider. The key question is whether Infosys's strategic bet will be successful.

This is Infosys's largest acquisition ever, a bold move that signals its ambition to aggressively grow its engineering services business. The acquisition of semiconductor engineering service provider InSemi further demonstrates Infosys's strong intent in the engineering sector.

While automotive engineering offers significant opportunities, it is an evolving field. Some segments are maturing, new areas are emerging, and competition is intensifying. Long-term success in automotive engineering will depend on skating to where the puck is going, not where it has been. This creates both opportunities and risks for Infosys.

In short, the opportunity is great, the ambition is clear, and the strategy looks sound. Now, it's all about execution!

About the Author



Pareekh Jain

Pareekh Jain is the CEO and Lead Analyst of EIIRTrend and Pareekh Consulting.

EIIRTrend is an insight platform for discovering engineering, IoT, Industry 4.0, and R&D (EIIR) trends, information, insights, best practices, across 12 industry segments, 24 service segments, 100+ countries and 3000+ providers and buyers. Pareekh Consulting is a focused analyst and advisory firm for EIIR.

A seasoned EIIR professional, Pareekh has seen the EIIR industry from four perspectives: service provider, sourcing advisor, enterprise buyer, and industry analyst.

He is regularly quoted in media on EIIR trends. He has provided more than 800 media quotes to various global and India media outlets. Some of the media publications he is quoted in include Harvard Business Review (HBR), NDTV, ZEE TV, Forbes, Times of India, Economic Times, Business Standard, Hindu, Business Line, Livemint, Indian Express, Financial Express, Deccan Herald, Business Today, Telegraph, Hans India, Bizzbuzz, Informist, Voice and Data, Rediff, Voice of America, Moneycontrol, Quartz, Trak, NHA Asia, NZZ, The Ken, Techcircle, Nearshore Americas, Siasat Daily, Firstpost, and Business Insider.

Pareekh is a thought leader, having authored more than 200 publications on topics related to EIIR outsourcing. He loves business fiction writing in his free time, and has authored a novel, Who Is That Lady?

Pareekh received his MBA from the Indian Institute of Management (IIM), Bangalore and his Bachelor of Technology degree from the Indian Institute of Technology (IIT) Delhi.

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