

INDIA

Google to Open Center in India



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President

Google Inc., the startup company in Mountain View, California, plans an initial public offering early this year that could value the company to as much as \$25 billion. They are also planning to open their first engineering research and development center outside of the U.S. in India.

Google, the popular Web-search technology company has 21 offices worldwide, with most sales offices outside the USA. More than 1,000 are employed as engineers at Google's three U.S. locations in Mountain View, Santa Monica, California and New York. Half of those employees are technical or

engineering related.

The company plans the opening of the center Bangalore in March with initially employing close to 100 engineers. This comes during a time of dissension about "offshore" trends among U.S. companies. A great number of other companies have opened offices in places like India and China to outsource jobs, lower cost and take advantage of cheap labor. Google's move however, is to expand their selection of talented individuals with computer science and engineering backgrounds. With the stringent restrictions of individuals obtaining visas to work in the U.S., opening the center in India will be mutually beneficial. Google realizes there are a large number of talented engineers in India. There were other factors, which played a role in their decision, and many Google employees are willing to spend time in India to assist in the opening of this center.

Silicon Valley VCs 'blown away' by Market Opportunities in India

In November of 2003, twenty-three Silicon Valley venture capitalists went to Bangalore and Mumbai India on a seven day trip to observe the investment opportunities there. Silicon Valley Bank led this exhibition towards taking steps to becoming more international and showing off their contacts made after several years of business development in India. Nearly twenty firms were represented. Silicon Valley offices of New Enterprise Associates (NEA), Mayfield and Telesoft partners are three examples.

Silicon Valley Bank came up with the idea about six months ago, and they were surprised by how many VCs were interested in this idea. NEA's founding general partner went to Bangalore and Mumbai personally to see what was going on in the area. NEA has backed more than 70 Indian IT entrepreneurs and about 70 percent of their startups have some activities there. They feel there are definitely market opportunities; whether it is outsourcing, investment in cross border startups or the growth in cell phone and electronics consumer demand. Some VCs were skeptical. Some came back with a different point of view. The phrase many used was "blown away". Some VCs who were Indian expatriates were amazed at the development of their country. Fiber optic lines and cell phones are everywhere.

India's new generation of engineers want to come to the United States for training and education and then return to India once acquiring the skills. Most Indian expatriates in the past have built some of the most successful U.S. startups. But, having them educated in Silicon Valley can assist in setting up the research and development centers in India. The venture capital community is still very young. If you compare Silicon Valley startups as being in their seventh generation, India would be in its first. Some concerns are how India startups would get its liquidity and making sure their infrastructure will be scalable enough to sustain the growth.

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Lehman to Boost India Outsourcing Despite Problems

Lehman Brothers Holdings Inc. had some unsatisfactory responses with outsourcing their IT help desk. The help desk handles reports of computer problems from Lehman employees. The employees at Lehman were surveyed regarding the help desk performance, and found the performance was not what they wanted it to be. They had underestimated the training and documentation necessary to take the calls from Lehman employees. Despite this issue, Lehman plans to double its number of Indian workers handling their computer operations.

Last year, Lehman hired two Indian companies; Wipro Ltd. and Tata Consultancy Services to manage various information technology functions. Like the current trend, Lehman is one of the many companies to outsource IT and other tasks to India to cut labor cost. Wipro Ltd. was the company handling Lehman's help desk division. After mounting dissatisfaction of the employees, Lehman brought the functions back in house using Lehman employees in the New York region.

Lehman will continue to outsource other IT tasks and new tasks to Wipro and Tata. Other than the 26 help desk positions that were originally outsourced to India from the U.S., another 425 were employed at Wipro and Tata to handle Lehman IT tasks. This number is expected to easily double in the next two years.

Around 20% of Lehman's IT operations are outsourced to India, which will probably go up to 40% in the future. Savings of up to 50% can be realized if these IT functions are sent to India. The combined contracts for Tata and Wipro will eventually reach between \$50 million and \$70 million annually.

ASIA

TV Sets That Surf the Net – Without a PC

At a PC expo in Tokyo, Matsushita Electric Industrial Co., a consumer electronics manufacturer revealed Panasonic's new line of big screen plasma television sets that surf the Internet without a PC. Panasonic also displayed other devices like photo printers and microwave ovens; showing how the PC and consumer electronics industry are merging closer together. Traditional PC makers like Dell Inc. and Hewlett Packard Co. also offer items in the consumer elec-

tronic industry such as flat-screen TVs and other gadgets. Matsushita Electric Industrial and Sony Corp. are traditional gadget makers pushing to produce devices such as TVs and stereos that will do things that would normally require a PC.

