o3 capital
Bangalore | Mumbai | New York

Technology Quarterly

Issue Number 4
December 2008

TECHNOLOGY NEWSLETTER

A Brief on Technology Deals & Trends

For further information please contact us:

Manohar Atreya
Email: manohar.atreya@o3capital.com

Adam Larkey
Email: adam.larkey@o3capital.com

Gautam Jaggi
Email: gautam.jaggi@o3capital.com

TABLE OF CONTENTS

Technology Sector: A Snapshot

VIEW FROM THE TOP

LPOs gain from financial slowdown

Companies in the US and Europe, in order to cut costs, are searching for cheap and good quality legal aid and LPO firms are gaining from this increased demand. According to industry estimates, companies gain anywhere between 50 to 75% of their costs on legal services once their work is outsourced.

India emerging as a datacenter hub

With rapid growth in demand for data storage capacity, which is expected to double by 2012, India will emerge as the hub for data centre hosting for West Asia, South East Asia and East Africa, predicts Gartner. The demand will be largely from sectors like financial institutions, telecom operators, manufacturing and services.

Alternatives to US & Europe: Asian outsourcing markets

Japan turns out to be the right market for Indian IT services companies, who are looking for new destinations to counter the set back from the US market. Japan, as a major automobile and consumer electronic manufacturing destination in the world, is one of the largest IT spending nations, an estimated market size of almost US$ 100 billion.

Tier-2 cities in offshore locations being favored to become IT and BPO service hubs

Rising wages and attrition levels in the tier-1 cities of the top offshoring destinations in Asia and Eastern Europe, has resulted in companies sourcing services from the smaller, tier-2 cities in these regions and looking at newer geographies like Latin America.

Source: o3 Capital

News & Events

DECEMBER QUARTER

World Bank bans Satyam for 8 years
DNA December-24-2008

The World Bank on Tuesday confirmed an earlier report that it has barred Satyam Computer Services from doing business with it for eight years, starting September this year, due to data theft and paying bribes to its staff.

IT slowdown likely to continue till Q3 of '09
Economic Times December-12-2008

The tech slowdown will continue up to the third quarter of 2009, according to global research firm Forrester.

Arun Sarin being considered for Yahoo top job: Report
Economic Times December-10-2008

Arun Sarin, who recently moved out as Vodafone Group CEO, will replace Jerry Yang at the top position in Yahoo.

Citi cannot sell its Polaris stake to IT rivals
Economic Times December-07-2008

Under an agreement between Polaris' two prime shareholders - promoter and chairman Arun Jain and Orbitech Ltd, a Citigroup outfit - neither partner can offload its stake to any firm that is a competitor to the other.

Quatrro BPO sets for $300 Million expansion plans
Silicon India December-05-2008

Raman Roy headed Quatrro BPO Solutions is on an acquisition spree. Over $300-million funding has been lined up for the acquisitions. The company, which employs around 2, 500 people, is in talks with more than six companies on the same.

IT-BPO lobby to take up layoff issue with Nasscom
Economic Times December-01-2008

In any IT-BPO company, about 5% of employees come under the category of low or non-performers.

Reuters Summit - Genpact to make foray into the Middle East
Reuters November-25-2008

Business process and technology services provider Genpact Ltd is looking to enter the Middle East and is currently bidding for business in the market, Chief Executive Pramod Bhasin said.

US to cut IT spend by 5% in 2009: Goldman Sachs
Economic Times November-07-2008

The survey forecasts negative growth in IT spending in other key developed markets like Western Europe and Japan in 2009.

India's Infosys crosses 100,000 employee mark
Asia Pulse October-12-2008

Notwithstanding the pressure on the IT job market from fears of an economic slowdown, IT major Infosys Technologies (BSE:500209) has become the second technology firm in the country to cross the 100,000 employee mark after industry leader TCS .

LATIN AMERICA – NEAR SHORE & BEYOND

Latin America has gained momentum in the offshoring and near-shoring markets primarily due its language capabilities and low costs.

Leading global companies like Exxon, Procter & Gamble, American Express, Unilever have set up large offshore operations in the region to cater to their nearshore, offshore and domestic customers. Apart from this, large vendors like TCS, Infosys, IBM, Genpact are actively consolidating operations in Latin America and setting up a strong base.

One of the prime interests in the Latin American market is their ability to serve the fast growing 40 million Hispanic population in US apart from the European Spanish speaking populations.

Its proximity to US, coupled with a fast growing base of educated, English speaking population remains the key attractiveness of Latin America. Proximity to US ensures work gets done on a real time basis along with reduction in currency

However, the question remains that which Latin American country provides the necessary capabilities and infrastructure to take on the Bangalores and Shanghais of the world. An analysis to that effect has been provided below:

LATIN AMERICA COUNTRY ATTRACTIVENESS ASSESSMENT

Criteria	Argentina	Brazil	Chile	Mexico	Colombia	Costa Rica
Cost Attractiveness	●	◕	◑	◑	●	◑
Availability of Skilled Labor	◕	◕	◑	◕	◔	◑
Language Capabilities	◕	◑	◔	◕	◔	◕
Political & Economic Stability	◔	◑	●	◑	○	●
Government Support	◑	◔	●	◔	◔	●
Cultural Affinity	◕	◑	◕	◕	◔	◕
Total Attractiveness	◕	◕	◑	◑	◔	◑
Pros	Lowest wages for skilled labour in the region	Significantly outnumbers country peers in call center with a strong domestic focus	Remarkable stability of political and business environment	Closest to US, developed FA BPO market in the region	Stable economy with available labour	Very good bilingual skills with strong presence of international captives
Cons	Political & economic stability for relatively short time	Limited number of English & Spanish speakers	Limited availability of professionals fluent in English	Key costs (salary, real estate) are higher than peers	Reputation impact which reduces the inflow of investments (High crime rate)	Limited work-force availability given population size and potential saturation

Source: o3 Capital; AT Kearney's 2007 Global Services Location Index

Least Attractive ○ → ● Most Attractive

In Focus

BUSINESS PROCESS OUTSOURCING

An Overview:

Business Process Outsourcing (BPO) can be defined as the delegation of one or more business processes to an external provider that in turn owns, administers and manages them based on defined and measurable performance criteria.

While the global BPO spend has been rising consistently – at CAGR of 9-10% over the past 5 years – the offshore spend has been increasing at a more rapid pace – 25-30% (CAGR from 2004-2008). However, it still constitutes a fraction of the world offshore spend. In 2008, the global offshore market pie was a tad above 5% of the total BPO market, implying a huge potential to increase its share of the pie.

The Indian BPO sector has witnessed a robust growth in the last 5 years. According to NASSCOM, BPO clocked revenues of US$ 10.9 bn in 2007-08, which represents a CAGR of 35% over the last 5 years.

