



Newsletter – June 2009

Update on latest developments in Outsourcing in Australia
and NZ during May 09 and June 09

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Latest News

TELSTRA'S BILLION DOLLAR OUTSOURCING SHOPPING SPREE...

Australia's leading telecommunications provider, Telstra announced major new deals with IBM, EDS and Infosys. The company extended its information technology (IT) operations and services agreement with **IBM** until the year 2014. The five-year contract, which is an extension of an existing services agreement, is worth a total of AU\$745million (US\$594 million). IBM builds and manages Telstra's servers, software and systems in a complex environment. As part of the new services agreement, IBM will move to improve operational delivery while simplifying and streamlining server builds for Telstra. Telstra also signed two expanded applications services contracts, one with EDS and the other with Infosys Australia. **EDS**, an HP company, will provide applications development and management services for Telstra's critical business applications under a five-year, \$140 million (AU\$190 million) deal, one of the largest application management engagements signed this year in Australia. The agreement, which runs through to 2014, also includes potential additional discretionary opportunities of up to \$245 million (AU\$334 million).

Infosys bags Telstra contract worth A\$450 Million

MUMBAI: Infosys Australia has been chosen by Telstra as a key strategic partner to support its five-year A\$450 million (US\$355 million) application development and maintenance contracts. John McInerney, Telstra CIO and GMD Information Technology, is confident that the new agreements will deliver significant benefits. He said "This is an important milestone for Telstra IT. One of the key outcomes of our IT transformation is the delivery of operational excellence. These expanded contracts contribute to our strategy and ensure an ongoing investment with our key partners." "Telstra has been one of our most significant clients globally since 2003, and we are delighted to be selected to build on that strategic partnership," said Kris Gopalakrishnan, CEO and Managing Director of parent company Infosys Technologies. "As a strategic partner for some of the world's leading telecommunications companies, Infosys has led the way in leveraging its technology transformation

capability for increased global competitiveness." In addition to the base spend for maintenance and support, the Infosys-Telstra agreement covers a sizable discretionary spend over the next five years.

Australian Banks Cut Back on Indian Outsourcing

Top Australian banks Westpac and Commonwealth Bank plan to curb offshoring of back office and IT projects to India in an attempt to address local sentiments over a shrinking economy and rising joblessness . The banks are likely to demand that more projects be delivered onsite. Westpac, which is Australia's biggest bank by market value, is evaluating outsourcing vendors for a contract estimated to be anywhere between \$200 & 300 million, and is demanding that more work be delivered from Australia instead of shifting jobs to an offshore delivery centre in India or elsewhere. "Westpac is in discussions with TCS, EDS, IBM, Infosys and Wipro," said a person familiar with the bank's outsourcing decisions. "Westpac chief executive Gail Kelly said few days ago that her bank would stop offshoring of IT jobs until the economic situation improves," he added. The bank's decision against offshoring follows an announcement by Ralph Norris, chief executive of Commonwealth Bank of Australia (CBA), last month that his bank would not send any jobs offshore for three years. Poor economic growth and rising joblessness is stirring sentiments against offshoring in developed countries especially the US, the UK and Australia. US president Barack Obama said earlier this month he would favour policies that would create jobs in Buffalo rather than Bangalore, a remark widely interpreted to mean that he is cracking down on offshoring per se. Australia, which witnessed its worst unemployment rate of around 5.7% in 18 years during March, also saw its gross domestic product decline by 0.5% in the fourth quarter. Apart from outsourcing its IT application development and maintenance activities , Westpac is also seeking to replace its existing core banking system. "Westpac is being advised by Booz Allen Hamilton and McKinsey on restructuring of operational and IT systems, and outsourcing of activities such as backoffice work, application maintenance and development is a part of the exercise," . Westpac currently has a 10-year outsourcing contract with IBM, due to expire in 2010, but the bank is seeking to revisit its outsourcing strategy after its merger with St George's Bank last year. However, not all Aussie banks are seeking to reduce offshoring of IT projects. For instance, both ANZ and NAB have made it clear that they will pursue offshore outsourcing in order to gain operational efficiencies. In fact, ANZ is the only one among big four

Australian bank to have a captive centre in Bangalore with around 3,500 professionals. "ANZ will continue to look at the business case for developing Bangalore on a case by case basis," said Paul Edwards, a spokesman for ANZ. The Australian banking industry, with potential customers such as Westpac, NAB, CBA and ANZ will invest almost \$4 billion on technology this year, according to the industry experts. NAB also continues to look at offshore outsourcing in order to lower operational costs. "NAB has not made an announcement about offshoring along the lines of the recent announcements by CBA and Westpac. We continue to look at a range of ways we can deliver further efficiencies to the business," Felicity Glennie-Holmes, a spokeswoman for NAB.

