

Business Process Outsourcing Newsletter

NOVEMBER 2011

Editorial

Dear Reader,

In contrast with the previous month, November saw a high number of M&A transactions in the global outsourcing space. Key deals in the month include:

- Capgemini acquires VWA's Order to Cash business, a US based F&A services provider
- Moody's acquires a majority stake in Copal Partners, a leading Indian outsourced research and analytical services company
- SPi Global, a leading full-service global BPO provider, acquires Laserwords, an Indian publishing BPO company
- WNS acquires partner's minority stake in Philippines JV
- Serco acquires Excelior, an Australian BPO company

November witnessed a significant number of new contracts as well as contract renewals. Key contracts executed in the month include:

- Diligenta, a leading BPO provider in the UK and a subsidiary of TCS, wins a 15 year policy administration contract with Friends Life, a leading UK based provider of pensions, investments and insurance. The contract is worth USD2.2 Bn
- Accenture extends its customer service contract for 5 years with Enbridge Gas Distribution Inc which is an affiliate of Enbridge Inc., a Canada based natural gas distribution company
- Serco wins a 10 year back office outsourcing services contract from Peterborough City Council, UK
- Xchanging wins a 3 year voice and data services contract from the University of Surrey. The contract also has an option to be extended further by a year

Emerging Trends

- A recent study by the Everest Group shows that the global outsourcing and offshoring market saw significant drops in transaction volumes during the July-September quarter this year. As per Everest, the sluggish market witnessed 472 outsourcing deals compared to 508 and 516 transactions in the first and second quarters of this year, respectively
- As per a study by Everest Group, global services exports revenue in China is projected to increase to USD9.5-10.0 bn by 2015 at a CAGR of 20-25 percent from USD3.5 bn in 2010

This edition of the newsletter also includes the Avendus BPO Composite Index updated till the 2nd of December, 2011. The index indicates a decrease in share prices of BPO companies over the month of November 2011 with a negative 5.7% monthly return, negative 4.2% quarterly return and negative 18.8% annual return.

Regards,

Amit Singh

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DEAL SUMMARY

CORPORATE RESOURCE SERVICES COMPLETES ACQUISITION OF TS STAFFING SERVICES, INC. MERGER MARKET [21 NOVEMBER 2011]

Corporate Resource Services, Inc., the listed US based provider of staffing, recruiting and consulting services, including temporary staffing services, as acquired TS Staffing Services, Inc., the US based provider of temporary and permanent employment staffing services and related support services, from Robert Cassera, the US based private individual having interest in of temporary and permanent employment staffing services for a total consideration of USD 29.99m

As per the terms of the agreement, the consideration will be paid by issuing 34,839,159 shares of Corporate Resource Services valued at USD 0.8611 per share. TS Staffing generated revenue of approximately USD 94m during the six month period ended 30 June 2011. This acquisition will help TS Staffing to expand and enhance its business and maintaining CRS's quality service to its customers. Post acquisition, Robert Cassera is appointed as Chairman of the Board of TS Staffing and Scott Schecter was elected as Chief Financial Officer.

CAPGEMINI ENHANCES ITS LEADERSHIP IN FINANCE & ACCOUNTING BPO THROUGH THE ACQUISITION OF VENGROFF, WILLIAMS & ASSOCIATES, INC. ORDER TO CASH BUSINESS

CAPGEMINI PRESS RELEASE

[15 NOVEMBER 2011]

This niche acquisition is in line with Capgemini's strategy to complement its footprint with selected expertise. Run under the brand 'VWA', the Order to Cash business delivers consistent financial performance in terms of both growth and profitability, and will be accretive to the BPO and Group margin. The acquisition – which fits in with Capgemini's profitable growth strategy - will enable Capgemini to build on its Finance and Accounting BPO services through enhanced offerings in the Order to Cash

(OTC) market worldwide. Capgemini gains onshore OTC capabilities, mainly in the United States, as well as process expertise. The acquisition brings over 300 VWA experts to Capgemini's 12,000 skilled staff BPO organization. Capgemini and VWA have already been partnering for over a year with considerable success. The transaction is financed by the Capgemini Group's net cash and has just been finalized. In addition, Vengroff, Williams & Associates, Inc. owns state of the art technology software* which is already being integrated into Capgemini's BPO service, strengthening Capgemini's platform-based solutions for comprehensive Finance and Accounting outsourcing.

OTC BPO services can help clients reduce revenue leakage, accelerate the cash-flow cycle and limit bad debt expense – outcomes that clients are increasingly demanding. Revenue leakage from cash collections can account for up to 5% in some firms. Capgemini will be ideally positioned to address these needs and deliver best in class accounts receivable functions to clients across the globe. The OTC and collections BPO market size is expected to reach \$31bn by 2012 and is growing by more than 10% per annum according to NelsonHall, an industry leading BPO analyst firm.

F&A has been the main growth engine for Capgemini's BPO business, driving over 60% of its revenue last year. Capgemini is a recognized leader in F&A BPO. Gartner positioned Capgemini in the Leaders Quadrant for Comprehensive F&A BPO, Global**.

With over 300 experts, mainly based in the United States, VWA has eight outsourcing delivery centers - two in the United States and six in Europe: UK, Germany, France, Netherlands, Spain and Italy. VWA supports global Fortune 100 and Mid-Market enterprises. It boasts world-class credit analytics, cash application, and an impressive record in collections, supported by leading dispute and deductions toolsets. Capgemini also acquires a significant equity stake in the Vengroff, Williams & Associates, Inc. subsidiary that owns the Webcollect O2CPro software, with Vengroff, Williams & Associates, Inc. retaining a



majority equity stake in it. It is anticipated that this subsidiary will continue to be run as an independent entity and that the software will continue to be licensed to clients and other service providers.

Capgemini BPO has already integrated Webcollect O2CPro software into its BPO F&A offering and has thus extended its software and services platform-based BPO strategy that was developed through the earlier acquisition of the IBX Procurement platform in 2010. This allows Capgemini to deliver global, standardized services and faster time to value for BPO clients, as well as offer new software-rich business services.

Robert G. Williams, Chairman at Vengroff, Williams & Associates, Inc., who joins Capgemini as Head of the BPO Order to Cash service, commented, "We are thrilled to join a global team which has a great reputation in the market for Finance and Accounting BPO and which seems a perfect fit for our business. Capgemini's BPO business has global scale and reach, together with great vision in BPO. This combined with our deep expertise in OTC and collections should prove to be a winning combination. Meanwhile, Vengroff, Williams & Associates, Inc. will continue to develop its business, notably 3rd party collections and specialty audit."