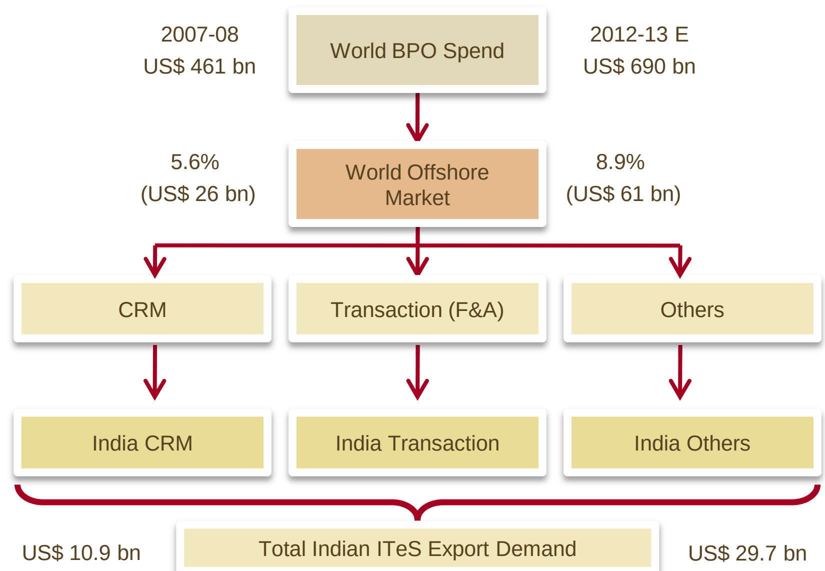
However, going forward, revenueS are expected to grow moderately at 22% to touch US$ 29.7 bn by 2012-13. Knowledge services which offer higher value to clients and vendors are expected to drive future gorwth, though currently it accounts only 12% of the total BPO exports.

Indian BPO Demand by Service Lines

Service lines (Revenue in US$ bn)	2006-07	2007-08	2012-13E	CAGR 2008-13
Customer Care	3.7	4.8	10.9	17.8%
Transaction	3.4	4.5	12.6	22.8%
Human Resources	0.3	0.3	0.9	24.6%
Knowledge Based Services	1.0	1.3	5.3	32.4%
Total	8.4	10.9	29.7	22.2%

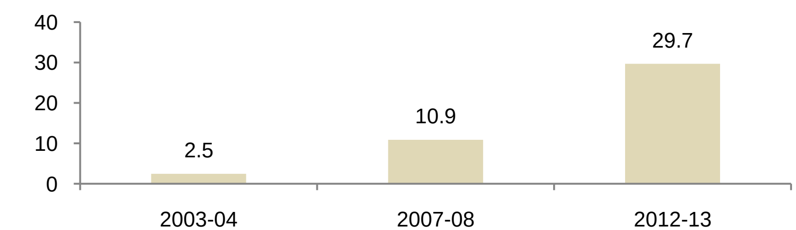
Source: NASSCOM

INDIA'S BPO MARKET (2003-2010) – EXPORTS & TOTAL FTEs



Source: o3 Capital Estimates; CRISIL

INDIA'S BPO MARKET GROWTH: 2003-2013



Source: NASSCOM

In Focus

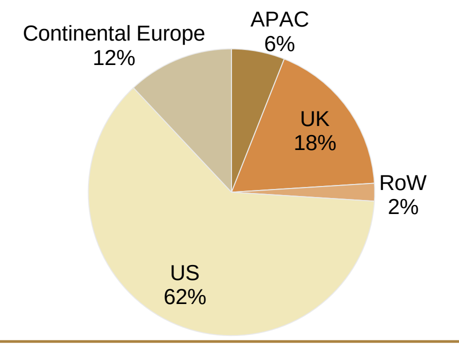
BUSINESS PROCESS OUTSOURCING

Geography Focus:

Most of the revenues (about two-thirds) of the Indian ITeS industry come from US, and hence the domestic ITeS industry relies heavily on the US economy. The sub-prime crises and the recent slowdown in US are expected to affect BPO spending by companies.

The gap between US & Europe is expected to come down in the future. UK & Ireland accounted for the 45% of Europe's BPO market with Germany, Austria and Switzerland accounting for 20%.

SHARE IN INDIA BPO REVENUES BY GEOGRAPHY - 2008



Source: NASSCOM

What constitutes a BPO - Service Lines

Service lines	Service Offerings
Administrative Support	Data entry, Document conversion, Forms processing, Indexing, etc.
Customer Relationship Management	Customer support, Order taking, Customer service, Product support / technical help desk, etc.
Document Processes	Marketing and communications, Financial accounting, Regulatory compliance documents.
Sales and marketing	Cold calling / email pitched ,Telephone survey, Lead generation, Appointment setting, etc.
Finance and accounting	Internal auditing, Travel expenses, Credit and debt analysis, Collections & invoicing, Accounts payable
HR & Training	Recruitment, Training, Attrition/retention, Database management
Medical transcription	Writing down medical records dictated by physicians/ healthcare professionals
Intellectual property research	Filing and drafting of patent applications, Prior art research, Licensing support, Patent portfolio analysis
Legal services	Documents management, Billing, Translation, Administrative and secretarial support services

Source: o3 Capital

Future Challenges:

A number of future challenges can be seen for the BPO industry in India, which need to be addressed urgently:

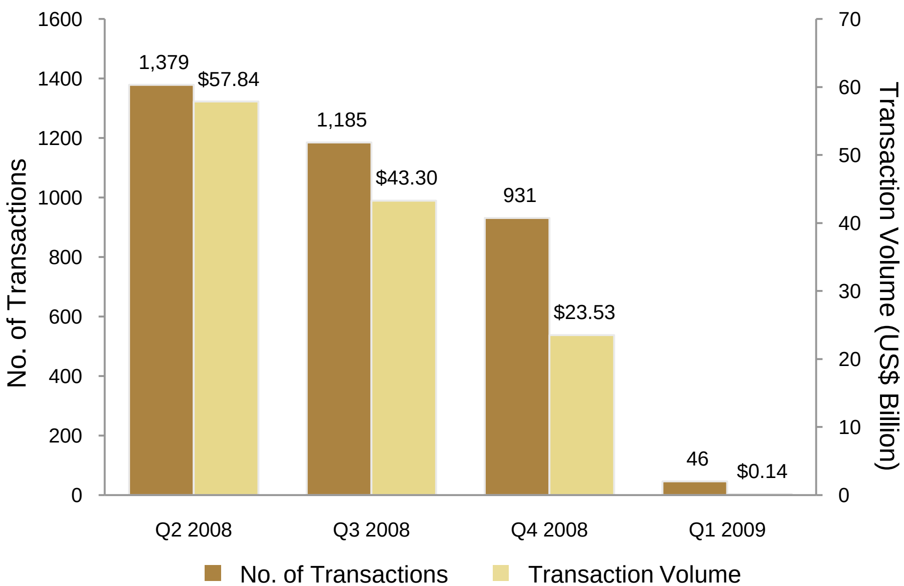
- *Lack of adequately trained man power – talent demand supply mismatch*
  - *IT & ITeS Industry faces a shortage of 5,00,000 trained personnel by 2010 (NASSCOM)*
- *Slowdown in global growth & over dependence on developed economies*
  - *Top 3 IT Players get 70% of their revenues from the US*
- *Infrastructure bottlenecks*
- *Anti-reform political platforms and social sector unrest*
- *Cost arbitrage – quality dynamics going in favor of other countries*
  - *E.g.: Philippines has quality in LPO than India, though the costs are high*
- *Low productivity (because of lack of skills / shortage of skilled talent pool)*
- *Data security issues*

