

Infosys Technologies Limited
2005 ANALYST MEET
August 12, 2005

Topic : Systems Integration– Session 1

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Good afternoon to you all. It is almost lunchtime, I am sure you are all waiting for that. My name is Muralikrishna, I head the Systems integration practice. I work out of the Chicago Office. I have been with Infosys for almost 20 years. Let me start off this by positioning our key role in this organization and then we have couple of slides on what are the service offerings that we have and also what is the strategy that we follow and then we will go ahead with a couple of case studies very quickly. I have just single slide on it.

Today in the industry, we see the challenge being the speed at which the commoditization that is happening and that challenge is very central to our strategy. We believe SI is a significant hedge on this challenge to curtail the strength. We strive to achieve that in a three-pronged strategy. What you see there on the left is the graph of the total market size, which is pretty much as a global systems integrator. We pretty much play a significant role in all the services that you see there but for this discussion, the systems integration practice within Infosys pretty much focuses on IT consulting and the services also fall under IT outsourcing. So the definitions are bit other way around.

The three strategies that we want to follow here, one is to move into building IP around a solution offerings such that we can go to market with productized solutions which address a specific technical or a business challenge of the client. This not only helps us in getting higher margins, we can do that both by providing value to the customer as well as the efficiencies and the productivity that we achieve by these IPs.

The second strategy we want to get into is to create services around a high value consulting in the technical consulting space. This one, in addition to getting us higher margin business, it creates a beach-head for us to get into the client organization and see how we can utilize that opportunity to sell other Infosys services in a higher price point platform which is again created by the beach-head.

In the next couple of slides, I will share with you what our portfolio looks like. The third strategy here is how do we bundle end-to-end propositions which includes the potential commoditized space as part of the offering and gives an opportunity to come up with innovative pricing models to preserve our margins. So in a nutshell, this is our strategy behind the Systems Integration practice that we have.

This strategy approach has really shown us results in the last three years. We have grown 2 year our CAGR at 241%. We have an employee count of 650 people globally, out of which around 10-12% of that employee count is actually at the client site. Our delivery locations are here in India - Bangalore, Hyderabad, Chennai, and Pune. Our onsite-offshore ratios to start off with was decently very challenging, they were almost the opposite of what the Infosys is know for: we had 80% onsite and 20% offshore and these strategies have really helped us to bring that number down to 45-55% in the current trend that we are seeing.

Given the kind of business that I am in, it is very focused on transactional business. What it basically means is every penny that you see there is actually a new business. There is zero annuity business in my unit. All this has been delivered by focusing on high quality resources. If you look at it, more than 60% of our staff have a professional certification and around 33% of them are of 7 plus years of experience and from a customer perspective, the solutions approach has created a certain amount of confidence with them that we have the expertise to deliver what we say we are going to deliver and we also let them experience. I will share with you a couple of examples what I mean by that, experience the project as it unfolds during the lifecycle. So they get to see what happens in the assessment phase, what is that has happened during the execution, what are the various things that you have tools, methods, frameworks and also in one of the solutions we have gone and taken it to the next section, which is experience. How does the user experience at the end of the project. What have these things are resulted to the organization, two key points that I want to talk about here is the acquiring new clients.

Just last quarter we acquired around eight new clients just through SI services and solutions, again services in the beach-head space and solutions that are built around strategic partners.

This has created significant follow on revenue opportunities and we have quite a few more coming in when the application cuts some development, migration and also on the infrastructure managed services. Our unit predominantly focuses on design and implementation. We are not involved in managing, so we have other units which do that. We, as minimal as possible very seamlessly we transition from one place to another.

You would see a dip in our Q1 06 revenues probably it is because of our increase in onsite and offshore mix and also the other factor is, it is a transactional based business. So lot of the large projects came to an end and also initiated in the same quarter, so that is the trend that you would see here.

