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MAKING
IT WORK
BETTER

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MAKING IT WORK BETTER

No company is immune from the downturn in the IT sector, but Infosys Technologies continues to prosper. Managing director and CEO **Nandan M. Nilekani** talks to Maurice Geller about the company's ability to deliver business value to its customer base.

In the two years since NASDAQ Magazine last interviewed the CEO of **Infosys Technologies Ltd** (NASDAQ: INFY), managing director and CEO Nandan M. Nilekani has taken the helm from N. R. Narayana Murthy, who was an outstanding head and key figure in the Indian IT business.

In probably the most demanding cycle for the industry since Infosys was created, the company continues to flourish: revenues for the quarter to 31 December were \$200 million, up more than 45 percent on the same quarter in 2001, generating \$52 million net income and leading to Infosys upwardly revising its guidance for 2003. Year-on-year revenues for 2002 rose more than 30 percent and it expects revenues for fiscal year 2003, which ends 31 March, to be in the range of \$740 million to \$743 million.

Q: What are Infosys's core businesses?

A: Infosys is a world leader in consulting and IT services. We partner Global 2000 companies. Our niche is that we know how to effectively enhance business performance and transformation with technology.

We have some 14,000 employees in more than 30 offices worldwide. We are the industry leader in India, the most admired company; we are recognized consistently as the best-managed company; we are seen as best employer, as a company that practises the highest standards of corporate governance. Our achievements are powered by intellect and deeply held values. And we believe we have demonstrated, even in these very challenging market conditions, that we are a business which is able to create genuine value for customers.

Q: Who are Infosys's clients?

A: Our large clients – such as Bank of America, **Microsoft** (NASDAQ: MSFT), Porsche in Germany, Airbus, Nortel and **Cisco Systems** (NASDAQ: CSCO) – are all large corporations. As well as buying hardware and software, increasingly, a lot of IT spending now is on how to make all this work together better, how to develop software which is not available in the market – and how to make IT spending deliver better business value.

So there is now more spending on a class of activities called IT services – which includes consulting, systems integration, package implementation, application development, application maintenance and so on.



INFOSYS MILESTONES

1981	1987	1992	1994	1995	1996	1998	1999	2000	2001	2002
Founded in India.	Opens first international office in U.S.	Becomes a public limited company in India.	First company in India to initiate ESOP plan.	Voluntarily recast balance sheet to be in substantial compliance with U.S. GAAP.	Opens its first European office in U.K.	First company in India to voluntarily release audited quarterly financial statements under Indian GAAP.	Becomes the first India-registered company to list on NASDAQ. Achieves \$100 million in annual revenues.	First company to be awarded the National Award for Excellence in Corporate Governance by the government of India.	Achieves more than \$500 million in revenues for the first time.	Ranked top in the CG watch 2002, the CLSA study in corporate governance practices in emerging markets. Number of employees crosses 10,000 mark.

Q: Infosys has been in the vanguard of India 'moving up the value chain' from low-level, low-cost software development to more sophisticated and significant offerings. How do you feel things have changed over the years?

A: First, the range of services we offer is wider. Also, our style of 'engagement' with our clients is much broader today. As well as winning more clients – 23 in the quarter ending 31 December 2002 – we're doing a larger and larger part of their work. We're undertaking more high-level, higher paid and higher margin business.

The third dimension of sophistication we offer is that the level of business knowledge we bring to the table today is much greater. Lastly, our relationships now are much richer in our client companies. We work with the 'CXOs' – chief executives, chief financial officers, chief information officers and other board members – and really talk the language of their business. It's really a partnership, it's a relationship, it's strategy and it's business-critical.

Q: Among your newer areas of activity, I've noticed Infosys talks more about customer relationship management. What do you understand by it?

A: The key to business success is increasing the longevity of the partnership with a client, increasing the level of repeat business, increasing the range of products and services that you can sell, and building a personalized profile of each client so you can customize your offering – so that you maximize business value. We know how to use technology to effectively deliver that.

Q: Would you say the Internet is fulfilling its vaunted potential to 'transform business'?

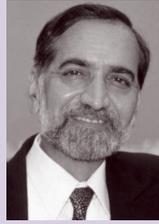
A: Increasingly everybody realizes that, while technology is obviously very critical to business performance and growth, the key to success ultimately comes down to effective use of technology.

In today's economic conditions, people are even more concerned about getting value for money. And I see it from two angles: efficiency and effectiveness. Efficiency simply means doing things right, being efficient, having zero defects, high quality and so on. Effectiveness is making sure that the applications or the output coming out of the process is used for best business value generation. In this climate particularly, our value proposition is resonating with customer needs.

Q: You're headquartered in India, but nearly three-quarters of your revenue comes from North America. You've made a big splash in France recently and have entered Thailand. What is your view on Infosys's global activity and expansion?

A: In the last two years, we have established a better footprint in the U.S. As well as sales offices around the world, we have a development center in Toronto. We also have an office near London, which is a development center for the U.K. market. We've just opened a development center in Melbourne for Australia and a disaster recovery and business continuity planning center in Mauritius, and we continue to operate in several cities in India. So we have

Speaking up for India



"I want to make India and IT as synonymous as France and wine, or Switzerland and watches." So says Kiran Karnik (above),

president of NASSCOM (National Association of Software and Services Companies), the industry body – of which Nandan M. Nilekani is a co-founder – that has been so active in promoting India Inc. globally. His message is about the business value and competitive edge that Indian IT vendors are offering to global enterprises in a tough market environment.