If these concerns are addressed adequately, Indian BPO sector has the potential to go up to US$ 34-35 bn in revenues

Technology Sector: Transaction Activity

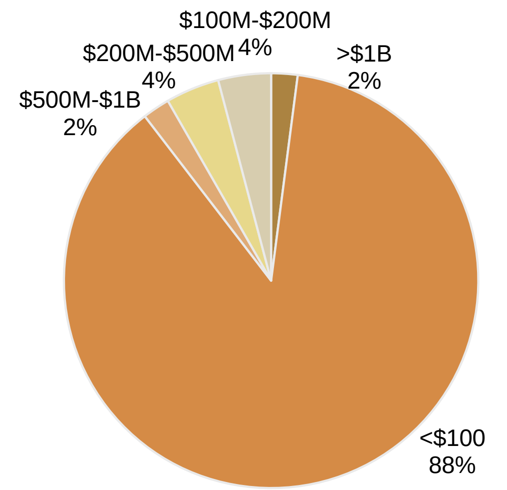
TRANSACTION STATISTICS – TECHNOLOGY SECTOR

TRANSACTION SUMMARY – TECHNOLOGY



Financial year from January to December

NUMBER OF TRANSACTIONS BY TRANSACTION VALUE – LAST 3 MONTHS *



**Total Transactions – 2,322 (1,009 Undisclosed Transaction Values)*

TRANSACTION VALUATION METRICS – TECHNOLOGY SECTOR (LAST 3 MONTHS)

TRANSACTION VALUE (US$ M)	EV/ REVENUE	EV/ EBITDA	P/E
8,656.72	1.09x	4.25x	6.06x

Source: Capital IQ
EV – Enterprise Value, P/ E – Price/ Earnings

M&A Transactions

M&A TRANSACTIONS – DECEMBER QUARTER

ANNOUNCEMENT DATE	ACQUIRERS	TARGET	TARGET COUNTRY	TOTAL TRANSACTION VALUE (US$ M)	TARGET DETAILS
TARGET GEOGRAPHY – EUROPE					
October 2008	Tata Consultancy Services	Citi Global Services	United Kingdom	505.0	Citigroup Global Services handles services such as credit cards, consumer finance, retail banking, capital markets & banking as well as global transaction services. TCS and Citigroup have also signed a contract under which the former would provide it with services totaling $2.5 billion over the next 9.5 years.
November 2008	Tech Mahindra	Servista, Ltd.	United Kingdom	NA	Servista Limited provides outsourced customer care and billing services for the home services market. Its services include business process outsourcing, system integration, customer insight, and offshore transaction processing. The company serves media, telecommunication, financial services, retail, and utilities sector.
TARGET GEOGRAPHY – INDIA					
October 2008	Xchanging UK Plc.	Cambridge Solutions Ltd.	India	135.0	Cambridge Solutions provides information technology (IT) and business process outsourcing (BPO) services worldwide. It offers various BPO services, including process consulting, transaction processing, finance and accounting, claims and risk management, and contact centre.
December 2008	Wipro Technologies	Citi Technology Services	India	127.0	CTS, the technology and infrastructure outsourcing arm of Citi provides information technology services and information to Citi entities worldwide. As part of the transaction, Wipro will sign a master services agreement for the delivery of technology information service and Application Development and Maintenance (ADM) services for a period of six years worth at least $500 million
December 2008	Technomen Oyj.	Lifetree Convergence Ltd.	India	44.0	Lifetree Convergence, Ltd., a software company, provides IT solutions to manage customer touch points of a telecom service provider. It serves communication service providers, banks, financial service companies, retailers, and media and entertainment companies. The company markets its products in the Asia-Pacific, the Middle East, Europe, and Africa.
December 2008	Serco Group	InfoVision Group	India	20.0	With 10,000 employees working in InfoVision, the firm caters to clients like GE, Talk Talk, HSBC, American Express and ABN Amro providing customer services, database management and back office services

Source: Capital IQ; o3 Capital Research

M&A Transactions (contd.)

M&A TRANSACTIONS – DECEMBER QUARTER

ANNOUNCEMENT DATE	ACQUIRERS	TARGET	TARGET COUNTRY	TOTAL TRANSACTION VALUE (US$ M)	TARGET DETAILS
TARGET GEOGRAPHY – UNITED STATES					
October 2008	Cisco Systems	PostPath Inc.	United States	215.0	PostPath, Inc. develops email and collaboration servers for corporate messaging and collaboration environments with its headquarters in Mountain View, California
October 2008	HCL Technologies Ltd..	Control Point Solutions	United States	20.5	Control Point Solutions, Inc. provides voice, data, and wireless telecommunications expense management (TEM) services to various organizations. It offers TEM business process outsourcing services, including order and inventory, invoice processing, expense management, and user accountability, as well as professional services.
October 2008	Idhasoft	Enterpulse	United States	12.0	Enterpulse, a software and services company, develops enterprise portal, content management, and services infrastructure solutions. It offers business process management consulting, and service oriented architecture design and development solutions.
November 2008	Polaris Software Lab Ltd.	SEEC Inc.	United States	NA	SEEC, Inc. provides software solutions that help insurance, manufacturing, financial services, and other companies create new business processes by reusing and integrating their core administrative and transaction systems in new Internet-or Web-based applications.
December 2008	Core Projects & Technologies	The Princeton Review	United States	20.0	Headquartered in New York, The Princeton Review is a pioneer in education and offers private tutoring and classroom and online test preparations. Core Projects & Technologies acquired K-12 Division of The Princeton Review
December 2008	Rolta	PIOCON Technologies	United States	NA	PIOCON Technologies, Inc. provides information technology solutions to corporate and institutional clients. The company offers system integration, application architecture designing, data warehousing, and enterprise software development.

