



Newsletter – September 2009

Update on latest developments in Outsourcing in Australia and NZ during July 09 and August 09

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Latest News

Morgan Stanley may exit back-operations in India

Bangalore: U.S. bank Morgan Stanley is exploring the opportunities to exit its back-office operations in India. The bank, which was bailed out by the U.S. government, is looking at its options to sell the back-office unit that does IT development as well as finance and accounting-related work. Knowledge Process Outsourcing (KPO), equity research, complex financial modeling and portfolio analysis are among the work done here. According to an investment banker, the potential value of the transaction could be US\$150-\$200 million, in which the KPO operations have a share of \$50 million. These operations employ around 2,000 people, of which 500 are KPO employees. Most of the operations are based out of Mumbai and a small part out of Pune. The value of the deal will also depend on the amount of business the bank will sell. "The annual revenue run rate for Morgan Stanley's captive operations is \$70-\$80 million. So, the committed business could be around \$500 million for five years," said a person with knowledge of the development. Large Indian IT firms are the expected buyers, some of which already do development work for the bank. These include Infosys, Wipro and KPO firm like eClerx, which works for investment banks, travel and retail industry. The need to convert fixed costs to variable costs by moving work done at the captive unit to third party vendors is among the factors which drive the sale of many captive units. When the work is outsourced to third party vendors, there is greater flexibility to increase or decrease work without having to hire a fixed number of employees

Accenture Signs Seven-Year Application Outsourcing Contract with Henkel

Accenture (NYSE: ACN) will provide international consumer goods company Henkel A & Co KGaA with application development and maintenance services in Europe and North America under a seven-year application outsourcing contract. Financial terms were not disclosed. Under the terms of the agreement, Henkel will outsource to Accenture its application

development and maintenance activities, including all SAP applications, business intelligence solutions, customer relationship management programs and Web applications. The program is designed to provide Henkel with a more proactive information technology function, enabling the company to reduce technology costs, improve customer service levels, and better anticipate and meet future business demands. Accenture will deliver the services through its Global Delivery Network using one of its delivery centers in Bangalore, India. "We are delighted to have reached a solution with Accenture that is based on state-of-the-art technologies and work methods and allows us to satisfy the demands of our IT users even more efficiently and cost-effectively," said Dr. Peter Wroblowski, Chief Information Officer (CIO) at Henkel. Mathias Metzger, a senior executive with Accenture's Consumer Goods & Services practice, said, "Accenture's role in supporting Henkel's development as a business will be to deliver streamlined and responsive IT services. This engagement is designed to help Henkel achieve further growth and greater competitiveness by providing technology services that enable the company to deliver improved service to suppliers, retailers and consumers."

Big multinationals dumping excess vendor baggage

NEW DELHI: A slew of big multinationals, including the world's largest telecom operator, Verizon, and capital equipment maker Applied Materials, are going the British Petroleum (BP) way of pruning the number of technology vendors to cut costs as they look for ways to come out of the worst recession in years. Verizon, Chevron, Applied Materials, Best Buy, Cardinal Health, Home Depot and many other companies that do business with at least 40 IT vendors are set to prune their vendor list drastically, say consultants and analysts. Early this week, BP cut the number of its vendors from 40 to five, in a move that will help it save US\$500 million. As many as 60 Fortune 100 companies are expected to follow suit, an analyst said. "The next 12 months will see a fair number of deals triggered by vendor consolidation. Applied Materials, one of the largest suppliers of semiconductor and display manufacturing equipment, has identified opportunities for vendor consolidation in data centre co-location and telecom services, the \$9-billion firm's group vice-president and CIO Ron Kifer said. The US firm's large vendors include IBM, TCS and Wipro. TCS says it's in discussion with at least three customers looking to consolidate vendors. "These are Fortune 500 companies in the retail and banking & financial services space," said S Ramadorai, the CEO

of the country's largest software services company. A Fortune 500 bank is evaluating options to reduce its infrastructure management and data centre partners from 10 to two, while one of the world's top five retailers is looking at reducing its technology vendors from around 80 to 25-30. A Fortune 50 drugmaker, which presently has about 100 vendors doing tasks like data mining, drug distribution and supply chain management, wants to reduce its vendor list by at least 60%, another person said, requesting anonymity. The move will help these firms get into more strategic relationships with vendors, get better pricing by increasing volume of work to technology suppliers, reduce governance overheads and cut costs by 12-15%. A US\$10-billion plus company will have multiple vendors at offshore, onshore and near-shore locations. As the number of vendors increase, compliance and management is a huge task and costs escalate. "Restructuring initiatives like vendor consolidation makes them more agile". Also, too many relationships reduce buying power and increases risks. For instance, banks, which have to ensure there is no data theft, will reduce risks when they cut the number of vendors managing customer information. Similarly, for companies engaged in healthcare, having only a handful of vendors makes it easier to manage relationships and tackle leaks, if any, in the system promptly. Companies doing R&D remotely also try to limit the number of third-party vendors to protect intellectual property and any infringements of patents. For instance, Microsoft, which files for a few hundred patents every year, just has one global vendor, CPA Global, to do the patent filing. "Clients who think they have too many vendors are consolidating. It helps to reduce risks and manage costs better," said V Balakrishnan, CFO of India's second-largest IT exporter Infosys Technologies. The development spells big gains for large IT services players. R Chandrasekaran, president and MD for global delivery at software firm Cognizant, said deep domain expertise, broader range of services and expanded geographic footprint help large companies to score in vendor consolidation moves. But life will become much more difficult for smaller companies. "The smaller players aren't able to match the pricing offered by the big vendors. It's tough for the small services companies". Already hit by the global recession, small vendors may now become easy acquisition targets for the bigger ones. To survive, the obvious lesson for them is to develop expertise in niche fields. As being lean in tough times becomes the norm, it will be the fat boys of offshoring who will gain.

