



Newsletter - January 2009

Latest information on outsourcing in Australia and NZ



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Qantas says risk with Satyam manageable

Qantas Airways Ltd, which has an information technology contract with India's Satyam Computer Services Ltd, says any risks to business are manageable. Mr Raju admitted the Hyderabad-based software services firm had falsified accounts and assets and inflated its profits over several years. Qantas said in a statement on Thursday that it had five years remaining on a seven-year contract under which Satyam provides IT application maintenance and support for the company. "At this stage Qantas assesses any risks to business as manageable," it said. Qantas said it was monitoring the situation and would continue to do so on a daily basis until the situation was resolved. "In the event that Satyam is unable to continue services, Qantas has the ability to activate alternative internal and external arrangement to enable the continuation of seamless services."

NAB reviews contract with Satyam

MELBOURNE (Dow Jones)--National Australia Bank Ltd. (NAB) is reviewing its contract with Satyam Computer Services Ltd. (SAY) after revelations that Satyam fabricated accounts. "While Satyam is having difficulty, it continues to meet its contractual obligations," a NAB spokeswoman said, but added the group is assessing its current contract with Satyam, which is due to expire in 2011. She declined to say how much the contract is worth, but analysts said the deal was unlikely to be major. The NAB spokeswoman said the group has contingency plans in place.

Satyam boss Raju admits to accounting fraud, quits

Bangalore: Satyam Computer Services Ltd founder-chairman B Ramalinga Raju and managing director B Rama Raju resigned from the board on Wednesday, the company announced. Raju, in his resignation letter, admitted that the IT major's balance sheet has inflated cash and bank balance of Rs 5,040 crore.(A\$ 1.7 Billion) No board member had any knowledge of the real situation and the account manipulation started years ago. Accrued interest of Rs 376 crore (A\$ 122 Million) in books is non-existent. Rs 1,230 crore (A\$ 400 Million) was arranged to Satyam, but was not reflected in the books. Legal experts say Raju could face up to 10 years imprisonment for the fraud. According to Raju, Ram Mynampati will act as an interim CEO. In a notification to the stock exchanges, the Hyderabad-based IT firm said Raju and Rama Raju have tendered the resignations earlier in the day and the regulator (SEBI) has been informed. "Raju shall continue in the position till such time the board is expanded and the continuance is to ensure enhancement of the board," the company said in the notification. NB: Rs 1 crore is equal to A\$ 325,000

HP eyes Satyam

Hewlett-Packard (HP) is evaluating the possibility of acquiring a stake in IT services provider Satyam Computer, attracted by the latter's lucrative business software practice. The opportunity to challenge rival IBM with bigger, low-cost offshore capabilities is also alluring, those familiar with the strategic options being considered by the company said. HP executives are busy evaluating the option even during the Christmas-New Year holiday season, a US-based source close to the development told ET , but emphasised that too much should not be read into it right now. "This is currently being discussed as a strategic possibility at HP — nothing beyond that," he said. HP had acquired IT services company EDS for \$13.9 billion earlier this year, bringing significant onshore resources closer to its main US market as well as capabilities to serve large government customers. The company is now aggressively pursuing its vision of creating a formidable services business to challenge IBM with more low-cost offshore capabilities. "Satyam's enterprise resource planning software-based revenues, which contribute almost half to the company's business, offer a lucrative opportunity for HP to address customers running SAP and other enterprise applications.

TCS now #2 Third party BPO service provider

India's number one software exporter Tata Consultancy Services (TCS) has completed the acquisition of Citigroup Global Services Limited (CGSL), Citigroup's BPO captive, catapulting it to number two position in third party BPO rankings. The acquisition was done for a total cash consideration of \$ 512 million. The agreement to provide \$ 2.5 billion in committed revenue to TCS over a period of 9.5 years has also been signed. About 12,472 professionals trained in core banking skills will now move to TCS' payroll. "This acquisition gives us the ability to offer an end-to-end, domain-led third-party solution for business operations to our large financial services clients. We will also work to create platforms for the future and integrate our strong domain expertise in operations along with our suite of products for the financial services sector," said TCS CEO N Chandrasekaran. TCS has been a vendor to Citigroup since 1992 and this transaction makes it one of its largest partners globally. It delivers services to Citigroup operations in North America, Europe, India, Japan, Singapore and the rest of Asia Pacific.