Source: Capital IQ; o3 Capital Research

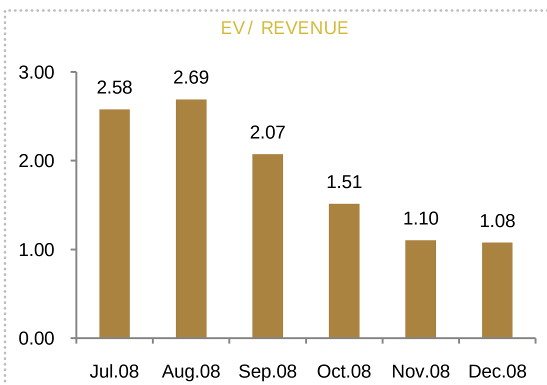
Comparable Company Analysis

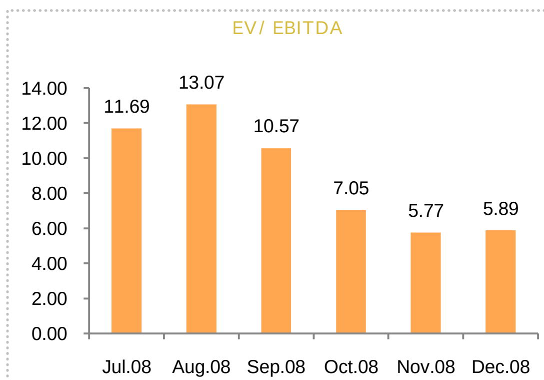
COMPARABLE ANALYSIS: INDIAN IT SERVICES FIRMS (REVENUE > US$ 500 M)

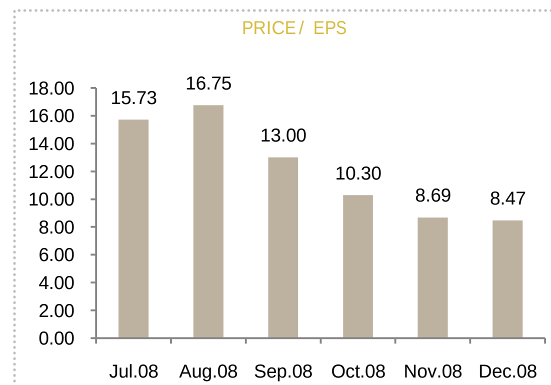
	MARKET INFO				CAPITALIZATION		PERFORMANCE : LTM				VALUATION MULTIPLES		
											LTM		
Company Name	Price as of: 31.12.2008	52 Week High	52 Week Low	Shares Basic	Market Cap	Enterprise Value	Revenues	EBITDA	Net Income	EPS	EV/ Revenue	EV/ EBITDA	Price/ EPS
Cognizant Technology Solutions Corp.	20.08	37.10	14.38	291	5,847	5,252	2,663	480	415	1.43	1.75	8.50	13.07
HCL Technologies Ltd.	2.27	6.72	2.11	670	1,522	1,157	1,770	311	237	0.36	0.72	3.31	7.17
Oracle Financial Services Software	9.63	32.48	8.39	84	807	571	566	92	106	1.26	1.03	5.51	7.83
Infosys Technologies Ltd.	24.74	41.76	21.53	573	14,169	12,355	4,597	1,308	1,245	2.19	2.59	8.06	11.02
Mphasis Limited	3.17	6.11	2.47	209	661	655	617	76	77	0.37	1.13	6.27	9.16
Patni Computer Systems Ltd.	2.54	6.44	2.30	128	325	288	632	68	104	0.75	0.50	3.43	3.71
Satyam Computer Services Ltd.	0.49	11.26	0.24	674	333	-723	2,163	455	437	0.65	0.63	2.75	5.73
Tata Consultancy Services Limited	11.09	21.82	8.65	979	10,853	10,692	5,559	1,379	1,105	1.13	1.78	6.61	9.12
Tech Mahindra Limited	5.22	21.49	4.47	122	635	610	942	191	83	0.68	0.77	3.43	4.20
Wipro Ltd.	5.19	11.14	3.76	1,455	7,553	7,425	4,994	827	718	0.49	1.44	7.24	10.18
										Median:	1.08	5.89	8.47

All figures in US$ M, wherever applicable, NA – Not Available, NM – Not Measurable

VALUATION PERFORMANCE FOR 6 MONTHS THROUGH DECEMBER 2008







Source: Company Reports; Capital IQ; Bloomberg

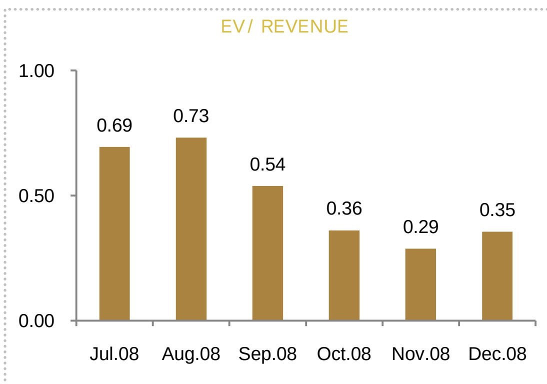
Comparable Company Analysis

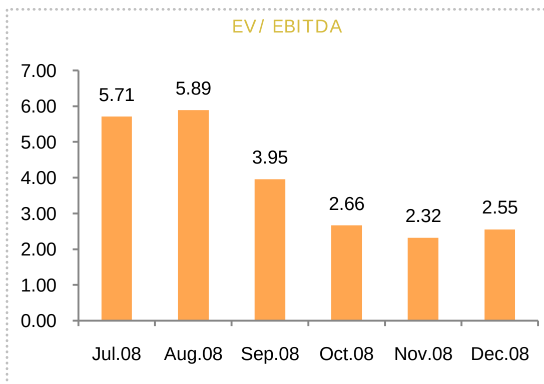
COMPARABLE ANALYSIS: INDIAN IT SERVICES FIRMS (REVENUE US$ 100 M - US$ 500 M)

