MISSING MURTHY

THE INFOSYS ITS FOUNDERS SO PAINSTAKINGLY BUILT IS IN DANGER OF LOOKING ORDINARY

By GOUTAM DAS and CHAITANYA KALBAG

O n a sunny October afternoon at an Andalusian-style resort in Southern California with breathtaking views of the Pacific, a senior PepsiCo information technology (IT) executive stopped in mid-sentence to peer thoughtfully into a glass of Chardonnay. The conversation, around outsourcing to India, had paused at Infosys, the poster child of Indian IT.

Infosys is by far the biggest Indian IT outsourcing vendor that PepsiCo, a $67-billion food and beverage multinational, ships big dollars worth of work to. The Bangalore company has been running PepsiCo's applications for many years. "I remember the time when Nandan was there. It was a very different Infosys. They were very clear about their strategy. I just don't know Shibulal. What is the company's strategic focus now?" the PepsiCo executive said. (Nandan is Nandan Nilekani, the company's former CEO, and Shibulal is S.D. Shibulal, another co-founder who currently holds the post.)

Even gods have feet of clay.

Infosys, a company that grew from a seven-man start-up in 1981 to the 155,629 person, $7 billion enterprise it is today, has time and again been called India's most admired and respected company. But its halo has dimmed.

On the BT500 annual listing of India's most valuable companies, Infosys fell from No. 2 in 2010 to No. 6 in 2012. In *Business Today's* 'Best Companies to Work For' survey, it slipped to No. 2 in 2011 for the first time in three years. It is not just employee adulation that is waning. Several key customers also feel unloved.

An internal restructuring, a leadership vacuum, complacency towards customers, rigid contracting terms, and a stubborn high-margin pricing model have made recording growth at Infosys as difficult as walking on wet tar. So much so, the company is now struggling to beat even the average industry growth rates. Its bigger rival, Tata Consultancy Services (TCS), has pulled away and widened its revenue lead by about $3 billion,

NILOTPAL BARUAH/www.indiatodayimages.com

N.R. Narayana Murthy
SINCE LISTING - MARCH 2002

MURTHY'S TRACK RECORD

	FY 1993	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
TOTAL INCOME ▶	14.33	30.08	57.70	93.42	143.81	260.37	512.74	921.46	1,901	2,604
PROFIT AFTER TAX ▶	3.51	8.09	13.32	21.01	36.98	60.36	132.92	285.95	623.32	807.96

Figures in ₹ crore, as per Indian accounting standards

CAGR

78%
83%

while third-placed Cognizant has already overtaken Infosys in terms of quarterly revenues in the June and September quarters of 2012. Things may get even more slippery as Infosys transitions for the first time to a non-founder CEO in March 2015, when Shibulal turns 60.

Long admired as an exemplar of

Nagavara Ramarao Narayana Murthy and six other engineers in Pune in 1981 with an initial capital of ₹10,000, Infosys has been feted and applauded for everything from its business model to delivery excellence and its leadership to its corporate governance. It was the first Indian company to offer stock options to employees in 1993, the year it went public. A total of 16,237 employees benefited until ESOPs were halted in July 2003. In 1999, it became the first Indian company to list on the Nasdaq. It was also the first in India to report quarterly financials, issue guidance against insider trading, come up with the concept of a lead independent director, and have directors assessed by peers.

"The halo came from stock options that gave exceptional returns. The company was growing at a fast pace and nobody had a campus like us. There was a lot of em-

ful and unfair of these youngsters to say that we are not being given work. Their salary is being paid," he told *Business Today* in a long and candid conversation in Bangalore.

Building number 44 in Infosys's plush Electronic City campus in Bangalore is sometimes jokingly referred to as the "washing machine building" by employees because its architecture somewhat resembles the household appliance. Inside, hosting the company's 'Innovation Day' in early September last year, Infosys executives articulated the company's non-linear strategy.