Wipro to buy Citi unit for \$127 Million

Bangalore: Tech major Wipro Technologies and leading global financial services company Citi have announced that they have reached an agreement for Wipro to acquire Citi Technology Services Ltd for an all cash consideration of approximately \$127 million. Citi Technology Services Ltd is the India-based captive provider of information technology services and solutions to Citi entities worldwide. As part of the transaction, Wipro and Citi will sign a Master Services Agreement for the delivery of Technology Infrastructure Services and Application Development and Maintenance services for a period of six years. Citi has 1,650 employees and Wipro will absorb all of them. Citi Technology Services launched in 2005 and is expected to report revenue of \$80 million in 2008, up from \$53 million last year. It has 1,650 employees in its two centres in Mumbai, India's financial hub, and Chennai in south India. The unit, which services Citi's businesses in 32 countries, provides technology infrastructure and application development and maintenance services, the statement said. "The transaction is consistent with our efforts to improve our operating leverage while we focus on our core banking operations," Don Callahan, Citi's chief administrative officer, said in the statement. Girish Paranjpe, joint-CEO of Wipro's IT business, said the acquisition of Citi Technology Services would help it win outsourcing deals from other global financial services companies, which are at the centre of global economic turmoil.

Rio Tinto speeds up outsourcing to help save \$7.5bn

Mining giant Rio Tinto will speed up its outsourcing and offshoring programme as well as delay a number of projects in an effort to cut capital and running costs. The firm said this morning it would cut "rapidly accelerate" outsourcing and off-shoring of IT and procurement in 2009. It would also consolidate offices in the group, including the London head office, and cut staff by 14,000, comprising 8,500 contractors and 5,500 employees. This would save annual operating costs of \$1.2bn, but incur upfront severance costs of \$400m, it said. It would cut net capital expenditure guidance for 2009 from over \$9bn to \$4bn, and reduce controllable operating costs by at least \$2.5bn/y in 2010.

SBI To Form A JV With Insurance Australia Group

State Bank of India is forming a 74:26 joint venture with Australia's Insurance Australia Group (IAG) for general insurance business. SBI had zeroed in on IAG in May this year to enter into exclusive joint venture negotiations. The JV will commence business in 2009, subject to regulatory approvals including a green signal from Insurance Regulatory and Development Authority. While IAG will hold 26% of the JV, as per the existing FDI norms for the insurance sector, it has an option to increase the stake to 49% in the future subject to regulations. As per the agreement, IAG will have board representation in the JV besides the right to appoint certain key management personnel and voting rights over key business matters. IAG will bring in Australian \$ 170 million to the venture funded through its internal resources. The deal will value the JV at Rs 2,061 crore. No further fund infusion is proposed by the partners for the next four years. SBI, the country's largest commercial bank with over 100 million customers and 11,000 branches, already has a life insurance JV with Cardif. SBI Life Insurance which commenced operations in 2001 was the first private life insurance company to become profitable. During 2007-08, the joint venture generated a profit of more than Rs 28 crore. The public sector bank also has a track record of working in JVs with foreign partners. Besides its life insurance JV, it also has a sixteen year old asset management venture with Societe Generale which now has assets under management of more than \$6 billion. In addition it also has a JV with GE Capital for credit cards business. Given the low penetration rates, Indian general insurance market is projected to grow 15%-20% per annum over the next ten years and this is luring new players into the field. SBI, will join the likes of other state-run insurers -- United India Insurance, New India Assurance, Oriental Insurance and National Insurance who are the big players in the general insurance business in the country. The private sector insurers include Bajaj Allianz, ICICI Lombard, IFFCO-Tokio General Insurance and Reliance General Insurance, besides others.