The results we have achieved. We go to market with a portfolio of SI solutions which spreads across the spectrum of the enterprise technology challenges ranging anywhere from migration strategies all the way to high value consulting. If you look to your left, there is service offerings. Some the offerings act as a beach-head, they really help us out in multiple ways. They open accounts, as a beach-head they get us to sell other services in the organization and also brand building. We are, held high because of our technology expertise and some of the other services like data warehouse and business intelligence. Today, if a services that has been offered as an end-to-end service but the theme SI is into building solutions. So, what you see today as service will slowly will have solution tags that will come into the right hand side of this slide. As far as solution side, they are built around strategic alliance partners and their products. These _____ are built in a manner, the IP and all that, in an integrated stack, and this integrated stack, the framework and the methodologies aligned with the business needs as well as help us in achieving our efficiency during execution. Strategic partners play a good role in lot of the solutions that you see here.

I can briefly talk about some of the solutions. I mean, _____ deployment is around Microsoft with the XP deployment. As simple as it sounds, when you go into a large organization and you want to rollout XP, you are talking about looking into the application portfolio and then how do you access, what do you budget because end of the day it does not directly involve a business user to get any benefit out of it but from an IT perspective there is a cost saving on it. So we help them build that business case and when we started that solution, we had around four tools and that is what we use to get multiple wins around North America, Europe, and Australia. So today, the solution has got around eight tools that ranges all the ways from aiding us in execution to the client experience. The other one which is the enterprise ___ management on the enterprise portal, we have taken a different approach there. We do have tools, frameworks, but we also have a proof of concept on a certain technology. In addition to that we also have today, when we started off, we had one technology, today we have around multiple technologies and also best of breed in the same solution. So when we go to a customer, this is what gets us into the door, this is what gets us a mind share for them to calls us the second time and understand our capabilities.

The key differentiators in our approach to the market if you look at it, ____ put in five buckets in there. One is what we have is prebuilt solutions. As much as they are prebuilt, they are highly flexible, we can tailor them to a customer client need or that fits there, the requirement in the technology space as well as in their environment.

The second point is automation. Every solution that you see in our stack, our focus is on automation because that helps us in having a predictable delivery, quality and also you know more or less helps us to get lot of deals. We leverage our combined experience. A good percentage of my team are laterals, combined experience and the industry experience to build robust framework and processes to help us in a high quality outputs. We leverage strategic partners to develop go-to-market solutions. They not only bring us their products, they also help us in enablement training and also we use them as a channel to go to the solution. Quite a lot of times, lot of examples where we have gone through a client, they have endorsed our solution, They have been sitting along side with us when we are presenting the solutions, the client standing by it. It says a lot when you have somebody like that selling. You are going to implement that product but these are the system integrators who are going to do it for you and they have endorsed our solution. So we have won multiple awards on that. Microsoft is a good example of that. Last month we had won another award on our solutions.

The other one, the last point I want to address here, all our solutions are trapped in such that they can be delivered from any one of the global deployment centers globally without impacting the customer satisfaction. So, that is one of the things that really helps us in bringing our ratio down closer to the Infosys model. Our nature of business is slightly different, but still we are able to do that. So even in our technical consulting as we go we are driving this whole Global Delivery Model into it, very soon we will, should be able to get few more percentage better than what we are today as we go.

The challenge in this approach is multifold. If you do look at it, if you had to make the best of the market that we have with all the innovation, we have to keep our radar on all the time. The trends change so much, when we are talking about high end consulting as a beach-head you go in you are part of an advisory counsel of the client. You are telling them what roadmap to go, what are the right technologies for you, how do you transform and how do you two years from now how would your IT look like. Would your IT be an catalyst to your business needs and how do you do that. So those are some of the challenges that we keep. In the event, you know, if we don't that, we have a tendency to lose it. If you have very successful innovations, you will have competitors coming in quite rapidly and the price points would fall. So we have to make sure that, we are always with the current trend. So, as far as the challenges are, there is always a push for continuous positioning of solution specific expertise, competing with the product vendor professional services, I mean, even our strategic partners have the professional services, so sometimes we do compete. Narrow window of opportunity when you have some good solution innovations and if you do not make the best use of the shelf life that you have, you are going to lose it, competition from the local service vendors. In this business, the commoditization happens very quickly because there are various groups, little service vendors who the customers have been generally been used. Now we have this application outsourcing, but we have never gotten into infrastructure outsourcing that big. So with this trend we do see them in the market sometimes.