Much of the day's action was centred around a balding, salt-and-pepper-haired executive with a professorial air, Sanjay Purohit. Senior Vice President and Global Head of Products, Platforms and Solutions, Purohit is tasked with growing an important part of Infosys 3.0 – the company

Nandan Nilekani
MARCH 2002 - JUNE 2007

NILEKANI'S TRACK RECORD

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
TOTAL INCOME ▶	3,623	4,761	6,860	9,028	13,149
PROFIT AFTER TAX ▶	958	1,243	1,904	2,421	3,777

CAGR **38%** **41%**

Figures in ₹ crore, as per Indian accounting standards

best practice, Infosys has not stopped trying to change. In March 2011 it launched a much vaunted 'Infosys 3.0' strategy that seeks to steer the company towards high-end consulting, innovation and more "non-linear revenue" – revenues growing faster than people costs. Shibulal says he "can clearly see our customers and analysts accepting the strategy", but it is not resonating with clients like PepsiCo yet. The multinational recently outsourced more innovative projects to TCS, which is now working on analytics and speciality applications like transportation optimisation systems.

Since it was founded by

ployee pride and people clamoured to be part of the organisation," says Rajesh Varrier, who started Activecubes, an analytics company, after working with Infosys between 2000 and 2006.

The magic has faded. Although it boasts one of the best training programmes in the IT industry – anywhere from 23 to 29 weeks – many young "Infoscions" are sitting it out, waiting for work to come their way. Murthy is irritated by such disgruntlement. "The reality is that when the business slows down and you take another 25,000 people, naturally there will be people who will not have much to do. But I think it is ungrate-

wants to scale its revenues from banking product Finacle, other products and platforms to a third of its revenues from about 5.5 per cent currently. While Infosys had Finacle, led by Senior Vice President M. Haragopal for a long time, the company recently has started selling platforms – IP-led configurable services where the pricing is tied to either usage or outcomes.

Purohit's appointment, which came soon after Shibulal took over in August 2011, raised some eyebrows. Besides enjoying his CEO's confidence, Purohit is an accomplished executive

Shares since the IPO

1993
In its IPO, Infosys issued shares at ₹95 each, with a face value of ₹10.

1 share = ₹95

1994
Bonus issue of 1 share for every share held. The share price was ₹650 on August 19, 1994.

2 shares = ₹1,300

1997
Bonus issue of 1 share for every share held. The share price was ₹1,184 on August 19, 1997.

4 shares = ₹4,376

1999 (January)
Bonus issue of 1 share for every share held. So 1 share bought in the IPO was now 8 shares. The share price on February 8, 1999, was ₹2,370.

8 shares = ₹18,960

1999 (November)
Stock split – every share held was split into two. So 8 shares were split into 16. The share price on January 24, 2000, was ₹7,150.

16 shares = ₹1,14,400

2004
Bonus issue of 1 share for every 3 shares. For 16 shares, 5 bonus shares were issued. The stock price on July 1, 2004, was ₹1,409.

21 shares = ₹29,589

2006
Bonus issue of 1 share for every share held. So for 21 shares, 21 bonus shares were issued. The share price on July 13, 2006, was ₹1,680.

42 shares = ₹70,560

2013
One share purchased in 1993 was now 42 shares, and the stock price on January 24, 2013 was ₹2,797.

42 shares = ₹1,17,474

with experience in strategic planning, business operations and leadership development. He played a substantial role in framing Infosys 3.0.

But there is one big gap in Purohit's resume: he has never handled sales, and many insiders wonder if it shouldn't be a hard-nosed business development leader who should be driving the platforms group. Many company-watchers and rivals have the same question. Does Infosys have the right people in the right places to take it from the current $7-billion-plus annual revenue to, say, $15 billion in five years?

