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## HEARD ON THE STREET

# GE Plans to Sell Call-Center Unit Based in India

By **KATHRYN KRANHOLD, HENNY SENDER and ERIC BELLMAN**  
Staff Reporters of THE WALL STREET JOURNAL  
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**General Electric Co.**, a pioneer in business processing in India, is looking to cash in on its outsourcing operations there, with a price tag of as much as \$1 billion.

According to people familiar with the situation, GE is in talks to sell all or part of the business, called GE Capital International Services, or GECIS. The division, which was started in 1993 in Delhi as part of GE Capital, employs 17,000 people with 12,000 at four centers in India. The company also employs 5,000 at its operations in Hungary, Mexico and China. It had \$400 million in revenue in 2003 and is the largest business-processing operation in India by a U.S. or European company.

General Electric isn't retreating from outsourcing or moving operations overseas in low-tech fields as it looks to globalize. Earlier this year, GE Chairman and Chief Executive Jeffrey Immelt told investors that GE could save as much as \$500 million to \$1 billion annually through simplification of its organizations including consolidation, sharing information-technology services and outsourcing.


The move by GE, which declined to comment, comes at a time when outsourcing by U.S. companies is accelerating and the industry is consolidating in India, giving GE an opportunity to profit from some of its investment, according to people familiar with the situation. Additionally, GE could save money by outsourcing more of its operations instead of having a captive unit, says John McCarthy, a researcher with Forrester Research Inc. in Cambridge, Mass.

Says Mr. McCarthy: "What GE does today, the rest of the world will be doing two years from now."

While no deal appears imminent, discussions are continuing as potential buyers weigh the value of business and the terms of any transaction, people familiar with the talks say. Among those considering a bid is Texas Pacific Group, which has had a long relationship with GE. GE provided the financing for Texas Pacific's first deal, its purchase of Continental Airlines.

Other investment firms and outsourcing companies have looked at the business in the past, including Warburg Pincus LP and one of India's leading outsourcing companies, Wipro Ltd. For

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many, however, the price was too high, according to people familiar with the situation.

## OFFSHORE WINDS

Some financial institutions and companies with offshore activities

Financial Institution	Estimated Off-Shore Staff	Off-Shore Locations
GE Capital	17,000	India, others
HSBC	8,000	India, China, Malaysia
Citigroup (eServe)	3,200	India
Norwich Union	3,050	India
American Express	2,000	India, others
Standard Chartered (Scope)	2,000	India
Barclays	1,750	India*
Fidelity Investments	1,000-plus	India, Ireland
Aviva Insurance	1,000	India
Bank of America	400	India, China

\*Planning stages

Sources: *Celent Communications; company sources*

to attract customers from outside GE, using the extensive capabilities developed over nearly a decade.

Among GECIS's other services are online learning programs, referred to as e-learning, as well as remote-network monitoring. GE says it was set up to "to leverage the English speaking, highly educated, intellectual capital of India to deliver processes that do not require face to face contact with the customers."

Any GE deal could be affected by outside political factors in the U.S. Outsourcing is a significant campaign issue. Several states have vowed not to give contracts for work that would be done offshore, which could initially slow down any buyer's efforts to expand the business beyond GE.

Adding to potential private-equity bidders' concerns is India's mixed history when it comes to foreign financial investment. The Indian stock market was a favorite destination for the capital of many macro hedge funds earlier this year before the surprise electoral defeat of the right-wing government. Many of these funds then lost money after the election.

Since the election, the Reserve Bank of India has discouraged foreign investment in the financial arena, which had been one of the most attractive sectors for outside capital. Last year, India garnered only about \$4 billion while China attracted \$54 billion in foreign direct investment.

Still, private-equity funds, which invest on behalf of wealthy individuals and pension funds among others, continue to be eager to invest in the country. Private-equity firms, led by Warburg Pincus, have invested more than \$1 billion in the Indian market in such things as software firms, mobile-phone operators and mortgage-finance firms. The investment arm of the Singapore

GECIS started out handling basic insurance claims and answering calls from customers of GE's commercial- and consumer-lending units and has moved into developing sophisticated software for analytics, data mining and business modeling with an army of employees with doctorates, masters and bachelor degrees. The majority of its clients are GE businesses but it also works with major companies in the financial, transportation and retail industries.

Because GE is the main customer, some individuals familiar with the discussions say the conglomerate may well prefer to sell to a financial or another complementary player rather than an industry buyer that would be considered a competitor.

Another challenge results from GE having told some bidders that it would guarantee only 18 months of work before seeking bids from other companies, says one person familiar with the situation. At the same time, a buyer would be able

government, Temasek, also has been active in the Indian market.

And the outsourcing business continues to draw huge interest. Outsourcing companies in India, as well as GE's unit, are searching outside of major cities to locate call centers and other operations because they can't recruit enough employees in the major cities. Analysts say profits of the leading Indian companies like Wipro, Tata Consultancy Services Ltd. and Infosys Technologies Ltd. expect profits to grow a healthy 20% or more this year.

Other major companies also continue to move back-office operations to India and other low-cost centers. HSBC Holdings PLC has some 8,000 employees in offshore operations in India, China and Malaysia, making it the second-largest next to GE in India, according to a July report by Michael Haney, an analyst with Celent Communications, a Boston-based research and consulting firm. Citigroup Inc. has 3,200 employees through its affiliate, e-Serve International, a back-office processing business that serves the company, according to Celent.

Mr. Haney says that "there's no longer a black-and-white model for outsourcing." He says a number of companies are building their own operations in India and outsourcing some processes at the same time. "A few years ago it was you offshore or you don't," he says. "Now you have all these different combinations available to you."

**Write to** Kathryn Kranhold at [kathryn.kranhold@wsj.com](mailto:kathryn.kranhold@wsj.com)<sup>1</sup>, Henny Sender at [henny.sender@wsj.com](mailto:henny.sender@wsj.com)<sup>2</sup> and Eric Bellman at [eric.bellman@awsj.com](mailto:eric.bellman@awsj.com)<sup>3</sup>

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- (1) <mailto:kathryn.kranhold@wsj.com>
- (2) <mailto:henny.sender@wsj.com>
- (3) <mailto:eric.bellman@awsj.com>

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