Hubert Giraud, CEO Business Process Outsourcing at Capgemini, commented, "This acquisition is a perfect next-step for our growth strategy. It will further strengthen our global BPO offering through VWA's domain knowledge, on-shore center capabilities and US presence. Capgemini's BPO service is focused on delivering the best outcomes and real benefits to our clients. VWA will bolster our offering in the Order to Cash arena, giving more value for our existing clients and a strong new entry point for new customers. Combined with VWA, Capgemini strengthens its position as a leading player in this field."

KENEXA ANNOUNCES ACQUISITION OF BATRUS HOLLWEG

KENEXA PRESS RELEASE [14 NOVEMBER 2011]

Kenexa (NYSE: KNXA), a leading provider of business

solutions for human resources, today announced the acquisition of Batrus Hollweg (BHI). BHI's talent management solutions, particularly in the hospitality sector, along with their extensive research on talent management best practices, will add to the company's existing research and content portfolio.

Founded in 1969 in Frisco, Texas, BHI specializes in talent management solutions that help organizations maximize success through their people. The acquisition of BHI further expands Kenexa's talent management expertise by adding some of the most experienced consultants and researchers in the category, creating one of the strongest talent solutions teams in the industry.

Rudy Karsan, Kenexa's Chief Executive Officer, said, "We're delighted to welcome BHI and their clients to the Kenexa family. BHI's wealth of research and content regarding talent best practice, as well as their assessment solutions, are recognized as some of the top notch content and solutions in our industry today. The combination of Kenexa and BHI will provide the most researched and proven talent solutions content, particularly in the hospitality industry. BHI is a valuable addition to the Kenexa family and our clients will benefit from the strength of its offerings."

BHI's clients will also benefit from Kenexa's award-winning technology offerings and comprehensive solutions for employment branding, recruitment technology, employee assessment, recruitment process outsourcing, performance management, employee surveys and HR analytics.

"Joining with Kenexa is an exciting opportunity for BHI and our clients," said Lewis Hollweg, President, Chief Executive Officer and Chairman of BHI. "Kenexa's business solutions approach to human resources fits perfectly with BHI's consulting and assessment offering. The strength of our combined company broadens significantly the services we can offer to our clients."



MOODY'S CORPORATION ACQUIRES MAJORITY STAKE IN COPAL PARTNERS

WNS PRESS RELEASE [14 NOVEMBER 2011]

Moody's Corporation announced today that it has acquired a majority stake in the companies of Copal Partners. Copal's companies are among the world's leading providers of outsourced research and analytical services to institutional customers. The terms of the transaction were not disclosed.

The acquisitions complement the broad array of research, data, software and education services offered by Moody's Analytics, and Copal's services to customers in Western Europe and the Americas will contribute to continued expansion of Moody's Analytics client relationships. Moreover, Copal's operations in India and China further strengthen Moody's presence in these important growth markets.

Copal's analytical resources support front-line professionals at financial institutions and corporate enterprises worldwide. With expertise in a wide range of disciplines, including financial modeling, industry and company research, capital structure analysis and market surveys, Copal deploys a flexible staffing model to meet the specific requirements of its customers.

"Copal is highly regarded in the global financial services industry as a leader in high quality research and analytical services for bankers, financial analysts and institutional investors," said Mark Almeida, President of Moody's Analytics. "This acquisition extends Moody's Analytics' capabilities, enabling us to better help financial institutions manage risk. In addition, Copal's expertise and resources will allow us to accelerate innovation across Moody's Analytics."

"We are pleased to be joining Moody's, a company with a strong global reputation for expertise in financial research, risk management and analytics. We look forward to leveraging Moody's Analytics' global reach and extensive capabilities to enhance and expand the services that we provide to our customers worldwide," said Rishi Khosla, CEO of Copal Partners. Operating within Moody's Analytics Professional Services unit,

Copal will continue to be managed by its existing senior management team.

AUDAX GROUP ANNOUNCES THE ACQUISITION OF PLAZA ASSOCIATES BY UNITED RECOVERY SYSTEMS

AUDAX PRESS RELEASE [14 NOVEMBER 2011]

Audax Group announced its portfolio company, United Recovery Systems, L.P. ("URS"), has acquired the businesses of AID Associates, Inc. d/b/a Plaza Associates ("Plaza") and A.C.B. American, Inc. ("ACB"). Plaza and ACB are providers of collection services with offices in New York and Kentucky, as well as a call center in India. Plaza and ACB serve clients in the late-stage credit card and auto loan industries and also serve the healthcare industry with both first and third party collection services. This is the first add-on acquisition for URS, which Audax Group acquired in December 2008. Headquartered in Houston, Texas, URS is a provider of third party contingency debt collection services, specializing in the collection of early-stage pre-charge off and post-charge off receivables for the credit card, retail, and auto loan industries. URS formed a new subsidiary, Plaza Recovery, Inc., to acquire the businesses.

Young Lee, Managing Director of Audax Group, said "URS is a leading contingency debt collection provider with a stable customer base in a fragmented industry. The Plaza/ACB acquisition expands URS' operations internationally and into the healthcare and late-stage credit card end markets. We will continue to look for strategic add-on acquisitions that complement URS' industry-leading service offering."

Douglas Schultz, CEO of URS, said "This transaction is an exciting development for our company. We have diversified URS' end markets and customer base, while providing Plaza and ACB with the analytics and processes to make their operations more streamlined and efficient."

Paul Brennan, current CEO of Plaza Associates, will remain with the new company and continue to oversee collections in the New York office. Tony Faeth, currently President of ACB, will also remain with the



company and continue to oversee collections in the Kentucky office.

SPI GLOBAL ACQUIRES INDIA-BASED LASERWORDS

SPI GLOBAL PRESS RELEASE
[4 NOVEMBER 2011]

SPi Global, a leading full-service global BPO provider, today announced it acquired Laserwords Private Limited from India's Murugappa Group. Laserwords is one of the pioneers and most successful publishing BPO companies in India.

SPi Global, whose headquarters are in the Philippines, has been in the content solutions business for more than 30 years. It has facilities in Chennai, and Pondicherry in India focusing on Scientific, Technical and Medical (STM) publishing. It has also been awarded as the No. 1 Print and Publishing Outsourcing vendor by the Black Book of Outsourcing.