Telstra to outsource F&A to IBM

Unconfirmed sources told that Telstra might be planning to outsource its F&A to IBM which is already managing Procurement for Telstra. Other vendors which were in race are EDS-Mphasis, Infosys and Accenture.

Outsourcers go speed dating to sign deals

BANGALORE: Some of the big offshoring players are now relying on 'speed dating' — a quicker and cheaper channel for selecting the vendor for their back-office and IT outsourcing needs — in an economic climate that is forcing these firms to reduce their sourcing time and costs.

Under traditional outsourcing procedures, a contract worth \$30 million to \$100 million and above, could take up to nine months to finalise a vendor. This long process includes inviting bids from several vendors, spending time in understanding each vendor's competency, and preparing a final shortlist of suppliers to choose from.

Speed dating cuts through the expenses and time invested in clinching outsourcing contracts allowing firms to select a vendor within 60 days. The experienced outsourcers are now beginning to avoid an exhaustive analysis of the entire vendor landscape and are instead preferring to keep the work with their existing suppliers. Companies such as Glaxo SmithKline (GSK) and several European banks have awarded contracts through speed dating during past few months. "Until a year ago, we could afford to spend months in assessing vendors, and finally award contract after multiple procedures. Now, with hardly any room for those large complex contracts, we have to consider shorter routes to sourcing," admitted a senior official at a FMCG company, which recently awarded \$30 million contract to a large MNC vendor.

Capgemini snaps up ex-Satyam boss for its new division

The former head of Satyam's local operations has been hand-picked by Capgemini Australia to run its New Business unit. Mr Nangia, who left Satyam just under a month ago after a seven-year stint, assumed the new role last week.

Capgemini currently offers consulting, technology and outsourcing services and Mr Nangia's charter will be to take advantage of the three components when identifying business opportunities. "The new business division is about how we gel together Capgemini's consulting, technology and outsourcing arms to bring even more value to customers," he said.

Capgemini has a huge outsourcing and technology presence in India, where more than 20,000 people are based. Mr Nangia will be looking at ways for commercial customers to gain access to this base. "I'm going to be looking at tapping on the market's needs for efficiency which large-scale outsourcing deals would need," he said. His appointment comes after a turbulent time at fraud-hit Satyam, which is struggling to maintain its customer base despite finding a new owner in Tech Mahindra. Capgemini Australia chief executive Paul Thorley said Mr Nangia was the right person for the job and that he had done a good job building Satyam's local presence.

"I've known Deepak for some time and he's a man of huge integrity. We couldn't have found anyone better for the job," Mr Thorley said. He said between 350 and 400 workers in India would be at Mr Nangia's disposal to support Capgemini's 500-strong local employee base. Mr Thorley said Capgemini stood out from the crowd due to its strong consulting roots.

"We've done a lot of analysis on the competitive situation and we've found that there's a lot of the same out there in terms of capabilities. We have unique offerings compared with IBM, Accenture, Infosys and others because the DNA of the company and our Ernst & Young background is in consulting."

Capgemini has a range of clients from local councils to financial services. The Australian Taxation Office and Customs are two of its largest federal Government customers.

Wal-Mart shortlists TCS, Infosys, Wipro for US\$500 mn deal

BANGALORE: Wal-Mart Stores has shortlisted top Indian tech firms, including TCS, Infosys and Wipro, for an outsourcing contract potentially worth up to US\$500 million over next few years, as the retailer seeks to award multiple contracts for managing its business applications and other back office activities. At least two people familiar with Wal-Mart's outsourcing strategy told on conditions of anonymity that the retailer is expected to start outsourcing more to India within six months. "Wal-Mart has been testing the waters by outsourcing smaller projects to companies such as Infosys, TCS and Wipro. Now, the retailer wants to flesh out a more comprehensive outsourcing strategy and has shortlisted these tech vendors," said a senior executive of one of the tech firms exploring business opportunities with Wal-Mart. He requested anonymity because he is not authorised to speak to media. When contacted, Wal-Mart spokesman John Simley confirmed his company is in discussions with several service providers, but declined to elaborate any further. "Certainly, we feel our company has a lot to offer India and we hope to grow our business there. We are always in discussions with potential service providers, but we have nothing to announce at this time," he said. However, unlike many other companies seeking to outsource in order to bring down costs, Wal-Mart's outsourcing is more about globalising its information technology sourcing initiatives. At a time when most companies are struggling to grow their business, Wal-Mart announced US\$15 billion share buy-back program earlier this month, as the retailer continues to woo more customers. Officials at Wipro, TCS and Infosys declined to offer any comments about the Wal-Mart contract. Some of the world's top retailers, including UK's Tesco and American speciality retailer Home Depot, have been outsourcing projects to Indian third party service providers, including TCS and Infosys, apart from their own captive centres in order to support their existing IT systems and also develop newer applications. Tesco for instance, saves over US\$60 million every year by outsourcing its IT projects to India. Wal-Mart, which has, so far, been depending upon its large in-house IT team is now seeking to globalise its IT operations, especially since the retailer is now actively planning to grow its business from emerging markets such as India. With almost US\$400 billion in annual revenues, the retailer also continues to look at establishing a captive technology centre in India, however, this could not be confirmed. "Wal-Mart already has a sourcing operation in the country, apart from its Bharti joint venture, it's natural for the retailer to explore various ways of leveraging its Indian presence," another person familiar with the company's sourcing strategy told on conditions of anonymity. Meanwhile, Wal-Mart's outsourcing of IT and back office projects is not expected to impact local