From its earliest start-up days, Murthy assembled a crack team at Infosys whose roles were clear-cut. In the 1990s and early 2000s, the team shone: Nilekani, the strategist and rainmaker; Kris Gopalakrishnan, the technologist; Shibulal, the delivery specialist; Mohandas Pai, the financial wizard; and Murthy holding the team together even as he set processes and rules for predictability, quality, scale and growth. Of the original team, Infosys now has only Gopalakrishnan, who is Executive Co-Chairman, and Shibulal. Nilekani left in 2009 to join the government, and Pai quit in April 2011, clearly miffed that he was not going to get a shot at the CEO's job, as Murthy stuck to the formula that the baton would pass from one founder to another. Murthy stepped down from the board in August 2011 to become Chairman Emeritus with no executive responsibilities. (Other founders – Ashok Arora, N.S. Raghavan, and K. Dinesh – are no longer with the company).

Most observations about the greatness of Infosys are made in the past tense today. "Infosys had an extraordinary advantage over any other company – that of a charismatic leadership who had the ability to open the boardroom of any global 2000 company," says Sudin Apte, CEO of IT research company Offshore Insights. "The brand was very differently recognised in the world. Nandan had great relationships. That advantage has faded."

Murthy spells it out starkly. "The reality ... is most of what differentiates Infosys from the rest of the companies was done during my era," he said. "That is data – whether it was the global delivery model, building India's first software campus, getting listed on Nasdaq, getting certified to CMM level 5, whether issuing one of the world's largest stock option plans, they were all over by 2002" – the year Murthy stepped down as CEO.

Indeed, the loss of key leaders, coupled with the exit of many senior executives over the past two years

Kris Gopalakrishnan
JULY 2007 - AUGUST 2011

KRIS'S TRACK RECORD

	FY 2008	FY 2009	FY 2010	FY 2011
TOTAL INCOME ▶	15,648	20,264	21,140	25,385
PROFIT AFTER TAX ▶	4,470	5,819	5,755	6,443

Figures in ₹ crore, as per Indian accounting standards

CAGR **18%** **13%**

(see *CEO's Track Record*, pages 50-56) may have drained the company of both thought leadership and client relationships. Clients and competitors cite several examples. BT, formerly British Telecom, at one point Infosys's largest revenue-generating customer adding $375 million to its top line a year, has been reducing the business it gives out to the Indian vendor. Since the 1990s, Adidas used to work only with only one Indian vendor, Infosys; 18 months ago, the German company signed on mid-tier player Mindtree. At American insurance company Aetna, where both Infosys and rival Cognizant are vendors, the latter is growing much faster – Cognizant generates upwards of $50 million in revenues from the account. About a year ago, Infosys lost an $85 million account from US health benefits corporation WellPoint.

Both Shibulal and an Infosys spokeswoman were at pains to stress that the company never comments on specific clients. "I should add that there are factual errors [in *Business Today's* reporting] – which we cannot clarify in line with our policy of not commenting on client engagements," the spokeswoman said in an e-mail

Memory lane: Five of Infosys's seven co-founders stuck together for 25 years or more. In the photo on the right, Nandan Nilekani, Kris Gopalakrishnan, Narayana Murthy, N.S. Raghavan, K. Dinesh and S.D. Shibulal face the camera. Other pictures show founders at various stages since the company started in 1981

response without elaborating.

The view from certain quarters in Europe, a market that CEO Shibulal sees as key for Infosys's future, is not flattering. "Infosys became complacent in a lot of client situations, which is really surprising.

They were not responsive. Their growth problems are not because of pricing. It is because they are not there in the bidding process or are not being considered at all," says Peter Schumacher, President and CEO of Value Leadership Group, a firm that

I used to sit there, nobody dared come to my room and say I want to sell at a lower rate. I think even today, Shibulal has taken that view. Kris took that view. Nandan took that view. Therefore, selling in a difficult market is more difficult. My view has always been I don't care about the top line, I care about the bottom line." And, commenting on market perception that Infosys is a finicky negotiator, Murthy says flatly: "Infosys does not sign on the dotted line. We understand every clause."