BP awards software outsourcing deals

BP has signed a contract with Indian suppliers Tata Consultancy Services (TCS) and Infosys for application development and application maintenance. Over the past 12 months, the energy giant has consolidated the high number of vendors it employed down to a few larger contracts. TCS will handle application development and application maintenance for refining, manufacturing and corporate IT maintenance work. Infosys will handle application development and application maintenance work in the integrated supply and trading, and exploration and production businesses. BP Group chief information officer Dana Deasy said the contracts will help BP to reduce complexity, standardise processes and lower costs. "In awarding Infosys application development work for our Integrated Supply and Trading and Exploration and Production businesses we look to benefit from their knowledge of the oil and gas sector," she said. "Additionally, we see opportunities for TCS to help us deliver IT solutions to enable our upstream and trading businesses." The energy and utilities vertical of TCS has 30 customers worldwide, including Australian firm AGL Energy. The supplier also works with oil field service operators to help them increase the production and reliability of upstream operations.

Wipro wins Fosters' contract

BANGALORE: Wipro, India's third biggest software exporter, has won a new outsourcing contract estimated to be worth around \$100 million from Australia's biggest brewer Fosters. The contract involves managing and supporting Fosters IT infrastructure, data centres and different business applications across Australia, US and UK. "Fosters and Wipro are in discussions regarding global IT infrastructure services, data centre and applications support. The discussions are part of ongoing business efficiency initiatives. Wipro was chosen after a comprehensive tender and offer the capability to service our global operations and deliver significant costs savings with a combination of online, telephone and field staff services," said Troy Hey, Fosters Spokesman. Fosters is already in the process of shifting members of its internal IT team. "We are currently discussing transition arrangements with our people. Employees impacted by this approach in Australia, the United States and the UK will be offered alternative roles where available or provided full redundancy payments and career transition support," Mr Hey added. Meanwhile, Fosters is not planning to outsource any back office and call centre jobs as part of this

transaction. "Discussions are limited to internal Information Technology services and all customer and consumer call centre services remain managed by Fosters teams in Australia, the United States and the UK," Mr Hey added. At a time when new business is increasingly becoming tough to come by, Australia has emerged as a great opportunity for the outsourcing vendors.

Qantas to trade 180 staff to IBM

Qantas Airways is expected to announce plans to outsource its IT program delivery work to IBM as part of a \$A1.5bn drive to reduce costs. The airline said in an internal memo that 180 staff would be offered jobs at IBM under the deal, which is likely to be finalised by the end of August 2009

Optus swaps out IBM for EDS

Optus has signed an application maintenance and support contract with HP-owned EDS in a deal which sees IBM sideswiped and a bevy of smaller local providers cut off. EDS won the three-year application maintenance and support deal in a tender that commenced in April 2009. Some twenty service providers bid for the deal. The EDS contract came at the expense of IBM, which signed an application management services deal with Optus in 2002 expected to be worth up to \$500 million over ten years. IBM and Optus renegotiated that contract for three years starting in 2005. It was set to expire next month. A spokeswoman for Optus told that the carrier would "continue to have a relationship with IBM" on some small projects but "not around application support and maintenance." Optus announced it would also shut its books on up to 14 local software support providers. "Although application support and maintenance services are already provided to Optus on an outsourced basis, we expect to make substantial savings by rationalising the number of suppliers we work with from over twenty today to five going forward, as a result of these new agreements," Optus CIO Lawrie Turner said in a statement released today. Optus was unwilling to divulge the names of those companies cast off as part of this "consolidation". "There are some multinational service providers and smaller software support contracts for specific applications," an Optus spokeswoman said. The carrier confirmed only that its existing contract with Accenture had been renewed, as had deals with troubled

Indian outsourcer Mahindra Satyam and parent company SingTel. Since 2006, Accenture had been guiding Project Reitz, in which Optus was reportedly spending between \$100 million and \$160 million overhauling its legacy billing systems. Optus refused to discuss whether the reviewed application maintenance and support arrangements would see a greater mix of work being done offshore.

Indian IT companies may have to hire more UK staff

BANGALORE/NEW DELHI: UK, one of the top export markets for India's over \$40-billion software industry, is evaluating stricter immigration rules proposed by the Migration Advisory Committee (MAC) after several British trade lobbyists and workers alleged that Indian tech firms are replacing local workers with overseas staff at lower salary levels. Top Indian tech firms including TCS, Infosys, Wipro and Tech Mahindra serve British customers such as BT, British Petroleum and British Airways by sending Indian professionals to the country on short-term project assignments. With more stringent norms, these companies may have to employ more local UK workers instead of sending their Indian staff for onsite projects. Anti-offshoring lobbies including Unite and the Association of Professional Staffing Companies (APSCo) allege that Indian tech firms are misusing the 'intra-company-transfer' rules by replacing UK workers at wages lower than prescribed levels in the country. The MAC report submitted by the committee's chairman Professor David Metcalf to UK's Home Office on Wednesday has recommended that the threshold salary levels for allowing entry of a graduate skilled worker be raised from around £17,000 currently, making it tougher to earn points needed for allocation of work permits. "We believe that the earnings thresholds should rise in line with earnings inflation. We recommend raising the minimum threshold for gaining 10 points to £24,000 per annum, and raising the minimum threshold for gaining 15 points to £28,000 per annum," the MAC report added. These figures compare to £20,000 and £22,000, respectively, under the current system. Last year, UK granted around 45,766 work permits to workers coming to the country through intra-company-transfer route, a majority of them awarded to the IT professionals. The majority of intracompany transfers are for Indian nationals, who account for 69% of the permits granted through this route. Almost half (48%) of intra-company transfers are for Indian nationals in just one

