HR Trends
(unedited)

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Moderator

Ladies and gentlemen, good day and welcome to the Infosys Conference call hosted by Motilal Oswal Securities Limited. As a reminder all participant lines are in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference please signal an operator by pressing "*" followed "0" on your touchtone phone. Please note that this conference is being recorded. At this time, I would like to hand the conference over to Mr. Ashish Chopra from Motilal Oswal Securities. Thank you and over to you, Sir.

Ashish Chopra

Good afternoon everyone. On behalf of Motilal Oswal Securities, I welcome you all on this conference cal today to discuss outlook on attrition and manpower cost in the IT sector with the prominent member from the senior Infosys management team, Mr. T.V Mohandas Pai. Mr. Pai is the member of the Board at Infosys and also is the Director, Human Resources, Education and Research and Administration. Mr. Pai has also served as the Chief Financial Officer of Infosys from 1994 to 2006 post which he voluntarily remitted the office of CFO to lead efforts in the areas of Human Resources and Education and Research. We also have with us Mr. Sandeep Mahindroo who is the Senior Manager- Investor Relation at Infosys. So without much further ado, I would like to hand over the proceedings to Mr. Pai for his initial comments.

T.V Mohandas Pai

Folks, thank you for being here. I have been asked to speak on the HR situation for the IT industry. At the outset, let me say that the industry has seen increased attrition in the last two quarters. The attrition has primarily been because of the fact there was slowdown in the last year and people had brought down their bench and had deferred hiring. They were unsure of the need for the new year (FY 2011). When I say new year, I mean the Indian financial year. As it unfolded, companies saw growth and they scrambled to go and hire people and that is why there was an uptick in terms of attrition. Also for the last two years companies had not given salary hikes, people in the IT system were disappointed and were waiting to see what kind of hike they would get. So once they saw the market opening up, many thought it is a good opportunity to go to another company and get a hike, so hiring took place to replenish the need for people and lack of a bench, hiring took place to meet growth, hiring took place the meet the needs for future and people started shifting jobs because they felt the market has opened up, there was greater demand for them and they wanted to have a piece of action.

There was also a fear in the industry that the growth will not be same as in the previous years and therefore the opportunities for promotion would be less and people felt you can go up the ladder much faster if you jump ship and go some where else, because every time you shift jobs, you do get a good salary hike and you will probably get a much senior position and that is the reason the attrition went up in the system. Attrition is now stabilized and you will see for most companies attrition coming down and this quarter we believe the attrition will be lower than the previous quarter and trend may continue till the end of this year. Also we begin to see a trend of moderation in compensation. Many companies have given hike in salaries. They have tried to rebalance the salary structure to make sure the people remain with them, they have made sure that they bestow variable compensation and all the perks that they are giving to people whom they had cut from and this has reduced the temptation for many people to change companies. Many companies have also opened up the promotion backlog. As a result many more people are getting promoted and therefore there is a reduced attrition in the system. I do not believe the attrition is due to any

secular shift in the demand for people. It is just that used to a particular system, there was a hiatus in the system; system was short of supply and companies scrambled to get people from allover. We also see a trend of compensation hikes possibly moderating over the near term at this point of time and the reasons are very clear. Pricing has been tight. If you see the results of many corporations except for may be Infosys, the others have not seen any increase in the sizing. They are not seen any increase in revenue realization. If they not seen an increase in revenue realization, their ability to maintain profitability is limited by the hikes and the need to moderate that too. Now that they have replenished the bench, replenished the need for people, possibly next year we could see things come back to normal.

Overall what I would say is attrition is coming down compared to the peaks. Compensation hikes are getting over and built into the system. People are much more comfortable staying with their own companies and as time goes by, people will wait to see how companies will behave in the next year and the next year in my view, will see the beginning of differentiation in compensation between corporations. Basically some companies are doing better than others, they have an ability to pay more and attract people from elsewhere to come in and other companies will not be able to pay much more since there is no great impetus to pay more. I expect the salary hikes of next year will be moderated and could be possibly in the early teens or in single digits, mostly in the single digits.

