



Newsletter - March 2009

Update on latest developments in Outsourcing in Australia and NZ during March '09

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Latest News

300 Satyam employees join Bank of America (Satyam's client)

Mumbai: About 250-300 employees at fraud-hit Indian outsourcer Satyam Computer Services are joining Bank of America. The employees were working on a Satyam project for Merrill Lynch, which was taken over by the US bank after it was hit by the subprime crisis last year, it said. The project was not renewed by Merrill after Satyam was caught in India's biggest corporate scandal and the work of managing its database and providing infrastructure support would now be done in house. The first of these employees will join Bank of America between April 2 and 8, it said, adding they have been given salary increases of around 10 per cent and joining bonuses. A spokeswoman for Satyam said, "The report is speculative." An official at Bank of America-Merrill Lynch in India said she could not immediately comment. Satyam, whose market value has slid to \$505.6 million from \$7 billion last May, is in the midst of a bidding process to find a new buyer. It plunged into a crisis in January after its founder quit as chairman revealing profits had been falsified for years. Indian engineering conglomerate Larsen & Toubro and mid-sized outsourcer Tech Mahindra are among the suitors, and local media have said U.S. private equity WL Ross & Co was also among the bidders.

TCS, Infosys, Wipro eye Woolworth's \$100 mn deal

BANGALORE: Top Indian tech firms TCS, Infosys and Wipro, along with multinational rivals IBM, Accenture and HP-EDS, are currently chasing an outsourcing contract worth over \$100 million from Australia's biggest retailer Woolworths, as the retailer plans to deploy a SAP-based solution for transforming its merchandising and supply chain platforms. At a time when new business is increasingly becoming tough to come by, Australia has emerged as a great opportunity for the outsourcing vendors. Other recent outsourcing contracts awarded by Australian companies include the \$100-million deal from Telstra and the over \$50-million contract from mining firm Rio Tinto. Both were won by India's second biggest software company, Infosys. When contacted on Tuesday, a Woolworths spokesman confirmed that the retailer is, indeed, evaluating vendors for its SAP project. "Woolworths is currently working with SAP on a project where, over time, we will replace our core merchandising systems. These systems are a very important piece of IT for a retailer," said Luke Schepen, a Woolworths spokesperson. "Woolworths will lead

this project internally but we are currently going through the process of determining other technology vendors who will assist (Woolworths) with this project," he added. With over \$18 billion in revenues during the half-year ended December 2008, Woolworths runs several supermarket chains, apart from consumer electronics and hotel businesses across Australia, New Zealand and the UK.

Telstra selects Infosys and EDS in vendor consolidation

MELBOURNE: Bangalore-based software giant Infosys will pick up most of IBM Global Services' multi-million dollar applications support contract with Australian software giant Telstra, after the latter's deal with the former was scrapped following telco reducing its outsourcing partners from four to two. This decision to shift from IBM to Infosys could result in hundreds of job losses locally and in Bangalore, where IBM operates outsourcing centres. IBM GS staff was told the scrapping of the vendor's software support would represent about 50 per cent of its one billion dollar, six-year deal with Telstra, signed in early 2006. Telstra's decision to drop IBM was a big surprise to IBM GS staff, who expected the contract to continue until 2012. The deal was lost not because of performance issues but because Infosys low-balled the IBM offer, sources said.

Satyam scam much bigger than disclosed by Raju: CBI

New Delhi: The CBI's probe has shown that the Satyam Computer scam involves a much bigger amount, close to Rs 10,000 crore,(US\$1.9 Billion @ 1USD=INR51) than what was disclosed by the IT company's founder Ramalinga Raju. Sources said the agency has retrieved over 7,000 fake invoices and forged documents showing fixed deposits and bank balances and their evaluation shows that the size of the scam is over Rs 10,000crore (US\$1.9 Billion @ 1USD=INR51), much more than the Rs 7,800 crore ,(US\$1.52 Billion @ 1USD=INR51) disclosed by Raju on January 7. They said the investigating agency during the probe found that the accused relied heavily on technology to generate nearly 7,000 fake invoices to the tune of Rs 4,500 crore (US\$882 Million @ 1USD=INR51) and fed the same into Satyam's books. The sources said these inflated figures were also reflected in the balance sheet in the form of audit reports which helped the company to cheat the public who were purchasing its shares. The buck did not stop here as the accused also have given false and fabricated statements, found by the CBI, about high capital of the company. The accused forged documents and created fake fixed deposit receipts to the tune of Rs 3,300 crore. (US\$647