SPi Global President and CEO Maulik Parekh said that this acquisition will expand the depth and breadth of the company's content solutions business, making it hard to rival in the industry. "With the combined strength of two leaders in the global publishing space, our clients will get unmatched and an even more comprehensive suite of solutions for print, electronic, and database products," Parekh explained.

Laserwords Private Limited enjoys a long track record in the industry. Founded in 1983, it is a well-known and successful outsourcing partner for some of the world's leading educational, academic, and professional publishers. Laserwords has production facilities spread over India and the United States and provides a range of solutions that include production, editorial, multimedia, conversion and technology.

"This strategic acquisition will complement SPi Global's strong presence in the Scientific, Technical, Medical and Legal verticals with Laserwords' established foothold in the Education sector. We expect that this will expand and deepen our engagements with existing clients and also attract prospective clients," Parekh added.

Aside from its content solutions business, SPi Global, with its 15,000 employees in 24 locations worldwide, also offers customer relationship management (CRM) and healthcare solutions.

Earlier this year, SPi Global has been named "BPO Company of the Year" in the International ICT Awards. It has also bested other foreign BPO companies in Vietnam to win The Sao Khue 2011 Prize for the best BPO service in the BPO services category, recognizing SPi Global's excellent BPO solutions.

The company has also ranked among the top 100 outsourcing service providers in the world by the International Association of Outsourcing Professionals' (IAOP) Global Outsourcing 100 list. This is the 6th consecutive year that SPi Global was included in this list.

WNS ACQUIRES PARTNER'S MINORITY STAKE IN PHILIPPINES JV

WNS PRESS RELEASE [2 NOVEMBER 2011]

WNS (Holdings) Limited (WNS) (NYSE: WNS), a leading provider of global Business Process Outsourcing (BPO) services, today announced that it has entered into an agreement with Paxys, Inc., its joint venture partner in WNS Philippines Inc., to acquire the latter's 35% stake in the joint venture. Following the acquisition of Paxys' stake, WNS Philippines has become a 100% wholly-owned indirect subsidiary of WNS.

The original joint venture agreement was signed in April 2008 and provided for a joint venture term of four years from the commencement of operations of the joint venture in July 2008. The parties have mutually agreed to terminate the joint venture agreement with effect from November 1, 2011, following WNS's acquisition of Paxys' stake for a consideration determined in accordance with the formula set out in the original joint venture agreement.

"The Philippines is of strategic importance to us, as part of our global delivery strategy, and we expect to continue to invest in the Philippines as we grow our business," said Keshav R. Murugesh, Group CEO, WNS. "We have enjoyed a fruitful partnership with



Paxys for over three years and would welcome the opportunity to work with them again in the future."

SERCO ACQUIRES EXCELIOR PTY LTD

SERCO PRESS RELEASE [1 NOVEMBER 2011]

Serco announced today that it has completed the acquisition of Excelior Pty Ltd, an Australian Business Process Outsourcing (BPO) company, from the Skilled Group.

The sale price is made up of \$8.2m AUD to be paid on completion of the transaction, with a further earn-out payment of \$5.0m AUD payable over the next two years, subject to achieving set revenue targets.

Chief Executive Officer of Serco Asia Pacific, David Campbell, said the company would be managed and run as part of the Serco Australia business. It will also leverage Serco's global capability by forming part of the wider Serco Global BPO capability.

The acquisition will build on Serco's BPO capabilities in Australia which include the successful operation of transport information and integrated transport management systems in Queensland, New South Wales, Western Australia and operating the traffic safety programme detection and processing systems in Victoria. It will also complement the global BPO-related services that Serco can offer its customers, such as its recent acquisitions in The Listening Company in the UK and Intelenet.

Excelior has over a decade of experience helping organisations realise their business goals through the delivery of innovative, accessible customer interactions. This year alone Excelior has handled 24 million successful interactions for customers and provides multi-channel services for clients such as government departments, agencies and authorities, utilities, manufacturing, travel and tourism, retail services, and telecommunications. The Excelior business currently has 900 staff nationally across four contact centres, including Box Hill in Melbourne, Bendigo in regional Victoria, Burnie in Tasmania, and Robina in Queensland. All staff will be joining Serco on their existing terms and conditions.

Mr Campbell said Excelior was part of a key growth strategy for the company. "We are a company committed to providing service excellence and this has been shown in the way we have successfully developed, managed and delivered the current BPO operations around Australia," Mr Campbell said.

"We are committed to growing our onshore BPO capability in Australia. We recognise that BPO services is a healthy market in Australia with growth estimates of up to \$7.9bn by 2013. This acquisition is a key component of our national growth strategy and will enable us to extend our local expertise and strong business relationships in Australia."

Mr Campbell said it was an exciting opportunity to work with Excelior management and employees. "Serco has a strong history of working with governments and private providers similar to Excelior's existing client base, and we can bring to them Serco's global knowledge and proven management capability." Together with Serco's existing BPO-related operations it will have about 40,000 employees around the world providing transactional, process and voice support, finance and accounting services, and business transformation consulting, making Serco strongly placed to provide its customers with a broad range of end-to-end business services



CONTRACT TRACKER

ACCENTURE AND ENBRIDGE GAS DISTRIBUTION SIGN FIVE-YEAR EXTENSION OF BPO AGREEMENT

ACCENTURE PRESS RELEASE

[28 NOVEMBER 2011]

Accenture (NYSE: ACN) and Enbridge Gas Distribution Inc., an affiliate of Enbridge Inc. (TSX: ENB; NYSE:ENB), have signed a new business process outsourcing (BPO) services agreement that extends their existing customer services contract for an additional five years, to 2017. Terms of the agreement were not disclosed.

Under the extended agreement, originally signed in 2007, Accenture will continue to provide outsourcing services related to billing, payment processing, back office, call centre and collections functions. These services will be provided through Accenture's Global Delivery Network.

Damian Rivera, senior executive in Accenture's utilities industry group, said, "By outsourcing its customer care, Enbridge Gas Distribution has benefited from the high-performance process models and technology insights we have developed across our global BPO practice. Enbridge has been able to build in greater cost certainty, and we look forward to collaborating with the Enbridge team to drive additional improvement in its customer service experience while further enhancing efficiency."

