

Infosys Technologies Limited  
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**Topic : Infrastructure Management – Session 1**

**Speaker : Priti Rao**

Good morning. My last chance to say good morning. My name is Priti Rao. I head Infrastructure Management Services, what we call IMS as a business unit within Infosys. I also head our Pune Development Center. What I want to do in the next 10-12 minutes is quickly walk you through the IMS state of business as is today and leave in more time as much as I can for the question and answers because I guess that's a better way of dealing with the information.

We are a three-year-old operating business and for the three years size of the business and given the fact that the business is slightly different than what Infosys is traditionally used to do four or five years ago. We are growing in a \_\_\_\_\_ way. We have significant confidence that we will continue these kind of numbers. From one delivery center which was in Bangalore, now we have also started to operate from the three centers, one in Pune and one in Hyderabad, and \_\_\_\_\_ onsite-offshore percentage, and that is what Nandan was talking about in the morning, the GDM which is our business and that's where we have been able to do exceedingly well. 75% plus of our business actually is being delivered from offshore. So in some places it actually exceeded in overall from Infosys context what we are doing today in terms of percentage. We believe this is significant high potential growth business for us and I will talk about in my next slides a bit of market analysis. The interesting thing is also that this is a truly horizontal service which is delivered across different business vertical and hence it has really not impacted so much by the ups and downs typically a vertical would go through. A small picture that you see there on your right is one of our network operation center that we have setup in Pune for one of the large telecom operators that we had setup. We support their entire Asia-Pacific enterprises customers network from there today and the interesting thing is this is one of its kind in India and it is one of its kind not only because of the technology and difficulty that is there but more because the telecom player that they were working with has actually handed over to us, the critical business. It is critical and the core business because the network service provider actually only does providing of network and that they are outsourcing with us and that is one of its kind in India and it is the first time that has happened. Incidentally, this is also our largest engagement as of today. We have about 200 people on a single project and it's \_\_\_\_\_ only for about nine months now. We also support multiple languages from this center, Chinese, Cantonese, Mandarin, Japanese and Korean in addition to English and the Indian languages that we support. So we are increasingly seeing the size of engagements increasing, the complexity in the engagements that we are doing are significantly deepening.

Just to give us sense of market analysis and I am sure most of you are quite familiar with the kind of size of the market and that these kind of information looking around but just to share in some context. This is from Gartner and they are seeing that there is a good potential likely this will increase by 2008, they say IT outsourcing is likely to go up 7% and it is interesting to note that IT outsourcing that they are talking about actually matched into the four services of the infrastructure management services exactly and when I talk about, our services, they are the exactly four services that we deliver and good to know that each of these four services is also poised to grow in a similar manner. This again is another slide from a market analysis perspective and this is from Forrester S-Curve. Again, it is good to know that offshoring of infrastructure management is actually a strong emerging trend. If you see the curve, the bottom indicates that it is a strong emerging trend and it is good to be there with all the things ready in place, at the bottom of curve, you are there to take all the advantages when it speaks. There is a good prediction by Gartner that this business is significantly going to increase from offshore perspective. The 2006 estimated size of this business that will be delivered from India is about a billion dollars. My guess is today about \$250 to \$300 million dollars of business that gets delivered out of India. So there is a significant potential even within the next year that we see. Like I mentioned earlier, we are seeing increased complexity being delivered from offshore. Outsourcing, if you look at the S-curve that is there, outsourcing including assets and people transfer is actually approaching the client. So its kind of fixed very well into our model, increased offshore and reduction outsourcing which includes assets.

This is what we bring to the table. We have a Network Operations Center which is in Bangalore and we are building similar global management centers in Bangalore and Hyderabad. We are operating a 7/24 model. Like I said earlier, we are able to significantly offshore this business, that means there is a significant cost reduction at the kind of expertise that we are able to bring to our customers. We have a significantly large existing customer base of Infosys is untapped. Today, IMS may have about 40-45 customers whereas Infosys has about 450 customers. So there is a significant potential that we are sitting on which we are yet to tap. We have alliances with Microsoft, with Oracle, with CISCO, with SAP, and those of kinds we have setup significant amount of labs, the center of excellence within IMS and we are developing good amount of confidence built around those and this is something that some of our customers really cannot afford to do. So we are able to get people with the right skill, technology competency develop within because we are able to through alliances and the investment with the right skills of people developed, and we obviously build the brand in India and are able to attract and retain the best. The employee satisfaction for this unit is significantly higher than compared to even the rest of Infosys.