occupation — software professionals . “Companies are even allowed to pay these workers offshore in foreign currencies, so intra company transfers are potentially very easy to exploit in order to bring cheap foreign labour into the UK,” Ann Swain, chief executive of APSCo said in a recent statement. Nasscom, the Indian software industry lobby, said the recommendations will help fix the loopholes in the system. “There were some cases of abuse Coming to terms with lay-off Crisis time: Keep staff motivated Job-cuts: A blessing in disguise Keep it light at your workplace! reported in the past and the new norms ensure compliance to guidelines and there is a system in place to audit the visa process,” said Som Mittal, president of Nasscom. “The issue of salary — at least £20,000 a year as minimum wage for an employee going to the UK is also acceptable as less than 0.2% of the current ICT employees going to the UK are at a salary less than that. This measure has been put in place to check abuse,” he added. The report also recommends that migrants coming to UK under intracompany-transfer route cannot have a right to permanent residence. “Because the intra-company transfer route exists to facilitate temporary immigration to the UK, we recommend that time spent in the UK under this route does not lead to a right to permanent residence,” the report said. Under the current rules, after five years of working in the UK on the intra-company transfer route or any other route under tier-II, it is possible to be granted permanent residence. Meanwhile, Indian IT workers in UK feel such recommendations are not required. “Tier-II visas without the right to settlement will lead to exploitation of skilled professionals who will have to pay taxes but will not be able to settle in the UK,” said Amit Kapadia, executive director of the Highly Skilled Migrant Programme (HSMP) Forum in UK. “In recommending so we believe the MAC has gone beyond its scope in answering the questions which were raised by the then home secretary Jackie Smith,” he added. Experts such as Bob McDowall, who is the research director with Tower-Group said these allegations are true. “The wages are lower than the UK minimum wage, though there remains a substantial cost of living differential between India and the UK,” he said. The backlash, according to him, is set to gain more momentum because of the rising unemployment. Moreover, IT workers coming to UK for short-term projects will also need to have more work experience. “To ensure that the route allows only people with company-specific expertise to come to the UK, we believe that the qualifying period with the company overseas should be doubled from the current six months to 12 months.” However, MAC’s recommendations are pure advisory and the Home Office may or may not accept them. “We need to remember that these are recommendations at this stage and the government is considering the report before responding formally. No decisions have been taken and it’s

too early to speculate on the government's response ,” Chris Dix, regional director South Asia and the Gulf, UK Border Agency.

HP could prune outsourcing services: Sources

NEW YORK: Hewlett-Packard Co is considering selling or shutting parts of its outsourcing business to focus on the higher-margin areas of its technology services offering, people familiar with the matter said. A year after buying Electronic Data Systems for \$13 billion, HP executives are discussing the possibility of divesting parts of the outsourcing operations, especially in its business process outsourcing (BPO) arm."The calculation is, can we get more cash for this asset now versus the cash flow the asset is expected to generate in coming years?" said one of the sources who is familiar with HP's plans. HP's India operations or its human resources BPO unit could be among the businesses divested, the source added. Housed within HP's services division, the BPO unit posted \$709 million in revenue in the quarter ended April 30, compared with \$40 million a year ago. HP got most of its technology outsourcing and BPO business from EDS, a pioneer in the field, which it bought in August 2008. HP may decide not to sell anything if the assets fail to fetch a good price, the sources said. If the assets were to be shopped, outsourcers like TeleTech and Stream Global Services could be interested, a second source said. HP is expected to issue its fiscal third quarter results later on Tuesday.

Genpact in race for Warburg Pincus' 50% stake in WNS

MUMBAI: Genpact, the India's largest pure-play BPO, is in the race for acquiring Warburg Pincus' 50% stake in WNS Global Services, pitting itself India's top 10 BPOs against global private equity (PE) investors such as Blackstone and Bain Capital, said a person privy to the development. The process is still in the early stage with Merrill Lynch believed to be advising Warburg on the sale. It is learnt that Merrill has started selectively approaching IT and BPO firms and PE players. A transaction with WNS would create a BPO powerhouse with Genpact further enhancing its lead over its rivals. At over \$1 billion in revenues, Genpact already enjoys a significant lead over other players in the BPO industry. WNS is the second-largest pure-play BPO in India with \$539 million in annual revenues. The third-largest BPO exporter is a multinational, IBM-

Daksh. "WNS could be a good fit for Genpact because it has a deep footprint in BPO," said an investment banker. Since both firms are listed in the US, a stock swap transaction could also be a possibility, he added. The WNS ADR and Genpact stock were trading at \$14.32 and \$12.34 on the NYSE at the time of going to press. Genpact, which announced its second quarter results earlier this month, has been hit by a slowdown in business from its number one client, General Electric (GE), and is under pressure to reduce dependence on it, he added. GE contributes 40% of Genpact's revenues. GE business had declined by 6% in the second quarter of the fiscal leading Genpact to lower its guidance for current financial year. "Genpact will scale up its operations in the next few years. Acquiring WNS will help it achieve this goal much faster," said a banker. Genpact had 37,400 employees as on June 30, 2009, while WNS had 21,494 employees. WNS' acquisition of Aviva Global Services, UK insurance major Aviva's captive, has made it more attractive to buyers, pointed out a senior executive from the BPO industry. Aviva contributes around 20% of WNS' revenues.

IBM sees analytics growing 15-20 pc a year from '10

NEW YORK: IBM said on Thursday that it expects its analytics business to grow at around 10 percent this year and between 15 and 20 percent from 2010 onwards. The analytics business, part of the company's global services business unit, is likely to account for more than \$2 billion in sales in 2010, it said. Its annual revenue in 2008 was \$103.6 billion. IBM has shifted its focus from hardware to more profitable software and services over the past decade. It has recently positioned the analytics business as a key growth driver as it yields higher margins than the average IBM product or service. IBM combines analytics, which incorporates advanced mathematics, with its software and consulting skills to help clients predict risks and plot trends.

India's Mphasis to buy AIG's IT services unit

With this acquisition, Mphasis strengthens its portfolio in financial services and insurance space. Baring Private Equity backed Mphasis Limited, a Bangalore based IT and BPO company, is acquiring AIG Systems Solutions Pvt Ltd (AIGSS), an India captive back office arm of the insurance major, American International Group (AIG). With this acquisition, Mphasis

strengthens its portfolio in financial services and insurance (FSI) verticals, said a press statement. It will allow Mphasis to offer industry specific solutions to its customers. The FSI segment contributes around 39% to Mphasis' total revenue. With the acquisition, around 800 employees of AIGSS will join Mphasis, which currently has 33,000 employees worldwide. Ganesh Ayyar, CEO, Mphasis stated that the acquisition further strengthens its presence in the insurance segment. "Post the acquisition, the company will be able to add greater value to its existing clients and will leverage the opportunity to add more clients," said Ayyar. AIGSS is an India based company and part of American International Group. It provides IT services and solutions to AIG companies worldwide. Its services include application development and maintenance, application implementation, testing, product development and support services. Mphasis Limited was formed in June 2000 after the merger of the US based IT consulting company Mphasis Corporation and the Indian IT services company BFL Software Limited. In June 2006 Electronic Data Systems (EDS) purchased a controlling stake in the company (52%) for \$380 million and now operates as an independent EDS unit.