SERCO SIGNS CONTRACT WITH PETERBOROUGH CITY COUNCIL TO DELIVER SERVICE IMPROVEMENTS AND EFFICIENCIES

SERCO PRESS RELEASE [25 NOVEMBER 2011]

Peterborough City Council and Serco have now joined forces to create a strategic partnership that will improve services to residents and deliver at least £20m savings over the next 10 years.

The partnership was formally confirmed at a special signing ceremony in the Town Hall on Friday 25th November with the Deputy Leader, Councillor Matthew

Lee, and Darryn Gibson, Chief Executive of Serco's Local Government business.

The event marks the end of the Council's year-long search to find an experienced and reliable partner to build on the success of the award-winning Manor Drive - developed in 2008 to bring together the Council's back office services into a single, coherent structure - which delivered £2m of savings in 2009/10.

From Monday 28 November, Serco will take on the management of a wide range of front-line services, including customer services, benefits processing and council tax collection. Serco will also now be responsible for the Council's comprehensive service transformation programme to improve service standards and efficiencies for customers and deliver ongoing savings for the Council.

The 10-year deal, with the option of two further five-year extensions, will see all 370 city council staff who currently work in these services transfer to Serco, with their terms and conditions protected under the Transfer of Undertakings (Protection of Employment) (TUPE) regulations.

Both organisations have emphasised the benefits and new opportunities for all transferred staff as a result of Serco's plans to develop its new operation in Peterborough as a regional service base.

Councillor Matthew Lee said: "This is a big and exciting change to the way we work that will help us deliver better, more efficient services to the people of Peterborough. "From Monday, any customer enquiry will be dealt with by the same people as it is today. The difference is that they will be employed by our partner, Serco, rather than directly by the city council.

"The priority at this stage is to ensure the handover is seamless and that residents don't have to do anything differently. The way you contact us and the service you receive won't change - at least initially. Meanwhile, behind the scenes, Serco will be working hard to make dealing with the council easier, quicker and more convenient.



"Jonathan Prew, Managing Director, Serco Local Government, said: "We're very excited about this partnership and the benefits we believe it will deliver to the Council and local communities across Peterborough. This decision reflects our strong track record for innovation in the delivery of high quality and efficient services for Peterborough and our customers across local government.

"By introducing new technology, which allows citizens the flexibility to communicate with the council in a variety of ways which suits them, we will improve customer experience and drive efficiencies for the Council. "However, the most important thing is a smooth transition with no drop in service for Peterborough's citizens and Council staff, and I'm very much looking forward to welcoming the new team to Serco on Monday.

These services will remain located in Peterborough and provide a platform for Serco to develop and expand its operation by providing services to other businesses in the region.

SERCO WINS MULTIPLE SMALL AND MID-SIZED CONTRACT

SERCO PRESS RELEASE [17 NOVEMBER 2011]

Smaller and medium-sized contract wins are fundamental to Serco's growth and value creation; in addition to larger wins, this release therefore updates on a broad selection of signed contracts and preferred bidder appointments so far in the second half of 2011.

Contact centre support in Europe

Expanding upon Serco's existing information technology support services to a major European institution, we have won a new Telephone Contact Centre contract. Serco will be operating a multilingual contact centre, maintaining a consistent capability of at least nine languages but also supporting all 25 EU languages whenever required. The contract, supported by The Listening Company, is worth USD 4m over four years

Workforce development and training for the US Army

A new task order under the Army's HRsolutions Studies and Analysis IDIQ has been awarded to Serco to support the Army's Civilian Workforce Transformation (CWT) Campaign Plan. Serco will assist with analytic, management and advisory services in support of the CWT Campaign Plan and will utilize the Army Career Tracker system to provide leadership development and training management programmes. The task order has a one-year base period with two additional option years, with a total value of US\$10m.

Financial management support for the US Army

Serco has been awarded a new task order under the Army's HRsolutions Personnel Services Support (PSS) IDIQ to provide financial management services at Army Defense Military Pay Office (DMPO) locations across the US. Serco will support records management services including financial processing, documentation, verification, transactions and customer service support. This expands the work that Serco has provided for Army DMPO since 2006, and increases the number of managed locations from two to ten.

The task order has a one-year base period with two additional option years, with a total value of US\$9m.

DILIGENTA WINS \$2.2 BILLION (£1.37 BILLION) CONTRACT WITH FRIENDS LIFE

TCS PRESS RELEASE [9 NOVEMBER 2011]

Diligenta, a leading business process outsourcing (BPO) provider in the UK and a subsidiary of Tata Consultancy Services (TCS) (BSE: 523540, NSE: TCS) the leading IT services, consulting and business solutions firm, today announced that it will assume administration responsibility for 3.2 million policies for Friends Life, a provider of pensions, investments and insurance. The agreement, effective March 1, 2012, is worth \$2.2 billion (£1.37 billion) over 15 years.

This major business win underpins Diligenta's proven expertise in the life and pensions industry and will increase the total number of policies administered by Diligenta to just under 8 million. Outsourcing much of its customer service and IT functions for its UK heritage business will allow Friends Life to focus on its



new proposition developments, including its new corporate platform, in its core markets of corporate benefits, protection and retirement income.

N Chandrasekaran, CEO & MD of TCS, and Chairman of Diligenta, said, "Our domain-centric, platform-based solutions enable us to help companies transform their businesses. Our strong presence in the insurance segment, track record and the early investments in building products and platforms have contributed to this win. We are very pleased to partner with Friends Life in this large transformation journey."

Phiroz Vandrevalla, Director, TCS, and MD & Vice Chairman of Diligenta, said, "Our unparalleled experience in the life and pension sector coupled with our unique platform capability enabled us to win this path breaking deal. This strategic partnership will allow Friends Life to focus on new opportunities in its corporate markets and grow its business."

Diligenta will assume administration responsibility for much of Friends Life's closed book protection business and significant part of its corporate benefits business. Diligenta and TCS will deliver IT infrastructure and IT services with some policies migrating to TCS BaNCS Insurance, a globally recognized industry-leading insurance platform.

As a result of this new arrangement a total of approximately 1,900 Friends Life roles across a number of office locations in the UK will transfer under their existing terms of employment to Diligenta. All of those individuals who transfer will continue to service Friends Life's customers ensuring both continuity of service delivery and expertise.

Andy Briggs, CEO, Friends Life, said, "The long-term partnership we are announcing with Diligenta gives our business the speed and flexibility to efficiently deliver the right solutions for our distributors and their clients. We have extensive experience in outsourcing partnerships and a proven track record of success and I am confident that in Diligenta we have a strong partner, with shared service values, who will help drive our business forward. Today's agreement enables us to maintain our industry leading service levels and offers the speed and flexibility to quickly and efficiently

deliver solutions that cater to the needs of advisers and employers."