These are the 5 services at a very broad level, from IMS that we offer, ITSM and profit consulting. ITSM, infrastructure world is the buzz word, now it stands for IT Service Management. This is consulting that is delivered based on the framework of ITIL and ITIL again is becoming a significantly popular word. This is getting popularity both in US and Europe and we have about 50-55 consultants just offering this as a consulting service almost at 100% utilization that we are able to engage these consultants. This not only allows us entry into the right in the beginning of the value chain so we are able to get the downstream work but this also builds a brand in terms of we able to advice the customers to what they need to do while optimizing the infrastructure, how do they structure their processes around the infrastructures and that's the core strength of Infosys from a service perspective. We do data centre management which is typically about the servers, the desktops, the storages, the applications like messaging and EDI and the kind, so that's one of the services that we offer to our customers. It is again 80-85% in most cases being able to offshore. We do network management both for enterprise networks as well as for communication service providers kind of network. Technical support service desk is another area which compared to our competitors different that we offer. Recently, I was speaking a Gartner senior analyst and he had an interesting observation that this is the right service to be placed in IMS because some of our competitors club this along with their call centers or the BPO and this being requiring the kind of technical expertise, it fits in very well. We have a seen a very good response to this service. And lastly and perhaps one of the most important service from IMS table is application and operations support which actually is about a production support, the environment, the operating support to our customers. This is the service that actually allows us to integrate from the rest of Infosys where we offer ADM services and this kind of gives us inclusion point wherein the services start flowing into.

This is one of our quick success stories for us. This is of the customers which is perhaps is our oldest of our customers. We started very small with just managing their network devices but now we are actually doing the entire infrastructure management which includes all the domains in the infrastructure that I talked about, all the services that I talked about. This is again a significantly large engagement and perhaps a three-year-old client right from inception with us. Quickly, coming to IMS strength and this is the network operations center that I briefly mentioned. This is in Bangalore. I don't know if some of you have had a chance to be in our Bangalore premises. This is state-of-art with all kind of biometric security and all kind of security built in but it also looks and feels like somewhat like a bond movie \_\_\_\_\_ those management centers if you have seen, it is that kind of thing but because of this kind of investment, we are really able to offshore a greater amount of the infrastructure services. We are able to take clear control of our customer's infrastructure. We had almost ready to go similar global management center in Pune in the next four or five months. We would have a similar center done in Hyderabad. We actually saw from a management perspective, there is a significant focus on this service from investment, investment into this kind of centers plus tools, technologies, in terms of developing competencies. If any of our directors want to speak about this, the way they start most often is that this is the service which they believe is a potential to become another Infosys. That's how we actually begin most of the presentations when we speak about IMS. We are BS15000 certified and I am not sure whether some of you maybe familiar but this is something like a CMM certification in an ADM world, BS15000 is a similar certification for a infrastructure business. We are certified on this which means that we follow all the best practices which are based on ITIL to deliver this. We have stronger HR that I talked about. The attrition is significantly lower when compared with the rest of Infosys and perhaps one of the highest employee satisfaction units. So basically with this strength, we are really ready to roll. We see a significant growth going forward and just to share with you what are the challenges that we see coming in next two to three years and how we are getting ourselves ready to address those. The pricing of infrastructure services is something very unique. The pricing models do not really are very similar to application development maintenance. They are not based on FTEs, the full time equivalent functions, but we are very on-demand utility. The pricing structures which are based upon different components where there needs to be a lot of flexibility and our understanding of the data to what is our productivity in delivering those and since we are following BS15000 standards, we believe we have enough data to have the right models and the pricing done through those. In the