As far as supply of people is concerned, the supply of people is enormous. At the entry level, there is enormous number of people wanting to get into the industry. To give some data right now, India has 3800 colleges with 1.2 million seats, next year about 600,000 people will graduate from engineering and this 1.2 million will begin graduating three to four years from now. So the entry level there is an enormous pool of people waiting to come out for the education institutions. The quality of education has gone up in the last five years, linkages of the industry are much stronger, people are much better trained compared to what they were four to five years ago and India has at least 500 engineering colleges who are of a reasonable standard. So you have seen flight to quality and an improvement in standards as far as freshers are concerned and that should means that entry salaries are moderated, barring from specialized resources that you may need to hire.

In the middle level, there could be some kind of a demand for certain areas. Infrastructure Management Services is expanding rapidly, so there is some demand. Testing is increasing but there are not people in the system itself for a few kinds of rare skills. Application development and maintenance - the pool of people in the middle is very wide, enormous numbers of project managers are available in the market place at reasonable compensation. In Enterprise Solutions, in both SAP and Oracle we have seen growth but even in Enterprise Solution at the bottom level, there are a good supply of people at the middle. At the senior (consulting) level, there is a shortage but then consulting is aligned to global compensation so there is nothing much to worry at the senior level. I would imagine that barring a few areas middle level compensation will be reasonable next year. In fact when we made a benchmark, we found that our middle level compensation is very good. Senior level compensation has not seen much hike over the last three to four years. This moderated and enough pool of people coming out of the system. So I do not think we need to worry about senior level compensation. There are lots of people who are grown up in the system and who are available and hence there is a balance in supply and demand.

If you look at overseas hiring, the one factor that is coming through this year is that more and more companies are hiring more people overseas. So hiring more people overseas for multiple reasons and the most strategic reason is the need to go up the value chain. Companies are finding that they need to hire people in local markets, to engage with the customers better and to make sure the customers are willing to pay higher rates for a better engagement and customer's faith in the delivery system is considerably enhanced. We have seen that when you have local people engage with the customers, the customers are much more ready to pay more, so you will see this increase in terms of hiring. The hiring is increasing with the need to go up the value chain. Hiring is also

increasing because of the fears about the visa. There are fears about visa conditions and people are increasing their hiring and I think that is going to happen all over, except in some countries which are short of supply. For example in the UK, we not able to hire enough people at any levels because supply is just inadequate. France and Germany are very different countries, so it is difficult to talk about hiring in those countries. In the United States too, hiring at the entry level is difficult since there is not enough people. At the middle level, there are a large number of people at various levels, so I think companies are going to hire. At senior levels and consulting levels there is a fair supply and the compensation is mostly leveled. I do not believe that barring for a few companies, hiring at the local market could increase compensation structure in any dramatic manner because the compensation between deputees to overseas location and people who are hired in local market is most similar. There could be a little bit of differentiation because when you hire local people in the market, you need to make sure that their retirement benefits are paid, whereas deputies that go from offshore need to have the retirement benefits back in their own countries. So there is going to be natural difference for overseas hiring.

If you look forward, I can talk about a few trends in the market place. I do not talk about Infosys going forward, because I do not want to give any guidance. Going forward the industry will see a rapid differentiation between larger companies and smaller companies. Smaller companies need to specialize and hire very different people in case they want to compete and larger companies are becoming end-to-end players and they are going to focus their hiring at the middle-to-senior levels to build up a large consulting base, to go up to value chain and they will try to make sure that their ability to go up value chain is not constrained by the non-availability of people in the local market. I think everybody has understood the impact of globalization and what they need to do to become globally dominant players. So the differentiation is going to increase, but there is a view that the bottom may increasingly get commoditized because if you look at the rates for application, development maintenance and the normal services, the rates have not gone up in the last 4-5 years and there is enhanced competition at the bottom. So many large companies will redefine their strategy to up the value chain and start eating into the revenues from the transformational work that 2 or 3 large global companies have. Because by going up the value chain, they will make sure they defer the commoditization at the bottom from smaller companies and they also get the right kind of talent which is required to compete much more effectively.

