

## Management Mantra

### S. Gopalakrishnan, CEO & MD, Infosys



**S. Gopalakrishnan, CEO & MD, Infosys Technologies**, is one of the founders of Infosys Technologies Ltd. As CEO, he plays a key role in defining the company strategy and using technology and innovation continuously to maintain its leadership in the industry. On June 22, 2007, S. Gopalakrishnan took over from Nandan Nilekani as the CEO & MD of Infosys. He previously served as COO (since April 2002) and as the President and Joint MD (since August 2006). His responsibilities included customer

services, technology, investments and acquisitions. He holds a master's degree in Physics and Computer Science from the Indian Institute of Technology Madras.

#### **The Q1 FY10 results of IT companies have pleasantly surprised the market. Is it safe to say we are out of the woods?**

If you look at the first quarter results of the major players in the industry, they are slightly better than what was expected or projected. This shows that there are signs of recovery. We at Infosys are cautiously optimistic. We want to make sure that the recovery is sustained before commenting that we are out of the woods.

#### **What kind of transformation is the industry witnessing?**

The industry is going through a transformation in multiple dimensions. We are all looking at markets globally to take advantage of the growth opportunities that are visible today in emerging markets like India, China, Middle- East, South and Latin America. In parallel, geographical expansion is also taking place in terms of setting up development centers around the world. In the case of Infosys, we are in the process of setting up development centers in Brazil, Mexico, Eastern Europe, China and Phillipines. Our delivery capabilities around the world are increasing and this is part of our investment plan also.

#### **The revised guidance implies that revenue visibility for Infosys has deteriorated sequentially. What are the key reasons behind such cautious stance?**

When we gave the guidance in the beginning of the year, we had assumed that the recovery would happen later in the year and the guidance was back-ended. We did better than we expected in the first quarter. There appeared no consensus on the view that the recovery will happen this year. Some were saying recovery may set in after March 2010. We retained the upper end of the guidance for the year. However, the lower end was increased by US\$100mn. Therefore, the range of the guidance has come down. This in turn implies flattish revenues for next three quarters.

#### **From your experience of previous downturns, how do you see the recovery happening and by when?**

The consensus seems to be that recovery will happen in early part of next year or middle of next year. This is what our clients tell us. When clients start spending money, companies like Infosys will see growth picking up. Medium to long term, I remain very optimistic about the prospects for the Indian IT industry. I am confident that

the industry can get back to double digit growth. When it will happen is a good question. I would not want to venture a guess mainly on account of the uncertainty which prevails at present. However, when it happens, the recovery is expected to be slow. Unemployment may remain higher for some time and consumer sentiment could remain negative.

#### **What would be a precursor to a recovery, price stabilization or pick-up in volumes?**

I believe when recovery starts we will see volumes pick up. Pricing is going to remain depressed for some more time. Companies will wait before they entertain any increase in pricing. The pricing movement will be tied to unemployment going down or inflation going up or a supply constraint. Today's environment is that of demand constraint. Inflation is extremely low; in developed countries it is close to zero. Unemployment remains very high. A change in any of these will impact pricing.

#### **What about vendor consolidation in the industry?**

Consolidation in the IT services is happening but is not having any impact at this point in time. The interesting consolidation happening is in the overall technology industry with Oracle acquiring Sun. Now you have multiple players who have capabilities of offering services, applications and hardware. We have to wait and see what such consolidation means to IT services companies. We have IBM, HP and now Oracle with full stack capabilities.

#### **Pricing has declined more sharply for Infosys than peers, what could be the reasons?**

From our perspective, the relative positioning of Infosys has not changed. It all depends on when one started and what point in time you are making comparisons with peers. We are still seen as a value player and not a cost play. We continue to maintain a premium position as far as pricing is concerned.

#### **Could we still see some renegotiation in prices or is it behind you?**

The longer it takes for recovery, companies like us will see multiple rounds of price negotiations. Most companies have acted swiftly in cutting costs and renegotiating contracts and appear seemingly in control of the situation. If this slowdown lasts longer, companies will go in for another round of renegotiations. While most of the renegotiations are behind us, there is always a possibility that it could happen again.

#### **Your utilization levels are low and you continue to recruit?**

Even in this environment, we continue to recruit. We believe this will help us to accelerate our growth when the recovery eventually happens. The second reason is we wanted to honour our offer commitments made in campuses earlier. We have also extended some of our investments in education and training. While utilization continues to be lower in the current environment, we wanted to use this time fruitfully to improve the capability of our people.