No plans to outsource tax processing work to India, says UK

LONDON: Britain has dismissed reports that it is contemplating outsourcing sensitive tax processing work to India, saying it does not have any such plans right now. These services are not permitted to be delivered from outside, said a spokesman for Her Majesty's Revenue and Customs (HMRC). "We currently have no plans to change this. HMRC is constantly looking at how it can provide better value for money to the taxpayer. Project Quantum is specifically focussed on value for money in the IT field," he said. The spokesman was refuting a report in 'Computer Weekly' that Britain's Finance Ministry is considering proposals to contract out sensitive tax processing work to India. The report had claimed that "HMRC ministry and its main IT contractors Capgemini Fujitsu are looking at the potential of outsourcing some tax processing to India."

WNS in talks with PEs to sell 50% in BPO

MUMBAI/BANGALORE: Warburg Pincus has approached its global private equity peers for selling its 50.12% stake in BPO firm WNS Global Services, indicating that the world-wide recession could lead to consolidation among providers of back-office services. NYSE-listed WNS, India's second largest BPO firm, may fetch a valuation of around \$800 million providing Warburg with an exit payout of \$400 million, according to investment banking sources. In 2002, Warburg had paid \$40 million when it acquired a 64% stake in WNS from British Airways. Bain Capital and the Blackstone Group are among the PE funds with whom Warburg Pincus has had informal discussions even as there is speculation that IT services majors like Cognizant and even some mid-tier firms could be interested in pursuing the deal. A due diligence process is likely to be kicked off in the next couple of days, these sources said, emphasizing that the process was in its early stages. "In the first instance there will be a limited due diligence process and it is likely to take more than a couple of weeks. A formal process is likely to kick off post that," said one person familiar with the development. "WNS is in play, but our interest in it is still in preliminary stages," added the boss of a senior private equity fund who did not wish to be quoted. Merrill Lynch is believed to be advising Warburg on the possible stake sale. When contacted, Warburg Pincus said: "The firm is bound by internal operational policies that does not allow discussion of its investment activities in its portfolio companies in India. Warburg Pincus is unable to share any comments on your queries regarding WNS." Bain Capital said it will not comment whether it is interested or not interested in specific transactions, while Cognizant said it does not comment on market speculation. The stock has run-up in recent weeks and now trading at \$13 compared to a month-ago price of \$8.60, pegging WNS mcap at \$552 million. There are PE investors who could bid at around \$18-20 per share and subsequently de-list WNS, said a banking source. The WNS IPO was priced at \$20 per share. Blackstone controls BPO firm Intelenet which it acquired two years back, while Bain has made significant buy-outs in the information technology space even though there are no pure play BPO firms in its portfolio. Intelenet, however said it was not in talks with WNS currently. The names of other PEs like Apax Partners as an interested player are also doing the rounds but there was no confirmation at the time of going to press. Sectoral analysts said a PE-to-PE transaction was possible as many strategic investors (read Indian IT majors) may be uncomfortable with the single digit low-margins reported by WNS. On Wednesday, WNS unveiled first quarter numbers reporting \$1 million net on a topline of \$136 million. Scale has become increasingly important in the BPO industry as a larger

size helps a company gain a significant presence in the market since it can offer a variety of services. PEs are interested in scaleable businesses giving them visibility of returns. WNS also faces substantial challenge. It has to turn last year's \$230 million acquisition of Aviva Global Services into a profitable operation. At the same time, the company is on the hunt for a new CEO after it announced in January 2009 that Neeraj Bhargava was moving on. WNS currently has over 21,000 employees with around 22 centres globally. It posted revenue of \$386 million in FY09 and has given a flattish guidance of \$390 million this fiscal. Warburg had sold part of its stake worth around \$30 mn at the time of its IPO in July 2006.

WNS net slips on higher forex loss

MUMBAI: BPO firm WNS Global Services reaffirmed its guidance for FY10 as its first quarter revenues grew on the back of its acquisition of Aviva Global Services and operating profit margins improved on cost efficiencies. The second-largest India-based pure-play BPO firm, which is listed on the NYSE, saw its first quarter revenues grow 11% to \$136.7 million (about Rs 656 crore at current exchange rates), but net profit slipped on amortisation charges and higher foreign exchange losses to \$1 million (Rs 4.8 crore). The net profit in the corresponding quarter last year was \$3.3 million (Rs 15.8 crore). On Wednesday, a downward revision in guidance by BPO leader Genpact had sparked concerns about a similar revision by other players in the industry. But reaffirming its FY10 guidance, WNS said revenue was expected to be between \$385-\$390 million (Rs 1,848-1,872 crore) and adjusted income between \$50 million-\$52 million (Rs 240-250 crore). WNS was optimistic about client additions and demand for BPO services. "In the US, we are seeing the market settling down. Europe may be six months behind. We are seeing a recovery in the consumer sector and in the financial services sector. Deals and closures are happening in 6-9 months compared with 12 months or more," said WNS CEO Neeraj Bhargava. Pressure on prices is however likely to continue, he said. Demand is being driven by clients looking for quick results in terms of improved performance or reduced costs, he added. Referring to forex losses, WNS CFO Alok Misra said he anticipates the losses to roll off during the year and continued benefits of cost synergies from acquisitions to accrue in the year. The company attributed the growth in its adjusted net profit during the quarter to higher business from existing clients, tighter cost management, benefits from scale of operations and increased income from acquisitions. During the quarter under review, the company

prepaid \$5 million (about Rs 24 crore) of the \$200 million (Rs 960 crore) term loan taken for acquisition of Aviva Global. It also agreed to pay Aviva around £3.18 million (Rs 25.37 crore) for liabilities inherited as part of this acquisition in 18 installments starting December 2009.