Leadership Change at Infosys Australia

Melbourne, Australia -: Infosys Technologies Ltd (Nasdaq: INFY) announced a change of CEO of its subsidiary, Infosys Technologies Australia Pty Ltd (Infosys Australia) after the current CEO, Gary Ebeyan, decided to leave for personal reasons. IT veteran Jacqueline (Jackie) Korhonen has been appointed today as CEO-designate and she will take over as the CEO on December 15, 2008 from Gary Ebeyan, who will stay on in an advisory role through January 2009. Kris Gopalakrishnan, CEO and Managing Director, Infosys Technologies, thanked Ebeyan for his invaluable contribution to the company, noting, "Under Gary's leadership, Infosys Australia has been successfully established as a Tier 1 player in IT and business process outsourcing in the region." Commenting on the leadership change in Infosys Australia, Ebeyan said "The past five years have been a challenging and rewarding experience for me. The company has gone from strength to strength in every year of operation in Australia and has had phenomenal growth in revenues, profits and clients. I leave the company knowing that the future has never looked brighter for it. I thank the Infosys Technologies management for putting their trust in me over the past five years, and wish the company, its employees and my successor Jackie all the very best for the future." Kris welcomed Jackie to the management team. "Jackie brings with her vast experience in our industry, knowledge of the market and proven leadership qualities to take our business in the region to the next level," he said. Jackie brings 23 years of extensive experience in the IT industry to the position. Most recently as Vice President of Managed Business Process Services for IBM Australia & New Zealand, she built the company's process outsourcing business in the region. Previous roles include leadership positions in IBM's Financial Services practice across Asia and developing and managing its Consulting and Systems Integration practice in the region. "Infosys is one of the most vibrant companies offering Consulting, IT and BPO services today," commented Jackie. "It's never been a more critical time for Australian companies to tap into the advantages of globalisation – and Infosys has pioneered the Global Delivery Model around the world. I am delighted to be part of this global enterprise." Jackie is a Sydney native and graduate of the University of Sydney. Her appointment is in line with Infosys' preference for recruiting local talent for senior leadership roles.

Bravura acquires Citigroup backoffice in Warsaw

Sydney, (ASX:BVA) – Bravura Solutions Limited (Bravura), a leading global supplier of wealth management applications and professional services, and Citi's Global Transaction Services, have entered into an outsourcing agreement for the provision of transfer agency technology services to Citi's Securities and Fund Services business in the European Region. Citi's Global Transaction Services offers integrated cash management, trade, and securities and fund services to multinational corporations, financial institutions and public sector organisations around the world. As part of the agreement Bravura will acquire Citi's Warsaw-based transfer agency software platform for consideration of US\$21 million (A\$31.99 million). The acquisition is expected to be EPS accretive in FY09 and beyond, and generate strong recurring revenues and cash flow. The acquisition will be funded using current facilities and the operating cash flows generated by the business over a three year period. This mutually beneficial agreement will strengthen Bravura's position as the largest transfer agency application provider in Europe and will enable Citi's Securities and Fund Services business to better meet evolving client needs relating to transfer agency services and distribution support.

World Bank ban Satyam

Hyderabad: Raising renewed questions about Satyam Computer Services Ltd's credibility, the World Bank has finally confirmed a three-month-old report that India's fourth largest information technology company has been barred, starting September, from doing work for the high-profile client. The confirmation came on the heels of a US Fox News investigation that cited a senior World Bank official and a Washington, DC-based non-governmental organization discussing the ban. According to the Fox News report, the World Bank's chief information security officer Robert Van Pulley admitted to Satyam's involvement in alleged data heists at the bank. Fox said it had reviewed a recorded conversation between Pulley and the Government Accountability Project (GAP). "The World Bank debarment—the harshest sanction the world's largest anti-poverty agency has imposed on any company since 2004—was meted out for 'improper benefits to bank staff' and 'lack of documentation on invoices', according to Robert," said Fox News. Quoting from the Pulley conversation with GAP, Fox News also reported the Satyam case had been turned over to the US justice department in 2006 as well as to the US treasury department.