Million @ 1USD=INR51) The FDRs were shown by the accused as available deposits by the company, the sources said, adding the accused had also allegedly manipulated the bank guarantees to show the balance in bank accounts as Rs 1,800 crore. (US\$352 Million @ 1USD=INR51) The CBI alleged that the accused had forged bank documents showing the existence of the cash balance in five banks including ICICI Bank, HSBC, Citibank and BNP Paribas but the banks clarified that they do not have any cash balance in the name of the firm. The CBI is at present questioning the disgraced former chairman of Satyam, B Ramalinga Raju, and others including the auditors of PriceWaterhouse. Their custody was handed over to the CBI on Saturday for two days. Besides Raju, his brother Rama Raju, Satyam's former CFO Vadlamani Srinivas, PW partners S Gopalakrishnan and Talluri Srinivas are in jail awaiting trial in connection with the case dubbed as India's biggest corporate fraud. In a related development, the CBI was examining the "digital evidence" about the share transactions at National Stock Exchange and Bombay Stock Exchange and did not rule out the possibility of questioning some officials of Securities and Exchange Board of India (Sebi), the capital market regulator. Sebi too is independently probing the fraud. The CBI was probing the rotation of funds and role of front companies used in rotation of funds, the sources said, adding that it was found that the accused had floated more than 320 companies and nearly 60 companies had same addresses. Experts including Chartered Accountants from the Institute of Chartered Accountants of India (ICAI) and Institute of Cost and Works Accountants of India (ICWAI) are also assisting the CBI in probing the role of the regulator in this case, the sources said. The CBI registered a case against Raju and others for their alleged involvement in what it called a unique accounting fraud at the Hyderabad-based company. The scam has made the CBI constitute a Multi-disciplinary Investigation Team (MDIT) headed by Deputy Inspector General VV Lakshmi Narayana which will be headquartered in Hyderabad to undertake a thorough probe. The case against them was registered under 120-B (criminal conspiracy), 409 (criminal breach of trust), 420 (cheating), 467 and 468 (forgery), 471 (using forged document as genuine), 477-A (falsification of accounts).

Satyam loses 46 customers to rival tech firms

Around 46 customers of Satyam Computer Services have moved their outsourcing contracts to rival tech firms such as TCS, Wipro, IBM and Accenture, ever since the company's founder and chairman Ramalinga Raju admitted to a financial fraud of over \$1 billion. Potential bidders for Satyam such as Tech Mahindra, L&T, Spice and iGate are readying their strategy for taking over a majority stake in Satyam, and their financial bids will depend a lot upon the amount of business Satyam has from around over 600 existing customers, last reported during

company's financial results for quarter ended September last year. "Abu Dhabi Bank is among the recent customers to have moved out of Satyam, the bank has shifted its work to 3i Infotech, taking the total client exits to around 46," Top customers such as semiconductor firm Applied Materials, Kansas State Bank, Telstra, Emerson, Nissan, State Farm Insurance and Sony apart from dozens others have either moved out their projects completely, or are in the process of migrating current Satyam work to other outsourcing vendors, as these clients seek to mitigate the operational risks by working with more stable vendors. "We are waiting for more details about the number of customers existing at Satyam, and the revenue visibility at the company," said a senior executive at one of the tech firms preparing to bid for a majority stake of Satyam. Satyam customers are also bringing the rates down by negotiating hard with suppliers such as TCS, Infosys, Wipro and HCL. "In some cases, vendors are ready to accept contracts from Satyam customers at less than 25% rates, including transition costs," Semiconductor firm Applied Materials and automaker Nissan are among top Satyam customers in discussions with TCS and others for awarding new contracts.

Telstra ends 32 mn Australian dollar contract with Satyam:

MELBOURNE: Australian telecom giant Telstra has reportedly dropped outsourcing partner Satyam Computer Services from an applications support contract worth 32 million Aus dollar annually. The troubled Indian outsourcing firm's IT contracts with Telstra will be passed on to EDS, according to sources that were quoted by a 'The Australian' daily here today. Telstra Chief Executive Sol Trujillo, who leaves the company on June 30, sat on the board of EDS before joining the telco in 2005, the report said. According to the daily, Telstra refused to comment on the report of dumping Satyam and said the decision about its supply arrangements with individual vendors was not for media release. 'The Australian' further said that new Satyam Chief Executive A S Murty is understood to have flown to Australia last week in a last-ditch bid to retain the Telstra contract and the Indian IT company placed a compelling case to continue with Telstra. The recent fraud at Satyam is believed to have led to the fallout, but a source close to the deal denied that the IT firm's scandal was responsible for Telstra's decision to tear up its contract, saying it was instead linked to the Indian outsourcer's performance. The decision was taken by a Telstra advisory board, which was advised by a US tender management company, sources said. Outsourcing contracts held by Satyam, EDS, IBM Global Services and Infosys could be trimmed as Telstra is in the process to reduce the list of major IT suppliers, from four to two, to reduce costs and streamline its providers. The new contracts on offer, internally codenamed SSSP, require each of Telstra's suppliers to bid for application maintenance work on its legacy systems. The total worth of the contracts is estimated to be up to 200 million Aus dollar annually over five years. The decision