engagements like IMS, I think the important thing is the transition and how well you can do the transition because most of the infrastructure actually supports the live business of our customers. The transition, you cannot really afford to make a single glitch, zero hour of downtime, and you really need to be quick and do that complete transition in a very short time. So transition is our focus. We have a very well developed transition toolkit that is already in place. Security with all SOX compliance and the data security and privacy issues, we feel the security will become a challenge and most of our customers are already asking a whole of questions when they offshore their work as to how do we take care of the security issues and the data privacy issues that they have. We have physical security coverage by providing biometric and all kind of security but we also use the right tools security solutions. We are BS77 certified to ensure that we really have from a security angle the concerns covered. Asset acquisition, though in a declining trend, one of these questions where we are willing to do asset acquisition and while generally we really don't really see a need of taking over assets, we are quite open in terms of our strategy long term to look at one of those cases. So that is not really an hindrance in terms of not being able to do that at all. The multi-lingual support seems to be another emerging area where we need to really support not only English but all other Asian and European languages. Like I talked in the beginning, we already are gearing up and delivering these services to BT by providing the Asian languages but also by using our Czech center, by using Mauritius center we are working out on a strategy as to how we could deliver across the languages the technical \_\_\_\_\_ that we talk about. That's the brief status business that IMS is that I wanted to share and perhaps leave a little more time for you to ask questions.

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## Question and Answer Session

### Yogesh

Hello, This is Yogesh from \_\_\_\_\_ Solutions Private Limited. Was there a significant difference in the services that you provided between FY04 and FY05? Because what was it that drove the offshore mix so largely, the movers from 58% to 75%?

### Priti Rao

If you really see, first one and a half year of our business, because we had to start, we actually had done significant amount of people planting into the customer so that we could look at that work and take that offshore. So while the service is deepening happen and the network management is the only real service which increase in that one and a half year that you talked about. I think it is our capability that is our promise, it is that we could prove that we could do from offshore that helped us to really significantly change. It is not that we have added too many services along the line.

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### Priti Rao

Difficult to say, but my expectation is that we would stabilize around 80%.

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### Priti Rao

Yes, absolutely whenever we acquire a new customer, that is typically what happens. For example the Network Operations Centre that I talked about in the beginning, it's 100% offshore. So it began with 100% offshore and it remains 100% offshore. So it depends on what kind of engagements that we are doing but yes typically there is a hump for two to three months and then the offshore increases, that is typical cycle.

### Participant

Can you throw some light on the prices, as you said that different types of services attract different prices and can you compare it with the application development services, what is the difference and how would the margins be?

### Priti Rao

Actually in terms of pricing because we have a whole lot of services and if you really look at the technology capability that they provide some consulting until technical help desk, so the price point actually is really, really very

large because the one side we are talking about very high-end consulting and at the other end we are talking about technical help desk. So I really wouldn't want to share all the kinds of rates that are with us but the point is our margins are very well, perhaps a little ahead of Infosys is what I would like to share. In terms of developing the models for pricing based on each service, we have models developed whereby we do the pricing more based upon the infrastructure elements whether their network or servers more than how many people are required and hence the complete pricing model, is actually very different in what actually gets huge for the application development.

**Participant**

On an average for the total IMS service, what would be the range?

**Priti Rao**

The range, because we have the similar margins, would be the same as Infosys.

**Priti Rao**

Yes, sure I believe Wipro and TCS perhaps would be the biggest competitors from an Indian context, and you are right, Wipro is ahead because they have really, really a long edge, in terms of number of years ahead. If you really look at the comparative revenue gap, that's already bridged significantly. We are doing real kind of investment not only from an infrastructure perspective but in people competency perspective. That has allowed us to bridge that gap quickly. TCS and us, I would think are very similar. I think what we are doing differently is in terms of focusing on consulting kind of services which give us edge into getting the downstream business. Focusing on few important relationships that we can make larger and the Network Operation Center that I was talking about is something similar.

**Participant**

What would be the key differentiator between Infosys and Wipro?

**Priti Rao**

I think the key differentiator would be our capability to invest and create a kind of confidence and attract and recruit with the brand that we have. Also in terms of the consulting which is a different kind of service, which allows us to deliver this and the third thing would be the technical help desk. The technical help desk from the Wipro particular context is anchored from the other companies that they have and I think these three perhaps would be the differentiators in the large sense.

**Participant**

On the model side, you mentioned in the last slide that you are willing to look at different pricing models and different asset acquisition type of models. Have you actually done any deals where you have taken over data centers or other hardware and if so how do those deals price and margins differ from where you just run the data centers?

**Priti Rao**

We have actually not done too much of an asset acquisition. There are one of those examples we do own assets, they are either our data centers in India or at customer's data centers, but they are far and few. But we have still significant amount of assignments where we actually manage, we consolidate and have done data price acquisition in the \_\_\_\_\_ place, which we have. So we have alliance strategy in place where we have core location facility, where we move customer's asset into in. So we have a solution to manage data centers with the help of our customer and partners and alliances and that's how it pans out. We really have not seen too much pressure from the customers need for us to own the assets so far.