Suresh Menon, CEO, Diligenta, said, "Diligenta has a proven track record in successfully managing circa 5 million policies. Our expertise in this market, coupled with our industry leading technology platform, will fully support Friends Life's strategy for growth and we look forward to a long and successful partnership."

CAPITA SELECTED TO SUPPORT WORCESTERSHIRE'S UNIQUE LIBRARY SHARED SERVICE

CAPITA PRESS RELEASE [7 NOVEMBER 2011]

Capita's library division announces it is to support the UK's first fully integrated university and public library. The Hive project, a library and history centre bringing together Worcestershire County Council and the University of Worcester, has selected Capita's library management system (LMS) to manage a range of library services. This will benefit over half a million citizens and over 9,000 students who will have access to more varied and numerous resources than ever before, including books and journals as well as local historic collections.

The LMS will allow the project to provide improved library facilities for users, with intuitive services such as a fully integrated catalogue and extensive self service features including payment of charges via kiosks. The single catalogue will allow citizens and students to join the service online, request items online and receive notifications via email and potentially SMS. It will also enable efficiency savings to be realised by automating some of the back office processes such as managing interloan requests or enabling individuals to join the library.

The project is a unique initiative in which the university and the public library share library services, hosted in a brand new state-of-the-art building. The two institutions will share over a quarter of a million books from their collections and bring over twelve miles of archive collections and 23,000 records into the centre of the city from the record office. The service will also offer 800 study spaces.



“The Hive is an incredibly ambitious and aspirational project, which will serve the people of Worcestershire for many years to come,” said Paul Williams from the project’s library and collection systems workstream. “Bringing together the university and public library, alongside the record office, archaeology service and hub represented a real challenge and we needed a supplier who recognised and understood that ambition. Capita’s experience in the market and commitment to developing the service alongside us makes them an ideal partner.”

The university and local authority list, among their other aims:

- A ground-breaking new building, housing key services under one roof, with a single staff structure
- A fully integrated catalogue and book stock
- Combined IT infrastructure
- Shared management and vision for the service

Capita’s solution will help maintain a range of fresh and exciting stock including books, journals and DVDs, assist in extending borrowing methods such as mobile and self service and enable libraries in the region to extend their reach within the community by making their services more accessible. The project will also benefit from back office efficiencies through the use of a single integrated system. This system incorporates the circulation, acquisition and cataloguing of stock, provides integrated access to 30 million bibliographic records and circulation tools which ensure reservation requests are met quickly and efficiently.

Jon Peart, associate director at Capita’s library division, said: “This is a very exciting project and proves that shared services and consortia arrangements don’t need to be restricted to single sector relationships. I am sure that this project will be viewed with interest across the industry to see how this can improve customer experiences and reduce the overall costs of providing the services. I am very pleased that we are able to provide the system at the heart of this project and look forward to working closely with The Hive to realise the benefits at the earliest possible opportunity.”

The solution is currently being implemented and will go live in the summer of 2012 together with the opening of the project’s shared main building.

UNIVERSITY OF SURREY SELECTS XCHANGING FOR VOICE AND DATA SERVICES CONTRACT
XCHANGING PRESS RELEASE
[3 NOVEMBER 2011]

The University of Surrey has awarded Xchanging (LSE: XCH), the business process and technology services provider and integrator, a three year contract to provide voice and data services. Xchanging’s network and systems integration company, Data Integration, has won the contract in an open European Journal tender to provide comprehensive managed services.

The contract, which has an option to extend by a further year, sees Data Integration maintaining the Extreme Network core and edge campus and Student Residences network (ResNet). This will deliver a highly resilient and reliable network for students and staff at the same time as lowering cost and improving efficiency. Further services include supporting the Mitel voice network, Juniper wireless network, Citrix load balancers, perimeter security, remote access systems, traffic shaping systems and two-factor authentication system, Cryptocard.

Data Integration, the incumbent provider, has been supporting the University’s technology infrastructure for over eight years, starting with managing their security estate and building up to a network managed service with additional project activity. Aside from running and supporting the network, Data Integration has recently completed a project to refresh the campus network edge and ResNet, has increased performance and resilience of the DNS and DHCP service, and designed and implemented Border Network Security.

Roger Stickland, Director of Information Technology for the University, commented, “We have developed an open and trusted relationship with Data Integration over the last eight years. We value them not only as a supplier but as a trusted partner and the team really understands the importance of service to our students



and staff. They not only run our network, but have worked closely with us on a strategic roadmap to change and improve the services.”

Paul Phillips, Public Sector Practice Director at Xchanging added, “We are delighted to continue our relationship with the University of Surrey. Our team has worked hard to ensure we understand their needs and introduce relevant and innovative solutions. We believe it’s through our close engagement and transparent relationship that we have been able to help the university evolve and improve it’s IT services.”



EXPANSION

INTELENET OPENS DELIVERY CENTER IN LUCKNOW

INTELENET PRESS RELEASE

[11 NOVEMBER 2011]

Intelenet Global Services, part of the Serco Group- a leading FTSE 100 international service company, today announced the launch of a new delivery centre in Lucknow as part of a strategic arrangement with BSNL, one of the largest & leading public sector units providing a comprehensive range of telecom services in India. Intelenet will provide inbound and outbound customer support services for BSNL's operations in the telecom circle for Eastern UP. The domestic business of Intelenet currently has a headcount of over 27,000 employees, and 31 delivery centers, across 17 cities.

Located at LDA colony, the delivery centre in Lucknow has a seating capacity of 261 seats and will service BSNL's base of prepaid, postpaid and 3G cellular subscribers. With an initial headcount of 385 FTEs, the centre will offer multilingual support in English, Hindi and other local regional languages, thereby creating local employment opportunities in Lucknow.

Commenting on the launch of the centre in Lucknow, Mr. Bhupender Singh, Chief Executive Officer, domestic operations, Intelenet Global Services said, "We are delighted to further our capabilities to provide end-to-end outsourcing solutions and expand our domestic footprint to support BSNL, one of the frontrunners in the telecom industry in India. With a superior set of capabilities and domain expertise, the move further strengthens our position as the largest BPO business in the Indian domestic market that helps us offer a broad range of high quality services to drive better outcomes for our clients."

