

# India's Infosys pays \$350 mn for Swiss consultancy

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Indian IT outsourcing giant Infosys said Monday it had agreed to buy Zurich-based consulting firm Lodestone for \$350 million as part of its strategy to move into higher value services.

Lodestone will add more than 850 staff and 200 clients across industries including manufacturing and the car sector to Infosys' clientbase of 700 companies, the Bangalore-based firm said in a statement.

The takeover will also help increase Infosys' presence outside its main market of the United States, giving it a larger footprint in continental Europe and emerging markets such as Latin America and Asia Pacific.

Nasdaq-listed Infosys has been struggling to expand its business and has missed sales targets, lost market share and seen its stocks slide this year, as revenues from the United States slow.

"This acquisition fits perfectly into our strategy to expand our consulting business," Infosys' chief executive S.D. Shibulal said in a statement.

Infosys has decided to focus on higher value software and consulting services for clients instead of only labour-intensive outsourcing services.

Consulting accounted for 31 percent of Infosys' \$7-billion revenue to the year ending March, company data showed.

Analysts said Monday's announcement was suited to Infosys' future

growth strategy.

"There have been concerns over Infosys' lagging growth and unused cash balances. The acquisition is a positive step and fits with Infosys' strategy to increase its presence in consulting," said Runit Dugar from Mumbai-based Religare Securities.

Shashi Bhushan, analyst with Mumbai's Prabhudas Lilladher agreed, saying the firm had been looking for a consulting firm for a long time.

"This is the much needed inorganic booster for Infosys," Bhushan said in a note to investors.

The all-cash Lodestone deal is set to be completed by the end of October.

In July, Infosys cut its full-year revenue outlook and reported lower-than-expected earnings with a net profit of 22.89 billion rupees (\$416 million) in the April-June quarter.

The firm, which has a cash pile of \$4 billion, has been conservative in pursuing firms.

Earlier this year Infosys pulled out of talks to buy Belgian firm Clear2Pay after differences over valuations, the Economic Times reported.

In 2008, Infosys backed out from a bidding war for US-based software-consulting Axon group, which was eventually taken over by rival HCL Technologies.

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