

ASIAN BUSINESS NEWS

Infosys Sees Surging Demand From European Companies

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BANGALORE, India -- Surging demand from Europe will power future growth at Infosys Technologies Ltd., one of India's two largest outsourcing companies, the company's president and chief executive officer, Nandan Nilekani, said.

Infosys's five-year, \$140 million deal to maintain and support software applications for Dutch bank ABN Amro Holdings NV, signed last week, could just be the beginning of a wave of new orders from the European Union, Mr. Nilekani told The Wall Street Journal. An increasing number of European companies are discovering the cost and time savings generated by outsourcing, he said.

"This is the tipping point for Europe," he said in an interview at the company's Bangalore headquarters. "The fact that a large European bank chose to do outsourcing is a very strong signal that Europe is stepping up its outsourcing."

While more than 80% of revenue at Indian information-technology service companies currently comes from U.S. clients, more European concerns are beginning to realize they have to outsource to be globally competitive, Mr. Nilekani said.

Infosys's revenue from Europe has climbed more than 50% a year for the last five years, but is still just 23% of its overall revenue. Revenue from Europe should increase to more than 30% of total revenue at major Indian outsourcing companies over the next few years, industry analysts say.

"A lot of large [European] corporations have been testing the waters with their toes," and they are now ready to dive in, said Mr. Nilekani. "Outsourcing is going to go through a paradigm shift."

Analysts say a key reason Indian companies such as Infosys are expected to expand business quickly with European clients is because there are few large local outsourcing competitors and few European companies that have set up their own in-house operations.

"Infosys is the fastest-going listed IT services firm in Europe [because] the big European firms lack a solid offshore capability," said Peter Schumacher, president and chief executive officer of Value Leadership Group Inc in Frankfurt. "While the European firms are trying to figure out what to do and fighting with their unions, the Indians are taking away their business."

In Europe, Infosys plans to do much more than just peddling the services of its Indian programmers and engineers. It is hiring thousands of workers in eastern and central Europe to create another hub for outsourcing. Just as major Japanese auto manufacturers can produce high-quality cars anywhere in the world, Infosys's unique methods for recruiting, training and managing thousands of engineers are also exportable, said Mr. Nilekani.

"We can use the same tools and same processes and the same systems," that Infosys has developed in India, he said. A highly predictable, high-quality process is our key strategic advantage but it is location independent."

Infosys is also targeting China as an area of new growth and potential pool of talented, but inexpensive engineers. The company plans to spend \$65 million over the next five years to set up software-development centers in China and hire about 6,000 engineers.

"China for us is a potentially large market for us," said Mr. Nilekani. "The driver of our group business in China now is working for our global customers, but the second part of the China story is that we want to look at is China as a development destination."

Helped by new orders from Europe and China, profit at the Nasdaq Stock Market-listed Infosys rose 37% in the three-month period ended June 30 from a year earlier to 5.31 billion rupees (\$121.1 million), as revenue increased 37% to 20.71 billion rupees.

Infosys shares climbed 0.35% to 2,363.95 rupees on Tuesday. The Bombay Stock Exchange was closed on Wednesday for a religious holiday.

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