While market complexity and rivalry

S.D. Shibulal
AUGUST 2011 TO DATE

SHIBULAL'S TRACK RECORD
FY 2012

TOTAL INCOME ▶	31,254
PROFIT AFTER TAX ▶	7,986

Figures in ₹ crore, as per Indian accounting standards

23%
YEAR ON YEAR
24%

offers global consulting services to buyers of IT services. Between calendar years 2007 and 2012, in Europe, Infosys added some $568 million in incremental revenues; TCS added $1.39 billion.

Murthy is not apologetic about the company's focus on margins. "This has become such a part of our DNA that our sales people don't want to reduce their rates. Because if you reduce, margins will go down. When

have grown, there has been a proportionate decline in the quality of Infosys's leadership, industry veterans warn. Rajeev Sawhney, who quit as the President of HCL Europe in December after 31 years in the company, has seen Infosys evolve from close quarters. "I hear their

teams on the ground say that there are very few leaders they can take to clients. Very few leaders who can provide top cover and management commitment."

Ironically enough, it is Shibulal who is credited with building the core that Infosys stands on today. As the chief operating officer (COO), Shibulal reviewed targets and did everything to achieve them. He introduced the model of fortnightly operations reviews.

"His strength comes from execution," says co-founder K. Dinesh of Shibulal, adding the current CEO architected a cost-effective network for Infosys's global delivery model in the 1990s that helped swell business. Customers back then had expensive telecom links between the United States and India. Shibulal created a hub in Boston where customers could connect via local telecom links, while the hub connected to India with two high-capacity lines. Even today, Infosys counts 63 per cent of its business from the United States.

Shibulal, the perfect operations head, is not as customer-savvy as his peers, however. A former employee now with Wipro had accompanied him for an executive connect meeting to a health insurance customer in 2009. "I figured out he didn't have much knowledge of the industry and was not a sales guy. But he was confident and direct. He could steer the conversation with the client to his comfort zone – operations," he said.

Stars who quit Infosys

MOHANDAS PAI,
Director (quit Apr 2011)

Joined **Manipal Global Education Services** as Chairman

SUBHASH DHAR,
SVP and executive council member (quit Jul 2011)

Founded **EnterpriseNube**

S. VAITHEESWARAN,
VP, BPO (quit Aug 2011)

Joined **Manipal Global Education Services**, now CEO

RITESH IDNANI,
COO, BPO (quit May 2012)

Joined **ISGN** as CEO

SHAJI FAROOQ,
SVP, Financial Services - America (quit Aug 2012)

Joined **Wipro** as SVP, Advanced Technologies & Strategic Alliances

What Employees Say

These voices of current and former employees may not represent all the 150,000 people at Infosys, but the company – and the industry – should take notice

But weak customer links could end up being a handicap for a CEO trying to navigate difficult times. Most of the rivals outdoing Infosys in growth are all led by aggressive salesmen: N. Chandrasekaran at TCS, Francisco D'Souza at Cognizant, and HCL Technologies's Vineet Nayar, who until early January was the company's CEO. Shibulal's – as also his predecessor Gopalakrishnan's – performance pales before the customer-savvy Nilekani and Murthy.

As its customers change, and as its biggest market, the United States, is beginning to veer away from outsourcing and offshoring to "reshoring", should Infosys have looked for a far more aggressive sales whiz as its leader?

In his interview, Murthy stuck to his loyalty and longevity guns. "When you have a class of people all of whom are brilliant, then you automatically look at how long they have shown this brilliance. So while we had other people – Mohandas Pai, Balakrishnan and others – we had to make a decision based on longevity in the company and the kind of responsibility they have handled. Kris was theoretically ahead of Nandan but he gave it up voluntarily and Raghavan was not interested in taking up any responsibility.