The numbers are eloquent. India is one of the fastest-growing IT markets in the world. In the last financial year ending 31 March 2002, revenues grew to \$13.5 billion – compared with \$1.7 billion in 1995; it also represents nearly 2.9 percent of India's GDP. Of that total, the software and services sector contributed \$10.1 billion – up from \$8.4 billion in 2001 – of which exports accounted for nearly \$7.7 billion, a 22 percent increase in dollar terms and some 16 percent of India's total exports. NASSCOM expects revenues to reach \$12.3 billion in the financial year 2002-03 and believes the industry is on track to achieve its long-term target of \$77 billion by 2008 – a compound

annual growth rate of 34 percent.

The growth engine of exports, says NASSCOM, is the ITES (information technology-enabled services) sector, which was up some 70 percent last year. ITES covers a wide array of services from relatively low-level call centers to content development and engineering, and design.

In addition, the growth is in the more sophisticated offerings, which reflects the rapid expansion worldwide in business process outsourcing to embrace more advanced functions such as accounting.

Recent studies confirm that India is increasingly the most highly regarded outsourcing destination. Forrester Consulting placed Indian majors Infosys and Wipro above some of the biggest global names in IT and consulting services in its recent survey of 140 corporations planning to outsource in 2003.

Indian industry figures claim above all that it is because they have the talent and experience to provide high-quality, cost-competitive, cutting-edge, cross-platform solutions supported by extensive global experience and project management skills. And at the core is the workforce, a vast base of highly skilled English-speaking manpower, boosted by an output of 178,000 engineering graduates every year.

tried to create a global footprint of operations.

We have made a couple of small mergers and acquisitions – we made one small acquisition on the banking side, a few months ago. And we are looking at acquisitions that will help us achieve the strategic intent of being a global end-to-end IT and solutions provider for improving business performance.

Q: What are the key strengths of India and its people? And how closely do you liaise and work together with Indian IT companies and other industries?

A: We are very bullish on India. We think India has the

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CEO Nandan M. Nilekani

potential to become a global service center not only for IT services but also for what is rapidly becoming a big area called business process outsourcing. The infrastructure is improving, the quality of people is exceptional, and the government has been very supportive. We are also heavily involved in our industry association NASSCOM. We all work very closely to build a ‘company brand’ and make sure that India gets the attention it deserves.

Q: Among a whole list of ‘firsts’, Infosys was the first Indian company to list in the U.S. – why did you make the step? Also, how good is your relationship with the investment community?

A: Listing on NASDAQ was very, very important – it was an important step in our globalization efforts, to help us gain acceptance in the global investment community. It’s been enormously useful since, not only in dealing with foreign capital markets but in terms of announcing our brand and making people confident in our future.

I think we do have a good relationship with investors. We are very proactive in updating the investment commu-

nity on what’s happening at Infosys. This year, we have been selected as the company with the best investor relations in India. We work hard to provide information on our performance and our challenges to the outside market.

Q: Finally, looking ahead a little: what do you think is the key challenge and what’s the most exciting prospect right now – for you and for the industry?

A: The IT industry is facing a fundamental challenge: how to prove to its customers that it can create demonstrable, measurable business value. And as far as India – or Infosys – is concerned, this moment in time is the coming of age of Indian software companies. They’re being accepted on a level playing field with the best and the biggest corporations in the world. It’s for us to really make the most of this opportunity. **N**

Maurice Geller writes on business and technology matters for a number of European and U.S. magazines and newspapers.

www.infosys.com

Building a global corporation



Nandan M. Nilekani, 48, became CEO of Infosys Technologies in March 2002. He took over the helm from N.R. Narayana Murthy – a tough act to follow given that the Indian IT business regards Murthy as an icon of industry. But Nilekani is no stranger to the top tier. He was already president and chief operating officer and, like Murthy, is one of the seven co-founders of Infosys. Murthy remains chairman and takes on the new role of chief mentor – rather like his friend and a long-term inspiration, Bill Gates of Microsoft.

Nilekani is also a co-founder of NASSCOM – the IT industry body that has been so active in promoting India Inc. – and chairman of the government’s

IT Task Force for the power sector.

“When we founded Infosys in 1981, we had a dream of building a global corporation,” says Nilekani now. “We had passion, commitment, hope and capacity for hard work, in plenty. But money was in short supply – there were no venture capitalists at that time. Further, it was a challenge to attract smart people to work with us – we had no brand recognition and no assets, physical or financial. In addition, we struggled against the Indian rules and regulations in the 1980s, which were far too bureaucratic.”

The struggle paid off. Twenty years later, revenues have broken through the half-billion dollar mark. And it’s proved inspirational throughout the industry. “I believe the success of companies such as Infosys demonstrates that entrepreneurship can succeed in this country; that we can create wealth leveraging sweat equity

and, more importantly, we can do it in an honest and ethical manner.”

For the future, says Nilekani, “there are always larger goals to be achieved. Infosys still has a long way to go before it achieves its aim of becoming a global giant.”

In the meantime, Nilekani quotes Voltaire and Nehru about the need for “a code that you can live by”. Always he stresses the importance of teamwork: “It is only when a set of people subscribe to a common vision, define a core set of values and principles, and put organizational goals before their personal ones, that long-lasting institutions are built, and progress is achieved.”

As team leader, it’s his job to raise aspirations, he says. “It’s about making people believe in themselves, making them confident and making them achieve miracles. Leadership is about dreaming the impossible and helping people achieve it.