

# Infosys targets fatter contracts

## Outsourcing

INFOSYS Technologies, India's second-largest software maker, is spending more money and resources to win bigger contracts as it competes with companies such as IBM and Accenture.

Infosys has forecast sales will exceed \$US2 billion (\$US2.6 billion) this year.

It plans to use low-wage software developers in India and the company's growing consulting unit to win larger orders valued at more than \$US50 million.

Chief executive Nandan Nilekani, 50, told investors last week that Infosys may take on employees working for customers if that would help win bigger orders.

"We are hopeful of getting business that continues to grow larger," Nilekani says.

Five Infosys customers generated revenue of more than \$US50 million last year, and one accounted for more than \$US90 million.

Nilekani says he won't acquire the assets of customers. Others such as IBM and Accenture, both US-based, take over assets and employees of customers as part of multi-year IT contracts.

Indian companies are getting bigger orders as the world's top information technology spenders are splitting up large contracts.

The smaller contracts, which are still relatively large for Indian companies, are helping them enter new areas of business.

"You'll see fewer large contracts" of more than \$US1 billion, says Michiel Plakman, who helps manage the equivalent of \$US12 billion in technology stocks at Robeco Group in Rotterdam.

"That's really helping Infosys, Wipro and the like because it helps them get their foot in the door" by winning smaller pieces of such contracts, he says.

US companies such as IBM and Accenture are responding to the threat of Indian companies such as Infosys by moving operations to the south Asian country and hiring workers there to reduce their expenses.

"They are feeling the heat in their core strength in consulting," Infosys sales and marketing head Basab Pradhan says.

"We have won two large-enterprise change projects, beating major players."

ABN Amro Wachovia and General Motors are some of the companies likely to award large orders to Indian software companies, Thomas Weisel Partners analyst David Grossman says.

Infosys may be the most likely winner of the Wachovia contract, he says.

Shares of Infosys dropped last week after posting a smaller than expected 37 per cent gain in first-quarter profit after raising wages to retain employees.

It forecast lower annual profit than analysts expected.

Net income rose to R5.32 billion in the three months to June 30 from R3.88 billion a year earlier. Sales rose 36 per cent to R20.7 billion.

Infosys and other Indian technology companies will continue to benefit for the next few years from employing software professionals in India, paid less than half what US workers get, Banque Cantonale's Claudio Bernasconi says.

"I think they'll continue to gain ground," says Bernasconi, who helps manage \$US21 million in Indian stocks at the bank based in Lausanne, Switzerland.

"If we have a slowdown in the US, companies will have to cut their costs and outsource even more."

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