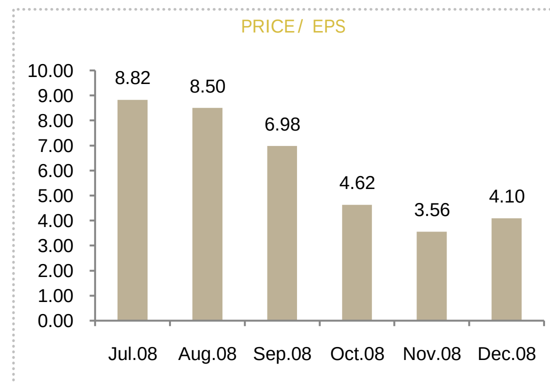
	MARKET INFO			CAPITALIZATION		PERFORMANCE : LTM					VALUATION MULTIPLES (LTM)		
Company Name	Price as of: 31.12.2008	52 Week High	52 Week Low	Shares Basic	Market Cap	Enterprise Value	Revenues	EBITDA	Net Income	EPS	EV/ Revenue	EV/ EBITDA	Price/ EPS
3i Infotech, Ltd.	0.71	3.04	0.62	131	93	477	374	69	48	0.36	1.36	6.67	2.42
Geometric Ltd.	0.43	1.78	0.41	62	27	40	117	10	7	0.11	0.38	3.16	7.54
Helios & Matheson Information Technology Ltd.	0.43	3.11	0.40	23	10	42	102	15	13	0.55	0.50	2.55	1.02
Hexaware Technologies Ltd.	0.41	1.77	0.35	144	59	34	248	10	-6	-0.04	0.17	2.56	NM
iGATE Corp.	7.07	12.02	3.73	54	383	322	326	30	29	0.54	0.89	7.03	11.50
Infotech Enterprises Ltd.	2.02	6.52	1.84	53	106	70	169	23	23	0.44	0.47	2.40	5.10
KPIT Cummins Infosystems Ltd.	0.48	2.56	0.42	78	37	38	149	16	12	0.16	0.34	2.28	4.12
Mastek Ltd.	3.37	8.67	3.02	27	91	98	208	30	29	1.03	0.53	2.92	3.69
MindTree Limited	4.82	10.49	4.48	38	182	191	201	34	17	0.46	1.00	4.69	11.43
NIIT Technologies Ltd.	1.29	4.55	1.11	59	76	49	212	31	30	0.50	0.29	1.59	3.00
Polaris Software Lab Ltd.	0.76	2.59	0.70	99	75	43	266	24	22	0.22	0.22	1.72	4.15
Prithvi Information Solutions Limited	0.73	7.29	0.66	18	13	22	270	31	23	1.28	0.11	0.93	1.00
Sasken Communication Technologies Ltd.	1.11	6.41	1.04	29	32	34	138	18	9	0.32	0.29	1.43	4.07
Sonata Software Ltd.	0.32	1.07	0.27	105	33	23	337	25	16	0.15	0.08	0.74	2.35
Syntel Inc.	24.84	38.89	16.14	41	1,031	912	400	86	76	1.84	2.10	8.51	12.58
Virtusa Corp.	5.78	16.70	4.00	23	136	65	174	12	13	0.55	0.35	3.78	10.99
Zensar Technologies Ltd.	1.49	3.62	1.47	24	36	42	182	24	17	0.72	0.26	1.68	2.36
										Median:	0.35	2.55	4.10

All figures in US$ M, wherever applicable, NA – Not Available, NM – Not Measurable

VALUATION PERFORMANCE FOR 6 MONTHS THROUGH DECEMBER 2008







Source: Company Reports; Capital IQ; Bloomberg

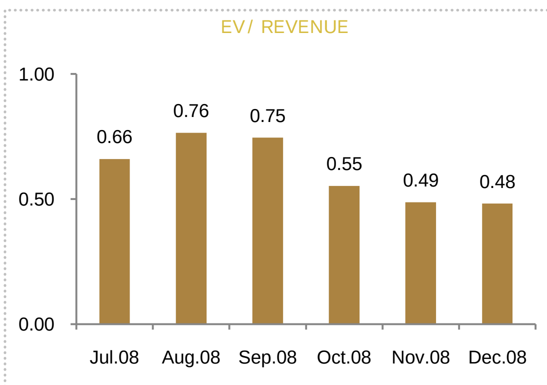
Comparable Company Analysis

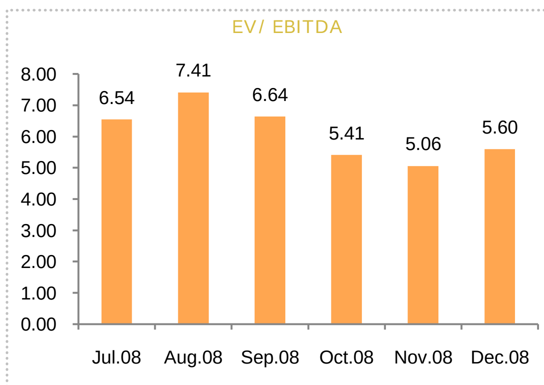
COMPARABLE ANALYSIS: US IT SERVICES FIRMS

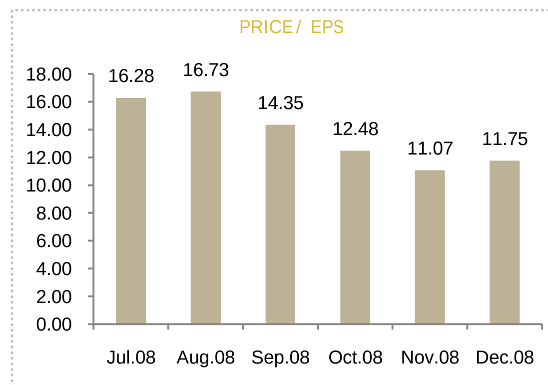
	MARKET INFO				CAPITALIZATION		PERFORMANCE : LTM				VALUATION MULTIPLES LTM		
Company Name	Price as of: 31.12.2008	52 Week High	52 Week Low	Shares Basic	Market Cap	Enterprise Value	Revenues	EBITDA	Net Income	EPS	EV/ Revenue	EV/ EBITDA	Price/ EPS
Accenture Ltd.	33.73	43.04	24.76	607	20,486	18,226	25,682	3,118	1,790	2.92	0.69	4.90	11.75
The Hackett Group, Inc.	2.67	6.65	2.07	39	105	79	188	17	19	0.45	0.47	4.57	6.62
Bearingpoint Inc.	1.75	126.00	1.15	4	8	655	3,370	-30	-204	-45.94	0.19	33.08	NM
Cerner Corp.	36.12	58.29	30.37	81	2,926	2,804	1,605	236	158	1.97	1.86	7.45	20.29
CGI Group, Inc.	8.14	10.09	6.97	308	2,509	2,800	3,497	406	276	0.87	0.89	5.73	10.40
CIBER, Inc.	5.01	8.97	2.95	60	301	448	1,203	59	31	0.52	0.36	5.60	9.39
Computer Sciences Corp.	36.36	52.50	23.93	151	5,508	8,540	17,320	1,209	933	5.97	0.48	3.27	5.97
Diamond Management & Technology Consultants, Inc.	4.02	7.46	1.84	25	102	55	190	6	16	0.57	0.31	7.66	25.88
Perot Systems Corp.	13.37	18.82	10.71	122	1,627	1,562	2,828	229	132	1.10	0.57	4.67	12.66
Sapient Corp.	4.30	9.97	3.30	127	546	396	676	49	46	0.37	0.61	5.97	12.48
Technology Solutions Co.	1.14	5.50	0.78	3	3	-6	24	-2	0	0.17	NM	NM	NM
Unisys Corp.	1.07	5.17	0.38	362	388	956	5,489	209	-58	-0.16	0.16	1.98	NM
										Median:	0.48	5.60	11.75

