

## Blackstone in Indian outsourcing deal

By Joe Leahy in Mumbai  
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[Blackstone](#) has bought an Indian business process outsourcing operator that could soon be providing its services to other companies in the US-based private equity firm's portfolio of investments.

The deal, in which Blackstone is paying \$200m including debt for [Intelenet Global Services](#), comes as private equity firms are looking for synergies among their investment companies as their portfolios swell to a size once confined to the largest conglomerates.

"Blackstone's portfolio companies are very large – if you take all of their revenues, it's \$89bn," said Susir Kumar, chief executive of Intelenet, India's number three BPO group by headcount. "Our understanding till now is that these companies have not really done a lot of outsourcing, so we think there will be a lot of opportunities for that."

The deal, a partial management buy-out in which executives of Intelenet will take a 20 per cent stake and Blackstone the remainder, is one of the few in which a private equity group has bought a majority stake in an Indian company.

Blackstone declined to comment. It is acquiring Intelenet from [Barclays Bank](#) of the UK and Housing Development Finance Corporation, India's second-largest private sector bank.

The banks sold out to focus on their core businesses but are expected to continue to use Intelenet's services.

The company employs about 17,000 people and has plans to add up to 6,000 more by the end of the year.

Its annual sales are about \$150m with a margin based on earnings before interest, taxation, depreciation and amortisation of up to 22 per cent, in line with the industry average.

Blackstone is expected to try to build the business up rapidly by encouraging it to make acquisitions in the sector and through organic growth, with the BPO market in India growing about 42 per cent a year.

The nature of the private equity business and Intelenet's own business model mean the Indian company will not become a "captive" – or dedicated – outsourcing firm for Blackstone's portfolio companies.

But Blackstone is expected to introduce Intelenet executives to those companies in the private equity group's portfolio known to be interested in outsourcing.

To this end, a member of Blackstone's synergies team, the group charged with finding business opportunities between investment companies, will be appointed to Intelenet's board. Under the deal with management, the 20 per cent stake will be distributed among up to 400 upper and middle managers.

The structure is expensive for Blackstone but it is a measure of how competitive the war for talent has become in India.

Private equity investment has been growing rapidly in India, with 143 deals worth \$2.21bn last year, outstripping any other country in Asia, according to Thomson Financial, the data company.

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