follows moves by Telstra classifieds subsidiary Sensis dropping multinationals IBM and EDS from its software testing and application development panel. "Late last year we announced a number of our major IT contracts across four major suppliers -- EDS, IBM GS, Infosys and Satyam -- were up for renewal," Telstra spokesperson Martin Barr said, adding, "...We are taking this opportunity to consolidate all legacy IT work and we are planning to divide the applications between two companies." Losing the Telstra account is a major blow for the struggling Satyam, as Telstra represents about 35 per cent of its Australian revenue. The accounting scandal at India's fourth largest IT firm also led to National Australia Bank re-evaluating its relationship with it. NAB has delayed plans to send several core technology functions to Satyam's Indian operations.

IT majors take innovative routes to protect margins

INDIAN IT companies such as Infosys, Wipro and MindTree are churning out innovative offers to keep their margins intact amid demand from their clients to cut billing prices. Clients of Infosys are demanding price cuts in the range of 5-15%, but Infosys is standing firm. "We are definitely not giving them what they are asking for. We are giving them alternatives such as more offshore work. This is like giving a discount, but not on the prevailing rates," said Infosys CEO & MD S Gopalakrishnan. "We can also leverage our bench and offer to some very specific clients some work to be done offshore for free. Here, again, the rates are not impacted." Companies are working with clients to understand what their budgets and constraints are so that they can help offset their costs. However, the willingness to negotiate on price is dependant upon multiple factors. Said MindTree chief operating officer NS Parthasarathy: "The percentage of discounts we are willing to offer to our customers depends on the volume of business done, kind of price arrangements we have with them, and their billing rates." For example, if a customer has a \$5-million contract with the company at low billing rates, the pricing is not negotiable. Even though Wipro's clients are asking for a 5-10% price cut, the company has its own game plan. "We are talking to them, but the final number could be below 5%. Clients are essentially looking at reduction in their budgets and, therefore, we are discussing various pricing models. Like application and element-based pricing, wherein the client pays by the application he uses and the number of elements he uses and not based on the number of people working on the project," Wipro chief strategy officer KR Lakshminaraya said. However, the offshoring model is a hot favourite amongst companies. Offshoring work helps clients reduce their costs and increase margins. Infosys has reduced the number of employees working on-site in the past three months.

It has no onsite bench now. "We are hiring more locals to work on-site. Clients primarily wanted an on-site presence so they could communicate to people real time, but now we are looking at making our IT staff work in shifts so they can service clients in a synchronised manner," said Infosys global HR head Nandita Gurjar. This would be for both existing and new clients. Traditionally, only BPO staff worked in night shifts, while the IT staff worked during the day.

[Oz trade unions want Rudd govt to stop banking jobs going to India](#)

MELBOURNE: Australian trade unions want Prime Minister Kevin Rudd to stop banking jobs going offshore, after his government rejected calls to have the deposit guarantee withdrawn from banks that move jobs out of Australia. The Australian Council of Trade Unions (ACTU) has sought an urgent meeting with Rudd after ANZ Bank announced it was shifting 500 jobs to India. The ACTU wants taxpayer funding of banks to be conditional on jobs staying in the country, and said banks could survive the global financial crisis without sacking workers. "Those jobs don't have to go. They can help us over the next 12 months as we get through this crisis," ACTU president Sharan Burrow told Sky News. The Finance Sector Union (FSU) says it is concerned the banks will use the financial turmoil as an excuse to shift more work overseas. "Australia's big banks remain the most profitable in the world, raking in huge profits while others around the globe fail," FSU's national secretary Leon Carter said. "So, why is it that they are speeding up their plans to send more Australian banking jobs offshore?" A spokesman for Rudd rejected FSU demands to have Government funding tied to jobs staying in Australia, News.com.au reported. "The bank guarantee is to stabilise the financial system for the benefit of all Australians. It doesn't mean the Government can make managerial decisions for individual banks," he said. ANZ, Australia's fourth biggest bank, initially confirmed yesterday it would sack 500 processing office staff and move the work to India by the end of 2009, but later changed its line to say no jobs would be lost in Australia. It said it was creating 500 jobs in Bangalore, India, rather than Australia.