Superpartner selects TCS

Sydney, 11th December 2008: – Tata Consultancy Services Limited (TCS), a leading global IT services and consulting firm announced today, that it has been chosen as prime systems integrator for a new core administration platform at Superpartners, the largest superannuation administrator in Australia. The delivery is expected to be completed in less than 15 months. Under the terms of agreement, TCS will manage end to end systems integration such as configuration work, complex integration with various business critical applications and execution of complex testing scenarios to ensure that the system meets the business objective of Superpartners for their business transformation program. All 16 of Superpartners' Industry Superannuation Fund clients are expected to integrate onto the new system by the end of January 2010. Superpartners serves approximately 6 million member accounts, 700,000 employers and has over \$75 billion in funds under administration. Superpartners employs over 1500 people across Australia. To maintain its lead position and increase scalability and flexibility Superpartners has embarked on a transformation program costing AUD \$ 70 million and spread over 12 months. Commenting on their decision to work with TCS, Greg Camm, CEO Superpartners said, "In a fiercely competitive market we needed to undertake the current business transformation program to remain cost competitive. However for an implementation that is delivered on time, working with an expert, who has proven global delivery capability and expertise was critical." He further added, "After an extensive due diligence process, we concluded that TCS emerged on top as the best system integrator for the administration platform." Speaking on the win, TCS's Varun Kapur, General Manager, Australia & New Zealand said, "We are excited to work with Superpartners because of the scale and complexity of this implementation coupled with the tight timeframe. It underscores TCS's extensive domain and delivery capabilities that bring certainty to our projects and quantum benefits to our clients. We look forward to working with Superpartners and adding value to them by their shortening the time to market, leveraging our global proven technology and domain expertise."

Origin Energy selects Wipro to transform retail business processes

Australia-based Origin Energy has selected Wipro Technologies, an Indian IT services company, as the preferred partner in an ongoing project to transform its retail business processes. Origin is undertaking this transformation to ensure its retail capability continues to deliver excellence in product development, sales, marketing and service to its more than three million customer accounts across Australia. For Origin's customers, this will reportedly mean quicker and better quality customer service, consolidated billing for gas and electricity, improved online and SMS communication options and more compelling

customer loyalty programs. Wipro will work with Origin to provide an integrated billing system as well as IT and back office processing support for the retail business. The operating platform will be SAP. Transition of process activities to Wipro will commence in May 2009, with implementation of the transformation program expected to take around two years. Wipro also plans to establish a presence in Adelaide in addition to its existing operations in Melbourne and Sydney. Final contractual negotiations are expected to complete in early December 2008.

Axon Investors Approve Buyout By HCL Technologies

Shareholders of the British-based Axon Group plc at an extraordinary general meeting (EGM) held in London approved the acquisition of their SAP consulting firm by India's fifth largest IT bellwether HCL Technologies Ltd. The Delhi-based HCL informed the Bombay Stock Exchange (BSE) that a London court had also cleared the scheme of arrangement to implement the acquisition by its subsidiary HCL EAS Ltd at a meeting held prior to the EGM. We are very pleased that the Axon shareholders have approved HCL's offer for the company. This acquisition continues to make sound strategic sense for HCL especially in the current macro economic situation, Vineet Nayar, CEO and Member of the Board, HCL Technologies commented on the voting. "Axon has achieved a significant degree of success in creating a leading SAP implementation services business which when combined with HCL's enterprise applications services, offshore capabilities and complementary market presence in North America, Europe and Asia will help drive the ongoing expansion of product and service capabilities in the global IT Services sector." In addition this acquisition provides HCL with scale, significant revenue synergies and exposure to Axon's considerable client base where the majority of revenues are generated from defensive sectors including the UK public sector," he added. In an interesting move a month after the Bangalore-based Infosys Technologies Ltd bid for Axon at 600 pence per share Aug 25, HCL made a direct challenge to Infosys Technologies by offering a premium of 8.3 per cent (650 pence) per share. Later, Infosys stuck to its fiscal conservatism and pulled out of the deal in mid-October after its board felt the HCL counter-bid was over-priced and beyond its strategic offer price.