As far as Infosys is concerned we saw attrition come down in the Q2. Right now the attrition is down this quarter compared to previous quarter. This is what we have said in our guidance and in the analyst call too that we hope the attrition to be lower this quarter compared to Q2. Our hiring for middle level continues to be strong. Whatever number we have given out in the guidance would be met and we are invested heavily into our hiring engine, into our training engine and to make sure the human capital supply chain is replenished and becomes much more stronger. We are also accelerating hiring in outside markets. We have a target of hiring 1000 consultants. The program is going on. We have a target of hiring 1000 people in America for our local needs. The program is going strong and last quarter we had more than 250 people and this quarter we will hopefully do better than that. We are still hiring in China. We are still hiring for the BPO in the Philippines and in Australia. Overall our strategy of having a much more diversified work force is something that we are betting and investing on as we see related work in this area. Is all this going to increase our wage cost as a percentage of revenue? My view is not much. Marginally and this may not impact our bottomline if we realize our strategy of going up the value chain and getting more work at higher billing rates.

So we are stable on the HR front. Hiring is going on and the strategy of hiring the local market is indeed going strong. Now I will be happy to answer any questions after this initial introduction.

Moderator

Thank you, Sir. Ladies and gentlemen, we will now begin the question and answer session.

Ashish Chopra

Mr. Pai I had a question. You said that the supply at the fresher level actually remains abundant even today and despite the fact that lot of companies are talking about managing the pyramid in order to manage their cost well, so how does it augur going forward for the wage inflation at the fresher level. Do we see the wages to be at constant or do we see a spike in that going forward?

Mohandas Pai

I would imagine that it would be constant. There could be small hikes if at all, but there would not be a spike.

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Ashish Chopra

Sir, secondly just wanted to understand how much of an impact would the trend in strong MNC hiring have on the attrition because we are seeing a lot of MNCs really upping the number of recruits that they are having and given the wage differential that are likely to persist at the mid to senior level in MNC as compared to the domestic front, do you think that would also have an impact on the current rise in attrition levels?

Mohandas Pai

At the mid to senior level there is not much difference in the compensation that local corporates pay compared to the MNC, we could have some out-liers. MNC hiring has been there for the last many years and MNC hiring is not going to be a determining factor in ramping up compensation because the MNCs are also seeing very high attrition. The difference between the MNC structure and the offshore play structure is the MNC look upon their company as a low cost company, low cost company to provide captive services, whereas we look upon our people as a global resource to provide services all round and this differentiation has been there. During the last many years, there has been MNC hiring of large numbers but the market has assimilated. That is not the concern. The concern is very different. The concern is will we hire people of exceptional ability to go up the value chain faster than the market commoditizing pricing some services at the bottom. That is the key question that we have to answer as far as people policy is concerned.

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Ashish Chopra

Right sir, fair enough. Sir one more thing, you spoke about the wage cost as a percentage of sales will be going up only marginally, is there any scope for optimizing the manpower cost, is there anything on that front that we can look forward to or the companies are trying to put it that way?

Mohandas Pai

I think I would suggest that people should look at how companies are going up the value chain and getting value for the services they deliver because to me that is going to be the key turn in the success for the next 3-5 years. We could optimize the cost, we could reduce wage cost (as percentage of revenues), we could bring down the cost by 1% to 2% but that is not going to give me a strategic advantage, that is not going to you a lasting benefit. The only lasting benefit that will

come is increased productivity and ability to go up the value chain and get value for what you deliver. It will be done in strategic question and for that you need to make sure at the middle and senior level, you build in large pool of consulting folks for you to sell better, getting better value for what to sell and thus should have a good downsteam impact because having this front end means that you will be able to do a lot more transformational work, you will be able to do a lot more high value work and that should negate any cost inflation on account of compensation. That is a bigger issue because cutting cost and optimizing, we are all experts and we have done it for many years but that gets you only that far.

Ashish Chopra

Okay Sir. Thank a lot. I will get back to you in case if I have more questions.

Moderator

Thank you. The next question is from the line of Priyank Singhal from Bajaj Allianz. Please go ahead.

Priyank Singhal

You mentioned that we expecting about 6 lakh odd engineers to pass out of various engineering college across the country. I just wanted to understand if you could also give us some data points regarding the overall demand of the IT industries as a whole in terms of how many entry levels hirers would be required by the industry as a whole and therefore this 6 lakh number would be able to fill in what percentage of the overall requirement and would be necessarily need to therefore resort to hiring of non-engineers to fill up a large part of the all the requirement?