**Participant**

Final question from me, when you are looking at the infrastructure management for a customer over a five-year period, is the hardware upgrade cycle cost the bigger cost or it is the management cost that is the bigger cost?

**Priti Rao**

I would see the services is the larger component over five years because every three years, the hardware does gets refreshed, but the kind of hardware costs that are falling down. This is a very general statement; if you have a mainframe, I am sure that things could be different. So it depends totally on what's the kind of size of hardware that you have but the services would be a significantly large component. That will continue and will not really change in terms of size whereas the hardware prices would keep declining.

**Participant**

Thank you.

**Participant**

\_\_\_\_\_ the division whereas in the other companies it is probably part of something else. And the second is that IT service management consulting is there, why have you done that and what that does it give you? What does this kind of structuring achieve for you?

**Priti Rao**

IT service management consulting obviously builds a brand for you. You really have the strength to guide the customers into what they should be doing, whether it is a change management or configuration management or problem management. We have strengths where we would say to them and decide which obviously gives an advantage for us to get the downstream work and they respect us and put us in that position where they brand us. From a technical helpdesk perspective, we seriously believe that this is a technology service and hence it needs to be hosted into a technology environment where people have career prospects into merging and developing into different career options and that's how our attrition in these is significantly lower compared to most of BPO \_\_\_\_\_.

**Participant**

But should it not, may be one should wait for the consulting \_\_\_\_\_. Logically this would \_\_\_\_\_ in consulting assignment? The consulting fees...

**Priti Rao**

Yes, in large sense, where it holds, one needs to decide, but today it is actually very tightly coupled with infrastructure because one really needs to understand infrastructure. In some sense it is really a vertical because you really need to understand what are the 12 processes that ITIL talks about, what is the function that ITIL talks about. So in some sense it is a specialty. If it really becomes that large, I guess the question of trying \_\_\_\_\_.

**Participant**

You said that normally when you go out to make a pitch, you said this service has the ability to become an another Infosys. So it is fair to say given your current growth rates that we have seen in the last three to four years, can you extrapolate that growth rates going ahead? What's \_\_\_\_\_ needed to become what it is?

**Priti Rao**

I think I really wont want to make so much future forward-looking statement, but I think we have grown, we have confidence that we will continue to grow, so extrapolation is very simple, right.

**Participant**

Could you discuss what are your clients, which domain do they come from, typically what is the size of the client? How do you penetrate? How do the client mining happen?

**Priti Rao**

From a geography perspective, we are seeing much larger interest Europe. So a big part of revenues for IMS comes from Europe from a geographic perspective. From vertical perspective, we have seen domains that actually

where we have been successfully is banking and financial services and telecom. These are the two domains where we have been largely successfully but it's maybe because of the customer base and the interaction, it may be. I am not so much aligning it because IMS this has not really worked \_\_\_\_\_. so it is perhaps too early to say whether those are the patterns. Customer penetration strategy, Infosys has the same strategy where the sales force actually carry all the services that belong to Infosys and sell together. So we follow the similar model. We also have a lot of people on the ground in different countries where we sell IMS services who are really technically capable who work with the so-called quasi \_\_\_\_\_ deliver our services. Our strategy has been to look at the existing Infosys key customers and go to them with the service offering that we have and we have seen that is a more easier sell than the new services but I must say that at least in the last 12 months, we have had some significant new customer openings even with this service. So it is perhaps the question of time that this would become a big door opener for Infosys too.

**Participant**

So if I am not mistaken, you said you have 45 customers right now. Out of these, what percentage is domestic customers?

**Priti Rao**

Really very insignificant. Actually from Infosys perspective, there is hardly any business that we do in the domestic market today. So I think the strategy remains the same, focus is outside India today. There may be one of these who want us to host because they are an international customer and we host their Indian hardware into some of our data centers but that's more like an exception.

**Participant**

You said selling to the existing clients is easier but have there been instances where you have actually tried to sell to an existing client and not got the business and lost it to another Indian offshore player?

**Priti Rao**

Yes. I am sure most of our customers are also in a multi-vendor scenario and I am sure there are opportunities that we would have lost that somebody else would have won. There definitely would be instances and there would be the other way where we won and they have lost, so it is part of the game.

