IT top brass quits Wipro

REUTERS, Bangalore/Mumbai

Wipro overhauled the management of its key outsourcing business and reported third-quarter profit growth that lagged its main rivals, sending its shares down the most in a year.

India's No. 3 software services exporter has been struggling to win big contracts as the sector recovers from the global downturn, and its shares and margins have suffered compared with its larger competitors, Tata Consultancy and Infosys.

"Wipro has been underperforming both TCS and Infosys for the last five to six quarters," said Hardik Shah, IT sector analyst at brokerage KR Choksey Shares & Securities.

Rival Tata Consultancy Services posted a 30-percent rise in quarterly profit and Infosys reported a 14-percent increase.

"Something was wrong, things were not quite working out and this (the management change) seems to be a drastic step," he said. "It will take a couple of quarters at least for the new strategy to come through. There should be some uncertainty till then."

Wipro said co-CEOs of the IT unit, Girish Paranjpe and Suresh Vaswani, would resign effective January 31 and be replaced by company veteran T.K. Kurien to make the organisation structure simpler.

The unit, which develops software applications, integrates IT systems and manages call centres for clients such as Citi, Cisco and Credit Suisse, accounts for about three-quarters of Wipro's revenue.

"I don't think we should be making excuses," Chairman Azim Premji told a news conference. "We have underperformed in quarter three, relative to competition and relative to our potential as a company. Let's just acknowledge that. What we are trying to do is improve performance in quarter four and significantly improve performance going forward."

Premji, the world's 24th richest billionaire according to Forbes and termed "India's Bill Gates" by the magazine. He quit his engineering degree at Stanford to take over his father's ailing vegetable oil business in the mid-1960s, before diversifing into hydraulic cylinders in the 1970s and information technology in 1980.

Shares in the company closed at 456.05 rupees, down 4.6 percent, their biggest fall in a year.

Tata Consultancy was trading down 0.1 percent and Infosys fell 1.5 percent in a main Mumbai market down 0.4 percent.

"This is definitely a surprise," said R.K. Gupta, managing director of Tarus Mutual Fund, which owns Wipro shares. "For Wipro, resignations by such key people could lead to losing out on some orders as the contacts move away with the employees."

Wipro has lagged in share price performance and profits in recent months, while its 2010 operating margin of 21 percent was lower than Infosys' 31 6 percent and Tata Consultancy's 24 percent, according to data from Starmine.

Smaller rival Tech Mahindra TEML, which provides IT solutions to global telecom firms and in which BT Group owns a roughly 25 percent stake, posted a 10 percent rise in third quarter profit at 2.06 billion rupees ($45 million).

The firm, which acquired Satyam Computer SATY in 2009 and rebranded it as Mahindra Satyam SATY, said revenue rose two percent to 12.11 billion rupees ($266 million).

The management shakeup is one of several recent changes at the top among high-profile technology companies. On Thursday, Hewlett-Packard Co said it was restructuring its board and Google announced GOOG co-founder Larry Page will take over as CEO. Apple's AAPL visionary CEO Steve Jobs announced a leave of absence earlier this week.

Wipro forecast IT services revenue of $1.38 billion to $1.41 billion for the fiscal fourth quarter, up three to five percent from the quarter ended in December.

Chief Financial Officer of Wipro's IT business Manish Dugar said the company, which is also listed in New York, was seeing increased demand from clients in the United States and Europe - its two biggest sales markets.

"While there is the discussion on double dip, sovereign fiscal situation in Europe, it has not impacted the private sector...the view is that budgets will see expansion and will get spent," Dugar told Reuters.

Global spending on technology is likely to rise 5.1 percent to $3.6 trillion in 2011, according to research firm Gartner, higher than its previous estimate as the dollar's recent weakness helped push IT spending beyond its forecast for 2010.

But rising wages and intensifying competition from global firms such as Accenture and Hewlett-Packard are key risks to India's showpiece $60 billion outsourcing industry.

Volatility in global currencies is also a worry to the export-focused sector.

Bangalore-based Wipro said fiscal third-quarter net profit rose 10 percent to 13.19 billion rupees ($290 million) under international accounting standards from 12.03 billion a year ago, matching forecasts.