The PC and audio visual (AV) world are currently competing against each other. Some of these gadget makers continue to use traditional PC technology, while some consumer electronics makers are developing gadgets that rely less and less help from traditional PC companies like Microsoft and Intel Corp.

Toshiba has a DVD recorder that allows users to do video editing without using a PC. It has a custom made microchip with its own hard drive and software. Two big competitors in the operating system world are Linux and Microsoft. Matsushita, Sony and six other big consumer electronic makers are using the Linux operating system instead of Microsoft's Window operating system in their audio visual gadgets.

Another example of smart gadgets not requiring PC technology are Matsushita, Sony and Sharp's TVs that use a flash memory card that slides in from the side slot. This is the same card used in digital cameras, which allow you to load images without having to use a computer. With this functionality, all you have to do is insert the flash memory card in the TV, and scan through your images. With DVD recorders you can store these images in the hard drive. An operator can use a photo printer with a memory card slot and print images without ever booting up a computer.

Matsushita would eventually like their products to be up to speed with broadband technology since movies music and entertainment are distributed via this medium. Currently only PCs are able to handle this efficiently. Matsushita's TV that surfs the Internet runs without a central processing unit (CPU), which is the brain of a computer meaning this TV will be a bit sluggish. The browser is not capable of handling most web sites and is limited to special web sites such as Pia; a ticket seller that allows users to query for movies and theater events.

Sony is also developing gadgets to surpass PC speed and functionality. They are partnering with Toshiba and International Business Machines Corp (IBM) to develop chips to power their consumer electronic devices and spending 200 billion yen (\$1.86 billion). Sony's Playstation game console, PSX (video game machine and DVD recorder) can run a movie on its hard drive faster than most PCs. Sony and Toshiba developed the chip the PSX runs on.

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'Ubiquity' Is Everywhere

Japanese tech giants have been working on ways to spread networks. Sony Corps' President Kunitake Ando decided on the word "ubiquity" to describe the direction he wanted his company to go towards. This word was foreign to them three years ago, and now this word is everywhere in Japan. All of Japan's high tech industry is yearning to become ubiquitous with their networks.

Ubiquity has largely meant people accessing data or communicating with machines through cellphones or car navigation systems. At the Consumer Electronics Show in Las Vegas that started early this year in January, tech giants were exhibiting gadgets like TVs that allowed you to swap photos and videos via memory cards.

Omron Corp developed automated ticket gates for Odakyu railway in Japan last February, which allowed Omron email coupons to be transmitted to travelers' cellphone as they passed through the gates. 34,000 travelers currently use this.

Sony is developing a microchip that will allow data to pass from gadget to gadget more easily. Hitachi and other Japanese companies are working on extremely small chips that use radio frequency identification technology that can be embedded in anything from dollar bills to under human skin. This will help in tracking objects or persons. These chips will be the size of a speck of dust and will have its very own identification number. So far this technology has been tested on clothing tags for inventory control and fruits and vegetables to trace their path from inception to the register. There is information that in 1988 Xerox Corp. researcher named Mark Weiser came up with the phrase "ubiquitous computing" which describes how computers will be so commonplace that they would recede into the background of our lives.

"Ubiquitous" is so commonplace in Japan, many companies have developed catch phrases: Sony's is "Ubiquitous value network", Matsushita "Ubiquitous network society", NTT DoCoMo "Multimedia, ubiquity, globalization", KDDI "The ubiquitous solution company", Hitachi "Ubiquitous information society", and NEC's "Ubiquitous society".

Comdex Still Attracts Big Foreign Numbers

The 2003 Comdex show in Las Vegas had an attendance where 16% were international companies and 30% of the floors were non-U.S. companies. Firms came from around the globe. Compared to the past years Comdex had downsized. This did not discourage some companies from attending. Wireless partnerships and outsourcing were hot topics for

overseas firms at the show.

Comdex helps companies look for partners and strategic alliances, and overall is helpful to foreign groups. There were many Asian and European.

Taiwan expected to ship \$55 billion in products in 2003, up 14.6% from the previous year. Some of Taiwan's hot devices were notebook computers, LCD panels, wireless LANs and projectors.

Since wireless restrictions were lifted in the U.K. in 2002, development has grown. In turn, this will continue to broaden partnerships between the United Kingdom and the United States.

Sweden, one of the leading IT nations, had many firms at Comdex ranging from wireless, open source computing and biometrics. Eriksson pushes for the U.S. to do business in Sweden, which provides an eighth of the foreign investment that comes into the United States. Sweden has been gaining popularity for being an outsourcing location, but they cannot compete with India. However, Sweden can provide the lowest overhead rate for engineers in Europe from \$50,000 to \$60,000 annually.