US jobs, as the retailer is very sensitive about rising unemployment in the country. In fact, Wal-Mart said earlier this month that it will add around 22,000 new jobs in the US by adding over 150 new stores to its existing network of around 7,900 retail outlets.

Eastern Europe finds favour with Indian BPO companies

BANGALORE: Exploring new unploughed terrains, Indian BPO companies are now shifting their focus to Continental Europe for a change. Europe accounted for just 11% of India's BPO revenue in 2008, Eastern Europe has gained with Indian companies which are looking to tap the specialised skills available there and address the growing outsourcing needs in Continental Europe.

Indian IT companies, including BPO entities, which have set up operations in Eastern Europe include Infosys, Wipro, TCS and Genpact. They have set up units in near shore destinations having multi-language capability. Wipro has a 250-seater centre in Bucharest in Romania while Infosys has 450 seat unit in Brno, Czech Republic.

The Eastern European region with multi-language capability and a proven skill base has emerged as a strong destination for BPO activity. KPMG in its IT Advisory report, 'Exploring Global Frontier - the new emerging destinations' said, "Cities such as Budapest, Prague, Bucharest have established a solid reputation as BPO locations. These cities offer attractive conditions, especially for companies looking for a good base of experience and proof of concept at costs below Western European levels."

Western firms shutting shop in India: WSJ

Washington: Many Western companies have recently sold or closed back-office facilities in India, reversing a decade-long trend as companies look to slash costs and eliminate headaches during the recession, according to the Wall Street Journal. Citigroup Inc and insurance firms AXA SA and Aviva PLC, among others, have sold offshore computer-programming shops

and other operations to companies in India over the past year, the leading US financial daily said in a report published on Friday. Some have received hundreds of millions of dollars for their centres, while others have sold their sites for the cost of the equipment inside. Almost always, the buyer gets a multiyear contract to provide the same services back to the seller. Other companies, including Delta Air Lines Inc and UAL Corp, have shut down centres in India during the past few months, the Journal said. In October, Citigroup sold its Indian information-technology operations to outsourcing firm Tata Consultancy Services Ltd for \$505 million, and awarded TCS a nine-year, \$2.5 billion deal to provide the services back to it, the daily said. Two months later, Citigroup also sold its business-process outsourcing operations to outsourcer Wipro Ltd for \$127 million, giving Wipro a six-year deal worth at least \$500 million in exchange. In late May, outsourcing firm Capita Group PLC finalised a deal to take over a 600-person captive centre in India from AXA as part of a 15-year, \$836 million deal, it said. The Journal cited a spokesman for AXA as saying the units it sold mainly serviced products the company no longer sells. Simon Pilling, chief operating officer of UK-based Capita, says the deal will help increase his company's India operations. Smaller companies are also shedding their captive centers, often without receiving the kind of payout given to large companies.

Satyam Computer Services appoints new leaders including Country head of ANz

HYDERBAD: Satyam Computer Services, that was acquired by Pune-based Tech Mahindra has appointed Venki Prathivadi as the new country manager for Decoding Satyam Australia and New Zealand (ANZ). The beleaguered IT firm also announced the appointment of Vijay Prasad as principal advisor to the ANZ region. Venki Prathivadi replaces Deepak Nangia, who put in his papers two months ago left the company for personal reasons. Venki will direct all Satyam activities in the two countries, including customer relationship management, solution development, service delivery, sales and support, a statement issued by the company said. Satyam operates major solution centers across Australia in Sydney, Melbourne and Brisbane. The scandal-struck firm derives almost \$200 million in revenues from Australia, according to experts tracking the company. Venki has been with Satyam since 2003 and was earlier the company's delivery director for a leading Australian telecommunications provider. As principal advisor to the ANZ region, Vijay Prasad will provide advisory services to build

delivery excellence and leadership in ANZ. Prior to occupying this role, he worked for the company's Enterprise Applications and Business Intelligence Practice Group and served as Satyam's CIO.