Genpact Q2 profit in line with St, revenue trails

BANGALORE: Genpact Ltd posted a quarterly profit in line with expectations on higher global client revenue, but lowered its 2009 revenue growth outlook due to the uncertain economic environment, sending its shares down 7 percent. The business process and technology services provider said while the economy may have reached a bottom, it has not yet demonstrably improved, particularly for its client base. "The company is two to three quarters away from revenue growth accelerating," said Kaufman Bros analyst Karl Keirstead, who rates the stock a "hold." On a conference call with analysts, Genpact said decision-making by clients is still slow. Clients are taking longer to move forward on projects where upfront costs would be significant, it added. "This quarter and the next quarter are probably going to be the slowest quarters for revenue growth," Robert Baird & Co analyst David Koning said. Genpact now expects revenue to grow 6 percent to 9 percent for 2009, lower than its earlier outlook of a 10 percent to 15 percent revenue growth. Analysts' average expectation is for revenue of \$1.16 billion for the year, according to Reuters Estimates. The company, however, raised its operating margin outlook to a range of 17 to 17.5 percent, from its earlier 16 to 17 percent forecast, on effective cost control measures. Genpact said more deals are in the pipeline, but the average deal size is smaller. "We're not overly concerned about one quarter of a little weaker conversion trends or bookings trends when the tailwind for this industry is very good for a long time," Baird's Koning said. For the second quarter, net income was \$29.7 million, or 14 cents a share, compared with \$24.8 million, or 11 cents a share, a year ago. Revenue rose 8 percent to \$272.9 million, but trailed Wall Street estimates of \$280.6 million. Global clients revenue -- revenue from clients other than General Electric -- grew 27 percent, while revenue from GE fell 7 percent for the quarter. Analysts were expecting the company to earn 14 cents a share, before items, on revenue of \$280.6 million. Genpact shares were down 88 cents at \$13.13 in Tuesday afternoon trade on the New York Stock Exchange. They touched a low of \$12.96 earlier in the day.

HCL acquires data centre in Parsippany

New Delhi: IT services firm HCL Technologies on Monday announced that it has completed the acquisition of a data centre in Parsippany, New Jersey and will invest \$15 million in the facility. The acquisition will help HCL increase its global footprint and meet growing customer demand for end-to-end services, including near-shore solutions and services and cloud computing, the Indian IT firm said in a statement. HCL took over the data centre from a Fortune 500 company in October, 2008 and then upgraded the technology and service landscape. The IT firm is further upgrading the facility to a next-generation data centre by deploying best-of-breed, eco-friendly technologies from leading vendors and acquiring certifications. The company plans to hire more than 100 local US workers for the data centre. "We believe that our investment in local geographies and innovative solutions and services will provide significantly reduced costs and enhanced IT performance, including proximity benefits to US enterprises," said C Vijay Kumar, SVP - service delivery at HCL's infrastructure services division. HCL selected New Jersey as the location of its new facility due to a highly skilled workforce and close proximity to its US-based customers in the New York City area, particularly those in the financial services, life sciences and pharmaceutical industries.

Infosys BPO inks 5-yr pact with T-Mobile UK

NEW DELHI: Infosys BPO, the BPO arm of Infosys Technologies, today announced that it has secured a five-year contract with T-Mobile UK. Infosys BPO has been engaged by T-Mobile UK to support several core processes for their finance directorate which cover customer finance, commercial finance and accounting (F&A), and procurement operations, Infosys BPO said in a statement. "We are pleased to have been selected by T-Mobile UK. Our strong F&A capabilities combined with our understanding of the telecom industry helps us successfully transform businesses of our clients," Infosys BPO Vice President and Head (Communications, Media and Entertainment (CME)) Gopal Devanahalli said. The deal size was, however, not disclosed. T-Mobile is one of the world's largest mobile operators with more than 125 million customers worldwide and about 16.7 million customers in the UK itself. "We were keen to partner with a company that possessed a good

understanding of our requirements and business needs. We are confident of gaining immense value through our partnership with Infosys BPO," T-Mobile UK Head of Customer Finance Tim Spence said.

IBM launches advanced analytics centre in China

BEIJING : IBM announced the launch of its China Analytics Solution Center, part of a network of global centers addressing the growing demand for advanced analytics capabilities needed to help clients build smarter business systems and drive improved decision-making. The initial China center, located at IBM's China Business Innovation Center in Beijing, will draw on expertise from across the company, including experts and consultants from analytics and optimization, mathematics modeling, software engineering and architecture research and consulting. China was chosen due to its status as a global center of economic development and innovation and world-class skills base. The Beijing center will be staffed initially by up to 300 consultants, software specialists and mathematicians, with plans to retrain or hire an additional 300 as demand grows. The mission of the China Center will support IBM's clients in the Greater China Region to tackle complex business problems by leveraging the full breadth of IBM's capabilities in analytics and optimization, including hardware, software, consulting services and research. It will initially focus on smarter grid, smarter supply chain management and smarter city covering transportation and traffic management, and water management. The China Center will support and accelerate IBM's collaboration with the government, enabling the country's stimulus plan with advanced analytic solutions, helping create high value jobs and nurturing local talent. "Business leaders today need to move beyond intuition to a more predictive capability and certainty about outcomes. It is now possible to see patterns in vast amounts of data to extract critical insights and move to a new level of enterprise intelligence," said D.C. Chien, CEO, IBM Greater China Group. "Not only does the ability to create smarter digital and physical infrastructures herald the ability to improve the quality of life for our citizens, it is fundamental to improving competitive advantage and delivering economic growth." The China Center, IBM's first center in the growth markets, is part of IBM's business strategy recently detailed by IBM as the company expands its capabilities around business analytics. IBM opened its first two analytics solution centers in Berlin and Tokyo in June and July, respectively. The other centers will be located in London, New York City, and Washington, D.C. As part of this initiative, IBM plans to retrain or hire

as many as 4,000 new analytics consultants and professionals globally. In these centers IBM will draw upon its vast software information management portfolio, including technologies from IBM Software, mathematicians and advanced analytics experts from IBM research and industry expertise from management consultants in recently launched IBM's Business Analytics and Optimization services practice. IBM has been working with a number of clients in China to improve their business decision making through advanced analytics. For example, COSCO Logistics, one of the world's leading providers of integrated logistics services, has been working with IBM to implement the advanced optimization and simulation models, which help cut more than 20 percent of logistics costs and reduce more than 10,000 tons of carbon dioxide emissions a year. Additional China Analytics Solution Centers will be opened in the future in leading cities across the country, providing high-end service areas and leveraging each city's specific and outstanding competency.