Rio outsources to Infosys in \$50 Million contract

The deal follows the recent decision to award a contract, reportedly worth \$50 million, to Indian outsourcer Infosys to perform application development and maintenance work and offshore some back-office business processes to India. The software services deal, in which Infosys was preferred over systems integrator Accenture, is part of a wider centralised co-ordination project aimed at integrating the miner's systems and processes across product groups. The Infosys contract resulted in about 100 Rio Tinto employees being retrenched or redeployed, as the jobs were offshored to India. Rio's contract activity follows a similar outsourcing push by rival BHP Billiton, which is in the process of breaking down its \$700 million outsourcing contract with CSC. BHP has awarded a \$50 million internet protocol wide-area-network services contract to IBM, at the expense of telco Orange Business Services. Earlier this year it awarded hardware and software outsourcing contracts to IBM and Accenture, respectively.

Rio opts for CSC in \$70m outsourcing deal

October 28, 2008 RIO TINTO has signed off on one of its biggest outsourcing deals, selecting CSC for a five-year, \$70 million contract to provide support services for about 25,000 users. Rio appointed global strategic adviser The Hackett Group to audit the bids and decide which would deliver the best return on investment. CSC is understood to have taken on provision of service desk and desktop services across Rio's operations in the Asia-Pacific region and the Americas, which covers about 25,000 users. The services will be delivered from CSC's local operations. The deal does not include Rio's large businesses in Europe and the Middle East. The mining giant declined to comment on its outsourcing strategy and future technology plans, but it is understood that more functions have been earmarked for outsourcing in the next year as it looks to slash technology costs.

IronBridge takeover of Bravura collapses

A statement released by Bravura said discussions with IronBridge on the takeover proposal within the framework of the original implementation agreement had continued for some months without result, and the implementation agreement has now been terminated as a result of “circumstances in global financial markets”. Bravura did not give an assurance that any further proposals would be received from IronBridge, however, the Bravura board will review any future alternative proposals from the company according to the circumstances of the time. Bravura said it expected solid growth for the rest of the year. The company’s revenue increased 15.6 per cent to \$31 million in the previous quarter.

Air NZ outsources to Axon in \$50 Million deal

Air New Zealand has signed an outsourcing contract with information technology provider Axon believed to be worth about \$50 million over five years. The deal, which extends and changes the terms of an existing contract, means privately owned Axon will continue to be a thorn in the side of Gen-i, Telecom's integrated information and communications technology business, for the foreseeable future. Axon ousted Gen-i as Air New Zealand's desktop support provider three years ago and since then, the two businesses have regularly bid against one another. Air New Zealand is Axon's biggest customer. Axon will continue to support the airline's 7500 desktops, 350 servers and 800 packaged applications and SQL databases. Air New Zealand and Axon have adopted Itil, an international standard for managing and documenting IT infrastructure. The "outcomes"-based contract will mean Axon will be paid according to the quality of service it delivers, rather than the amount of work it has to do to support the infrastructure. Gen-i continues to support Air New Zealand's networks in an arrangement that may be about to go back out to tender, and its data centre and other hosting services are provided by IBM. Axon chief executive Scott Green says Axon's profit for the year to 31 October fell short of budget, and revenues would be slightly down on last year, but it expects to increase staff numbers in the new financial year. It employs about 230 staff.

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