AMP retains CSC

Australian wealth management company AMP Limited has extended its relationship with **CSC**. The new six-year, \$99.5 million (AUD\$150 million) contract was awarded during CSC's fiscal 2009 fourth quarter. It extends the two companies' original engagement, which started in 1993, making it one of the longest-running strategic information technology (IT) outsourcing relationships in Australia. Under the new agreement, CSC will continue to provide AMP with fully outsourced managed infrastructure services for mainframe, midrange, network, desktop and service desk, as well as information and system security.

Citigroup to stay with TCS, Wipro, drop Infosys

BANGALORE: Citigroup, which sold its back-office captive centres to TCS and Wipro last year, plans to consolidate its outsourcing with these vendors Wipro office and software premises Top Indian outsourcing cos and drop others such as Infosys Technologies, India's second-biggest software services exporter. The Bangalore-based Infosys could see around \$25 million of its annual revenues from Citi go to rivals like TCS and Wipro, according to an official at one of these companies, requesting anonymity. Citibank has a \$2.5-billion nine-year contract with TCS and a \$500-million six-year contract with Wipro. However, since Infosys does not derive any significant revenues from Citi, the company is not expected to be hit severely. Infosys has bigger, over \$50-million contracts with top US banks, including Bank of America and American Express. "Citi's entire infrastructure management, back office and maintenance work is being shifted to TCS and Wipro, including around \$25 million worth of contract with Infosys," the official said. An Infosys spokeswoman declined to comment about a specific customer. TCS and Wipro officials also did not comment. In a year when Citigroup plans to spend around 8% of its revenues on IT, unchanged from last year, the biggest US bank wants to sweat the buck more by working with fewer vendors handling more work at lower rates. According to an outsourcing expert, who requested anonymity, Citi wants to

save over \$1 billion in IT costs this year alone by integrating various systems and consolidating its supplier base. Citibank sold its Indian back office business to TCS for around \$505 million in October last year, and Citi Technology Services for around \$127 million to Wipro in December last year. Both these transactions came with assured outsourcing business for the vendors. By selling off these non-core captive operations, bundled with long-term outsourcing contracts, Citi was able to get better rates from TCS and Wipro. "In tough times, customers such as Citi can give you volume growth, but lower rates, they have better bargaining powers," admitted a senior executive at one of the vendors working for Citigroup. He requested anonymity because he did not want to offer official comments about a customer's outsourcing strategy. Jagdish Rao, global technology head, Citi said in December last year that he would focus on reducing costs. "The focus is on how much more can we get out of the existing budget," said Mr Rao. Citigroup outsources IT contracts to leading vendors such as IBM, TCS, Wipro and Infosys. "A large part of our IT budget is dedicated to infrastructure and application maintenance, and that will remain a mandatory spend," he said. While TCS gained a back office contract worth \$2.5 billion over a period of nine years as part of the deal, Wipro signed a master service agreement with Citi for a six-year infrastructure management contract worth \$500 million. "It could be twice as much of that amount over the next few years," Mr Rao said. "As we face these challenges, there will be greater demand to move more work to offshore locations," Mr Rao added.

STPI withdrawal may hit Infosys, Wipro net profit

BANGALORE: Top Indian software exporters - Infosys and Wipro - have cautioned investors about a potential impact on their profitability because of higher tax rates, as the country's over \$40 billion IT industry prepares to cope with removal of tax holiday under the Software Technology Parks of India (STPI) scheme due to expire by March 2010. "Our net income would decrease if the government of India imposes additional taxes or withdraws or reduces tax benefits or other incentives," India's third biggest software company Wipro said in a recent regulatory filing with the US Securities and Exchange Commission (SEC). Indian exporters have made significant tax savings under the STPI scheme during past few years, which allows them to enjoy tax holiday for a duration of ten years. For instance, these tax incentives resulted in a decrease in Infosys' income tax expense to the extent of \$325 million and \$282 million for fiscal 2009 and fiscal 2008. "Few of our STP

units have already completed the tax holiday period and for the remaining STP units the tax holiday will expire by fiscal 2010," Infosys said in its regulatory filing with SEC. "In the event that the Government of India or the government of another country changes its tax policies in a manner that is adverse to us, our tax expense may materially increase, reducing our profitability," Infosys added. Experts say that any ambiguity around extension of STPI scheme could impact India's attractiveness as an outsourcing destination. "STPI is an important and critical issue to be addressed; hopefully the new government will do it soon. They need to rationalise the SEZ scheme and provide more clarity on tax incentives. Many of our customers are not sure if they should move their captive operations to SEZs, etc., because of lack of clarity," The special economic zone (SEZ) policy of the government provides five-year tax holiday for the IT units, followed by gradual taxation after the fifth year. "There have been demands to impose strict conditions which need to be complied with before an economic zone developed by a private entity is designated as special economic zone. If such regulations or conditions are imposed it would adversely impact our ability to set up new units in such designated special economic zones and avail ourselves of tax benefits," Wipro added in its SEC filing.