IBM to Acquire SPSS Inc. to Provide Clients Predictive Analytics Capabilities

IBM announced that the two companies have entered into a definitive merger agreement for IBM to acquire SPSS, a publicly-held company headquartered in Chicago, in an all cash transaction at a price of \$50/share, resulting in a total cash consideration in the merger of approximately \$1.2 billion. The acquisition is subject to SPSS shareholder approval, applicable regulatory clearances and other customary closing conditions. It is expected to close later in the second half of 2009.

This acquisition is expected to further expand [IBM's Information on Demand \(IOD\) software](#) portfolio and business analytics capabilities, including the range of offerings available through IBM's recently-announced [Business Analytics and Optimization Consulting](#) organization and network of Analytics Solution Centers. The acquisition is also expected to strengthen IBM's Information Agenda initiative, which helps companies turn information into a strategic asset.

As companies attempt to control costs and use resources more wisely, IDC estimates that the worldwide market for business analytics software will swell to \$25 billion this year, growing 4% over 2008.(1)

IBM is expanding its focus on business analytics technology and services to meet growing client needs to cut costs, reduce risk, and increase profitability through predictive analytics capabilities, which include advanced data capture, data mining

and statistical analysis. These capabilities help organizations analyze trends and patterns found in historical and current data to drive new forms of competitive advantage by predicting potential future outcomes and optimizing all elements of their businesses, including product and service offerings for customers.

AmEx looks to sell travel service BPO

NEW DELHI: American Express (AmEx) is looking to sell a slice of its back-office operation in India, at least three people with knowledge of the plan said, putting it on track to join a long list of overseas firms which have shed their captive business process outsourcing (BPO) units in the country. A portion of the back-office operation providing travel-related services for its international clients is being hived off and talks have started to sell this piece of the business, but declined to divulge details. Another person privy to the plan said the move is a precursor to the eventual sale of the entire BPO unit. The second person said the financial and travel services provider may even divest some stake in the BPO unit to induct a partner to manage the operation. Industry experts estimate the unit could be valued at around US\$300 million (Rs 1,500 crore). An AmEx spokeswoman said: "We can't comment on market speculation or rumour." AmEx's BPO unit in India is a captive one: it caters only to the bank's own clients, providing back-office support covering travel-related services, credit cards, accounting, customer care and related processes for the company's worldwide operations. AmEx has never publicly announced the number of people it employs in India, but those familiar with its business put its headcount in the country at around 7,000. The travel service centre it is seeking a buyer for employs around 500. Late last year, American Express said it had laid off "less than 100 employees" at its BPO in Gurgaon near Delhi. AmEx also outsources work to several local BPOs and software vendors in India. Its tiny banking operation in India was acquired in 2007 by Standard Chartered as part of a global deal. If American Express sells its BPO unit, it will be following in the footsteps of MNCs such as Aviva, GE, British Airways and Conesco, all of which decided it was cheaper to outsource the work to specialist providers of back-office and customer care services.

UK cuts costs, to outsource 100 IT jobs to India

London: More than 100 finance and IT jobs at the British Council are to be outsourced to India as part of a cost-cutting drive to save the taxpayer money, according to a report in The Times. The report said that 500 of the council's 1,300 British workers would have to go in the next 18 months to save 45 million pounds (\$74.44 million) with more than a fifth of the posts being filled in India. The Times did not cite a source for its story. The Times also said that around 280 of the council's 500 permanent back-office jobs will be cut permanently with the remainder going to agency, part-time or contract staff, said the report. The Times added that Britain's Foreign and Commonwealth Office, which funds the council, was exploring similar options. A spokesman for the British Council could not immediately be reached for comment.

Infosys wins 10 yr eBiz contract in India

BANGALORE: Infosys Technologies Limited on Tuesday announced it has been awarded a 10 year eBiz project by the Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce and Industry, Government of India. The project is among the 27 Central, State and Integrated Mission Mode Projects under the National E-Governance Plan (NEGP) of the Government of India, the Bangalore-based company said in a statement, which did not give financial details of the project it bagged. The scope of eBiz work includes designing and developing the eBiz platform, establishing the support IT infrastructure, implementing, maintaining and expanding the eBiz solution and services for the next 10 years. Infosys would also undertake training workshops, promotion and awareness campaigns. Union Minister of Commerce and Industry Anand Sharma was quoted as saying that the eBiz Project is an ambitious one to encourage and develop a conducive business environment in India. Through this project, the DIPP aims at expanding G2B services and enabling a better business experience in India. Through the eBiz project, the Government aims to create a customer-centric environment, providing the business community convenient and speedy access to information and services. This 'single window' approach would cater to the requirements of business for government-to-business services throughout the business life cycle, namely through the pre-establishment, commencement, operations, expansion and when required, closure stages of the business, it said.

HCL acquires SAP division in South Africa

NEW DELHI -- Indian software company HCL Technologies Ltd. said Friday its HCL AXON division has bought the SAP operations of South Africa's UCS Group Ltd. for an initial payment \$7.7 million in cash. The deal also includes payments to UCS Group over the next two years based on the acquired operations' performance, HCL Technologies said in a statement. The total deal cost could go up to \$18.5 million, HCL Technologies's corporate vice president and head of enterprise business, Ram Krishna, said during a conference call.

TCS results for Qtr ended 30 June 2009

The company's net profit was up 15 per cent sequentially (quarter-on-quarter or QoQ) while the revenue was up 0.5 per cent QoQ for the quarter under review. TCS, unlike its peers, does not provide guidance. The company incurred a foreign exchange loss of Rs 84.14 crore. Growth was broad-based across markets and North America continued to maintain its share of revenues aided by semblance of stability in the Banking, Financial Services and Insurance (BFSI) verticals. In Europe, demand uptake from recently-acquired clients is helping sustain growth momentum and the pipeline remains strong, while demand from emerging markets is being driven by system integration and outsourcing engagements. In terms of verticals, the quarter under review saw some stability in the core BFSI segment with the US leading the trend, while the UK and Europe are expected to stabilise in subsequent quarters, notes the management. In manufacturing, the speed of demand recovery will depend on overall economic recovery. The media and retail verticals continue to grow from new deals as well as ramp-ups of large deals closed in FY09. Among service lines, application and outsourcing services continued to maintain revenue share despite slowdown in new deals. TCS' remote infrastructure management solutions continue to attract good traction across markets. The company continues to leverage industry leading portfolio of BPO solutions to deliver growth. The share of revenue from the Top 10 clients grew to 28 per cent of revenues from 26.8 per cent in the previous quarter and customers continued to migrate to higher revenue bands. Chief Executive Officer and Managing Director S Ramadorai said: "While we remain vigilant about the environment, TCS is leveraging its global presence and the investments made in developed and emerging markets to deliver our proposition of certainty, which resonates clearly with customers in these