Mohandas Pai

Let me give some top level data, the IT industry has to 2.5 million people and I would estimate it is split almost equally in BPO and IT services. IT service has 1.3 mn and BPO could be 1.2 mn. Let's keep the BPO apart for sometime. In the services, you have 1.3 mn and let us assume that services grow by 20%. It requires 2,60,000 people and let us assume that about 50,000 people leave the system and drop out of the industry. That means 3,10,000 people are required for the industry for a 20% growth next year and they will come out of the engineering pool to the extent of may be 30% and the balance people will come from MBA, from accountants, maybe 10%-20% and the balance may be 5% to 10% which will be hired outside India. Outside India as I reckon, Indian companies will create at least 50,000-75000 jobs next year. So if you add all this up there is enough supply in the system to take care of this needs. The BPO of 1.2 million people India has 3 million graduates every year. Even if they grow 20% they require 240,000 and if you take the drop out of the industry about 50,000, you need app 300,000 people. So 300,000 people is something that you can get in the system. So for 20%-25% growth, supply is something that can be easily handled by existing people. The key challenge you are going to face is an ability to train this people because the constraint is not getting people into the door for the fresher level, the constraint is more or less getting people who are trained. Companies have to spend enormous amount of money on training and unless you have large training facilities, unless you have a large faculty and you have the ability to absorb the cost of training, your growth could be constrained because you end up in more salaries as you poach trained people from other companies. So the overall macro level supply to me looks very good.

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Priyank Singhal

You also mentioned that the number going up over the next 3-4 years is 1.2 million that is the engineers that you talking about?

Mohandas Pai

1.2 million seats are available in engineering colleges this year, 1.2 million seats in 3800 colleges. How many actually enter my estimate is may be a million will enter this year because last year they was a challenge about the people looking at the industry because of the growth, so I think a million could entered into. I do not have the exact data but I think going forward next 3-4 years the fresher supply is pretty good.

Priyank Singhal

So that is the increase in capacity that has happened at the institute level itself? You also mentioned that you are not looking at entry level hiring in foreign locations. Is that more a function of that the supply not being there more than anything else or is it the skill sets that you are requiring essentially are at the middle level and therefore you are looking at middle level hirers only in foreign locations?

Mohandas Pai

Outside India, we are looking at entry-level hirers in China since China's model is like India. Rest will all be middle level in United States. In United States if you want to hire at the fresher level, we need to have training facility very, very expensive. It is best to hire trained people with 3-10 years experience and that can be middle level and I think the numbers that you want are small so that cumulative stock of people is something that you can tag into, similar the situation in Europe.

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Priyank Singhal

Could you also throw some light on what specific sort of hiring are you looking at in China and Philippines that you earlier mentioned, is it possible to be share some broad numbers as to what could be the kind of scale of those countries might see?

Mohandas Pai

China has 5,00,000 engineers, the hiring IT industry will probably hiring there about 50,000-75,000 engineers a year. In China the challenge is getting engineers to speak English. They are very good but English speaking engineers are very few, so you need to hire trained numbers and put them to training. The productivity is very good because they are extremely motivated and hard working and they are very disciplined. But you need to spread your net wider. But China has adequate supply though compensation in China is going to higher than in India. The reason is that economy is at $ 5.2 trillion in size and is growing at 10% and the demand for engineers within its own country is fairly high because the number of jobs that are being created and the demand for engineers is very different from what is in India and to that extent I think the compensation cost will be higher in China. Also if China's currency has to be revalued because it controls currency and hence the cost there drops. China is a very different catalog when it is compared to India.

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Priyank Singhal

Is Infosys specifically looking at hiring significantly larger numbers in China going forward?

Mohandas Pai

Significant larger number may be 2000-3000 a year. Compared to what we do globally that is not a large number but compared to what we have in China, that is a large number. I want to leave a piece of information to all of you. Just think 2 companies this year will be having 100,000 people gross. Gross number Infy at 40000 and TCS at 60,000, so two companies are going to hiring 100,000 people is enormous.