Wipro, which also makes computer hardware, consumer care products and electric bulbs, posted revenue of 78.3 billion rupees ($1.7 billion) in the quarter, compared to analysts' estimates of 80.1 billion rupees.

The firm added 36 new clients, its biggest client addition in five quarters. It added 3,591 net staff in the third quarter.

AFP

Wipro Chairman Azim Premji announces the company's financial results in Bangalore on July 23, 2010. India's software major Wipro announced a rise in profits and a change of leadership as it scrapped its joint chief executive structure and appointed a new boss on Friday.

Facebook raises $1.5b, valued at $50b

AFP, San Francisco

Facebook announced Friday that it had raised $1.5 billion from investors in a private share offering that valued the booming social network at approximately $50 billion.

"Our business continues to perform well, and we are pleased to be able to bolster our cash position with this new financing," Facebook chief financial officer David Ebersman said in a statement.

"With this investment completed, we now have greater financial flexibility to explore whatever opportunities lie ahead."

Facebook said US investment bank Goldman Sachs completed an oversubscribed offering to its non-US clients in a fund that invested $1 billion in Facebook Class A common stock.

Russia's Digital Sky Technologies, The Goldman Sachs Group, Inc., and funds managed by Goldman Sachs meanwhile invested $500 million in Facebook Class A common stock at the same $50 billion valuation.

Facebook also said it expected to surpass the ceiling of 500 shareholders sometime this year and would start filing public financial reports no later than April 30, 2012.

US Securities and Exchange Commission (SEC) rules require firms with 500 or more shareholders of record in a given type of stock to publicly disclose certain financial information.

Facebook, the world's top social network with nearly 600 million members, said it had "no immediate plans" for the newly raised funds, indicating it "will continue investing to build and expand its operations."

Earlier this week, Goldman Sachs, citing "intense media coverage," said it was excluding US clients from the private offering of shares in Facebook.

"Goldman Sachs concluded that the level of media attention might not be consistent with the proper completion of a US private placement under US law," it said.

US securities law bars public promotion of private offerings and the Facebook deal reportedly attracted the SEC's attention.

Google in shake-up, tries to hold off new threats

AP, San Francisco

Google is richer than ever, but it's not as cool as it once was.

Facebook boasts 500 million members who share 30 billion links, notes and photos each month - data that Google's search engine can't completely index. It's so influential that 26-year-old founder Mark Zuckerberg was just named Time's person of the year, and a movie about the company's early days is a contender for best picture at the Oscars.

Twitter, Groupon and Foursquare, all hard-charging and potentially game-changing services, are additional thorns in Google's side, raising worries that the online search leader may be losing the competitive edge that turned it into the Internet's most powerful company.

Making Google hip and nimble again will be the priority as Larry Page, one of the two Stanford University students who founded the company in a garage in 1998, prepares to reclaim the CEO job in a shake-up that surprised Silicon Valley.

He last held it a decade ago, when Google Inc. had less than $100 million in annual revenue and fewer than 300 employees. Google's size today - 24,400 employees and annual revenue of $29 billion - has slowed its decision-making and innovation in the past few years.

About 200 of Facebook's 2,000 employees defected from Google, and the migration appears to be about more than just the allure of getting stock options in a hot company before it goes public. Some engineers seem to be drawn by the work at a smaller company, which offers an opportunity to reshape culture with less corporate bureaucracy and more creative freedom.

"Facebook has become the cool kid on the block, and now Google wants to prove it can still be cool, too," says Danny Sullivan, who follows both companies closely as editor-in-chief of Search Engine Land.

It's not an impossible feat, says Michael Cusumano, an MIT professor of management. As an example, he cites IBM, which seemed on its way to becoming a tech dinosaur in the early 1990s before Louis Gerstner arrived as CEO and streamlined the company.

To get back to its roots, Google concluded it needed to rearrange the hierarchy in place since technology veteran Eric Schmidt was brought in as CEO in 2001. It was an egalitarian arrangement, with Schmidt never having the final say on important matters. Page and Google's other founder, Sergey Brin, always weighed in, too. In some cases, such as Google's decision to move its search engine out of mainland China last year, the founders overruled Schmidt's wishes.

In April, Schmidt will become executive chairman and relinquish the CEO duties to Page, now 37 and graying. While Schmidt travels the world meeting with business partners, government officials and potential takeover targets, Page says he will be making most of the big decisions as he tries to rekindle "the soul and passion of a startup." Brin will concentrate on developing new products.