**Participant**

In terms of head count, how big is your largest customer?

**Priti Rao**

How big is the largest customer in terms of head count, it will be about 220 people.

**Participant**

Okay, and can you give me a breakup of the revenues from the various services offerings you have? Is it largely dominated towards network management?

**Priti Rao**

No.

**Participant**

Can we have the broad split of the services?

**Priti Rao**

Briefly a split of services?

**Participant**

Yes.

**Priti Rao**

Let me go back, ITSM 10, data centers 30, data center plus network actually most often we club it so 35 between data center and network, technology support service maybe 15 and the rest in application.

**Participant**

This is a general question. \_\_\_\_\_. On the BPO side there are 19 customers and the revenue \_\_\_\_\_ base is slightly higher, and you have 45 customers. So is that a function of ramp up or is it a function of the engagement size in BPM tend to be larger because the number of client is smaller?

**Priti Rao**

You talked about BPO.

**Participant**

Yes.

**Male speaker**

\_\_\_\_\_ maybe 19% more, and revenue size is larger than the infrastructure management whereas \_\_\_\_\_ 25%.

**Priti Rao**

Yes, it is a function of the size of the engagement. I think typically BPO deals are about 100-200 people kind of thing but as a typical IMS deal could be about anything between 20-45 people. So I think it is a function of the size of the engagements that we do. It is also some legacy.

**Male speaker**

\_\_\_\_\_. You could start small but typically if the client wants to save material chunks of money, then the engagement has to become much larger.

**Participant**

\_\_\_\_\_ division, but the point was that inherently for you to grow, you have keep landing more and more customers?

**Priti Rao**

I think it perhaps the way it has evolved to, I wouldn't really like to generalize it, but that's true that IMS typically would have larger number of customers and the engagement side will never be 500-600-800 people. It will typically be 40 even if we scale up it will 100-150. So we will end up having more customers but 40-45 that I talked about also some amount of legacy the way they started. There are some of the engagements which are fairly small, so typically though there are 40-45 customers, 10-15 maybe the real bread earners.

**Participant**

Does the pricing takes into account the hardware component and the fact that the size element would not go beyond a certain level, so you sort of price your services in a way that \_\_\_\_\_ fact that you can't mine too much and you can't spread your \_\_\_\_\_ too much?

**Priti Rao**

No, actually the pricing is very different, it is element base. For example, if we are going to own a data center, its

how many servers that the data center has, what server \_\_\_\_\_ is the price. So if it is 50 today, it becomes 200 tomorrow, it doesn't really matter, so we are not really constrained by the fact of the size or the engagement size.

**Participant**

Do you have any customer that you have acquired which is a non-vertical customer \_\_\_\_\_?

**Priti Rao**

I think there are incidents that I spoke about in the last eight or nine months we have been able to open the doors and most of them have been through the consulting route where we have been able to showcase the strength and the value that we bring to the table and that's how we started engagements and those engagements now are mining into the other engagements.

**Participant**

Can you board breakup the customers in terms of size, in terms of how many are million dollars or any large customers?

**Priti Rao**

I do not have that data with me, so I really don't want to give you some wrong picture. Typically, five of the customers could be \$5 million up.

**Participant**

Five \$5 million customers. So, if you look them, then on an average, what you are saying is that the average size of the engagement is really very small for the \_\_\_\_\_?

**Priti Rao**

The average size of the engagement is about 25-40 people.

**Participant**

Okay. I am just trying to understand, pardon my \_\_\_\_\_ on this business, but when you say that this can be a billion dollar business for you going ahead, if the customer engagement is not going to get very large significantly, it is really going to be a tall ask to get to that figure.

**Priti Rao**

Yes, the number of customers would be large, but there are examples like I talked about the other engagement of the Network Operation Center that we have, it is already 220 people in nine months. So I think it is just a question, because if you really look at the infrastructure, infrastructure is the most risky part of the business that a customer gives you. They will definitely not give on a platter 200 people, 500 people to begin with because you have got to establish their trust. I think that it is a question of time that you would see the engagement size increase in size.

**Participant**

Any particular reason why we don't see Infosys when we hear of large domestic infrastructure deals in the telecom company side taking place?

**Priti Rao**

We are not consciously participating so. I mean it goes with the Infosys' policy of not being very active into the domestic business.

**Priti Rao**

Thank you.