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IBM to Triple Investment in India to \$6 Bln by 2009 (Update 1)

June 6 (Bloomberg) -- International Business Machines Corp., the world's largest computer-services provider, will triple its investment in India to \$6 billion by 2009.

Chief Executive Officer Sam Palmisano announced the plan in a statement issued ahead of an analyst meeting in the southern Indian city of Bangalore today.

The investment, among the biggest by a foreign company in the country, underscores the growing importance of developing markets such as India to IBM. The Armonk, New York-based company's first-quarter sales in India, where it is the largest foreign employer, rose 61 percent, outpacing overall revenue growth of 4 percent.

About 50 analysts and investors are in Bangalore today and tomorrow to meet with IBM executives, the first time the company is holding the annual event in India. Merrill Lynch & Co. analyst Richard Farmer traveled from New York and Cindy Shaw of Moors & Cabot Inc. flew from San Francisco.

``This is not a new place for them to be doing business," said Shaw who left for the event June 2 and has a ``buy" rating on the stock. ``But they are growing particularly rapidly in India and that kind of rapid growth is tough to manage."

IBM said analysts and investors paid their own way to attend the meetings.

Cheap Labor

Indian President A.P.J. Abdul Kalam and Sunil Bharti Mittal, chairman of Bharti Airtel Ltd., the nation's biggest wireless company and IBM's largest Indian customer will also attend the event. IBM, which is cutting workers elsewhere, has 43,000 workers in India, up from 9,000 at the start of 2004.

Shares of IBM fell 46 cents to \$79.06 in New York Stock Exchange composite trading yesterday. They have gained 2.8 percent over the past year.

Palmisano, 54, is seeking to capitalize on cheaper labor and the strength of India's economy, which is growing at the fastest pace after China's among the world's biggest countries. In April, he reiterated his commitment to shift investment to India, Russia, Brazil and China to help counter falling sales in Japan and Germany.

``This isn't simple labor arbitrage," Palmisano said in April at the company's annual meeting in Tulsa, Oklahoma. ``It's doing the right work, in the right places, at the right cost."

India will produce 382,000 engineering graduates in the year ending March 31, according to the National Association of Software and Service Companies.

Lower Salaries

The average software programmer salary in India is \$7,500 a year, compared with \$65,000 in the U.S., according

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to researcher NeoIT Inc. That rate is rising as more companies start and expand operations in the country, according to Shaw.

``Wages are going up at a good clip in Bangalore as well as some of the less established markets and middle managers are very scarce," said Shaw. ``The economics are becoming less compelling but are still attractive."

IBM started selling computers in the country in 1951 until it was forced out in 1978 due to political unrest. It returned in independent operations in 1999.

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Last Updated: June 6, 2006 02:00 EDT

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