Speaking on the partnership with Intelenet, Mr. RK Agarwal, Director - Consumer Mobility, BSNL said, "The new facility in Lucknow will help us provide better customer services and support as we expand our telecom offerings and business in North India. Given Intelenet's telecom expertise, domestic reach and

operational efficiency, we are confident of consolidating our position in the Indian market and achieving our business imperatives".

INTEGREON OPENS LEGAL DOCUMENT REVIEW CENTER IN WASHINGTON, D.C.

INTEGREON PRESS RELEASE

[9 NOVEMBER 2011]

Integreon, the largest global provider of integrated legal, research and business solutions, today announced that it has opened and is now operating a dedicated document review center in the Washington, D.C. area. The new facility – purpose-built to Integreon's design – represents an effort to expand and enhance Integreon's network of onshore review facilities. Integreon has conducted and continues to conduct domestic U.S. review exercises from shared-purpose facilities in Charlotte, Fargo, New York City and Pittsburgh, and the new review center enables the company to address increasing demand for managed review services in and around the nation's capital, particularly in connection to engagements by government agencies and corporate responses to requests for information from the Department of Justice, the Securities and Exchange Commission, the Federal Communications Commission and the Federal Trade Commission.

"General counsel of D.C.-based organizations and D.C. law firms have expressed an interest in having reviews executed locally by D.C.- and Virginia-based lawyers with strong government investigations and regulatory domain expertise," said Foster Gibbons, Vice President, Legal Solutions for Integreon. "GCs view the work that they need help with as specialized and highly sensitive, and they are looking to partner with providers on whom they can rely for the highest standards of confidentiality and competency. Integreon has built its reputation on best-in-class processes and people throughout our global operations, and we work hard to deliver results to earn that reputation on every project. The layout and operational model of the Arlington facility will be a template for the next generation of our dedicated-review facilities."

Integreon's new review center was purpose-designed



to facilitate legal review workflow. The layout is modeled on a law school classroom, with amphitheater-style seating, providing clear line of sight to the front of the room to facilitate training and team discussions. Reviewer comfort and managers' line of sight were important factors of the center's look and feel. The facility, which is currently in use serving Integreon clients, is adjacent to Integreon's Arlington offices, which house the company's e-discovery facilities and state-of-the-art Electronic Evidence Lab, and incorporates similar secure access technologies and procedures for the protection of clients' information.

"This center represents our latest expansion to meet clients' growing needs for integrated, end-to-end e-discovery solutions," said Al McNee, Global Head, Legal Discovery Services at Integreon. In addition to its network of U.S. review centers, Integreon employs hundreds of lawyers in its offshore review centers in Mumbai, New Delhi and Manila, which enable the company to provide a flexible blend of onshore and offshore review that can quickly scale to meet clients' demands.

Integreon's managed review services significantly reduce the time and expense of document review – historically the most expensive phase of the e-discovery cycle – while meeting defensibility demands with best-practice processes to deliver clean, correct and consistently high-quality results. Integreon's review services are based on intelligent workflow; effective, targeted quality control; onsite review management and supervision; and near-real-time reporting to clients and counsel.

"Our approach, methodology, processes, and selection and assembly of talent follow a uniform best-practice-based model everywhere in the world that we operate," continued Gibbons. "Everything we do is targeted to deliver the best results and to provide clear and transparent workflow design and best-in-class documentation. We are a trusted provider to the most demanding clients."



MOVERS AND SHAKERS

BRENT ESCOTT APPOINTED TO HEAD CAPITA'S INSURANCE BUSINESS

CAPITA PRESS RELEASE [22 NOVEMBER 2011]

Capita today announces the appointment of Brent Escott as divisional director of Capita's general insurance division. In this newly-created role Brent, who joined Capita earlier this year to head up its London market and commercial insurance operations, will oversee all four divisions of Capita's general insurance operations covering all aspects of the London and UK insurance market.

Brent will also continue his management of the London market and commercial division and to report to joint group chief operating officer, Vic Gysin.

Vic Gysin commented: "Insurance is an important industry for Capita and one in which we intend to grow our presence. By bringing together all of our insurance services under Brent's leadership, we are creating a coordinated business whose clients will benefit from a more integrated approach and a shared strategic direction. Brent's experience working with insurers and intermediaries in commercial and personal lines gives him a broad perspective that is ideally suited to our general insurance operations. He will be working closely with all of our insurance teams to coordinate strategy, build on our strong platform and increase our market presence."

Brent Escott said: "Capita has the right people and the right technical expertise to support the insurance market as it develops. Unifying our approach gives us a stronger platform to help our clients deal with the processes and efficiencies needed to cope with an ever-changing market, particularly against a backdrop of regulatory reform. I look forward to working with each of the divisions and their existing leadership teams to help bring our growing expertise to the insurance markets both in the UK and overseas."

Brent Escott has over 20 years' experience in commercial and personal lines insurance. Before joining Capita earlier this year, he has been working

with private equity firms with a particular focus on the UK SME insurance market. From 2002 to 2007 he was at Brit Insurance Holdings as managing director of the company's UK division.



TRENDS AND VIEWPOINTS

CHINA'S GLOBAL SERVICES MARKET PROJECTED TO GROW 20-25 PERCENT CAGR BY 2015

EVEREST PRESS RELEASE [17 NOVEMBER 2011]

Global services exports revenue in China is projected to increase to US\$9.5-10 billion by 2015 at a CAGR of 20-25 percent from US\$3.5 billion in 2010, according to Everest Group, an advisory and research firm on global services.

Global services exports from China increased from about US\$1.2 billion in 2007 to US\$3.5 billion in 2010, according to Everest Group's study, Global Locations Compass: China. The study reports IT Outsourcing (ITO) services contribute about 65 percent towards China's total export revenue, largely driven by the in-country presence of several top-tier global IT providers. Business Process Outsourcing (BPO) work comprises the remaining 35 percent.

"China offers a compelling regional language advantage and cost arbitrage and is thus best leveraged to serve the Asia region, which accounts for about 60 percent of China's global sourcing revenues," said Amneet Singh, vice president – Global Sourcing. "While lack of clear cost and English language skills translate to a limited competitive advantage over India and the Philippines for work exported to North America and Europe, these regions still account for about 40 percent of China's global sourcing exports. China can serve as a risk diversification alternative to serve North America and Europe."

Last year's market growth in China prompted its reclassification as a mature offshore destination on Everest Group's Market Vista Locations Maturity Heatmap. According to Everest Group's Offshore Locations Survey of buyers earlier this year, China has emerged as a leading destination after India and the Philippines.