challenging times and helps us create long-term value for shareholders." Chief Operating Officer and Executive Director N Chandrasekaran said: "TCS' discipline in execution and agility on the ground as well as its ability to remain close to the customer has enabled us to deliver volume growth with enhanced profitability in this quarter." On the hiring front, utilisation in Q1 FY09 was 79.2 per cent (excluding trainees) and 71.3 per cent (including trainees). There was a gross addition of 2,828. The attrition rate in Q1 was 11.5 per cent. At the end of Q1, the total employee strength of the company was 1,41,642. Foreign nationals formed 8.3 per cent of the total employee base and 30 per cent were women.

Infosys wins \$10 million pilot with INTEL

Infosys Technologies Ltd.- India's second-largest software exporter by sales, has won a pilot outsourcing contract worth \$10 million from chipmaker Intel Corp. (INTC). The contract could evolve into a \$100 million engagement for Infosys, the report said.

Intelenet bags US\$300-m deal from US healthcare co

NEARLY two years after private equity firm Blackstone acquired BPO, Intelenet Global Services, the back-office processor is starting to see some big outsourcing contracts from the PE player's portfolio companies. The BPO firm has won a multi-million dollar contract from a healthcare provider in the US, which is a Blackstone investee company. The contract is the second-largest for Intelenet after its number one customer Barclays, according to sources close to the development. It was reported that this was one of the sweeteners to the deal when the management-led buyout of Intelenet was done in June 2007. Follow-on business contracts and acquisition opportunities are some of the benefits that a large PE investor like Blackstone brings. "Blackstone holds a significant stake in the company that has outsourced work to Intelenet. It is one of the largest healthcare providers in the US and does work with patients and insurance providers," said one of sources familiar with the details. The contract is between \$250-\$300 million and spread over a period of seven years, he said. When contacted, Intelenet officials refused to confirm or deny the development. The contract will also give the BPO firm a presence

in the healthcare segment, which is impacted to a lesser extent by the recession compared with financial services. Apart from this, its dependency on Barclays will come down to 25% of its revenues, said the source quoted earlier. At the time of the Blackstone acquisition, Barclays, which was a stakeholder, contributed close to 60% of Intelenet's revenues. "There could be more such deals in the pipeline. There is enormous pressure on companies in the US to cut costs because of the slowdown," said another person close to the company. He said the healthcare provider would save around 65% of its existing costs because of consolidating its back-office operations and outsourcing them. "There are at least 5-6 more such contracts that are expected to come to Intelenet in healthcare segment, although they may not be as large," said the same person.

Aegis acquires CCN to expand footprint in SA

NEW DELHI: Essar Group's BPO arm Aegis Ltd on Thursday said it has acquired South Africa-based outsourcing firm CCN Group PTY Ltd to expand its presence in the African country. The company will invest \$60 million in the next three years in South Africa. "We are putting in significant amount of our overall South Africa planned investment of R 500 million (USD 60 million) into this acquisition," Aegis Global CEO and Managing Director Aparup Sengupta said declining to give the deal size. Sources, however, said that the deal could be around \$30 million. The company, however, declined to comment on the deal size. Besides, Aegis plans to hire 4,000 people for the entity in next three years. "CCN is a strategic fit for Aegis and South Africa is an integral part of our growth strategy. We plan to hire another 4,000 people in the next three years in the country, which is a step towards our commitment to creating 5,000 jobs in South Africa over a period of time," Sengupta said. He added that the company plans to service its European clients out of the South Africa centre.

Infosys looks to outbid rivals for UBS unit buy

BANGALORE: Infosys Technologies has intensified its efforts to outbid rivals Wipro and Genpact to acquire the back-office operations of the Swiss financial giant UBS. At least two people familiar with this transaction said Infy has moved into a final due diligence phase in a deal that may involve upfront cash payment of over \$50 million for the assets in India and Poland, as well as assured multi-year business contract from UBS. Deloitte is running the sale process, which could be wrapped up in

the next 45 days. The IT captive of UBS has over 1,500 people working at its centres in India and eastern Europe. Infy, the largest Indian IT vendor to UBS, was actively working on the deal as the company seeks to grow its revenues from Europe by establishing a stronger foothold in the region. In 2007, Infy took over the back-office operations of the consumer electronics giant Royal Philips with centres in Poland. Tech giants Infosys and Wipro have been on the prowl to buyout the IT captives of MNC firms that are being put on the block. NYSE-listed BPO major Genpact too has been on the prowl for acquisitions. "Infosys does not want to lose this one. It will not only bring more revenues from UBS, but also help Infosys establish a stronger foothold in Eastern Europe," said a UK-based person.

EXL acquires Schneider Logistics' BPO unit in Czech Republic

NEW DELHI: BPO firm ExlService Holdings on Wednesday announced acquiring the BPO unit of US-based Schneider Logistics in Czech Republic as a part of a multi-year outsourcing agreement with the logistics firm. "As part of the transaction, EXL has acquired the operations of Schneider Logistics, SRO in Olomouc, Czech Republic with effect from July 3, 2009," EXL said in a statement. The deal size, however, was not disclosed. The facility will serve as EXL's third outsourcing service delivery location outside of India and Philippines, it added. The Czech facility currently provides transaction processing services to Schneider and its clients in Europe and the US. It has about 200 employees, who will be transferred to EXL as part of the transaction, the statement said. EXL now has 12 delivery sites located across India, Philippines and Czech Republic. Headquartered in the US, EXL also has offices in New Jersey, London and Singapore.

MphasiS partners UK firm for automation technology

NEW DELHI: IT services firm MphasiS on Wednesday said it has partnered with UK-based software vendor Singularity for using the latter's technology for automation of business processes for its clients. Under the agreement, MphasiS will use Singularity's business process management (BPM) technology to automate processes for clients across sectors like financial services, manufacturing, healthcare, communications, transportation, consumer and retail and energy, MphasiS said in a

statement. BPM technology eliminates unnecessary steps and reduces manual inputs in a process, increasing the number of activities that can be carried out in parallel, which results in reduced costs and management overhead as well as increased throughput capacity. "This alliance in particular reflects our long-term focus on driving new levels of efficiency in knowledge intensive sectors such as banking, energy and health-care," Singularity Chief Executive Officer Padraig Canavan said.

