

# US-based iGate in \$1.2-bn Indian outsourcing deal

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The consortium of Pittsburg-based iGate and private equity firm Apax Partners is to acquire a controlling 63-percent stake in privately-owned Patni Computer Systems, which has 2,000 global clients and 16,000 employees.

"The combination will help customers get better service, access to more service lines and deeper pools of expertise," Phaneesh Murthy, chief

executive of iGate, said in a statement from the southern city of Bangalore.

Patni, which was set up in 1978, failed to capitalise on its dominant market position when India's economy was liberalised in the early 1990s and overseas firms began seeking Indian companies to outsource work.

That led to newer outfits like Infosys Technologies and TCS gaining a foothold and going on to dominate the market.

iGate, which has business data processing and IT consulting operations, is far smaller than Patni, with revenues of \$250 million, against Patni's \$690 million.

iGate and Apax have agreed to pay 503.50 rupees (\$11.1) a share for the stake, which comprises a 45.6-percent share from Patni's three founding brothers and 17.4 percent from private equity firm General Atlantic,

Shares of Patni jumped nearly four percent to an intraday high of 477.8 rupees on the Mumbai stock exchange on Monday, before dropping to 463.85 at the close on profit taking.

The deal is expected to be completed in the first half of this year, iGate said.

No decision has been taken to delist Patni from local stock exchanges, while iGate will remain on the Nasdaq, Murthy told a Bangalore news conference.

More than half of the world's top 500 companies outsource work to India's IT sector, which provides call centres, number-crunching and software development at far lower costs than in developed countries.

India's outsourcing business witnessed a revival in demand last year in its key market of the United States, raising the prospects of a sector which suffered a dip during the global financial crisis.

In April 2009, mid-sized outsourcer Tech Mahindra paid nearly \$600 million for a majority share of fraud-hit Satyam, after its founder confessed to falsifying accounts in India's biggest accounting fraud two years ago.

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