SENIOR SYSTEMS ENGINEER, BANK OF AMERICA PROJECT
I don't see Infosys as a place to build a long-term career. It's a great place to begin your career because of excellent training facilities. But there are too many people and too many processes.

SYSTEMS ENGINEER, PEPSICO PROJECT
I'm not happy with my salary. My friends in TCS earn 20-25% more, plus perks. My salary is ₹3.9 lakh a year. I'm looking at technical capability growth and I'm not sure that can happen at Infosys.

FORMER SENIOR SOFTWARE ENGINEER
About 150 of us were selected from my batch some years ago, but 30% have left. Infosys's audience has changed from the cream to average students

So Nandan became the CEO. Then Kris was ready and he was chosen. Dinesh wanted to retire because of his health. And then Shibulal, who was the senior most among high quality performers, was chosen," he says. The Balakrishnan Murthy refers to is V. Balakrishnan, the company's former CFO.

But Pai, who joined Manipal Global Education as Chairman after quitting Infosys just as Shibulal was set to take over as CEO, finds the longevity argument fallacious. "The business has become complex. The company requires a world-class management team to grow the business. There is deficiency in this area. The company has lost its lustre as TCS and Cognizant have performed better," he says.

Non-executive chairman K.V. Kamath hints some executive shortcomings can be corrected over time. Anybody who becomes the CEO, he says, has to meet many criteria ("tick many boxes"): how entrepreneurial the CEO will be; how strong he is in terms of technical capability, governance, managing peers, managing the external environment; and emotional maturity. "What happens is that, in some people, some boxes score much higher than others and the board, during the selection process, tries to make sure the balance ultimately is what works. I have found a person who is otherwise good has some other weaknesses which are made up in the course of time," he says, in answer to a question whether Infosys is hurting because its leadership does not have strong customer connections.

In other words, Shibulal may

INTERVIEW: K.V. KAMATH

What's remarkable about Infosys
What I admire about the company is that from 1980 to date, the company has virtually reinvented itself.

What it takes to be a good CEO
Anybody who becomes a CEO has to tick several boxes: how entrepreneurial is the CEO, how technically strong, how strong in the context of governance ... and what I call emotional maturity.

Bench utilisation
In the last year, bench utilisation was lower than the competition. We are working to see how we could change this utilisation level. I am sure we will watch in the next four quarters what is the outcome of the effort.

How the Infy Board Could Turn Around the Company

Appoint a Chief Operating Officer
Shibulal's successor needs to have an "enterprise view" of the company. Also, if Infosys has to lose executives because of power struggle, better early than late

Mine customers better
Infosys's ability to get incremental business from existing accounts needs improvement. On-site sales teams should be more empowered to respond to clients

Rejuvenate ties with customers
Negotiating a contract with Infosys can take twice as long as with TCS. Infosys is also less responsive to clients in many situations. Both things need to change fast

Improve connect with employees
The attrition rate is high. Infosys needs to retain people with 4 to 6 years' experience. They typically leave as they feel they have few possibilities for growth

Increase sales and marketing spend
The company's S&M spend as a percentage of revenues is trending at around 5%. To make up for lost ground, it must raise marketing budgets

have had to learn on the job, but does the company have that much time? Co-founder Dinesh feels Shibulal is already an improved executive. "I don't know what he can improve. He is a people's man, a process man, a tech man. Even his articulation has changed for the better," he insists.

In September 2012, Infosys used some of its $4.3 billion cash reserves to acquire Swiss consulting company Lodestone and the buy has already spruced up the company's top line, surprising markets. In the third quarter ended December 2012, the company reported a sequential top-line jump of 6.3 per cent in dollar terms to $1.91 billion. While a pricing uptick and strong domestic revenues also helped the numbers, which some attribute to the Infosys 3.0 strategy, it is too early to spot green shoots, says Shibulal. "I do not want to acknowledge Q3 – a single quarter – as a reflection of our direction because it is a reflection of the work we have done over multiple quarters," says Shibulal. "I remain cautiously optimistic because of the environment. The world has not changed."