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Priyank Singhal

Lastly you have been highlighting the fact that the skill sets that are required to move up the value chain and that is something that is a challenge for the companies like Infosys going forward. Could you also highlight what are the specific skills sets that are in demand and that you are finding sort of lacking in the work force that you are currently looking to hire from, I am just trying to understand that is at more managerial skills or these are all technical skill sets that are missing?

Mohandas Pai

I would say these are high level technical skills like enterprise architects, designers, enterprise architects. Please remember when you go to a country and hire people you are essentially hiring people who have grown up in a particular environment. The environment in India is not as sophisticated as United States or Europe. It is a small economy relatively compared to America and Europe. It is a smaller economy and the economy is not a sophisticated in terms of its linkage, in terms to the ways the business is done, so when you deliver high quality services at the enterprise level to your clients outside India, you need people who have an enterprise view, you need people who have handled large complex work in a very sophisticated market and you need consulting folks who have got domain expertise and technology expertise in that particular market because whatever they talk and whatever they do they have to interact with people there and people there who buy the services should feel that these people have the skills and capability to advise them and get the work done and for that you have to ingrain in the local system, you got to know what moves the local system, you got to know the touch points and unless you know all this you will not succeed. So those kind of people are not available in India and that is why we need to hire them to up the value chain, that is the constraint so you have to be more local as you go closer to the top because the top is very, very topical to a country. It is not the same all over. At the middle and the bottom it is the technology that dominates, so you are talking about programming languages, you are talking about program, they are talking about everything else. So there is commonality of standard commonality what you need to do, but at top when you go to business position, when you go to business outcome it is very typical of the country it is very general to the country, it is something that is very unique to the country and you need to have a lot more local people. People who have grown up to a different system cannot have the same kind of capability. They need time to grow up in the system and that is why you need to hire more and more local people in the middle to the top and of course they are all people that get good rates so they are self sufficient and they are people who recover the own cost.

Priyank Singhal

Thank you very much.

Moderator

Thank you. The next question is from the line of Ram Prasad from Sundaram Mutual Fund. Please go ahead.

Ram Prasad

IT industry has been pushing for non-linearity in terms of the growth, delinking the manpower addition to the topline growth. In that scenario if it is going to come in the next 2-3 years, what are the measures in terms of HR that we need to implement or that you are currently thinking of that have been implemented to measure the productivity or to measure who to get from, what is the salary hike to go about and all those parameters?

Mohandas Pai

Well non-linearity requires different kind of skills. Non-linearity requires an enterprise system view in terms of technology. That means if you want to create a platform or you have to have a product which can be used again and again, that is one kind of skill that you need and it is extremely complex to do that because you need to have an integrated view. That means you need architects, you need designers, you need product engineers which are very few in number. Second is at the operating level - for nonlinearity you require operational excellence as in people who can work on the systems and be extremely productive. They do not have to be technically extremely capable but they have to be extremely productive working on the system because they do it all the time and they keep doing it and their productivity is very good, their ability to understand the system and to carry out transactions is very good. They have to be extremely productive and these are the people who we have to train and keep on the job for certain period of time and they are slightly expensive. The third level of people that you need going forward for the non-linear growth is going to be the people who have been consulting background because when you have a consulting background, you understand business and domain very well and your domain knowledge and business knowledge can go into the platform that you create which bring into non-linearity because non-linearity depends upon a much higher element of outcome, be it automation or otherwise. You need people who you have that because they have skills which can go into enrichment of the platform. Non-linearity is required much more for specially skills at one level and factory type at the second level. The first level is available in India so you have to train people and get the best people to work, the second level is available but little bit more of training is required.

Ram Prasad

Okay so probably for the second level one might look at hiring graduates?

Mohandas Pai

They has to be extremely productive because there you would like to leverage productivity.
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Ram Prasad

Sir second question in this quarter you also talked about you losing people to industry other than IT, so can you dwell more upon that? Have wage levels in other industries caught-up with the levels of IT?