[EXL net dropped 65% in Q4](#)

NEW DELHI: BPO firm ExlService Holdings said its net profit for the fourth quarter ended December 31, 2008, dropped 65% to \$3.4 million, on account of forex losses and discontinuation of work by a client. Revenues for the quarter increased 1.1% to \$43.7 million. For the full year of

2008, net profit declined 46.6% to \$14.4 million. The dip was largely due to forex losses of \$9.3 million compared to forex gain of \$7.6 million in 2007. Revenues in 2008 grew 19.5% to \$181.7 million.

IT companies struggling with cross currency risks

The troubles of Indian IT never seems to end. Now, Indian IT firms have been negotiating hard with clients to protect themselves from cross currency risks—a request that's not been taken kindly by clients. For long, moving to non-US markets was considered to be diversifying region-specific risk—not any longer. Cross-currency risk is the new buzzword in IT contracts post the third quarter. Hit by massive currency fluctuations between the US dollar and non-dollar currencies, Indian IT firms are trying hard to renegotiate contracts. However, that is easier said than done. CEO of NASDAQ listed BPO company, says, "I think a lot of clients do expect the vendor to bear the risk, and in that context, I think we're expected to hedge the risk and we usually, in our contracts, include the price of hedging as a part of our cost structure. So that's another way to do it." Industry experts say this is a possibility only in new contracts. Most of the existing clients have flatly refused to any tweaking in contract clauses as they feel managing cross currency risk is the vendor's headache. Sample this: The largest Indian IT vendor whose dollar revenue is the least of the big four was the worst affected Indian IT company in third quarter this year. And though the rupee depreciated against the dollar by close to 11%, the pound fell 18% against the dollar, the Australian dollar by 23% and the euro by 12%. With no respite in sight, companies have been going back to the basics. CEO of Indian IT company, says, "To sort of mitigate the risk of cross currency, we are going for cross currency hedges. We are also trying to make sure that if I am doing business in the UK, I do it in GBP. Or I do it in euros, if I am doing business in Europe."

Telstra to sell IT division, KAZ, to Fujitsu for \$200 million

TELSTRA, will sell its information technology services unit, KAZ Group, to Fujitsu for \$200 million. The purchase of KAZ will make Tokyo-based Fujitsu the third biggest IT company in Australia, employing nearly 5000 people, the companies said. Telstra's enterprise and Government unit managing director David Thodey said that the Melbourne-based company was selling KAZ because IT services was no longer a core part of its strategy. "Telstra will continue to deliver centralised network services to our customers through our Network Enterprise Services business," Mr Thodey said. Fujitsu will also establish a strategic alliance with Telstra's (tfs.ASX:Quote,News) enterprise and Government division, building on

exiting working relationships. "The acquisition is in line with Fujitsu's long-term objectives to grow its Australian business," Fujitsu Corporate first senior vice president Richard Christou said. The deal is subject to regulatory approvals.

[Kraft Signs HR Business Process Outsourcing Deal with IBM](#)

Kraft Foods has signed a multiyear HR business process outsourcing agreement with IBM, marking the first such deal to be announced in several months. Under the terms of the agreement, IBM will take over workforce administration, payroll, compensation, recruiting, learning and talent management for the Northfield, Illinois-based food company. Bruce McConnel, an IBM spokesman, could not disclose the length of the deal or the contract value. Renee Zahery, a spokeswoman for Kraft, was not immediately available for comment. Kraft has 103,000 employees in 180 locations worldwide. The announcement of the Kraft/IBM deal comes at a time when most employers are opting for outsourcing transactional HR processes, such as payroll and workforce administration, rather than jumping into multiprocess HR BPO deals, observers say. We think we may see more of these kinds of deals in 2009 than we did in 2008, but I still think they will largely be around transactional processes. For the most part, employers have shied away from transformational, multiprocess HR BPO deals because there had been so many implementation problems with the early deals of this kind, observers say. And Kraft is no different in this regard. Not only is the deal a huge boon to the HR BPO market, but the fact that Kraft allowed IBM to announce it will help the market greatly. "Companies have been very tight-lipped about these deals," he said. "This announcement might send the message that it's OK to do this."