Some of the strategies, I think we talked about, is the solutions approach, keeping it current to the emerging trends, that is what the technology is also an environment. There are times when I see that certain solutions sells better in Europe, sells better in US, one of them is, disaster recovery and business continuity. One little disaster, then everybody is asking for that; and one little glitch, everybody asking for my security solution. So various things we have to keep our strength, eyes open and fingers on the ____ all the time. The innovative pricing model is another good thing, we are able to, various solutions that we have we are always thinking how do we price it. We still have clients who ask us lot of questions about how we have been pricing, they are getting smarter day by day. They are getting smarter. You see the vendors that go to them, all of them are helping them to get smarter. So we have to be on top of this all the time. So we have come up with, if you look at our ____ deployment, we have come up with unit level pricing for the desktop or even if you are looking at packaging or creating an image on our applications side, we have come up with unit level pricing. Similarly we are trying to do same things in the BI space. We are trying to do the same thing in portal and identity management space.

Investing in organic growth, given that current supply and demand that we have, it is fairly very difficult to find this kind of resource in the market. So we are investing heavily on organic growth and getting it done through after our three months of training in Infosys, get into system integration practice, then they go through another set of training, certifications and ensure that they are all set. End of the day, we are going in as a beach-head, quality matters, expertise matters and everything that we take there is actually an ambassador of Infosys sometimes when you go in to new accounts.

The next two slides, I will just cover the case studies. This one is for a very large bank, a financial services provider in North America. We went in there, we had multiple challenges. We had challenges that we have these are things that we had never done as an organization. They were very comfortable with us doing application development, absolutely, there were no question about it, but when we went in there we said we also do this, what helped us to get into the door was the solution that we had and the four tools that we had at that point of time, two years ago. So with this project is like, we are standardizing their operating environment across 5,700 banking centers, hardware standardization is also happening parallely. They are consulting their IBM OS and their resultant technology platform was Windows 2000 and XP. This solution also has got something called the zero touch. The zero touch is a tool that helps a team to deploy the OS. The layer above the application layer, remotely from wherever they are sitting to any location in the world and we have done that to multiple accounts. We have got in the latest count as of last two weeks ago was 250 plus desktops per night. So instead of in a typical model deployment would happen, a bunch of guys going from center to center. Instead, we have one guy going there just to be the mediator for us and after that everything is done from a central location and here so far it is almost like \$17-18 million deal so far and lot of potentials as we go on. There are incumbents there, there are people, there are large consulting organization who is there, who is competing with us. They are willing to work at 30% less than what we have. What we get for this project is 30% premium from any other project that we do. So the solution has really helped us position them there very well. This client has also been a good reference for us. They have gotten us multiple deals in UK and Australia and they continue to be on our side here.

The next case study is in the enterprise wide in the EIP portal and IT management. Again, this is a very good case study here. This one is for a large utility company. They again utilized Infosys for their application development opportunities. They never looked at Infosys as a systems integrator. So we went in there, showcased our solutions that is the EIP. We helped them with a lot of our activities around capturing their requirement, so they see a lot of it. So when we went there, we went there to define a roadmap for this initiative. Today it is around 18

months, \$ 4.5 million is what deal that we have got. It is around half way through, so there is booked business. So we have another half way to go to generate multiple million dollars here. This project was won against one of the large consulting firm and here halfway through this EIP portal project also brought us an opportunity to bring in an identity management solution. So, lot of our solutions if you see, they are always you can go as a group or go one and then you pull the rest. So they are all interlinked in one way or the other. It is all depending on the client environment, we make sure that we bring partner with the client, showcase what we have and bring the confidence into accepting the solutions. So that concludes a quick run through SI, and if you have any questions.