Mohandas Pai

Wage levels have not caught-up as an average but please remember that as the rest of the ecosystem grows up and develops, they will want highly specialized skills and managerial skills and they will try to porch from industry like ours which is very positive driven, very system driven and hire a few people, so could lose maybe 500 people or maybe 1000 people or maybe 10000 people that we lose in a year. These will be critical people because they want them for a higher managerial work with a greatest span of control and much border-based than what we do here. Because here they are one among many people. There, they could be the only person managing something which is very large. We are losing people to some other industries and that is good because if people go out into the landscape outside and work there, they enrich the ecosystem and make it much more productive, much better and they also act as ambassadors for the industry because ultimately these industries are going to be our clients as we are supplying the technology. I think this is a good trend that has happened here. Instead of people leaving one IT company and go to another IT company, they are going to manufacturing, going to retail, going into distribution, going into financial services. This is something which is a new trend and that is a good trend.

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Ram Prasad

Thirdly if you just touch upon the people joining the MNC vis-à-vis Indian IT, earlier the attraction was that Indian IT would offer onsite opportunity which was not there in MNC firm or which was very scarce over there, so now looking at the people who are joining MNC vendors as the trend being reversed now, now people are willing to look at MNC to take the near-term cost benefits or something like that or as opportunity of going onsite because we are hiring people when onsite has impacted their onsite opportunity as well?

Mohandas Pai

Onsite opportunity has been picking up because the work has gone up. If you see the numbers you find out the onsite has picked up substantially. The faith of onsite seems very strong, people who joined want to go abroad and that has been a motivating factor for people to join us. I think the MNC story is being played out because the mystery of MNC is no longer there, people find that some of the work in MNCs is a bit repetitive. There are not very widespread opportunities, growth is limited because many of them do not grow the same rate. I think people are comparing that, so I think the differentiation has come down substantially as also the attractiveness. I do not think MNC hiring is very big threat to companies like us who hire overall and it has not been a great factor influencing our additions as it is.

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Ram Prasad

Very lastly on the onsite hiring, you told you are hiring people in onsite to put a local face to the Indian story. Earlier also we had this opportunity to hire people onsite but you had the problem of mobility of people from one geography to another geography as and when the project came up? Do we see that again as a challenge for you to relocate people from there to some other geography if something comes up there?

Mohandas Pai

Yes there is a big challenge in the technology project management area because people are not very flexible but the good news is that since we have large practices in various places it is easier for us to accumulate these people in larger numbers. I think the problem is very different today, but when you look at consulting and when you look at people who deliver business solutions they

always been used to traveling. They work five days from the new location and go back home to the weekend but that is not the worry. I think the situation is much better than what it is was 5 years ago but it is still a constraint and it is a challenge.

Ram Prasad

What would be the wage differential for onsite manager hire vis-à-vis managers going on onsite from India?

Mohandas Pai

I think it will be anywhere between 5% and 10% and essentially got to do with the retirement benefits the enhanced experience in the perks.

Ram Prasad

Okay that is all from my side Sir, thank you.

Moderator

Thank you. The next question is from the line of Ankur Arora from ING Investment Management. Please go ahead.

Ankur Arora

Most of my questions have been answered. Just a quick question on the hiring part again. You talked about the two big companies hiring roughly around 1 lakh people in the next one year and of course you talked about a lot of people coming out of colleges, we all know the training engineer takes time and also time is required for them to be really useful to the IT industry. Now if that is a scenario and lot of mid-cap companies and lot of other company may not have their strong training engine, do not you suspect a scenario with the volume growth coming high that you may still see a lot of poaching happening which may lead to a big pressure on the salary hike level next year?

Mohandas Pai

Well let me say that people like us pay well.

Ankur Arora

I do understand, but the question remains that if…?

Mohandas Pai

We pay people well and we have seen that people who leave us will generally not leave us only to go to mid-sized companies, they do not leave us only to go abroad, or to go to foreign companies or some consulting companies. It is not easy to poach from Infosys unless you have a great value proposition, if not salary. I do not think this is a big threat and please remember the mid-sized companies obviously have lot more constraints. They are not able to command premium rates unless you happen to be a specialist and there are very few specialists companies and they require smaller number of people. This is not a big issue for us.

Ankur Arora

Once again I am coming from the employability point again, now if you have say 600,000 to 700,000 people coming out of the colleges, how much you expect them to be ready for the IT experience and how much you believe probably needs to be spent on having those people who will be suitable for the IT industry experiences?