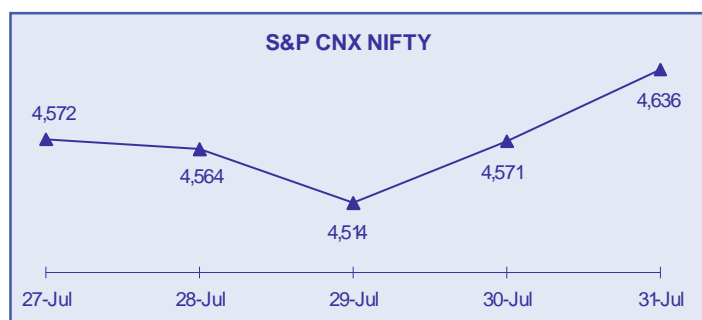
#### **What is your message to Infosys shareholders?**

The company has done very well in a challenging environment and when the recovery happens we will emerge much stronger.

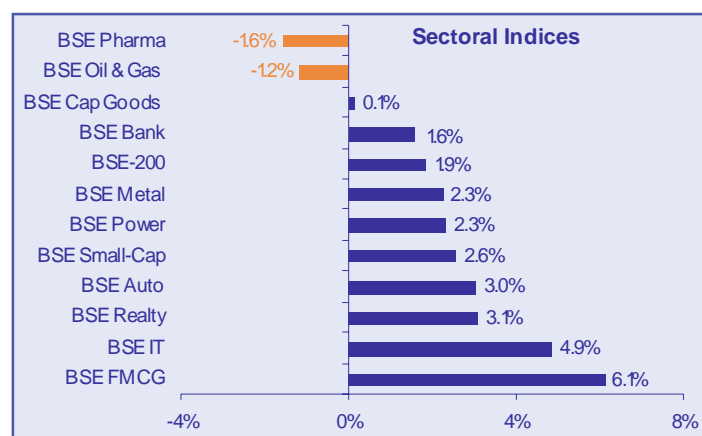
# India Infoline Weekly Wrap

## Market review

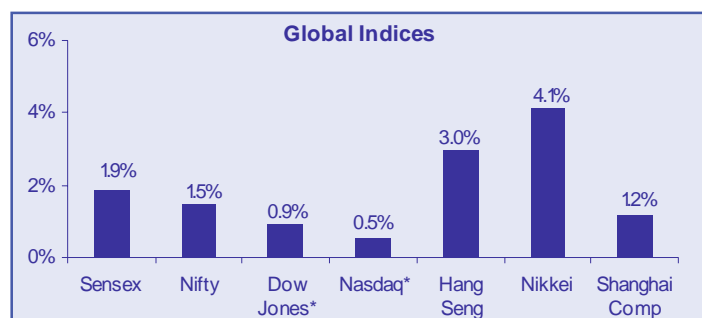
The BSE Sensex rose to its highest level in 2009 led by encouraging earnings reported by India Inc. Also, the Finance Minister's announcement of additional stimulus measures and RBI's upbeat view on the economy boosted the sentiment on Dalal Street. Finally, the BSE Sensex gained 1.9% and the NSE Nifty was up 1.5%.



FMCG stocks rose on hope that the monsoon will not be as bad as expected. IT stocks continued their recent gains after posting strong quarterly results. Realty stocks remained in the limelight after the government lowered interest rates on loans for affordable houses.



Key US indices hit their highest levels in nearly nine months as investors welcomed the latest batch of better-than-expected earnings besides a report that showed stability in the labour market. There was more evidence that housing markets in the US and the UK may be turning a corner. Chinese markets recovered from the biggest one-day fall on July 29 overcoming the fears of tighter monetary policy.



\*As per previous close

## FII & MF activity

(Rs cr)

Date	FII Net Investment	MF Net Investment
23-Jul	710	166
24-Jul	1,051	(33)
27-Jul	446	(177)
28-Jul	738	133
29-Jul	139	(292)
<b>Total 2009</b>	<b>34,531</b>	<b>3,687</b>

## BSE Sensex & BSE 200 Top Five Gainers

BSE Sensex			BSE 200		
Company	CMP (Rs)	% Chg	Company	CMP (Rs)	% Chg
Ambuja Cements	109	14.1	Patni	362	30.7
Tata Motors	422	13.1	Jubilant Org	205	21.7
Tata Power	1,301	11.0	MRF	4,641	21.5
TCS	526	9.1	Hexaware	70	20.5
ITC	249	7.3	Cadila HC	465	19.4