Narayana Murthy prefers to tread cautiously as well. "They (Infosys) seemed to have pulled back a bit. But it is only one data point. Unless there are at least two data points, ideally three because three points define a plane and two points

define a line ... so, therefore, my best wishes are with them," Murthy said.

The longest shadow looming over Infosys, however, is of leadership succession. Significantly, Shibulal, who was Chief Operating Officer before his elevation, has not filled his old shoes – and there are three strong contenders for his job in 2015: Ashok Vemuri, who heads the manufacturing clients business, B.G. Srinivas, who runs the banking and

financial services business, and Balakrishnan, the former CFO who now heads business process outsourcing, the banking product Finacle and the India business. Insiders say there is more than the usual competitive friction in the boardroom.

"There were times when there was a COO and then there were times when we didn't have one. Organisations make these choices," Shibulal told *Business Today* in a November interview.

Murthy said there are very clear 'key performance indicators' for each of three executives and the best performer will be selected to head the company. "All the three are in the running. In some ways, it is perhaps a good model because now there is incentive for each one of them to perform better and better."

Nevertheless, both current and former employees feel the scales may be tilting towards Srinivas, who is close to Shibulal and is said to be more people-friendly than Vemuri. The CEO, many insiders say, does not see eye to eye with Balakrishnan, a straight-talking executive who during his CFO days blocked the $450-million acquisition of Belgian payment solutions company Clear2Pay, a buyout that Shibulal was keen on.

He stepped down as CFO in October 2012, handing over the reins to Rajiv Bansal, the vice president for

finance. There is no evidence to link Balakrishnan's role change to the acquisition that didn't happen. Shibulal had two words when *Business Today* asked him about his differences with Balakrishnan. "Good story," he said. Balakrishnan did not want to comment.

Watching Infosys's challenges, both on the business front and at the leadership level, from the office of his venture capital fund, Catamaran Ventures, in Jayanagar in south Bangalore, can hardly be comforting for Murthy, who likens himself to a grandparent. "Grandparents should be seen and not heard, otherwise they won't be welcome in the house," he says. But it is clear the leading founder is watching very closely and is not totally disengaged. The day before he met *Business Today*, he was invited to speak at a company strategy meeting.

Murthy is aware of the company's problems. For instance, he acknowledges that while there is a focus on fairness, Infosys's "laser focus on meritocracy, high-quality talent may have suffered a little bit".

All this clear-air turbulence could just be symptomatic of a 32-year-old company that listed only 20 years ago. Some of its troubles could be put down to hubris. Murthy disagrees. "There is no hubris. It is based on value system, well thought of, it focused on margins, focused on value systems ... there is no hubris," he says.

To revive its glory days, then, will Murthy return to the company and play an active role again? "I don't think so, but who knows. If something happens to some critical people, if their health suffers, who knows? I don't want to say never," is his reply. "But looking at the people that are involved, their smartness and energy levels, I don't see the need for me or anybody else to get back to Infosys." Famous last words? ◆