IT sector could miss export target of \$60 bn by FY10: NASSCOM

India's software sector is likely to miss the much-touted target of touching 60 billion dollar exports by FY10, due to unprecedented slowdown in key markets like the US and Europe, IT industry body Nasscom said. "... the aspiration of USD 60 billion by December 2010 is likely to be delayed by at least three to four quarters due to unprecedented slowdown in 2009 in key markets, particularly the US and Europe," a Nasscom-McKinsey report said. The technology and business services industry grew substantially to USD 52 billion in 2008 including USD 12 billion dollar in the domestic segment. Now with the financial meltdown taking its toll, the software and services revenue outlook has been revised downwards. Nasscom had earlier scaled down the growth rate for software exports to 16-17 per cent in FY09 as against 21-24 per cent announced earlier. However, the report -- Perspective 2020 -- said the future of the IT industry remains secure in the medium to long term, even in the face of current macro-economic trends.

US cos ask Indian vendors to deliver projects locally

TOP outsourcing customers such as Bank of America and several local governments in the US are asking vendors such as TCS, Infosys and Wipro to deliver more projects locally. They are also rescinding job offers to foreign workers in an attempt to address anti-offshoring sentiments and cope with legislative requirements of the Troubled Assets Relief Program (TARP). Bank of America and other financial services organisations, who have received funds under TARP, need to ensure that they try and employ a local American worker before hiring a foreign worker from companies such as TCS, Infosys and Wipro. During the past few months, at least five new outsourcing contracts had new clauses, which mandated that certain

work be delivered onshore. "Bank of America's Merrill Lynch integration projects are being delivered locally because of TARP requirements — on any other day, Infosys could have done a majority of these projects from India and elsewhere," said a US-based person familiar with the bank's outsourcing initiatives. Bank of America confirmed that they have rescinded around 50 H-1B job offers in order to comply with TARP. A person familiar with these job offers told that several graduates from the University of Michigan are among many potential H-1B workers left stranded in the US. "Recent changes in US legislation made it necessary for Bank of America to rescind job offers it had made to students requiring H-1B sponsorship," said Kelly E Sapp, a spokeswoman.

IT billing rate might go down by 35% to 40%

BANGALORE: The race to woo recession-hit clients across the world is forcing IT biggies to reduce their client billing rates, sometimes as high as 35-40 %, though most are still managing to control any sharp declines in their topline. In certain projects the billing rates are down to US\$16 an hour, which, analysts say are the lowest ever rates. And such rates will continue at least till Q1 next year, they add. "We have seen such sustained decreases in pricing in most projects. I expect this to last until the year end at least," says Siddhartha Pai, Partner and MD, at the India offices of TPI Inc, a global outsourcing advisory firm. The last month or so has seen unprecedented cut in billing rates even for existing customers. For large testing services, and of services of similar value, US\$16-20 is the prevalent rate. This is almost 30-35 % lower than the rates being charged earlier this year and steeper than the 20% cut that British Telecom had demanded from Infosys and Tech Mahindra earlier this year on some old and new projects. Also higher-end projects like SAP have faced pricing cuts of around 25%, which is again more than what it was earlier this year. Top IT firms are offering such rates in the form of introductory discounts for new clients, and for a year or two for existing clients. "Pricing has been reduced substantially for some clients, including higher end projects, specially for long terms strategic clients or those that have been hit quite badly during the recession ," said a senior executive in Infosys who declined to be named as the company is currently in the silent period. A Wipro spokesperson said the company will not comment on speculation. Another worrying factor for the IT firms is that despite the rate cuts, there has not been a corresponding rise in the volume of deal flow, in either higher value or the

lower end services. "The deal flow is still low," and the situation might not be improving before Q1 or Q2 next year. Good old days are not coming this year for sure. Prices of IT services in outsourcing are anticipated to shrink well up to 2010 due to an uncertain economic climate, IT budget constraints and general market consciousness. These rates are even lesser than what the facilities personnel make per hour in their client's offices even in eastern European countries, where it varies between US\$16- \$22 per hour. There is cut throat competition now between the top five IT companies to retain and snap up new clients. The rate cut has been in stages. In November, clients demanded flat rates, by the first quarter of this year they wanted 20% cuts, and now most are demanding 30-35 % cuts for not just new, but also existing contracts.

UK's Lloyds banks on Wipro, TCS staff

Even as protectionism gains ground among political hardliners in the UK and US, UK-based Lloyds Bank has initiated the process of replacing most of its British IT workers with Indian nationals. Many of the Indian recruits will be from top-rung Indian IT majors like Wipro and TCS, who are also the bank's vendors, said two industry officials familiar with the development. The bank, which has over 400 employees in its IT department, is learnt to be considering replacing over 80% of its IT workforce with those from India. "We continue to outsource areas of IT work to companies based overseas. At any one time, some of the staff from these companies will be based in the UK to deliver aspects of our IT projects which is standard industry practice," said a Lloyds spokeswoman over email. She added that the number of staff from overseas companies working with Lloyds in the UK varied depending on the projects underway and the skills required. TCS declined to comment since it was in the midst of its silent period while Wipro refrained from commenting on "market speculation." Globally, the economic crisis has resulted in serious cost-cutting measures which includes wage cuts. For example, an Indian IT specialist with over four years of experience, will be paid almost 30% lesser than his British counterpart. "The cost pressures for companies in Europe and US are forcing companies to lay off workers and replace them with more inexpensive labour mostly from India and China," said a UK-based consultant who advises European banks on outsourcing strategies. Last week, the Lloyds Banking Group's employee union protested on a move to replace skilled IT workers of British origin

with those from India. "Workers from India, who would otherwise have no legal right to work in the UK, are being given work visas and flown into the country to take on jobs that could otherwise be given to the existing UK-based staff. The UK government should be using its 43% ownership in Lloyds to force the bank's board to act in the best interest of UK jobs and its economy," the union's assistant general secretary Steve Tatlow had said last week.

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