

Hi everyone! Welcome to the Moneycontrol.com exclusive chat with Mr. Nandan Nilekani, MD, President & COO, Infosys Technologies. Mr. Nilekani will answer your questions on his company, so fire away! I'll moderate with questions from the "Your Questions" box below, you can see the expert's answers in the box above.

Do you really think that slow down in US economy to cut in fed rates will affect the IT business of India and particularly Infosys?

Nandan Nilekani

We have conducted a poll among many large clients, which indicate certain trends in their IT spending which is expected to favour Infosys. Most of our clients have expressed their desire to expand their relationship with Infosys.

The result of Infosys is in line with the expectations. It has maintained its tradition by announcing such a robust growth. I have one question. Due to heavy recession in the U.S, do you think it will affect Indian software cos. more or less because 60 to 70% softwares are exported to U.S.?

Is the US market poised for a slowdown? What is your assessment?

Nandan Nilekani

As I said earlier, we conducted a poll among our clients. Most of our clients have expressed their desire to expand the relationship with Infosys.

What's the future of Infosys, wherein people are paid less and given hopes of the lacklustre ESOPs and ever increasing bench ...

Nandan Nilekani

We are very happy of the growth rate of this quarter. We maintain a strategic bench to be able to respond to market opportunity. Our employees are fully committed to building the company. While we intend to grow compatible with the software export industry in India, the organisation is fully prepared to tap the larger market opportunities and meet the consequent growth challenges.

Telecom sector performance is worth a concern. It was expected to be fastest growing sector in US, but why Infosys couldn't capitalize on that?

What is Mr. Nilekani's view on a report which says that US economic slowdown will have an impact on the Indian IT industry

Nandan Nilekani

We have been quite successful on the telecom front. We are working with Cisco Systems, Nortel Networks and Lucent Technologies, three of the world's top telecommunication companies. So, we continue to have a thrust in the telecommunication sector. This quarter we derived 17.7% of our revenue from the telecommunication sector.

Do you think middle level Indian IT cos will be affected by the US slowdown? How? In terms of longer receivables time? Also, do you think with cost cutting and likely lower IT spends by US companies, will US cos come to depend more on local third party cos? Do you think Indian software cos have to shift from customisation and package software to development?

Nandan Nilekani

Companies like Infosys have a unique business model which enable us to provide high quality technology intensive solutions to our clients at globally competitive price points. We have polled many of our large clients and found the trend in IT spending that may favour us. While we intend to grow at rates compatible with the software export industry in India, the organization is fully prepared to tap the larger market opportunities and meet the consequent growth challenges.

Why has Infosys not done anything about acquisitions as yet??

Don't you think it would have been better to raise \$\$ only after having a acquisition target in sight rather than earning only interest

When Infosys floated ADR, they did to acquire some company? However in past year, we did not see any acquisition. So, what are your future plans? How can you sustain such high growth without acquisition

Nandan Nilekani

We had four strategic reasons when we did our ADR issue on March 11, 1999. The first was to increase the brand equity of Infosys in the global market. The second was to create the ability to give dollar based stock options. The third was to create the currency for acquisition. The fourth was to raise money. We continue to look for acquisitions, which will have strategic fit with Infosys.

Why has Infy liquidated its Rs 130 million investment in ECCubed?

Do you think that Indian IT services cos should gradually get in to a product model? Is Infosys looking at working on wireless technologies some time in the future?

Nandan Nilekani

EC Cubed has filed for liquidation since it was unable to raise further capital. We have provided for the entire amount of investment in this quarter. EC Cubed was actually rated as one of the top 100 emerging companies to watch in 2000 when we made the investment and we participated along with other leading venture capitalist in their 4th round of funding. Adverse marketing conditions affected EC Cubed.

Do you think over a period of time, Indian software cos will come to depend less on the US market and more on Europe and Japan? Will costs go up in that case?

Nandan Nilekani

US continues to be largest market for IT services for the world. We will pursue other markets as part of our derisking strategy. Infact our revenue from Europe this quarter has gone up to 18.8% from 12.4% for the same quarter of last year. We do not expect any material impact on costs.

How many new employees the co. has added during the quarter? How Infosys is positioned to address the attrition rate that is skewed at lower level? How do you think the widely fluctuating markets will affect your employee costs (since the value of ESOPs would go down because of the fluctuation)

Nandan Nilekani

We have added 985 employees in this quarter. Our lateral hiring has increased to 148 employees this quarter. Attrition for software professionals is down to 9% this quarter and ESOP is not a substitute to salaries. We pay our employees market salaries and stock options are provided as an additional performance incentive.

Is Infosys planning to position itself as an interactive architect? Going forward, how does Infosys plan to position itself?

Nandan Nilekani

Infosys is positioned as an end-to-end service provider, providing consulting to implementation and maintenance services.

Hi Nandan, your client accounting for more than 5% revenue has increased

Inspite of having Cisco, Nortel & Lucent as your active clients, why is that telecom as % of your revenues have not been encouraging?

Nandan Nilekani

Our telecom revenue this quarter has grown from US\$ 18.98 million in the last quarter to US\$ 20.2 million this quarter. There has been a growth in our telecom business.

When should we expect next bonus/stock split from Infosys?

sell/hold what to do with Infosys?

Nandan Nilekani

We cannot comment on this.

Ok. last few questions for the chat. Mr. Nilekani, please answer this question -

The company aims to limit its revenues from developing e-commerce related software to 40-50 percent of its total revenues. Can you elaborate on this?

Nandan Nilekani

Infosys has a unique business model which enables us to provide high quality technology intensive solutions to our clients at globally competitive price points. Our e-business engagements are at 28.3% of total revenues as compared to 31.4% for the previous quarter. Revenue from dotcom start ups has dropped from 9.5% for the previous quarter to 5.8% for this quarter. E-business continues to be a fundamental transformational force for all businesses.

**Considering the decline on the NASDAQ of software services companies, don't you think it's a great time to go shopping?
Your strategy of replicating the Indian model of operations in China?**

Nandan Nilekani

We continue to look for companies that fit our strategy. We are looking at opening development centres outside India including China.

Ok. Last question for this chat. Mr. Nilekani - company future plans?

Where you see Infosys in 2005. And Mr. Nilekani - a favorite question from a lot of the chat users today - when will Infy declare a bonus issue? -

Nandan Nilekani

We intend to grow at rates compatible with software export industry in India. Our vision is to be globally respected software co in the world.

Thanks, Mr. Nilekani. It was a pleasure having you with us on this chat. This chat has now ended. Thank you everyone for participating.

Nandan Nilekani

Thank you very much. We enjoyed chatting with you.

Thanks again. Bye everyone.