[Accenture to set up Global Delivery Centre in Chengdu \(China\)](#)

U.S. consulting and technology services company Accenture will set up a Global Delivery Center in Chengdu, the capital city of Sichuan Province, sources reported. The establishment of the new delivery center in Chengdu is very important to the company's regional and global development strategy, said Kevin Campbell, Chief Executive of Accenture's Global Outsourcing, adding the city has excellent investment environment, abundant talented resources and high efficiency of government services. The new center, part of Accenture's global delivery network, will be mainly engaged in provision of business process outsourcing (BPO) services. The local government will strive to improve the city's communication infrastructure construction and help Accenture to expand its presence in the potential market, according to Li

Chuncheng, member of the Standing Committee of the Sichuan Provincial Committee of CPC, Secretary of Chengdu. Accenture has signed relevant agreements with the local government.

Curbing outsourcing would be USA's loss: India

New Delhi: India has indicated that it may take the US to the World Trade Organisation if it discourages outsourcing of American business. Commerce and Industry Minister Kamal Nath, said the US cannot follow a "switch on and off" policy regarding trade and outsourcing. He cautioned that America had more to lose by outsourcing than India. "I think that they just cannot, in the kind of export technology development we have in the service, have a switch on switch off (policy). There is a US industry which remains globally competitive by outsourcing to India," said Nath. "While they may saving 10 jobs, they may be losing 100. The US industry will have to first respond to this themselves whether it (outsourcing) is possible, practical and feasible," he said. US President Barack Obama on Wednesday announced his administration would end tax breaks for corporations that ship the US jobs overseas. About 1,000 American firms, which have moved their jobs abroad, are expected to be affected by the proposed Obama move against outsourcing.

Accenture eyes BearingPoint's Asia business

HONG KONG/BEIJING: Consultancy firm Accenture Ltd has hired Duff & Phelps to advise on its possible acquisition of the Asia business of BearingPoint Inc. BearingPoint Inc, which provides technology and management consulting services to the US government, filed for Chapter 11 bankruptcy protection on 18th Feb09. But BearingPoint has said that its overseas operations were not included in the US bankruptcy filing. BearingPoint declined to comment, while a representative for Accenture could not be immediately reached for comment. Accenture, a major competitor of BearingPoint in Asia Pacific markets, is in particular interested in BearingPoint's Japanese business and assets, said the sources who declined to be identified due to the sensitive nature of the discussions. Japan is the Asia Pacific headquarters of BearingPoint. The McLean, Virginia-based company, began as the consulting arm of KPMG LLP, and it employs about 15,200 people. In China, another key market for BearingPoint in Asia, the firm currently has roughly 1,000 staff. It is unclear how many employees BearingPoint has in Japan but the number of staff there is bigger than that of China, said one source. Late on Wednesday, top bosses of BearingPoint in Asia sent internal

messages to its employees across the region, including Japan and China, to assure that the business and operations of the firm in Asia would continue without change. However, BearingPoint's Asia bosses have been approached by a number of rivals or funds, including Accenture, to explore merger and acquisition possibilities for a few weeks, said the sources. No agreement between Accenture and BearingPoint has been signed as Duff & Phelps has not completed its financial due diligence, which will be a key factor to Accenture's decision in any deal with BearingPoint, said one source.

[Walmart to outsource \\$300 million worth of contracts to Indian BPO companies](#)

Wal-Mart Stores Inc. (WMT) is considering outsourcing business processes to India in contracts worth \$300 million to \$500 million, The Economic Times reported. International Business Machines Corp. (IBM), Tata Consultancy Services Ltd. (532540.BY), WNS Holdings Ltd. (WNS) and Wipro Ltd. (507685.BY) are currently exploring this opportunity, the report said, citing an unnamed person familiar with Wal-Mart's outsourcing decision. "We expect Wal-Mart to structure these BPO contracts within 2-3 months; top officials at the retailer are currently in discussions," the report cited another unnamed person as saying. The contracts include non-core processes of procurement, merchandising, finance, accounting and payroll, the report said.