Aegis to acquire UCMS Group, Australia based contact centre

Aegis BPO Services Australia Pty Limited, an affiliate of Aegis Limited, a leading global business process outsourcing (BPO) provider and part of Essar Group, one of India's largest and fastest growing business conglomerates, and UCMS Group Limited, a leading BPO services provider in Australia, today announced the signing of a definitive agreement to acquire all of the shares of UCMS Group Limited through an all cash transaction with an aggregate equity value of approximately AUD 54 million. This strategic combination has been approved by the board of directors of both companies. Under the terms of the agreement, Aegis will pay UCMS stockholders AUD 0.98 per share in cash through Aegis BPO Services Australia Pty Limited, which represents a premium of 133% over closing price of UCMS on 14th May 2009 of AUD 0.42, being the last trading day prior to this announcement. On completion of the transaction, Aegis will become a leader in the rapidly growing global BPO

market with operations in India, the Philippines, the United States, Costa Rica, Kenya and now Australia. With more than 33,000 employees globally Aegis is well positioned to provide onshore, near shore and offshore BPO services or a combination of customized solutions to meet client requirements. Additionally, Aegis will offer and benefit from greater scale, deeper domain expertise, a comprehensive and flexible solution offering, financial strength, and a rich international talent pool. "This is a great opportunity for the UCMS Group to be a part of a global ecosystem in BPO services with Aegis," said Aparup Sengupta, Global CEO and Managing Director of Aegis Limited. "We believe that the business combination will enhance value for customers and employees. Aegis is well positioned for growth and geographic expansion as we deliver on our mission to become a leader in the global BPO market." Aparup added, "Aegis has grown five fold in size and ten fold in employee strength in the last four years. Australia and New Zealand logically become a part of our growth strategy and offer an opportunity for Aegis to expand its footprint in this geography. The combined entity will offer clients and prospects an expanded set of solutions and services from a broader geographic delivery platform." Denice Pitt, Chief Executive Officer, UCMS said, "We are excited to become a part of a global outsourcing leader. We believe that this combination will deliver superior value to our customers as well as provide our employees with an opportunity to be part of a larger enterprise and to explore career opportunities in new geographies. Combining UCMS and Aegis, with its excellent reputation for customer service and high quality services, creates a wealth of exciting growth opportunities, as well as operational and client acquisition synergies. Our two companies share the same core values of customer satisfaction and commitment to high quality solutions. UCMS solutions bring compelling value to an organization and Aegis's leadership and market strength can take UCMS to the next level of excellence." UCMS is being advised by McNamee Lawrence & Co and Minter Ellison. Aegis is being advised by Macquarie Capital Advisers Limited and Clayton Utz. The transaction is subject to several conditions, including UCMS shareholder approval, approval by the Supreme Court of Victoria and certain other customary closing conditions. The transaction is expected to close in the third quarter of this year. The transaction is not subject to any financing conditions. Aegis has a successful history of acquisitions in the last four years, including its acquisition in October 2008 of PeopleSupport, Inc., a NASDAQ listed outsourcing firm. Aegis has established a record of aligning the interests of all stakeholders in a short period of time. About Aegis Aegis is one of the leading global business process outsourcing (BPO) providers that offers customer lifecycle management and a variety of value-added interactive and back-office services for

global enterprise clients. Aegis is one of the fastest growing BPO companies globally with annualized revenues of approximately half a billion USD. Aegis has strong financial stability and is well positioned for growth with the ability to leverage the diversified business of the Essar Group, one of India's largest conglomerates. With deep industry expertise, Aegis services several Fortune 500 companies worldwide in the telecom, banking and financial services, and insurance, healthcare, and travel verticals. Aegis offers an end-to-end global delivery platform spanning onshore, near shore and offshore locations with 32 delivery facilities in the United States, the Philippines, India, Costa Rica and Africa.

Standard Chartered to double employees at its captive by Mar 2010

MUMBAI (Dow Jones)--Standard Chartered PLC (STAN.LN) Monday said it plans to double the number of employees at its outsourcing outfit in India by March 2010. The expansion at Scope International in India will involve doubling the number of staffers in call center operations at Bangalore and Chennai from the current 1,100, the U.K. lender said. Scope International currently services customers in India and the U.A.E, the bank said. The staff strength may rise further in the medium-term as the call centers service more markets, the company said. Scope International is a wholly-owned unit of the Standard Chartered Group and specializes in offshoring knowledge-based services.