Send your comments to editor.bt@intoday.com

"MY VIEW HAS ALWAYS BEEN I DON'T CARE ABOUT THE TOP LINE"
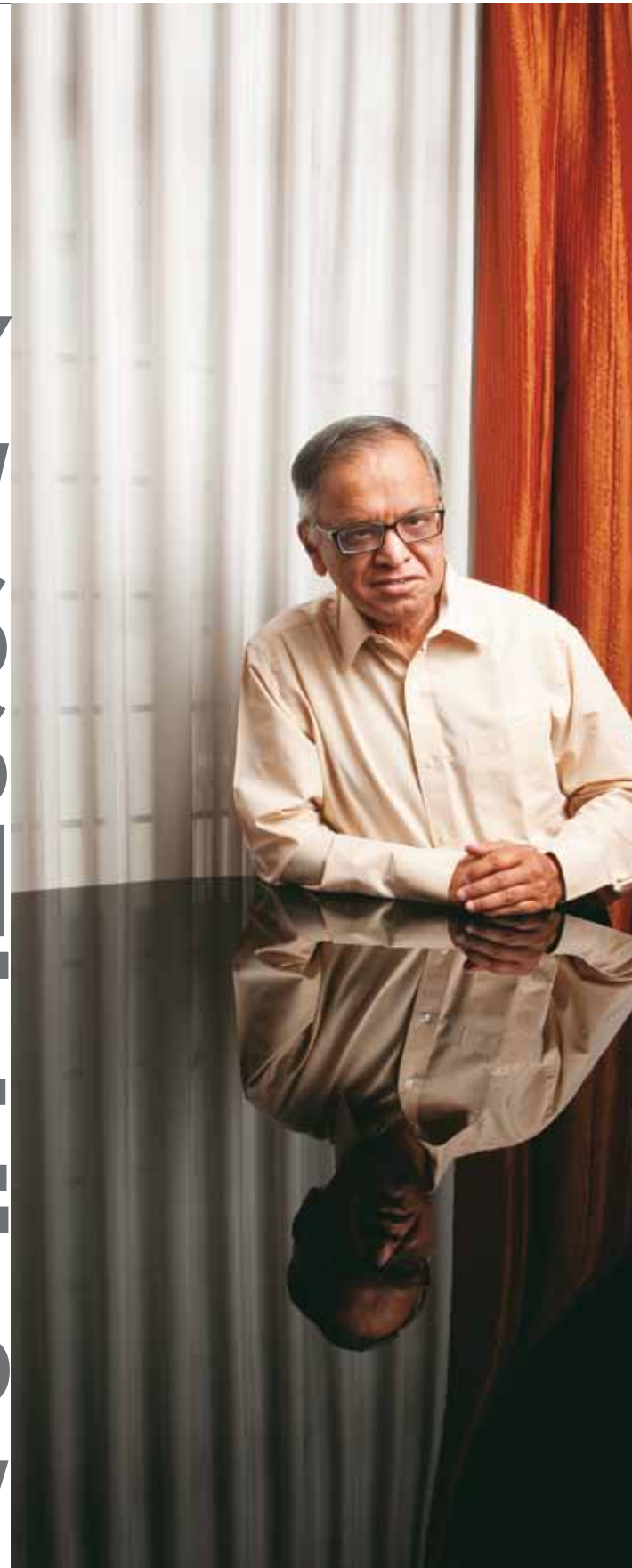
Infosys co-founder **N.R. Narayana Murthy** *has seen it all: bootstrapping an enterprise with what is loose change today, going on sales calls riding pillion on a Vespa scooter, walking away from a GE deal because it was leaving little profit on the table, setting up India's first mega software campus, making India's first Nasdaq listing, setting the best governance standards in India, and leaving an enterprise with $6 billion revenue when he retired. As Infosys struggles today,* Business Today's **Chaitanya Kalbag** *sought and landed a rare interview with Murthy. The 66-year-old spoke extensively on Infosys, its past and future, and showed he is still very clued in. Edited excerpts from the interview:*

I wanted to talk to you about what you have been doing for the past two years after you stepped down from the executive role at Infosys. How do you think Infosys is doing?
Well I am now only an investor. I am the largest shareholder. Infosys came out with a new business model, Infosys 3.0, which was to focus on high value-addition businesses. When it came out with this, the economy in western countries went down and the company was trying to introduce new ideas in a tough environment. Therefore, I believe they had lots of friction.

Also, Infosys has historically had at least 20-25 per cent higher per capita revenue productivity compared to other companies. Therefore, selling such higher revenue productivity services in a difficult market, in a market which is very cost conscious, is not easy. So, I think those are the two reasons why Infosys has had some challenges in the last year and half or so. But in the last quarter, they seemed to have pulled back a bit.