Denmark had five firms at Comdex whom paid an average of \$4,000 to attend; Denmark government subsidizes half of that amount. Last year there were eight firms, which attended. Whenever companies attend this show good business happens. They have sold applications and content to American wireless carriers.

The dropping dollar has affected firms that do or want to do business in the United States, but it hasn't hurt software firms as much as hardware firms. The organizers at Comdex tried to have less gadgets choosing to emphasize on business technology at the show.

In any language, it's 'goodbye'

Cadence Design Systems, a company headquartered in San Jose, is the bedrock of designing the most advanced computer chips. IC design is saying goodbye to Silicon Valley. The Chinese government has chosen Cadence to assist them in building their foundation in being a global leader in IC design. They are partnering with nine major universities in China to train as many as three thousand EDA engineers at the master's and doctorate levels. This will make the semiconductor industry in China flourish with all the educated students who will work there, and make China as competitive as the United States.

A major concern regarding China continues to be intellectual property not being protected and piracy being a major issue there. It will also be difficult for the United States to

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remain competitive in the 21st century with experts forecasting China being the largest marketer of computer chips in the world by 2007, and companies like Cadence in Silicon Valley continue to invest in overseas projects like this one. Cadence wants to build their presence and leadership in China by educating individuals in this country.

For the past half dozen years, many Silicon Valley companies have been shipping manufacturing to China. There are no worries about how all these companies are trying to procure lower labor costs or low red tape locations, but whether the United States will remain competitive.

EUROPE

Business Software: Where did buyers go?

The trend of outsourcing for business process is everywhere. Business software makers have developed software for big companies to manage finance, manufacturing, human resources, and other operations. But with outsourcing being so much more cost effective, software makers are having trouble retaining their buyers. The outsourcing of these finance and human resource departments to outside companies was a \$122 billion industry this year, and will probably grow to \$173 billion in 2007.

An energy company, BP PLC, recruits and trains their workers by an outside source, Exult Inc. Electronic Data Systems Corp. handles United Kingdom's Abbey National PLC's mortgage and loan servicing for their clients. CIBC in Toronto is a financial institution that also used EDS's services. Accenture Ltd., a global services firm acknowledges that business process outsourcing is a fast growing business for them. Many potential customers of software makers prefer this cost saving method. This way they won't have to buy and run their own human resource software packages. They will simply outsource it.

Many IT service companies that big companies hire to outsource their services tend to use the same software the big company would have used if they were to do it themselves. But IT companies receive discounts and price incentives for purchasing the software in volume. The software makers receive less when this process has a third party which takes a toll on their profits and causes competition. Tolls on profit and competition squeeze margins.

Exult handles BP and Bank of America Corp.'s human resources and says they do compete with software purchases

for most of their contracts. Some software Exult uses are PeopleSoft Inc. and SAP AG for their clients. Compared to their clients, Exult would not need to purchase every single module of software their client would have needed.

This is a \$40 billion global industry of enterprise applications. Some of the big players in this sector such as Germany's SAP just announced an alliance with Accenture. They will use SAP's software for the clients that are using them for financial and insurance outsourcing services. SAP does not feel this is competition or will affect their profits; instead they view this as an opportunity. PeopleSoft also doesn't believe this will affect them. Oracle's spokesperson predicts outsourcing will eventually reduce software sales. This may be the software makers' own doing because most of the current product business activities are standardized.

SOUTHEAST ASIA

Vietnam Hopes To Woo Investors in U.S. Roadshow

Vietnam's senior official, Deputy Prime Minister Vu Khoan went on a nine day trip in December 2003 in hopes to expand a business trade relationship with the United States and to pitch Vietnam as a businesses and investment trade site. He traveled to Washington, Chicago, Houston, Los Angeles and San Francisco intending to meet with company executives from Intel Corp., Oracle Corp., J.C. Penney Co., Wal-Mart Stores Inc., Boeing Co. and Lockheed Martin Corp.

Vietnam would like to be considered a major player as an Asian manufacturing base, while China has had the spotlight in this industry. Mr. Khoan had talks with the World Trade Organization last month. Mr. Khoan aims to have Hanoi join the World Trade Organization by 2005. If Vietnam fails to meet the 2005 deadline, many jobs could be lost, with most in the garment sector.

Garments made from U.S. cotton and furniture made from U.S. hardwoods were the largest items produced and exported to the U.S.. The United States has been Vietnam's biggest export market in the past year, with numbers that have doubled to \$3.6 billion from a year earlier. But Mr. Khoan still was not elated with the pace of American investment. Mr. Khoan feels there should be more potential for the U.S. to be the top investor; especially with the December 2001 trade agreement between the U.S. and Vietnam.

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