[Babcock & Brown To Shut India Shop](#)

Babcock has a 13 member India team with offices in New Delhi and Mumbai. Australian investment firm Babcock & Brown, which poached eight key managers from ABN Amro India to set up India operations last year, is planning to wind up India operations. The firm is shutting India shop as the firm is selling assets globally, reports Economic Times. Babcock's India MD Manikkan Sangameswaran has that the firm has not received any formal communication in this regard. Earlier this month, Babcock was told by the creditors to sell all its assets to repay debt. The firm had a strategy of buying ports and property on credit, which imploded as the global financial crisis deepened. It is planning to sell the assets and hand over the proceeds to banks in next two to three years. Babcock has a 13 member India team with offices in New Delhi and Mumbai. The firm was planning to make private equity investments in infrastructure projects in India. The firm had raised a \$400 million fund

aimed at investments in China and India. Babcock had also bid for 14 highway projects with Hyderabad-based Nagarjuna Construction Co. Ltd.

NAB cuts ties with Satyam

NATIONAL Australia Bank is poised to sever ties with Satyam Computer Services of India. NAB executives have cancelled the second phase of a massive outsourcing project contracted to the troubled IT services provider. The decision is also likely to result in working visas being revoked for the 100 staff Satyam brought to Australia to support the project. NAB would be exposed to significant corporate risk if it proceeded with the second wave of the information technology outsourcing initiative, NAB technology services general manager Craig Bright told staff at a briefing yesterday. However, according to a NAB spokesperson, the second wave had been suspended, not cancelled. No timeline was provided. "Until the longer term future of Satyam becomes clearer, NAB will suspend all work currently in the early stages of transition to Satyam. This work will continue to be carried out by NAB employees. "As the longer term future of Satyam becomes clearer in coming months, NAB will consider whether to continue to transition this work to Satyam or another offshore supplier," the spokesperson said. NAB announced the decision in separate briefings to its staff and Satyam employees at Melbourne's Telstra Dome yesterday. At the meeting the bank did not outline backup proposals following the decision to drop Satyam. NAB chief information officer Michelle Tredenick has previously told staff there were several contingency plans to deal with situation. The bank has publicly committed to continuing with the first wave of outsourcing, but it is understood that behind the scenes NAB executives are scrambling to find ways to stop dealing with Satyam altogether. It would either bring the technology functions back in-house or outsource them to another firm. The Australian recently reported a number of problems that plagued NAB's outsourcing experience with Satyam. The bank retrenched about 50 employees last year as part of the early stages of ITO Wave 2, and had previously scheduled another round of redundancies in March.

[Infosys and IBM are leading the race to acquire Fidelity Investment Captive](#)

MUMBAI Infosys Technologies Ltd. (500209.BY) and International Business Machines (IBM) are leading the race to acquire Fidelity Investments' captive IT unit. "IBM offered to pay around \$150 million while Infosys has indicated that it could pay up to \$180 million," the report quoted a source as saying. Fidelity outsources around \$50 million worth of projects to Infosys and IBM. Fidelity is a \$200 million customer, the report added. Although Wipro Ltd. (507685.BY) is also bidding for the unit, the report said.

[Larsen & Toubro frontrunner to buy Satyam](#)

Mumbai: Larsen & Toubro Ltd was likely to present a revival plan to the board of fraud-hit Satyam Computer Services Ltd, media reports said on Thursday. Larsen was a front-runner for acquiring the Hyderabad-based outsourcing firm, the Business Standard said. Institutional investors in Satyam such as Life Insurance Corporation and ICICI Prudential Life Insurance were supporting its bid, the paper said. Larsen, which holds about 4 per cent in Satyam, had earlier not ruled out the possibility of an alliance with Satyam once the investigations into the company's accounts had been done. The Economic Times, citing multiple sources in investment banking and government departments, said Larsen would put a price tag on its bid once KPMG and Deloitte had released restated results for Satyam. The paper also said telecoms software firm Tech Mahindra Ltd, a unit of Indian tractor and utility vehicle maker Mahindra & Mahindra Ltd, had emerged as a strong contender for Satyam and was keen on taking over the entire company. India's federal corporate affairs minister had said on Wednesday that many companies were interested in acquiring Satyam, without giving details. Kiran Karnik, one of Satyam's new government-appointed board members, said Satyam had received notice from two large customers that they were terminating their contracts, the Hindustan Times said. "Two large customers have given us notice on leaving but others are there and many of them have indicated that they would like to renew and expand contract," Karnik said in an interview to CNN-IBN. Karnik did not name the customers.