Wipro's quaterly profits rose by 4.2%

Bangalore: Wipro Ltd, India's third-largest software services exporter, posted a 4.2 per cent rise in quarterly profit, beating forecasts. Wipro, which offers IT solutions such as system integration, software application development and back-office services, said on Wednesday net profit in its fiscal fourth quarter to March rose to Rs 910 crore (A\$253 million), under US accounting rules, from Rs 875 crore (A\$243 million), reported a year ago. A Reuters poll had forecast a net profit of Rs 873 crore (A\$242 million), for New York-listed Wipro, which counts Citigroup, telecoms gear makers Cisco, Nokia Siemens Networks and Credit Suisse among its clients. Wipro reported its earnings after India's biggest IT services exporter Tata Consultancy Services posted below-forecast quarterly profit growth, while second-ranked Infosys Technologies managed to beat street estimates. Tata Consultancy and Infosys both gave a downbeat forecast for the financial year that began on April

1 due to the global downturn hitting technology spending and put pressure on prices for India's export-driven outsourcers. Shares in Wipro, majority-owned by its billionaire Chairman Azim Premji, rose 5 per cent in the March quarter, outperforming a 2.6 per cent advance in the sector index and 0.6 per cent in the main index.

IBM reports quarterly results

International Business Machines Corp. on Monday posted a 1% decline in quarterly profit and an 11% drop in sales, and faced concerns of new strategic challenges from Oracle Corp., which bested IBM in a high-stakes contest to acquire Sun Microsystems Inc. IBM reported net income of \$2.30 billion for the quarter, down from \$2.32 billion a year earlier. Earnings per share rose to \$1.70 from \$1.64 on fewer shares outstanding. Revenue fell to \$21.71 billion from \$24.50 billion, pulled down by the stronger dollar's impact on sales abroad. The company reiterated expectations of \$9.20 a share or more in earnings this year and said it expects earnings of \$10 to \$11 a share next year. Chief Executive Sam Palmisano, in prepared remarks, lauded the company's ability "to perform well in a very difficult economic environment." Toni Sacconaghi, an analyst with Sanford C. Bernstein, said IBM's revenue decline shows the "technology spending environment isn't rebounding and may be getting worse." But the quarterly results, usually a much-watched bellwether of the technology industry, were overshadowed Monday by the Oracle-Sun pact, which left IBM at the altar, humbled by its inability to close a deal that many thought would strengthen its hand on several fronts, especially software. It would have been a crowning achievement in an acquisition spree by Mr. Palmisano, who has bought 70 small companies for a total of \$27 billion over the past six years. Sun rejected IBM's offer, seeking better terms and firmer promises that IBM wouldn't walk away in case of antitrust problems. Oracle's offer blind-sided IBM, according to people familiar with the situation. "This can't be good news for IBM" said Eric Openshaw, head of the technology practice at Deloitte LLP, a computer-services firm that sometimes works with IBM and Oracle and competes with them at other times. He said that Oracle's big sales force is likely to push Sun servers, which compete with IBM mainframes. Both Oracle and IBM are also big users of Java, an open-source computer language developed by Sun. Ajei Gopal, executive vice president of CA Inc., a big software maker that competes with IBM, said "Sun

walked a very fine line between IBM and everyone else" with Java. "I don't know that Oracle will continue that neutrality." For IBM to lose Sun "was just dumb," said John Newton, chief technology officer of Alfresco Software Inc., an open-source content-management company in Maidenhead in the U.K. He said that IBM has been seen as the biggest supporter of open-source software, but now it must deal with Oracle for some of its key technology. On a conference call with investors Monday, Chief Financial Officer Mark Loughridge declined to comment on IBM's dealings with Sun. However, he said that IBM isn't intimidated by competing with an Oracle-Sun combination. He said IBM has taken market share from Sun in high-end servers despite existing partnerships between Oracle and Sun. He added that with over \$12 billion in cash, IBM remains well positioned to make acquisitions. "We look at a lot of different things," he added. Software held up the best of IBM's key businesses, with revenue down 6% to \$4.5 billion and pretax income up 5%. Services revenue was down 10% but would have been down only 2% without currency fluctuations. Services contract signings, off 1%, would have been up 10% at constant currency, IBM said, with longer-term contracts growing. The services backlog at the end of the quarter was \$126 billion, down from \$130 billion at the end of 2008. Hardware revenue fell 23% from a year earlier, hurt by a 36% decline in semiconductor sales.