## BSE Sensex & BSE 200 Top Five Losers

BSE Sensex			BSE 200		
Company	CMP (Rs)	% Chg	Company	CMP (Rs)	% Chg
Grasim	2,740	(3.5)	Tanla Solutions	57	(16.5)
RIL	1,957	(2.8)	Glenmark	250	(7.9)
STER	645	(1.2)	Patel Engg	414	(6.9)
Bharti Airtel	411	(1.2)	NIIT Ltd	60	(6.6)
ICICI Bank	759	(1.0)	Titan Inds	1,227	(6.6)

## Bulk deals

Date	Institution	Scrip name	B/S	Qty (lacs)	Price
27-Jul	Copthall	Bank of Raj.	S	10.0	62
28-Jul	Reliance MF	Balrampur Chini	B	25.0	107
29-Jul	Birla Sun Life	Gammon India	B	5.0	145
30-Jul	Citigroup	Aban	S	1.9	994
30-Jul	Morgan Stanley	HCC	S	21.0	115

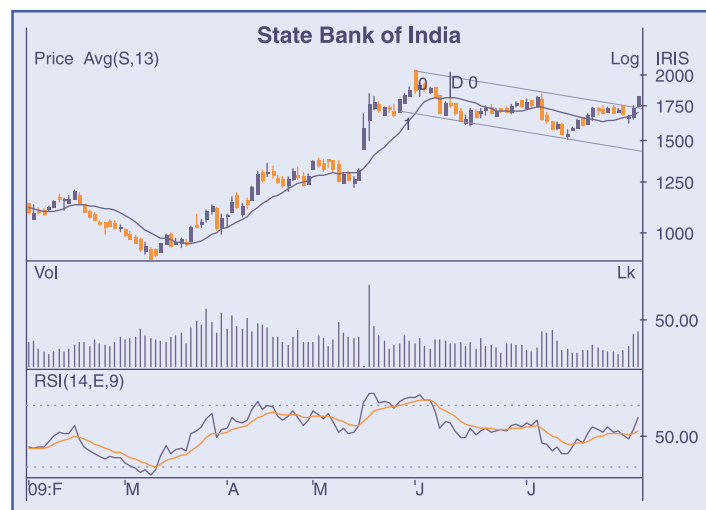
## Book closures and record dates

Company	Date	Purpose
Lanco Ind	22-Aug-09	10% dividend

# India Infoline Weekly Wrap

## Technical ideas

**SBI** **BUY**  
**CMP Rs1,812**



The stock had been moving in a downward channel as seen in the chart above between the range of Rs2,040 and Rs1,510 with decent volumes. We believe that the one-month channel has matured and given a way to an upside breakout.

On Friday, the stock rallied by over 5%, confirming the bullish set up. SBI has been among the few index heavyweights, trading above its 50-DMA. In last few trading sessions, the stock struggled to cross past the crucial resistance levels of Rs1,740-1,760 before breaking out on Friday accompanied by impressive volumes.

The daily momentum oscillators i.e. RSI and MACD are suggesting strength in the upmove. A move above Rs1,835, could take the stock closer towards its 2009 peak. Keeping in mind the above-mentioned observations, we suggest traders to buy the stock in the range of Rs1,790-1,825 with a stop loss placed at Rs1,760 for target of Rs1,910 and Rs1,950.

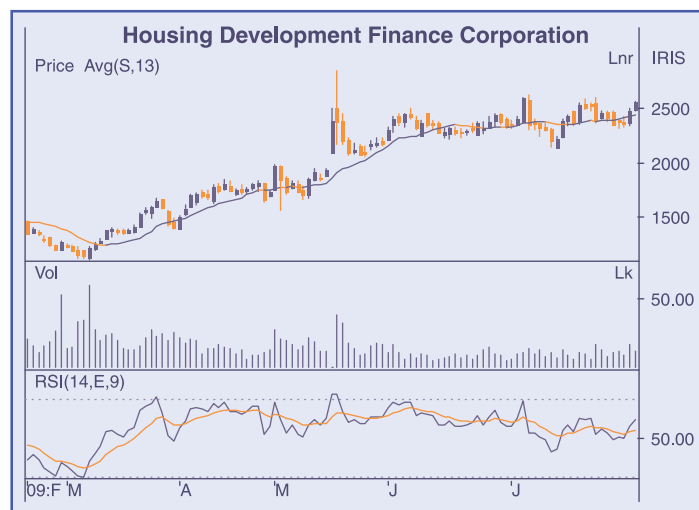
### Positive open interest build-up

Company	Price % chg	OI % chg	Vol (lacs)
Tata Power	2.0	273.5	6.3
Indian Bank	1.0	194.7	4.6
Allahabad Bank	0.1	144.1	9.8
IVRCL Infra	3.3	142.0	43.0
BEL	1.1	117.3	0.5

### Technically strong

Company	CMP (Rs)	10 days Moving Average (Rs)	Total Traded Qty (lacs)	10 days Average Traded Qty (lacs)
Nalco	309	296	12.8	2.8
Andhra Bank	92	89	11.3	8.9
OBC	172	169	19.0	11.8
AB Nuvo	875	858	2.7	1.5
BEML	1,066	1,051	3.3	1.3

**HDFC** **BUY**  
**CMP Rs2,536**



HDFC has been consolidating in a narrow range between the levels of Rs2,231-2,598 for last two weeks.