BPO sector awaits the Obama call

NEW DELHI: Over the past decade, the \$800-bn global technology services sourcing business has found new destinations, India being the largest. Technology services companies here employ over 2 million people and do a whole spectrum of retail to research tasks, overwhelmingly for the US companies. Hit by slowing demand for their services, Indian outsourcing firms could also face new challenges dictated by policy directives from US President Barack Obama. The industry, however remains optimistic that it will find new opportunities as its business model is too compelling to be impacted by political moves. "President Barack Obama's first job is to get the economy back on track and the country can't make choices to increase costs. American companies have to be competitive and India can help in reducing costs and time to market as well as providing better access to emerging markets," Nasscom president said. In his inaugural address, Mr Obama was unsparing in condemning the failed ideology of uncontrolled markets. He said the current economic crisis showed how "without a watchful eye, the market can spin out of control". So will there be controls on offshoring, that has in less than a decade or so helped save over \$100 billion for global businesses? NASSCOM's president argues that outsourcing may not be impacted, pointing out that job losses in the US are largely in the manufacturing and retail sectors, not in the technology space. According to data compiled by the US Department of Labour, the unemployment rate in the professional, scientific, and technical services sector dropped to 4.7% in December 2008, against 5% in November. In comparison, manufacturing sector had an unemployment rate of 8.3% in December 2008 and retail, 7.2%. Earlier during his campaign trail, Mr Obama had said that his government will provide tax breaks to companies that create jobs in the US and end incentives for those shipping job overseas. Indian outsourcing vendors are, however, unfazed. "What tax break can match the 50% cost savings that India can provide?" asked the chief executive of an Indian outsourcing firm, requesting not to be identified. Some players also opine that Indian outsourcing firms will find opportunities in the US once the bottom is reached and has to deal with slowdown challenges till then. "Mr Obama will find that India is a part of the solution. However, we will see the impact only once the bottom is reached. You can start setting your house in order once it's in a stable state. Till then, we have to find a way to keep our nose above water," said leading BPO Solutions MD. Another issue under scrutiny in the US is the usage of visas such as H1-B to replace American workers with foreign workers who are paid much lower wages. Indian IT services firms, among the leading users of the H1-B or the specialty worker visas, believe a new administration is unlikely to reduce the number of such visas. "If you look at Mr Obama's recent pronouncements, he has been talking about manufacturing jobs. So, where is the cause for worry? He may not raise the 65,000 cap for H1-B visas but he is unlikely to reduce it," said HR Director of another leading outsourcing company. Other Companies prefer to wait and watch how Mr Obama deals with the economic challenges in front of him. "It's

too early to say anything. We have to see what his plans turn out to be. It's widely understood that outsourcing increases productivity and creates more jobs. So, the impacts should be minimal. While the offshore business model is too attractive to be compromised, the Indian technology services industry will closely watch what's in store in terms of new policy guidelines.

ANZ move 100 call centre jobs to NZ

ANZ Bank will shift 100 call centre jobs to New Zealand in its latest move to save money by hiring lower-cost overseas staff. The bank will no longer replace staff at its Melbourne-based Dorcas Street or Mulgave call centres, relying on annual attrition of about 30% in its call centre group, ANZ said in an email to employees obtained by BusinessDay. "I do want to be upfront with you ... and let you know that this means that, over time, there will be 100 fewer call centre roles in Australia," said Pam Rebecca, general manager of the Australian Call Centre division of ANZ. "Given the staff turnover rate however I know we can manage this change with minimal impact on our business, our customers and our people." ANZ confirmed two weeks ago that more than 500 back-office positions would be eliminated in Australia and shifted to Bangalore in India this year, where it currently employs 3000 staff, as part of a broader strategy to refocus on Asia for growth. In the email dated today, ANZ said Australian call centre consultants "could remain in a role" but also revealed plans to recruit 100 call centre operators in Wellington, New Zealand. "There are a lot of similarities between our businesses and our customers in Australia and New Zealand and its natural that we work more closely together in some areas," said Australia division chief executive Brian Hartzler in a statement. ANZ's call centres employ almost 900 people and have an annual employee turnover "of around 30% which is as high as 50% in the service call area," the bank said. "The bottom line is that there will be no redundancies among our consultants as a result of the change and all consultants who want to work at the Australian Call Centre can remain in a role." Union reaction The Finance Sector Union blasted the bank for eliminating positions during a downturn. "ANZ bank has pocketed billions of dollars in profits off the backs of Australian taxpayers - at least \$5 billion in past 15 months - and yet it continues to send the jobs of Australian workers overseas," said FSU national secretary Leon Carter in a statement. "The Finance Sector Union is urging the Federal Government to use its financial assistance to force ANZ to keep Australian jobs in Australia." In comments to Indian media last year, ANZ said back office operations could disappear from Australia over the long term.