TCS FY09 revenues at record \$6b; up 23% Y-o-Y

- Record Operating Profits at \$1.43 B; up 11.7%
- Net Profit at \$ 1.12 B; down 10.1%
- Board of Directors recommend 1:1 bonus share issue MUMBAI, April 20, 2009: Tata Consultancy Services (BSE: TCS.BO, NSE: TCS.NS), the leading IT services, business solutions and outsourcing firm reported its consolidated financial results according to US GAAP for the quarter and financial year ended March 31, 2009. Highlights for 2008-09
- Volumes grow at 18% in a tough economic environment
- Strong Off-shore shift, cost controls improve operating margins by 109 bp
- Earnings Per Share for 2008-09 at Rs 52.85 from Rs 51.29 in 2007-08
- Total Dividend for FY09 at Rs 14 per share including Rs 5 as final dividend
- Total Dividend Payout Ratio at 27%
- Operational Highlights
- 26 large deals closed during 2008-09
- 163 new customer additions
- Clients increase across revenue bands: 24 in \$50 million+ band (from 19 in FY08)
- Retail & Manufacturing cross \$500 million each
- \$512 million acquisition of Citigroup's Captive BPO (now renamed TCS e-Serve)
- North America revenues cross \$3 b,

grows 26%; Continental Europe up 39% • New Growth Markets (APAC, Latam, MEA) grow at 16%; cross \$ 650 M Talent Management • Record annual gross addition of 48,595 professionals – • Total employee strength at 143,761 professionals; • Attrition rate at 11.4% LTM (including BPO) • 24,885 campus offers made for 2009-10 Commenting on the satisfactory performance in 2008-09, S. Ramadorai, CEO and MD said: "In an unpredictable operating environment, TCS delivered healthy topline growth of 23% and crossed the \$6 billion milestone in revenues. By focusing on operational efficiencies, collecting cash more efficiently and driving an enterprise-wide cost control program, we have improved our profit margins and continue to generate significant cash-flows. Even after the recent cash acquisition, we have cash of nearly Rs 43 billion." "In addition to total dividend of Rs 14 per share, I am delighted to announce the Board of Directors have recommended a 1:1 bonus share issue subject to approval by shareholders," he said. Mr Ramadorai added: "With the macro environment ambiguous, the company remains focused on improving efficiencies and helping our customers come out of the slowdown with speed and effectiveness. With significant recurring revenues and investments in new growth markets of Asia and Latin America yielding results, we continue to invest in the future by building people competencies and new technologies as well as solutions for emerging areas like sustainable energy, healthcare and customer analytics."

Infy looking at transferring 25% workforce to BPO arm

The IT space has taken it on the chin. Infosys is gearing up for tougher times. As per internal sources the company is offering about 25% of its entire workforce who are on the bench the option of joining its BPO arm. Wipro, which tried this same move earlier, faced a huge backlash. Less than a month ago Infosys Technologies, for the first time, has offered its employees on the bench — which is about 25% of over one lakh employees — the option of joining Infosys BPO. At the moment it has a huge bench but it expects the size of the bench to go up even further. Infosys Technologies has made job offers of 20,000 for FY10 and all of which it plans on honouring and therefore, it says that the size of the bench will go up. Infosys BPO has and is in a process of making job offers to all those people on the bench of Infosys Technologies. It will then test these employees for requisite skills sets and hire those employees whom they think fitted with the job profile they are looking for. If it does not find the requisite skills sets only then will they go and hire externally. Amitabh Chaudhry, CEO,

Infosys BPO said, "The salary of these employees won't change. You need to earn your salary and you cannot sit on the bench. If there are opportunities in the Infosys environment – you have to take them on. Third, BPO is not a bad career choice. There are a lot of interesting things to do in a BPO and you should be looking at it." Mohandas Pai, Head- HR, Infosys Technologies said, "People are idle and so we are giving them an opportunity to go work there. The services part of the business was always resource constrained so we always said that the BPO work for the services and services a small number of people work for the BPO but not many. Now services got a bench and they are already getting their salaries, so we are requesting them to work in the BPO where there is work of similar basis on the same terms and conditions so at the group level we all benefit." The company is quick to point out that all such employees will continue at the same salary at which they were hired. Infosys Technologies offers a starting salary of between Rs 3 – 3.25 lakh (A\$10,000 p.a.), slightly higher than what Infosys BPO offers at a Rs 2.7 lakh (A\$8,000 p.a.). The company says that all differences with regard to either salary or job profile will be sorted out going ahead.

Infosys results for Quarter ended 31st March 09 and Outlook for 2009/10

Fiscal 2010 revenues expected to decline by 6.7% to 3.1% Fiscal 2009 revenue growth of 11.7% reported Bangalore, India – April 15, 2009 Highlights Consolidated results for the quarter ended March 31, 2009 • Revenues were \$ 1,121 million for the quarter ended March 31, 2009; YoY decline was 1.8% • Net income after tax was \$ 321 million for the quarter ended March 31, 2009; YoY growth was 2.6% • Earnings per American Depositary Share (ADS)* increased to \$ 0.56 from \$ 0.55; YoY growth of 1.8% Consolidated results for the year ended March 31, 2009 • Revenues were \$ 4,663 million for the year ended March 31, 2009; YoY growth was 11.7% • Net income after tax* before exceptional item was \$ 1,281 million for the year ended March 31, 2009; YoY growth was 10.1% • Earnings per American Depositary Share (ADS)* increased to \$ 2.25 from \$ 2.04; YoY growth of 10.3% Outlook under IFRS# Quarter ending June 30, 2009 • Consolidated revenues are expected to be in the range of \$ 1,060 million and \$ 1,080 million; YoY decline of 8.2% to 6.5% • Consolidated earnings per American Depositary Share are expected to be \$ 0.47; YoY decline of 13.0%@ Fiscal year ending March 31, 2010 • Consolidated