There is a growing feeling that customer-centricity has weakened a lot. What we heard from analysts is that it is extremely difficult to negotiate with Infosys ...
Infosys does not sign on the dotted line. We understand every clause. Most Indian companies say, "Oh, we will sign." They don't seem to understand the liability. Two, we feel that whatever clauses we sign, we must fully be able to honour it if it happens. In fact, the weakness of Indian companies is that we don't go into the details of the contracts.

There is no COO at Infosys for some time now. So there is a lack of a clear successor.
The company has been restructured in such a way that among Bala (V. Balakrishnan), B.G. Srinivas and Ashok Vemuri, the whole company is covered. Each of these is run as a virtual company. So, the management felt that there is no need to have a COO.

There could be a battle for succession ...
There are very clear KPIs [key performance indicators] for each of those three and whosoever does best, they will select. All the three are in the running.

In terms of Infy's brand image as an employer of choice among younger people that has also started fading a bit.

In the last two years, there was a big debate in the company whether to seek postponement of youngsters who were supposed to join. We said, these youngsters have spent four years in college, parents have spent lot of money and we have gone and offered them. And if we don't take them onboard now, these children will sit at home. While we were fully within our rights to postpone it – most other companies have done – we deliberately took a decision that we will welcome them. But the reality is that when the business slows down and you take another 25,000 people, naturally there will be people who will not have much to do.

As Chairman Emeritus, are you still open for anybody to come and talk to you?

Yeah, I am open but they should come and talk to me. I don't go and talk. I did lecture yesterday at a strategy conference because they invited me. There is a saying in your and my home – grandparents should speak only when they are asked. Otherwise, they will not be welcome in the house. Therefore, I conduct myself like that.

But overall, since Infosys is your grandchild and you are the largest shareholder, there will not be a situation where they will say, 'Come back, Mr Murthy'?

No, no. They are all good people, smart people.

So you feel there will never be a situation where you are needed even at the Chair level?

I don't think so, but who knows? If something happens to some critical people, if their health suffers, who knows? I don't want to say never. But looking at the data, looking at what I see in front of me, looking at the people that are involved, looking at their smartness and energy levels, their commitment etc., I don't see the need for me or anybody else to get back to Infosys.

You spoke at the Infosys strategy meet. So what would be your advice to the Infosys leadership at this point of time?

Basically, I spoke of the need for continued differentiation with competitors. I said, strategy, according to game theorists, is outdoing your competitor who you know is trying to outdo you. Strategy, according to me, is all about creating sustained differentiation to add better value to customers for better margins. So for me differentiation is very important, better value to customer is very important, and better margins are very important. I think it is very important that when you people make the analysis, look at our depreciation policy, our provisioning policy, the money that we spend per employee on training, and then you compute the margin.

So you are saying you depreciation rules are very different?

We depreciate most technology in two years. We write off software the same year. We write off anything below ₹5,000 the same year. We depreciate buildings in 15 years as against 28 years allowed. If we do not receive money from customers in 180 days, we make provision. Somebody has to make this analysis and talk about our true margins, the true quality of our earnings.

It is remarkable that the company's margins have stayed good after those kind of provisionings…

Absolutely. This has become such a part of our DNA that our sales people don't want to reduce their rates. Because if you reduce, margins will go down. Therefore, selling in a difficult market is more difficult. My view has always been I don't care about the top line, I care about the bottom line. In 2000/2001, we had grown by 100 per cent. On April 10 or 11, 2001, I made an analysis and I was comfortable with only 30 per cent. Everybody said, what will happen, the stock price will go down. I said I don't run this company based on stock price. I run this company based on how well we satisfy our customers, how happy our employees are etc. That's the advice I gave [CEO S.D.] Shibulal also. ◆