He's worth $15 billion, but Page remains something of a rebel who has always had a disdain for corporate protocol.

"Larry and Sergey both hate being organized. They don't want to be locked into meetings," says Ken Auletta, who got to know both of them while writing his book, "Googled: The End of the World as We Know It."

While a free-wheeling attitude typically works well at small companies, it could cause problems in a company as large as Google, says Steve Booth, a business professor at the University of Chicago.

"The risk is that if you take away the process, that in some sense you go back to a kind of chaos," Kaplan said.

Schmidt, 55, has no doubt Page is ready for the challenges ahead.

"Larry has been with me in every major decision in the past decade," Schmidt said in an interview Thursday. "It's not like he has been sitting around doing nothing."

Although management by committee worked well enough to turn Google into an enormous success, it eventually slowed Google's reaction to popular new ideas such as Facebook and Twitter. The bureaucracy has also caused Twitter and other startups to rebuff Google's attempts to buy them. Some entrepreneurs who decided to sell to Google fled the company after a few months of frustration.

AFP

The screen image shows the Google logo in Washington DC on January 11. US stock markets reversed two days of losses, opening higher on Friday after Google and GE both turned in strong results for 2010.

Citi CEO's salary soars to $1.75m

REUTERS, New York

Citigroup Inc Chief Executive Vikram Pandit got a $1,749,999 raise on Friday.

Pandit pledged in 2009 to receive an annual salary of $1 until the struggling Citigroup returned to sustained profitability.

On Friday afternoon, three days after the bank reported its first full year-profit since 2007, the board raised his salary to an annual base of $1.75 million.

That amount pales in comparison to some of the compensation awarded to other high-profile Wall Street executives James Gorman and John Thain on Friday. Gorman, CEO of Morgan Stanley, and Thain, CEO of CIT Group Inc were awarded incentive compensation on Friday, while Citigroup did not say what additional bonuses and incentives Pandit would be eligible for.

His pay raise will be effective immediately, Citigroup's board said in a regulatory filing. It said in September that it intended to raise his pay in 2011, without disclosing the amount.

Massive losses during the financial crisis forced Citigroup to take $45 billion in U.S. government bailout funds. Pandit, who was named CEO in late 2007, presided over two full years of losses before the bank reported its fourth consecutive quarterly profit on Tuesday.

The U.S. government also sold the last of its Citigroup stock in December, helping the bank shed its status as a

Tata Steel's $770m offer covered over 6 times

REUTERS, Mumbai

Tata Steel's up to $770 million share sale was covered more than six times on the final day, reflecting investor confidence in the steelmaker's growth prospects in a fast-expanding economy.

The world's No. 7 steelmaker was offering 57 million shares in the issue to partly fund a 3-million-tonne capacity expansion at its Jamshedpur plant in eastern India, repay a part of its $10 billion debt and invest in other projects.

Earlier this week, Tata Steel raised 5.08 billion rupees ($112 million) from 33 anchor investors that included the Abu Dhabi Investment, Government of Singapore, and investment arms of Fidelity, Morgan Stanley and Credit Suisse.

The public offer for the remaining 48.7 million shares opened on Jan. 19 and closed on Friday.

The institutional order book was subscribed more than 10 times by close, helped by orders worth about $746 million from foreign investors.

Retail investor bid for more than one-and-a-half times the shares reserved for them, but the allocation for employees was not fully covered.

