

Software

Infosys posted an impressive performance in the March 2003 quarter. Its sales rose sharply by 50 per cent and PAT grew by 23.2 per cent. The company's growth projections for the 2003-04 were of a 21 per cent sales growth and 12 per cent increase in profits. But the bourses were unhappy with this guidance as market expectations were much higher. The Infosys scrip was beaten down very badly at the bourses. From Rs.4152 on 9 April, the scrip fell to Rs.2653 on 11 April. Since then, it has been prevailing at below Rs.3000. In just one month, it depreciated by 33 per cent. Taking Infosys' muted guidance as an indication of the prospects of the sector as a whole, the markets dumped other technology stocks as well. Wipro, Satyam, HCL Technologies, NIIT, Polaris, Tata Infotech, Visualsoft and Hinduja TMT were some of the prominent scrips that recorded their 52-week lows in April.

The financial performance of the sector in the March 2003 quarter was not very impressive. Due to continued slowdown in the US, large clients are putting pressure on software companies to lower billing rates. There is also competition from international software services companies that have established offshore centres in India to match Indian software companies in their cost structure. In order to reduce risk, companies are opting to increase the volume of small deals instead of exposing themselves to fewer high priced contracts. In doing so, their bottomline is coming under strain due to an increase in sales, marketing and personnel expenses required to acquire more customers.

The New Jersey anti-BPO bill has not found favour with the US Federal Government. US Trade Representative Mr. Robert Zoellick is learnt to have sent a letter to the Commerce Ministry conveying the US government's reservations on the bill. A Congressional delegation headed by Joseph Crowley, a Democrat from New York, stated that such laws will not find favour with most American states, as outsourcing results in a win-win situation for both countries.

In April, software companies announced plans to hire more people as well as increase their infrastructure. Polaris, Infosys, Wipro, TCS, Oracle, Microsoft and several other companies had already announced that they will be increasing their headcount in the next 12-18 months. TCS is ramping up its Chennai development centres as well as its training college in Thiruvananthapuram. Hughes Software Systems, Patni Computers, ICICI OneSource, and HCL Technologies either acquired BPO companies abroad or announced the setting up of additional contact centres.