



Boom time for Indian LPO

Bad times for some American companies is turning into good times for Indian legal offshoring industry. For reasons largely economic and partly cultural, India's legal process outsourcing, or LPO, services providers have seen a sizeable uptick in business since the US economy has faltered. In particular, firms that handle support functions, such as reviewing documents and researching witnesses for US litigation, have enjoyed the biggest increases amid mounting disputes over who knew what and when in the mortgage and related markets meltdown.

Their business has seen a more than 100 percent increase, says Sanjay Kamlani, co-chief executive of Mumbai-based Pangea3 LLC., which does US litigation support business. We had planned for that kind of growth spread throughout the year, but we didn't anticipate that kind of growth in the first quarter. One driver for increased business is the generic pressure for companies in a slowdown to cut costs, including in legal departments which don't generate any revenue.

A technology client of Pangea, for example, recently requested the firm to double its dedicated staff of India-educated lawyers, bringing the total to 10, because it didn't want to hire any new attorneys in the US. Meanwhile, as the economy slumps, the number of lawsuits typically go up. Arguably everyone gets more litigious in a recession, says Kamlani. A combination of the cost pressure on in-house counsel coupled with the tendency for litigation in the US to increase in recessionary times, leads to a substantial increase in litigation support.

The same firms that wouldn't take our calls six months ago are now coming to us, says Paul Mandell, president of US operations for legal process outsourcing provider Clutch Group. We have seen a dramatic shift that came along with the subprime mess.

In the past few months, Pangea has picked up work on 12 new lawsuits and doubled its staff size in litigation support to 100. Clutch, which has seen a 25 percent boost in its litigation support business, won work from an information technology company that picked up a sizeable document review from its domestic law firm and offshored it wholesale, according to Mandell.

The legal outsourcing market in India is still a baby compared to other offshore models, 2006 revenues stood at USD 146 million, and are projected to hit around USD 640 million Rs 677.73 crore then by 2010, according to an industry report by Valuenotes Database Pvt. Ltd. But LPOs are still bucking the trend of their sibling offshorers. Outsourcing analysts say that, while business process outsourcing firms haven't experienced any major impact in terms of a slowdown, customers are hesitant about their offshoring budgets.

What we see is most clients are in a phase of decision pause, says Sabyasachi Satyaprasad, a senior director at the outsourcing advisory firm NeoIT. They are waiting to see if there is an economic downturn before making outsourcing decisions.

In the case of law firms, necessity and a growing familiarity with the industry are forcing them to warm up. When a Fortune 500 oil and gas company told its law firm in the US to use Pangea on a document review project, the law firm held a two week strike in protest. By the time Pangea finished the review three weeks later, according to Kamlani, the firm hired Pangea to continue working on the case.

US law firms also have begun approaching LPOs to jointly pitch for new business. Law firms are saying, Clutch Group, we want to partner with you, we can partner to reduce litigation costs, claims Clutch CEO Abhi Shah. Now law firms are seeing this as a strategic advantage and can use it to drive their business.

But, pressure from clients, the only reason legal offshoring shops could take off in the first place, still forces some law firms to make the switch. One of Clutch's onshore law firm clients initially rejected the idea of sending any work to India. After costs spiralled and the client pushed, the firm moved about half of the work worth around USD 2 million to India.