All figures in US$ M, wherever applicable, NA – Not Available, NM – Not Measurable

VALUATION PERFORMANCE FOR 6 MONTHS THROUGH DECEMBER 2008







Source: Company Reports; Capital IQ; Bloomberg

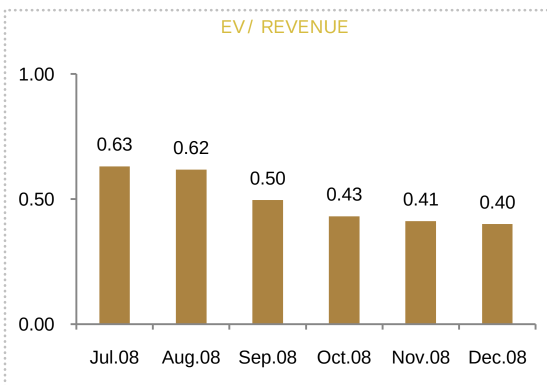
Comparable Company Analysis

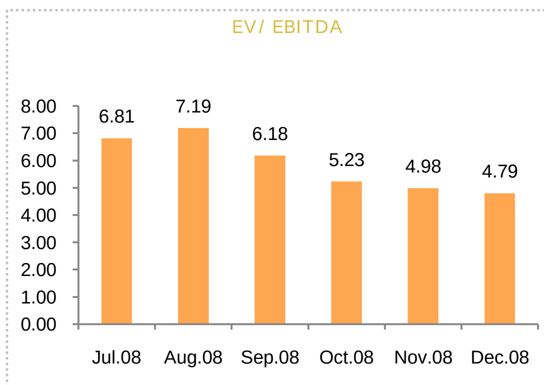
COMPARABLE ANALYSIS: EUROPEAN IT SERVICES FIRMS

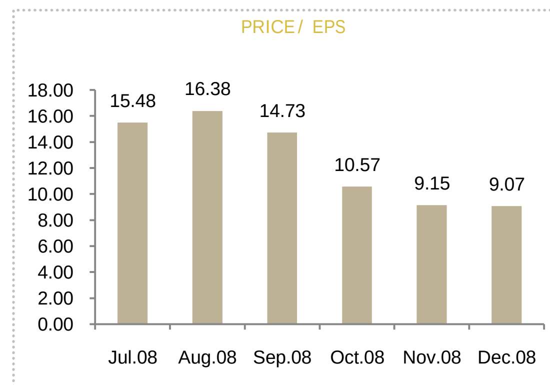
	MARKET INFO				CAPITALIZATION		PERFORMANCE : LTM				VALUATION MULTIPLES		
											LTM		
Company Name	Price as of: 31.12.2008	52 Week High	52 Week Low	Shares Basic	Market Cap	Enterprise Value	Revenues	EBITDA	Net Income	EPS	EV/ Revenue	EV/ EBITDA	Price/ EPS
Alten SA	18.38	37.55	17.37	32	583	590	1,233	149	87	2.77	0.62	4.92	8.72
Atos Origin SA	25.89	54.64	20.28	71	1,830	2,751	9,173	466	182	2.62	0.33	3.70	10.77
Cap Gemini S.A.	36.96	60.98	28.71	146	5,390	4,667	13,660	1,053	792	5.49	0.40	4.07	8.41
Capita Group plc	10.94	11.79	8.38	606	6,625	7,555	4,517	562	354	0.57	2.24	14.74	25.93
Devoteam SA	15.98	36.18	11.48	10	159	174	679	60	36	3.60	0.25	2.61	4.45
GFI Informatique SA	3.82	6.86	2.90	54	206	370	1,156	69	23	0.44	0.35	5.40	9.42
Groupe Steria SCA	11.66	32.80	9.93	29	333	793	2,597	182	84	3.23	0.34	3.65	4.05
Indra Sistemas SA	21.99	25.56	17.43	162	3,554	3,962	3,298	364	255	1.59	1.25	9.87	14.34
Logica PLC	1.10	2.22	0.88	1,598	1,754	2,633	6,598	312	51	0.03	0.51	5.83	17.53
Sopra Group	38.65	77.00	31.22	12	451	639	1,680	151	92	7.98	0.40	3.98	4.93
TietoEnator AB	10.96	23.24	9.43	72	785	1,030	2,625	108	-19	-0.27	0.40	4.79	NM
										Median:	0.40	4.79	9.07

All figures in US$ M, wherever applicable, NA – Not Available, NM – Not Measurable

VALUATION PERFORMANCE FOR 6 MONTHS THROUGH DECEMBER 2008







Source: Company Reports; Capital IQ; Bloomberg

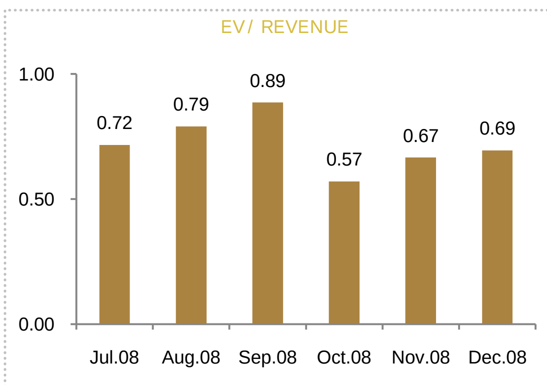
Comparable Company Analysis

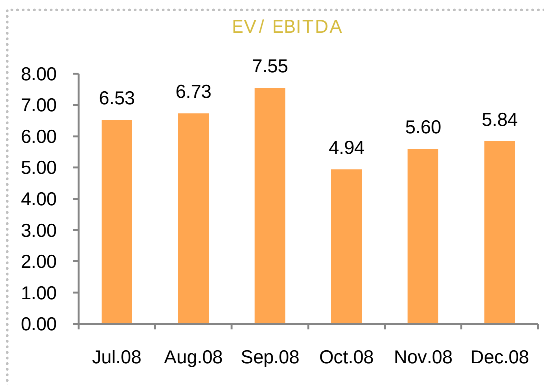
COMPARABLE ANALYSIS: GLOBAL BPO & CONTACT CENTER COMPANIES (REVENUE > US$ 500 M)