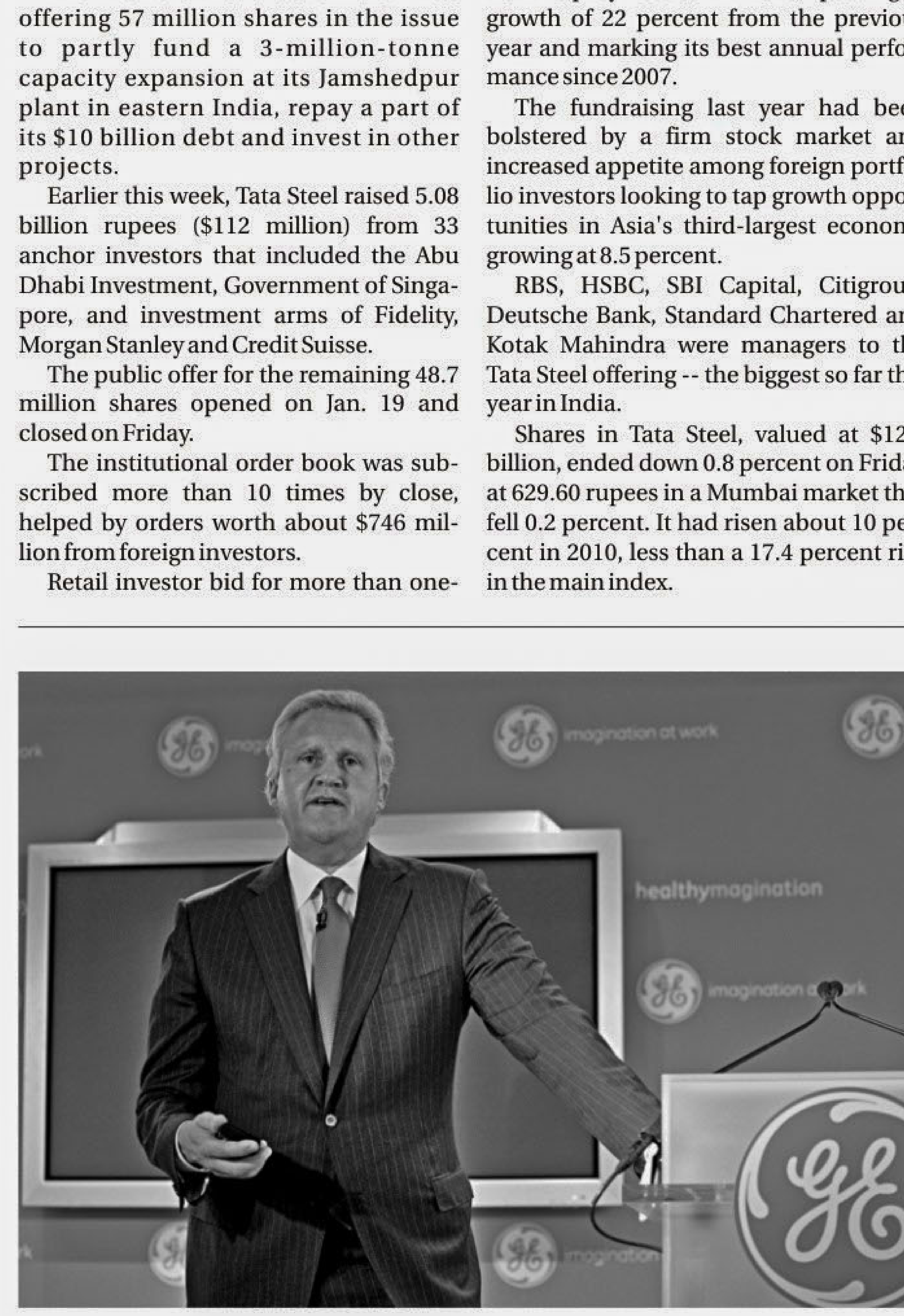
Most bids came at the top end of the 594 rupees to 610 rupees indicative price range, stock exchange data showed.

Indian companies raised $24.9 billion from equity issues in 2010, posting a growth of 22 percent from the previous year and marking its best annual performance since 2007.

The fundraising last year had been bolstered by a firm stock market and increased appetite among foreign portfolio investors looking to tap growth opportunities in Asia's third-largest economy growing at 8.5 percent.

RBS, HSBC, SBI Capital, Citigroup, Deutsche Bank, Standard Chartered and Kotak Mahindra were managers to the Tata Steel offering -- the biggest so far this year in India.

Shares in Tata Steel, valued at $12.6 billion, ended down 0.8 percent on Friday at 629.60 rupees in a Mumbai market that fell 0.2 percent. It had risen about 10 percent in 2010, less than a 17.4 percent rise in the main index.



AFP

Jeff Immelt, chairman and CEO of GE, speaks during a presentation on General Electric's strategy for global health in Washington DC. The US conglomerate on Friday posted better-than-expected fourth quarter and 2010 profits, and said it was upbeat about the outlook for this year and the next.