

MONTHLY NEWS LETTER

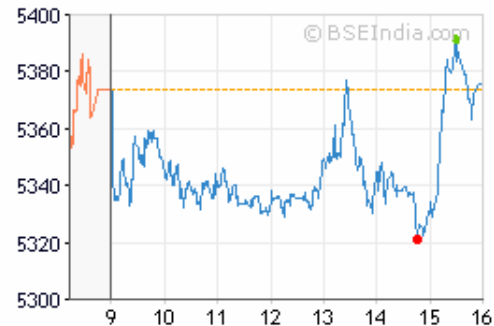
IT / ITES

August 31, 2010

Market Cap for BSEIT

As on 31 August 2010	Value (Rs. in Crores)	(%)
BSE Mkt. Cap	6,562,024.92	100
Index Full Mkt. Cap	497,213.82	7.58
Cap Adj. Market Cap	228,009.09	--

Intraday Graph of BSEIT



- [Indian IT companies 'onshore' activities under tax scanner](#)
- [Hike in U.S. visa fee to impact Indian IT firms](#)
- [Home ministry to meet telecom operators on BlackBerry security](#)

Indian IT companies 'onshore' activities under tax scanner

Indian income-tax authorities are beginning to claim tax on the money that software firms make by sending their boys to work with companies in the U.S., Europe and other markets - a business that is known as onshore software development.

Body shopping, or 'time and material contracts', receipts could be as high as 50 percent of total revenue receipts of IT companies based out of India. These are arrangements where IT professionals from India are sent for short assignments of 3-6 months to work in companies abroad

For the IT department, this is an activity that involves export of manpower and not export of software. Driven by the underlying argument, tax offices have sent notices to software companies. Close to 10 companies, including some of the big names, have received income-tax notices in the last few days.

The foreign company pays the Indian firm for the services of each professional while the Indian company pays a daily allowance to these professionals over and above the salary paid to them. The tax authorities are making the claim on the premise that during these brief assignments, the professionals sent from India are under the 'control and supervision' of the company abroad, which also 'owns' the services they render or the products they develop.

Hike in U.S. visa fee to impact Indian IT firms

National Association of Software and Services Companies (Nasscom) feels that the proposed sharp increase in the U.S. visa fee to raise funds for its border security needs would significantly impact the Indian IT sector. The proposed hike is expected to be about \$4,500 per visa from \$2,500 currently.

"The Border Security Bill, passed by the U.S. senate late Thursday, aims to raise about \$600 million by increasing fee for H-1B and L-1 visas. This has significant impact on the Indian IT sector," Nasscom said in a statement.

Several Indian software firms avail H-1B and L-1 visas in thousands every year to fly their employees to the US for working at their clients' locations as on-site engineers.

Echoing Nasscom's concern, IT bellwether Infosys Technologies termed the U.S. Border Security Bill unfortunate and discriminatory at a time when companies have to be more competitive in an open market scenario.

"It is unfortunate that this tax (fee) is being levied on a discriminatory basis when the need is to open markets to make companies more competitive in the global market place," Infosys said in a statement.

Home ministry to meet telecom operators on BlackBerry security

India's home ministry has decided to convene a meeting with all telecom operators offering BlackBerry services

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Survival of Indian BPOs threatened

The back-office units of top Indian IT companies seem to be growing slower than their principal business of rendering software support and services. BPO revenues for Infosys Technologies, Wipro and HCL have come down by 4.14 percent, 3.1 percent and 9.14 percent, respectively. "Unlike IT which has a larger geographical spread, BPO is far more exposed to the U.S. and Western Europe. While these markets are recovering, the growth in volumes due to an increase in the number of transactions processed has not started happening yet," said Ameet Nivsarkar, Vice-President, Naascom. A recent study by the International Labour Organization (ILO) also found that workers in BPOs are exposed to heavy workloads, high performance targets and tight rules, lowering their output and raising staff turnover. Poor working conditions have in some companies increased employee turnover to 100 percent annually, posing a serious threat to the companies' survival and profitability. Jon Messenger, Senior Researcher with the Conditions of Work and Employment Programme of the ILO said, "BPO employees face heavy workloads backed by performance targets combined with tight rules and procedures. All this is enforced via

of Canada's Research in Motion to address security concerns over possible misuse of encrypted data sent on such devices."Our discussions with Research in Motion are on. But mobile phone service providers are also bound by their licence agreements to allow security agencies access to their voice and data under certain conditions," a senior official in the home ministry said. "Even if the Canadian company is reluctant to allow us access to encrypted data carried on BlackBerry devices, Indian telecom service providers can't violate their agreements with the government," the official said.

electronic monitoring. This type of high-strain work organization is well-known to produce high levels of job-related stress."ILO is calling for stronger protective measures for night workers to help cushion their health and safety, a redesign of work processes, especially in call centres, in order to allow BPO employees more discretion to make use of their qualifications; and policies and practices aimed at improving workers' collective voice. This also intern effect the growth of the company's profitability.

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Pallavi Goyal / Piyush Mathur

Global Advisors Limited

pallavigoyal@globaladvisors.in / piyushmathur@globaladvisors.in

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