Other findings:

- More than 15 delivery centers were established or expanded across Tier-1 and

Tier-2 cities during the last 12 months

- Market growth also has been propelled by several government initiatives, development/promotion organizations and government-backed incentives.
- China offers more than 20 cities for global services delivery, some of which are Tier-2 cities that are emerging as credible alternatives to Tier-1 options.
- Cost arbitrage is expected to remain sustainable over the next 13-14 years

"Players defining their 'China Delivery Strategy' should assess China's role in their global services delivery models and understand the costs and talent pool available in context of the envisaged role for China. Cities in China offer varying levels of attractiveness across global, regional and local delivery from China," said H Karthik, vice president – Global Sourcing. "Companies planning to enter or expand in China also need to invest in talent engagement and development, monitor progress of recent data protection guidelines and examine Tier-2 cities to lower delivery costs."

GLOBAL OUTSOURCING TRANSACTION VOLUME DECLINES SUBSTANTIALLY FOR FIRST TIME IN FOUR QUARTERS

EVEREST PRESS RELEASE [3 NOVEMBER 2011]

The global outsourcing and offshoring market saw significant drops in transaction volumes during the third quarter this year, a substantial decline for the first time in four quarters, according to Everest Group, an advisory and research firm on global services. The sluggish market witnessed 472 outsourcing deals compared to 508 and 516 transactions in the first and second quarters of this year, respectively. Following a record spike in captive announcements last quarter, captive activity also fell back to a more "normal" level of 20 setups.

Everest Group's Market Vista: Q3 2011, a quarterly report on global outsourcing and offshoring activity, reports third quarter global transaction volumes reached about US\$2.7 billion in annual contract value (ACV), an increase of 6 percent over the previous quarter, primarily as the result of three mega deals



signed during the quarter. Compared to Q2 2011, the market saw a decrease in Business Process Outsourcing (BPO) transactions by 12 percent and IT Outsourcing (ITO) transactions by 7 percent.

“The global outsourcing and offshoring market is beginning to show signs of slowing growth in selective areas, but we’ll need to see a few more quarters to determine if this is the beginning of a downturn trend,” said Eric Simonson, managing partner of Research. “Although captive setups dropped during the quarter, the captive continues to be a core component of global sourcing strategies, adoption activity remains healthy, and significant activity is spreading across industry verticals such as manufacturing and healthcare. Despite a decline in transactions, high location activity, particularly by service providers, provides indications that the outlook for the global sourcing market continues to remain cautiously optimistic in the medium term.”

Other third quarter 2011 findings include:

- The BFSI (banking, financial services and insurance) sector continued to lead transaction activity and the MDR (manufacturing, distribution and retail) vertical saw transaction volumes rise 8 percent. While there was a large drop in deals signed by government and defense organizations, the energy and utilities sector saw the largest percentage increase in contract activity.
- Both transactional and ACV volumes marginally decreased in North America and Continental Europe whereas declines were sharper in the United Kingdom and Rest of World (Asia Pacific, Middle East, Africa and Latin America).
- Three megadeals, each valued at over US\$1 billion in total contract value (TCV), were signed in the quarter.
- India dominated the captive market but considerable activity also was witnessed in Europe, Middle East/Africa and Rest of Asia. The first captive divestiture of the year occurred during the quarter.

- Offshore activity saw 46 delivery centers established in the third quarter compared to 38 in the previous quarter. Significant activity occurred in India and Africa.
- Service providers’ consolidated revenues increased over the second quarter, but consolidated margins fell over the same period. (Financials lag other service provider activity by one quarter.)

Everest Group’s quarterly Market Vista reports provide data and analysis of deal trends in the outsourcing and offshoring market, captive landscape, current and emerging locations and key service provider intelligence insights. Everest Group’s industry trends research complements the Market Vista reports through quarterly updates focused on industry-specific global sourcing data, developments and insights across the BFSI, MDR (manufacturing, distribution and retail), Healthcare, Energy and Utilities, Technology, and Telecom sectors.

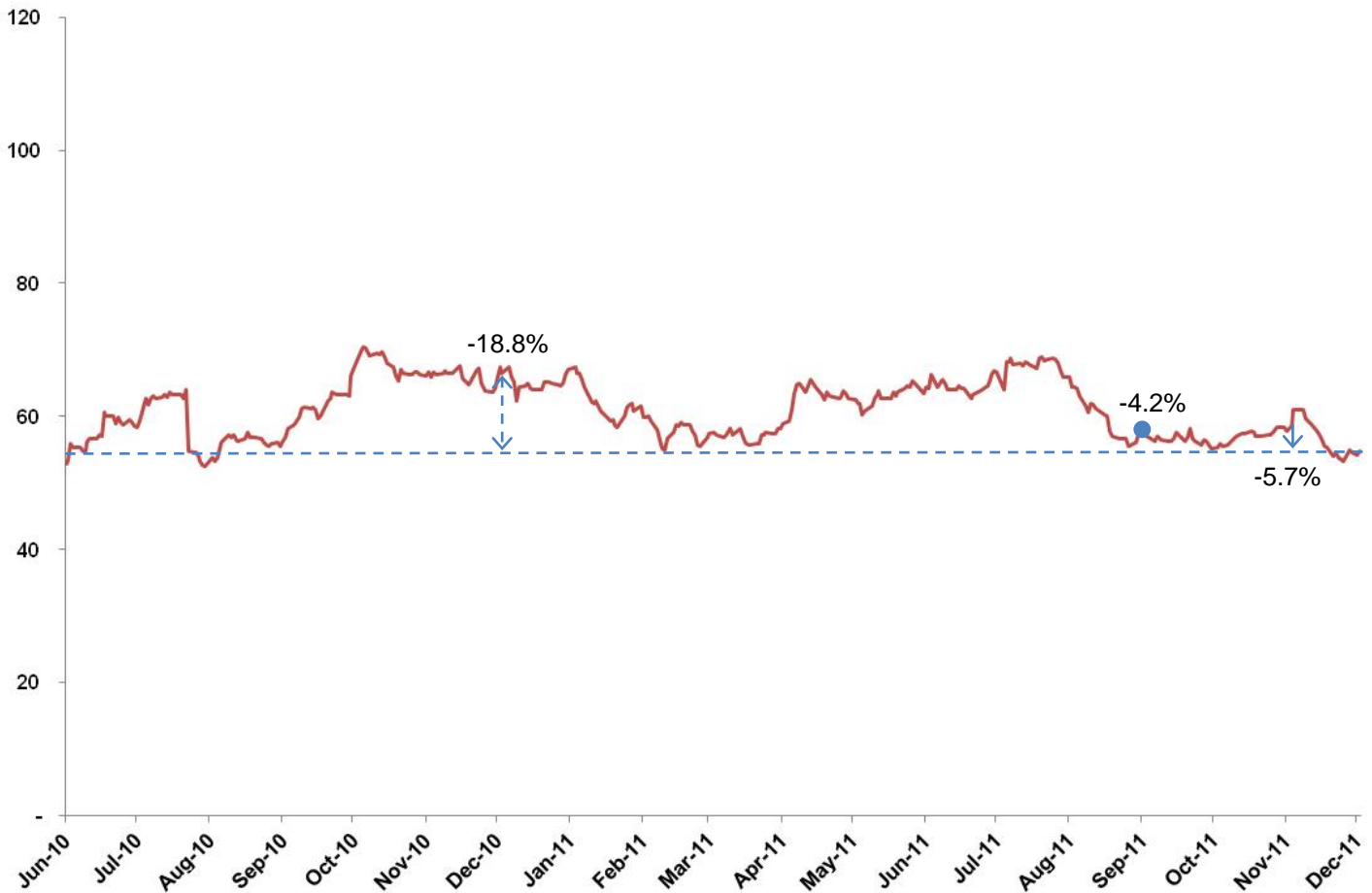
The Market Vista Q2 report also includes these focus sections:

- Asia: analysis of labor arbitrage sustainability, operating costs, operating cost inflation, arbitrage sustainability and currency trends. Cities profiled include Jaipur, Pune and Bangalore, India; Manila, Philippines; Guangzhou and Shanghai, China; and Kuala Lumpur, Malaysia.
- Location optimization insights include a focus on the rise of Poland for BPO and IT work; China’s “1000-100-10” project that is boosting the outsourcing services industry; emergence of Vietnam a low-cost alternative for small-to-medium scale IT/software delivery; erosion of arbitrage potential in Brazil, China and Malaysia due to currency appreciation against the U.S. dollar; and emergence of high-cost locations such as Australia, Canada and Singapore as credible alternatives to established locations for knowledge process services.

AVENDUS BPO COMPOSITE INDEX

The Avendus BPO Composite Index is designed to indicate the performance of listed BPO companies in India. While there are a plethora of indices which highlight the performance of the Technology sector in India, we felt that there is a need to create a separate BPO Index, given the marked differences in the nature of both the sectors.

Avendus BPO Composite Index



Key Highlights

- 1 month return: -5.7%
- 1 quarter return: -4.2%
- 1 year return: -18.8%

Methodology

We have used the stock price date of Allsec, eClerx, EXL, Firstsource, Genpact, HOV Services and WNS weighted by their trailing twelve month revenue. The series begins at a base value of 100 on 3rd January 2007 with just Allsec, EXL and WNS. As more BPO companies got listed, we have added them to the index after appropriate scaling. The index is updated for the closing price on the first Friday of every month. We have used closing price as on Friday (02/12/11) for this edition of the newsletter.



About Avendus Capital Pvt. Ltd. (“Avendus Capital”) www.avendus.com

Avendus Capital is a leading financial services firm which provides customised solutions in the areas of financial advisory, equity capital markets, alternative asset management and wealth management. Avendus Securities through its Institutional Equities practice is able to offer clients best-in-class research-driven advice to help them take investment decisions, while Avendus PE Investment Advisors manages funds raised from its investors by investing in public markets and private equity. The Group relies on its extensive track record, in-depth domain understanding and knowledge of the economic and regulatory environment, to offer research based solutions to its clients that include institutional investors, corporates and high net worth families. Avendus Capital has consistently been ranked among the top-five corporate finance advisors in India and has emerged as the advisor of choice for cross-border M&A deals and has closed 35 cross-border transactions in the past 4 years. Headquartered in Mumbai, the firm has offices in New Delhi and Bangalore. Avendus Capital, Inc (US) and Avendus Capital (UK) Pvt. Ltd. located in New York and London, respectively, are wholly owned subsidiaries offering M&A and Private Equity syndication services to clients in the respective regions.

Some of the recent deals closed by us include

Title	Month - Year Of Announcement	Deal Value	Industry
Avendus Capital, Inc. advises SPi Global on its acquisition of Laserwords Private Limited	November, 2011	Undisclosed	Technology & Outsourcing
Avendus advises Eris Lifesciences on its private equity transaction with ChrysCapital	September, 2011	Undisclosed	Lifescience
Avendus Capital advises Value & Budget Housing Corporation on its equity raise from The Carlyle Group	August, 2011	USD 26 mn	Infrastructure & Real Estate
Avendus Capital advises Sara Sae on its fund raising from Multiples	August, 2011	Undisclosed	Industrials
Avendus Capital advises AGS Transact Technologies on its equity raise from TPG	June, 2011	USD 32 mn	Consumer
Avendus Capital advised SYSTIME on its 50% stake sale to KPIT Cummins Infosystems Limited	May, 2011	USD 23 mn	Technology & Outsourcing
Avendus Capital advises on Serco's acquisition of Intelenet Global Services	May, 2011	USD 536 mn	Technology & Outsourcing
Avendus Capital advises Diligent Power on its equity raise from Warburg Pincus	May, 2011	Undisclosed	Infrastructure & Real Estate
Avendus Capital advises Tega Industries on its USD 35 Mn equity raise from TA Associates	May, 2011	USD 35 mn	Industrials
Avendus Capital, Inc. advises Outsource Partners International (OPI) on its transaction with ExlService Holdings, Inc.	May, 2011	USD 91 mn	Technology & Outsourcing
Avendus advises KPIT Cummins Infosystems Limited on its preferential allotment of equity shares to Chrys Capital	March, 2011	USD 25 mn	Technology & Outsourcing
Avendus advises the shareholders of Devidayal Sales in a strategic transaction with Arysta LifeScience	March, 2011	Undisclosed	Lifescience
Avendus advises Tega Industries on its acquisition of Acotec S.A., Chile	February, 2011	Undisclosed	Industrials
Avendus advises Tega Industries on its acquisition of Losugen Pty. Ltd., Australia	January, 2011	Undisclosed	Industrials



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