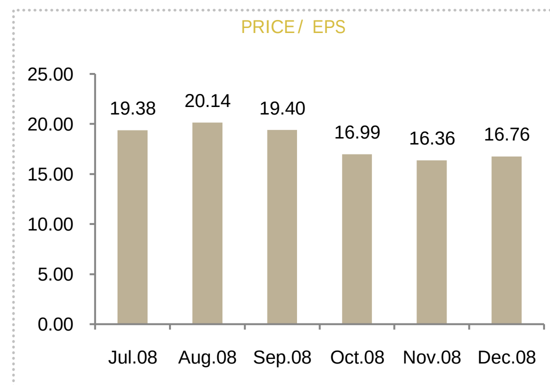
	MARKET INFO			CAPITALIZATION			PERFORMANCE : LTM				VALUATION MULTIPLES		
											LTM		
Company Name	Price as of: 31.12.2008	52 Week High	52 Week Low	Shares Basic	Market Cap	Enterprise Value	Revenues	EBITDA	Net Income	EPS	EV/ Revenue	EV/ EBITDA	Price/ EPS
Automatic Data Processing, Inc.	38.61	45.97	30.83	508	19,609	18,092	8,966	1,778	1,215	2.35	2.06	8.80	17.11
Convergys Corporation	7.34	17.00	4.02	122	896	1,423	2,796	130	-18	-0.15	0.47	4.42	NM
Genpact Ltd.	8.91	16.16	6.30	215	1,911	1,720	990	77	109	0.51	1.59	9.42	16.96
Gevity HR Inc.	1.99	9.23	1.00	25	49	69	545	13	-3	-0.13	0.11	1.94	NM
Paychex Inc.	25.31	37.67	23.22	361	9,132	8,731	2,110	842	567	1.57	4.30	9.81	16.76
Sykes Enterprises, Incorporated	18.80	22.55	12.34	41	776	554	816	69	62	1.54	0.69	5.84	12.54
TeleTech Holdings Inc.	8.22	26.88	6.43	65	537	533	1,446	108	72	1.03	0.37	3.18	8.26
										Median:	0.69	5.84	16.76

All figures in US$ M, wherever applicable, NA – Not Available, NM – Not Measurable

VALUATION PERFORMANCE FOR 6 MONTHS THROUGH DECEMBER 2008







Source: Company Reports; Capital IQ; Bloomberg

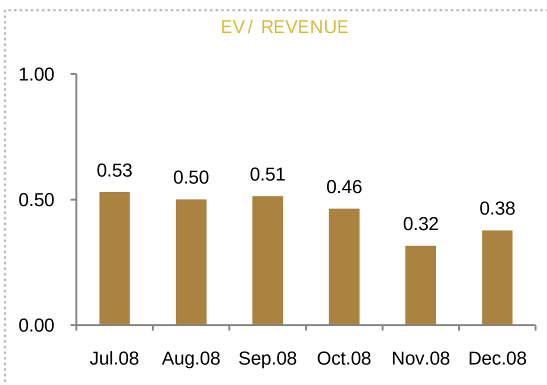
Comparable Company Analysis

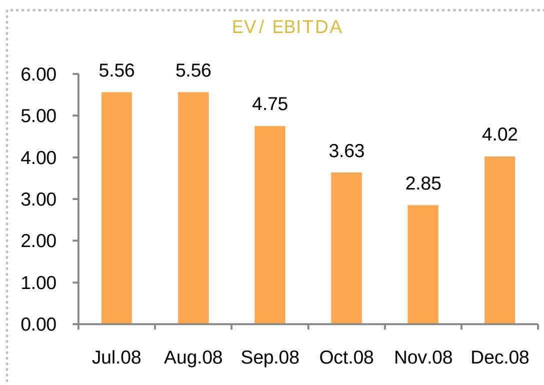
COMPARABLE ANALYSIS: GLOBAL BPO & CONTACT CENTER COMPANIES (REVENUE < US$ 500 M)

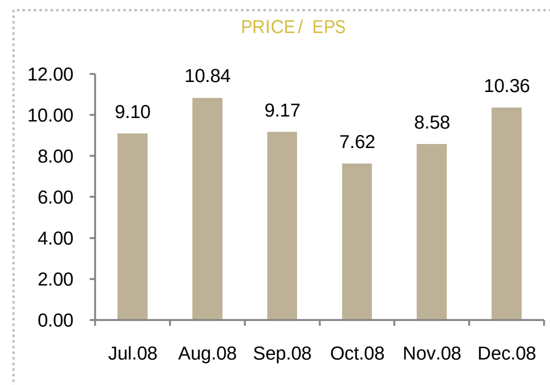
	MARKET INFO			CAPITALIZATION		PERFORMANCE : LTM					VALUATION MULTIPLES (LTM)		
Company Name	Price as of: 31.12.2008	52 Week High	52 Week Low	Shares Basic	Market Cap	Enterprise Value	Revenues	EBITDA	Net Income	EPS	EV/ Revenue	EV/ EBITDA	Price/ EPS
Allsec Technologies Limited	0.41	2.96	0.33	15	6	-10	24	-5	-5	-0.32	NM	NM	NM
APAC Customer Services Inc.	1.49	2.39	0.68	51	75	89	245	4	-4	-0.08	0.30	4.34	NM
Avaya GlobalConnect Ltd.	1.63	6.58	1.30	14	23	5	136	5	4	0.26	0.03	0.95	6.15
BroadVision Inc.	11.60	45.75	9.00	4	51	-12	37	4	13	2.96	NM	NM	3.80
eTelecare Global Solutions, Inc.	7.77	8.97	2.50	30	230	189	297	11	11	0.38	0.58	5.33	19.03
Exlservice Holdings, Inc.	8.75	26.00	4.43	29	252	151	209	24	21	0.72	0.70	4.02	10.36
ICT Group Inc.	6.06	12.14	2.50	16	96	70	439	-2	-5	-0.31	0.11	1.83	NM
KANA Software Inc.	0.75	2.09	0.46	41	31	33	69	1	-1	-0.01	0.45	14.05	NM
LivePerson Inc.	1.80	4.70	1.19	47	85	62	72	0	2	0.05	0.87	13.24	37.11
Rightnow Technologies Inc.	7.63	17.39	5.02	34	256	158	135	-14	-11	-0.34	1.20	NM	NM
Sento Corp.	0.01	0.14	0.01	5	0	-	59	-7	-7	-1.74	0.00	0.00	NM
SPANCO Telesystems and Solutions Ltd.	0.67	5.28	0.56	21	14	-	104	14	8	0.49	0.00	0.00	1.74
StarTek Inc.	4.58	9.79	2.05	15	68	45	265	-4	-6	-0.43	0.16	3.06	NM
WNS (Holdings) Ltd.	6.88	20.00	5.16	43	293	476	505	21	15	0.36	0.81	7.85	15.19
										Median:	0.38	4.02	10.36

All figures in US$ M, wherever applicable, NA – Not Available, NM – Not Measurable

VALUATION PERFORMANCE FOR 6 MONTHS THROUGH DECEMBER 2008







Source: Company Reports; Capital IQ; Bloomberg

THE FUTURE OF BUSINESS PROCESS OUTSOURCING (BPO)