WNS Q3 net profit declines; Reaffirms FY09 view

(RTTNews) - WNS (Holdings) Ltd. (WNS), a business process outsourcing firm, reported Thursday a decline in net income, hurt by amortization charges and higher foreign exchange losses. However, the adjusted earnings increased for the period. The company also reiterated its outlook for fiscal 2009. Net income including minority interest for third quarter decreased to \$2.1 million from \$5.5 million in the prior year. The net income in the current quarter was impacted by amortization charges from the acquisition of Aviva Global Services and higher foreign exchange losses due to the re-valuation of British Pound-denominated assets. However, adjusted net income rose 59.8% to \$12.89 million from \$8.07 million, driven by tighter cost management and increased income from acquisitions. The quarterly basic income per ADS fell to \$0.05 from \$0.13 while the adjusted income per ADS was \$0.30 for the quarter, up from \$0.19 for the corresponding quarter last year. Revenue for the quarter surged 15.9% to \$134.01 million from \$115.64 million. WNS reiterated its guidance for the full year, expecting an adjusted net income of \$46 million - \$49 million on adjusted revenue ranging from \$385 million to \$400 million. The company assumed an average USD to GBP ratio to range from 1.45 to 1.60 for the remainder of the year. WNS closed Wednesday at \$6.20 on the NYSE.

IT majors take innovative routes to protect margins

INDIAN IT companies such as Infosys, Wipro and MindTree are churning out innovative offers to keep their margins intact amid demand from their clients to cut billing prices. Clients of Infosys are demanding price cuts in the range of 5-15%, but Infosys is standing firm. "We are definitely not giving them what they are asking for. We are giving them alternatives such as more offshore work. This is like giving a discount, but not on the prevailing rates," said Infosys CEO & MD S Gopalakrishnan. "We can also leverage our bench and offer to some very specific clients some work to be done offshore for free. Here, again, the rates are not impacted." Companies are working with clients to understand what their budgets and constraints are so that they can help offset their costs. However, the willingness to negotiate on price is dependant upon multiple factors. Said MindTree chief operating officer NS Parthasarathy: "The percentage of discounts we are willing to offer to our customers depends on the volume of business done, kind of price arrangements we have with them, and their billing rates." For example, if a customer has a \$5-million contract with the company at low billing rates, the pricing is not negotiable. Even though Wipro's clients are asking for a 5-10% price cut, the company has its own game plan. "We are talking to them, but the final number could be below 5%. Clients are essentially looking at

reduction in their budgets and, therefore, we are discussing various pricing models. Like application and element-based pricing, wherein the client pays by the application he uses and the number of elements he uses and not based on the number of people working on the project," Wipro chief strategy officer KR Lakshminaraya said. However, the offshoring model is a hot favourite amongst companies. Offshoring work helps clients reduce their costs and increase margins. Infosys has reduced the number of employees working on-site in the past three months. It has no onsite bench now. "We are hiring more locals to work on-site. Clients primarily wanted an on-site presence so they could communicate to people real time, but now we are looking at making our IT staff work in shifts so they can service clients in a synchronised manner," said Infosys global HR head Nandita Gurjar. This would be for both existing and new clients. Traditionally, only BPO staff worked in night shifts, while the IT staff worked during the day.

University of Canberra outsources 50 jobs to Wipro

The University of Canberra will axe about 50 local workers and send their jobs to India in a bid to save money. Vice-chancellor Professor Stephen Parker said the university council had signed an offshore tender to handle some of its information technology, student admissions, payroll and finance functions and the jobs would move to the subcontinent by the end of next month. The move would save the UC about \$8 million over the next five years which would be directed into teaching and learning. He said while he knew moving jobs to India would be an unpopular decision among staff, it was the conclusion of his administrative reform agenda started in early 2007. The National Tertiary Education Union said yesterday sending university administrative functions to India was unprecedented in the higher education sector. The union's UC president, Craig Applegate, said not only did it undermine the Federal Government's financial crisis strategy of sustaining local employment, but also came on top of other rounds of job losses at the UC. "UC staff have borne cut after cut in jobs," Dr Applegate said. "Large reductions in support staff have already affected staff morale and our capacity to perform key functions of teaching and research. In 2007 UC reduced administrative staff by a hundred. Again in 2008 further positions were lost through outsourcing. "The latest announcement has left change-weary staff distressed and frustrated. The university has not provided staff with financial arguments to support the current decision to send jobs offshore."

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