revenues are expected to be in the range of \$ 4.35 billion and \$ 4.52 billion; YoY decline of 6.7% - 3.1% • Consolidated earnings per American Depositary Share@@ are expected to be in the range of \$ 1.91 and \$ 2.00; YoY decline of 15.1% - 11.1% # Exchange rates considered for major global currencies: AUD / USD 0.69; GBP / USD 1.43; Euro / USD 1.33 @ Including net tax reversal pertaining to earlier period of \$ 8 million for the quarter ended June 30, 2008. Excluding the tax reversal, the YOY decline is expected to be 11.3% @@ Including net tax reversal pertaining to earlier period of \$ 22 million in fiscal 2009. Excluding the tax reversal, YoY decline is expected to be between 13.6% - 9.5%

BT may renegotiate pacts with vendors

HYDERABAD: BT Group, the biggest customer for Infosys Technologies and Tech Mahindra, has approached these vendors for renegotiating its outsourcing contracts, and is seeking at least 20% lower billing rates for several existing and new projects. Outsourcing customers are using the downturn as an opportunity to question the high margins of Indian service providers. The top five Indian software companies renegotiated contracts worth \$1.5 billion since September last year at around 15% lower rates. Britain's biggest phone firm is currently restructuring its BT Global Services (BTGS) unit, which accounts for almost half of Infosys' BT revenues. Tech Mahindra derives almost 57% of its revenues from BT. "Having announced over 6,000 job cuts at its services unit few weeks ago, BT is driving cost-saving initiatives very aggressively with its contractors," said a UK-based outsourcing expert. "Some insiders suggested that BT might have to write off almost \$1 billion in its services unit, which will put further pressure on contractors." Infosys would not comment as it is in a silent period prior to announcing its financial results next week. Infosys' BT revenues could be down to almost \$300 million, from around \$380 million last year, the expert added. In a worsening economic environment, customers such as BT are also asking their vendors to give up on the premium rates for some of the niche projects, impacting average billing rates for the total outsourcing contract. If the recession continues and turns into a depression, combined with weaknesses in sterling, some outsourcers might be adversely impacted by shorter-term contracts, for example, development of applications staying on shore. Earlier this year, BT had to write off nearly \$500-million contracts signed during the tenure of former CEO Ben Verwaayen. On January 22, 2009, BT announced in its earnings call that BTGS had overstated profits in 17 major contracts,

and would be taking £340 million writedowns for 15 of those contracts. "BTGS' performance could have a significant impact on Infosys' growth expectations for FY10E. BT, which accounted for almost 9.1% of Infosys' revenues last year, will contribute around 6.9% of the company's business this year, down over 2%. Meanwhile, some UK-based customers are also seeking to reduce offshoring because of local sentiments about rising unemployment rate. "UK companies are more sensitive to preserving jobs at a time of increasing unemployment, now over 2 million in the UK and estimated by some forecasters to reach 3 million in 2010. As reported in latest white paper by Mindfields, top Indian tech firms such as TCS, Infosys, Wipro and HCL are signing new outsourcing contracts at 15-20% lower billing rates than last year, as customers including BT, BoA and Citibank renegotiate existing contracts and award new projects at much lower rates.

Infosys CEO Says Demand Won't Recover Until Mid-2010

India's biggest technology companies won't see a rebound in demand until mid-2010, said S. Gopalakrishnan, chief executive officer of Infosys Technologies Ltd., the country's second-largest provider of computer services. "We hope then that companies will start to spend," Gopalakrishnan, 54, said in an interview in New York yesterday. Infosys, predicting its first drop in annual revenue, gets 90 percent of sales from North American and European clients. Those customers are cutting spending as they cope with the global slump. Gopalakrishnan expects "flat" revenue growth for the computer-services industry this year. Businesses hire Infosys to handle their finance and computer functions from India, where costs are lower. The Bangalore-based software provider ranks behind Tata Consultancy Services Inc. in computer-services revenue. Indian software companies such as Infosys face a "rocky road" in the next 6 to 12 months because of the recession, Richard Parower, who manages the global technology fund and \$4.5 billion in assets at J&W Seligman & Co., said last week. The software provider is investing in emerging markets such as Latin America, China and the Middle East, Gopalakrishnan said. "We want to reduce our dependence on the developed markets," he said. Wipro Ltd., India's third-largest provider of software services, expects its Middle East business to grow 50 percent this year, Chairman Azim Premji told reporters this week.

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