

TCS, Mitsubishi to create new Japan IT services firm

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India's biggest outsourcing firm Tata Consultancy Services (TCS) and Japan's Mitsubishi Corp said Monday they are teaming up to create a Japanese software services provider with annual revenues of \$600 million.

Tata Consultancy Services Japan, Nippon TCS Solution Center and IT Frontier Corp—a Mitsubishi unit—will merge to create the provider under the agreement slated to close in June.

"This strategic transaction signifies our serious commitment to the Japan market," TCS chief executive N. Chandrasekaran said in a joint statement with Mitsubishi.

"TCS will now have the scale, strong local presence and our full range of global capabilities to serve the Japanese corporations effectively and accelerate our growth in Japan's market," Chandrasekaran said.

TCS Japan will initially hold a 51 percent stake in the new company while Mitsubishi Corp will hold 49 percent. TCS Japan will have an option to raise its holding later.

The company, due to start up in July, will have over \$600 million a year in revenues, the statement said.

Last week TCS reported a 48.2% percent jump in quarterly net profit, led by new European and emerging market contracts.

TCS expects its new joint venture to generate more Japanese turnover.

Analysts estimate the Japanese IT market to be worth over \$100 billion in revenues.

The Japanese market has strong existing players but "is under-penetrated from a global delivery model perspective", TCS chief financial officer Rajesh Gopinathan told AFP.

"The opportunity for us is to use our global network model to service Japanese customers locally and in their international efforts," Gopinathan said on the sidelines of a news conference in India's financial hub Mumbai.

The agreement would give TCS the scale and expertise to increase its presence in Japan's IT market, he added.

IT Frontier Corp has longstanding relationships with Japanese corporations and know-how in sectors such as retail and distribution, TCS said.

"This will complement TCS's deep domain knowledge, technology expertise and strong execution track record," the Indian company added.

Shares of TCS closed up 0.14 percent at 2,220.50 rupees on the Bombay Stock Exchange in an overall firmer market.

India has become a back office to the world as companies, especially in developed nations, have subcontracted work to firms such as TCS, taking advantage of the country's skilled English-speaking workforce.

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