Mohandas Pai

Let me give you a guess. Including the compensation that we have for the training, including the cost of the bench that will arise after they finish training because they need to go through some more practical experience, the cost of the training, the facility that we provide them, I would estimate the cost to bring a person to up his feet may be something like 4-4.5 lakhs each. They are not small numbers, they are enormous numbers.

Ankur Arora

That essentially is to make 4,00,000-500,000 people who are coming out of engineering colleges?

Mohandas Pai

It may vary, probably it is 4-4.5 lakhs but because we have a very rigorous training and we have a wonderful infrastructure and we really make them world class, but for other companies this may be it is 2-3 lakhs.

Ankur Arora

Thanks a lot.

Moderator

Thank you. The next question is from the line of Ritesh Rathore from UTI Mutual Fund. Please go ahead.

Ritesh Rathore

I was just going through one of the Infosys presentation wherein I saw your sales team number has increased by 50% from FY'08 to FY'10 from 600 to 900. So in this downturn we have increased the sales team employees. Sir, can you just more light what kind of profile, what changes are brought on our sales team structure in the downturn and what are we expecting from them?

Mohandas Pai

Well I think we have told the people that in the downturn you have to invest more to take care of the upturn and we have seen the results. We have invested in having more sales people primarily because the future is going to be very different. When you get into the transformation area, when you get into the business solutions area, you require many more people to sell, because you can get higher value for what you sell and that means workforce has to be more trained, there has to be a bigger bench in the workforce and you cannot run it like you ran an account earlier. Funding is going to be very individualistic so we have spent our net wide and hired more people in the local markets to experience of selling and we have created a structure where people visit and get into

sales through an IJP, Internet Job Posting, advice people who have got an inclination to sales and marketing even though they belong to the technology stream can also get into sales and we have frankly asserted the hiring, the number is because we have invested more in sales hiring, we have got many more people and we have been building up aggregate capacities in the system.

Ritesh Rathore

Sir, how would have been the local, as a percentage of your sales team would have changed, in terms of this?

Mohandas Pai

As a percentage of sales, local should be 55% to 60% today.

Ritesh Rathore

It would have increased drastically after this hiring?

Mohandas Pai

I think it has been around 40%-50% in the last five years, now it must have gone up another 5% to 10%.

Ritesh Rathore

In terms of the employee profile and the employee rate, would the employee pyramid would have broadened in terms of the sales persisting employees or it would be more on the higher end of your employee pyramid?

Mohandas Pai

I think there are more people at the higher end, but we are also giving the bottom because today the new capacity of people who we can hire and groom to be the best people over the next three to five years there is a still a group of people in the bottom who are going to go through the systems in the next three to five years, because you need to have many things coming, the supply chain from the bottom, you need to bring in laterals from the middle of the staff (ph). So that is overall, people grow up to the system, people understand what they do and assimilate much more easily. Whenever you hire a lateral or a person from outside it will take them six to eight months to settle down, may be a year or two to build the network required to deliver we also have a too strong approach.

Ritesh Rathore

Also in the downturn we extended our training period from if I am not wrong from 15 to 24 weeks, so have you rolled it back or are there any plans what is the current status on that, Sir?

Mohandas Pai

The training we did from 18 to 23 weeks normal training less five to six weeks extended training. So the normal training, which has extended from 18-23 weeks still stays additional training depends upon business conditions. If the business is doing very well with one people that will complete the training of the 23 weeks and then put them on to work and they can take the additional training over a period of time. But that increase in training from a standard of 16-18 to 18 to 23 still stays.

Ritesh Rathore

Thank you. That is from my side.

Moderator

Thank you. As there are no further questions in the queue, I would like to hand the conference over to Mr. Ashish Chopra for closing comments.

Ashish Chopra

Thank you, Mr. Pai for spending time and taking off and spending time with us on this conference call and thank you all the participants for joining in. Have a good day.

Mohandas Pai

Folks thank you.

Moderator

Thank you, Mr. Pai. Thank you, Mr. Mahindroo. Thank you, Mr. Chopra. Ladies and gentlemen on behalf of Motilal Oswal Securities Limited that concludes the conference. Thank you for joining us and you may now disconnect your lines.