US$ 212 Billion Industry by 2010

The continuing implosion of the traditional organization and its underlying support-management approaches, and the emergence of "virtualized" businesses, will see the Business Process Outsourcing (BPO) market grow substantially over the next few years, and by 2010 become a $212 billion industry. The range of processes that are being outsourced is continuing to develop. Large BPO markets like HR, Customer Relationship Management (CRM) and payments processing are being joined by new areas such as Finance and Accounting (F&A) and procurement. By 2010, there will be few processes within businesses that will not be outsourceable, and where customers will struggle to find capable and willing BPO providers. Yet, after a decade of good growth and being regarded oftentimes as "part of the solution," there are troubling indicators in the market that all is not well. Many BPO customers tell us that they are "underwhelmed" with the levels of service they receive from BPO providers. At the same time, many BPO providers tell us that their profit levels are far from ideal. In none of the major BPO areas can customer satisfaction be regarded as well aligned with the primary driver of outsourcing — the cost of process execution and management. The trend is most marked in domains where BPO is least mature. Customers who outsource F&A and CRM, and to a lesser extent, HR, have lower expectations of the cost savings and recognize other benefits of outsourcing such as process improvement or higher service quality. Customers focused on emerging areas of BPO, such as procurement, often have greater expectations of their BPO engagements, and consequently report that these benefits are often hard to achieve. This is an unsettling fact for BPO providers.

In trying to prize open the window of opportunity, they are seemingly guilty of talking a better game than actually delivering. This may provide short-term contract wins, but will do nothing for renewals and ultimate profitability. Clearly, however, this is not all simply a providerside issue. Customers also need to look at their understanding of what can genuinely be achieved. However, even with this caveat, providers must remember the simple mantra: The customer is always right (even when they're wrong). In trying to address these challenges, Gartner foresees four themes that can lead to better outcomes for all concerned by 2010.

THE RISE OF AUTOMATION

In the coming years, customers and providers will have to embrace greater levels of process automation. More and more customers are hitting a "brick wall" when it comes to leverage of offshore resources to drive costs out of their outsourced processes; the first year or two of labor arbitrage is impressive, but the only way to sustain cost reduction is to further refine efficiency through automation.

PLUG AND PLAY

Along with this is the leverage of more standardized, "configurable," pre-built solutions, rather than current fixation on using unique, one-off, "customized" ones. The days are rapidly ending where mainstream, established BPO providers can afford to tailor every solution and provide the reductions in process cost that customers seek. More and more customers are waking up to the simple truth that customization costs. And that if they want less expensive process execution, and enabling technology, then it makes sense to source solutions that are less complex and less unique.

IN A NUTSHELL

- Expect new and more high-value business processes to join the list of outsourcing services as more and more lower-end processes will get automated.
- Peaking attrition levels and rising costs in relatively mature outsourcing destinations will force customers to move toward other newer locations in Latin America and European countries such as Northern Ireland and the Czech Republic.
- BPOs will rise above level-1 services such as information collection to level-2 and level-3 services such as high-end analytics and knowledge processing.

GLOBAL SOURCING

Though the greater use of automation will eventually decrease the amount of labor involved in process execution, the use of non-domestic delivery will be an important factor for the foreseeable future. As Thomas Friedman's "flat world" becomes more and more a reality, the globalization of resource pools, from Jamaica, Brazil, Northern Ireland, Poland and China, will become a key corporate competitive weapon. Huge re-invention will incur in first-world labor pools as skill sets rise exponentially all around the world.

- Benjamin Pring
VP, Research, Gartner

Source: Global Services Media

About o3 Capital

KNOWLEDGE ORIENTED INVESTMENT BANKING AND FINANCIAL SERVICES FIRM

o3 CAPITAL SNAPSHOT

- Ozone Capital Advisors ("o3 Capital") is a knowledge-oriented full service investment banking and financial services firm focused on the mid market
- o3 Capital offers service offering across the financial services domain including Investment banking, Wealth Advisory Services, Broking Services and a Family Office
- Offices in Bangalore, Mumbai and New York
- o3 Capital's investment banking team provides clients with:
    - In-depth sector expertise: Key focus sectors include IT and Business Process Outsourcing, Consumer Products & Services, Infrastructure, Pharmaceuticals, Health Care & Life Sciences, Manufacturing & Allied Services, Real Estate and Media and Entertainment
    - In-depth understanding of capital syndication alternatives and the ability to provide end - to - end client support
    - Superior transaction execution capabilities and extensive network including leading global and domestic private equity funds, entrepreneurs and CEOs of leading companies around the world
- o3 Capital has successfully closed 19 transactions totalling more than US$1 bn since inception in January 2007
- o3 Capital is among the top 10 investment banks in India, and the top 200 in the world according to Bloomberg rankings

o3 CAPITAL TECHNOLOGY PRACTICE

- The o3 Capital Technology Practice has a formidable presence across a variety of horizontals and verticals within the technology sector

o3 Capital Technology Group

IT Services	ITeS/ BPO	Hi-Technology
• Engineering Services • Infrastructure Management • ERP • Consulting / Staff Augmentation • Others	• Knowledge Process Outsourcing • Business Process Outsourcing • Focus BPOs: Travel and Healthcare • Others	• Electronic Manufacturing Services (EMS) • PCB Assembly • Chip Design / Manufacturing • Others

- o3 Capital has strong relationships with most of the leading players in the Technology space:

WIPRO Applying Thought · MindTree · GENPACT Global Business Impact · patni · headstrong Strong opinions. Strong results. · SFO Technologies A NeST Group Company

OUR OFFICES

Mumbai	Bangalore	New York
# 5367, Grand Hyatt, Santa Cruz (East) Mumbai – 400055 Tel: +91 22 3262 6264 Email: mumbai@o3capital.com	o3 House # 27, Magrath Road, Bangalore – 560001 Tel: +91 80 4241 0000 Email: bangalore@o3capital.com	635 Madison Avenue 15th Floor New York, NY, 10022 Tel: +1 212 826 0303 Email: newyork@o3capital.com

Website: www.o3capital.com

Disclaimer

The information contained herein is prepared based upon various information resources, reflecting current prevailing conditions and o3 Capital's views as of this date, all of which are subject to change. In preparing the information herein, we have relied upon and assumed, without independent verification, the accuracy and completeness of all information available from public sources. Recipients of this report should conduct their own investigation and analysis including that of the information provided. The advice/recommendations rendered in his report are merely recommendatory in nature and not binding. Any decision or action taken by this recipient based on this report shall be solely and entirely at the risk of the recipient. Opinions expressed are our current opinions as of the date appearing in this material only. The information was prepared exclusively for the benefits and internal use of recipient and does not carry any right of publication or disclosure to any other party.