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IBM to buy Indian call centre for up to \$170m

By Khozem Merchant in Mumbai

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International Business Machines is to acquire Daksh e-Services, the third biggest call centre in India, for \$160m to \$170m in a deal likely to strengthen corporate America's commitment to offshore outsourcing.

The US technology company's acquisition is the largest deal of its kind in India's technology services industry and comes as the controversy over outsourcing has moved to centre stage in the US election campaign.

Analysts say the initiative could trigger similar mergers as foreign technology companies seek to acquire low-cost service bases in India.

Zenta, one of India's top 15 outsourcing firms, said this week it would add 1,000 staff in Mumbai to meet rising demand from customers in the US.

"This shows that American companies and the world at large is serious about outsourcing and India," said one of the private equity funds that is exiting from Daksh following IBM's acquisition.

India's business process outsourcing sector has been growing 55 per cent or more in the past three years and revenues in the fiscal year to the end of last month are set to reach \$3.6bn.

IBM's move also comes less than two weeks after the company was awarded a \$750m, 10-year outsourcing contract from Bharti Tele-Ventures, and Indian telecommunications group.

"These [two deals] will frighten competitors because they show IBM's commitment to India as a market [via the Bharti deal] and a place from which to deliver services [via IBM's captive centres and Daksh]," said Supratim Basu, technology analyst at ICICI Securities in Mumbai.









IBM has been a leader in outsourcing, notably to India, where it employs 9,000 technology professionals engaged in work such as systems integration.

The company's latest moves indicate a desire to step up its presence in a market where abundant IT talents and low costs are drawing other global technology companies. Accenture employs more than 4,000 in India handling tasks such as managing procurement.

The privately owned Daksh employs 6,000 staff at call-centres across India. Its revenues surpassed \$60m last year.

Daksh would enhance “[our] business transformation capabilities in areas such as banking, insurance and retail,” IBM said in a statement. The acquisition will add India and the Philippines, where Daksh recently opened a call centre, to IBM’s global services network.

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