On Friday, the stock made an attempt to breakout from the higher-end of this trading range. In addition, the gain in the stock price from a low of Rs2,318 in the current week has been on back of increasing volumes, indicating strong buying at the support levels. We expect the stock to break-out past the higher-end of the trading range.

The daily RSI is already in strong buy mode. The stock has closed above all its key daily moving averages. A move past the levels of Rs2,550 could take the stock towards the levels of Rs2,700 and Rs2,750 levels in the short-term. Keeping in mind the above-mentioned evidences, we recommend high risk traders to buy the stock between the range of Rs2,520-2,550 with a stop loss of Rs2,470.

### Negative open interest build-up

Company	Price % chg	OI % chg	Vol (lacs)
Oriental Bank	(0.8)	52.1	6.4
ICSA	(3.5)	50.5	8.4
HCL Tech	(1.7)	50.4	11.5
DCHL	(2.9)	47.2	29.0
Jindal Steel & Power	(2.9)	45.3	10.7

### Technically weak

Company	CMP (Rs)	10 days Moving Average (Rs)	Total Traded Qty (lacs)	10 days Average Traded Qty (lacs)
Union Bank	234	242	5.3	18.2
TTML	35	36	48.4	83.5
Bharti Airtel	410	419	76.8	94.4
Cipla	275	281	11.0	17.0
Gail	332	336	14.5	27.5

# India Infoline Weekly Wrap

## Mutual fund round-up

### India Infoline picks

Mutual Funds	Assets (Rs Cr)	NAV (Rs)	Absolute return (%) as on Jul 30, 2009							
			1wk	1mth	3mth	6mth	1yr	2yr	3yr	5yr
Birla Sun Life Frontline Equity (G)	789	67.0	1.1	6.1	33.5	69.1	20.1	11.3	74.9	263.1
Birla Sun Life Tax Relief 96 (D)	889	76.1	1.6	6.5	38.9	81.8	10.1	(16.8)	38.0	147.6
HDFC Prudence Fund (G)	2,517	143.9	1.2	5.6	33.6	65.8	24.0	10.5	59.9	217.3
ICICI Pru Dynamic Plan (G)	1,494	74.6	0.9	6.9	27.0	55.7	8.3	1.5	56.1	313.7
SBI Magnum Contra (G)	2,672	47.8	1.1	6.3	33.3	72.1	16.3	7.8	66.0	376.9

### Fund this week: Birla Sun Life Frontline Equity Fund

Fund snapshot		Asset allocation (%)	
Fund Manager	Mahesh Patil	Equity	88.1
Latest NAV	Rs67.0	Debt	0.0
NAV 52 high/low	Rs67/36	Cash/call	11.9
Latest AUM	Rs789	<b>Top 5 holdings (%)</b>	
Type	Open-ended	Reliance Industries Ltd.	6.3
Class	Equity - Diversified	Bharti Airtel Ltd.	5.6
Options	Growth & dividend	Infosys Tech Ltd.	4.7
Min investment	Rs5,000	ICICI Bank Ltd.	3.3
Entry load	2.25%<Rs5cr	ONGC Ltd.	3.1
Exit load	1%<Rs5cr<1yr	<b>Top 3 sectors (%)</b>	
Benchmark	BSE 200	Banks	12.7
No. of stocks	56	Oil & Gas, Petroleum & Refinery	12.0
Expense ratio	2.3%	Current Assets	11.9

### NFO update

Fund Name	Close	Type	Class
Franklin Build India Fund	8-Aug	OE	Equity - Div
Can Robeco FORCE Fund	18-Aug	OE	Equity - Div
Kotak Select Focus Fund	20-Aug	OE	Equity - Div

### Dividend update

Mutual Fund	Dividend %	Record date	Class
Birla Sun Life FTP Sr BI	100.0	3-Aug	Debt - FMP
ICICI Pru Sr 39 24M Plan B	100.0	3-Aug	Debt - FMP
IDFC FMP Yearly Sr 24	100.0	3-Aug	Debt - FMP

## Commodity, debt and currency graphs



\* As per previous close

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