Question and Answer session

Participant

You mentioned that your differentiator with respect to innovative price offerings which you give to your clients. One if you could highlight how has been the incumbents response to the field given that the market is becoming more competitive. Secondly, if you could highlight, if you draw a three year roadmap going forward, what are the efficient investments ____ to effectively dent an incumbent's market share especially with respect to the large deals.

Muralikrishna

Okay, there are two questions there. The first one is what has the competition done when we have gone with this kind of an approach.

Both the case studies that you have seen, competition had come in, the second one with the traditional method. Come let's do a business process modeling and let's do this, let's facilitate that. We went ahead and said here is how our governance model is going to look, this is what we want to bill to your organization, this is what we have done and here it goes. There is always a pressure. Because lot of these large initiatives are time bound. They break it into phases. So when you are coming close to end of phase one, you always have the competitor also at the door. So what we do is we ensure that we have enough client mind share in terms of tool development, high value that they see from our services. So there is no way around it. And in terms of the first case study, we still have the competitor who is also working side by side, in some other project in the same client, is still knocking. It is one and a half years, he is still knocking. He is saying can you let me come in and let me do the job at the master services agreement rates. Why do you want to work at 30% premium with this guy? They are still doing it. The only reason why they are sitting with us is our innovation tools and also the alliance partner who has endorsed it. They have endorsed the solutions. They see value in this. So that is what the thing is.

In terms of investments, I think we continue to do a lot of organic growth. We will continue to invest in a lot of solutions. We see a big market in these solutions space that I had listed and they have been evolved. If you look at EIP especially, it just started off as just portal, employee self service portal. Today it is also addressing collaboration, it is also addressing portal migration, how do you consolidate multiple instances. So it is got it, the framework has really grown higher. So we will surely be in the similar lines and we will try to focus on this and our investments are more to be on the solutions and the people.

Participant

Last question from my side. How big do you see this opportunity with respect to legacy, modernization and business intelligence especially?

Muralikrishna

In the business intelligence space, we really have lot of opportunities. It is decently a very big market and there is a lot of demand around. Again, our approach to this is very straightforward. It is the same way that we did with everything else. It is all about value, so we go with high value beach-head, ensure what we deliver, we have the best. Given the product width in the BI space, we identify the top 3 and top 5 products and then it is based on the studies that we get out of various research papers, based on the sound bytes that we hear at the clients, based on certain industries that want to adapt to certain technologies. So based on that we ensure that we have the breath and the depth and there is a lot of market for that BI space.

On the legacy modernization it is something like a beach-head. So far we have really have not seen a whole lot of opportunities that are coming out of it but there is a lot interest to know what is that they can do with the assets that they already have. That offering is pretty much giving them a view into what they can do and also if they want to go to the next level or thing what the road map would look like.

Participant

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Muralikrishna

The alliances we have today are very limited. As a strategy our alliances are going to be limited. I am not going to go and tie up with everybody who is there out in the market. We want to pick the best of the leaders in certain roles and then start tying up with them. There are two ways of tying up with them, either you are an alliance partner, when you say an alliance partner we should have a solution that goes with this or we tie up as a teaming agreement which is more tactical, whereas the alliance is more an strategic partner. So the alliance partners today what we have as an SI are the Sun, IBM, Microsoft, Cisco, Computer Associates, to name some. There are few more and that is on the product space and we will also try and see how we can fit into other large system integrators where we can complement each other and that is the kind of strategy that we have in building alliances.

Participant

This business is very transaction oriented and you do not have annuity revenues to be seen. So what do you intent to do to manage your utilization uniformly and profitability

Muralikrishna

That is a good question. Actually, that is what next year same time if you will see me I may not have a head full of hair, that is where I really lose most of it. It is keeping that pattern going. It is fairly, very tough. If you really looked at the portfolio of services that we offer, it is really wide. The best way, the strategy I follow is, 60:30:10. If somebody is there you should know, he should be an expert on one, he should be at least good at the other, and should be knowledgeable of the third one. So we try to spread the themes as far as, if the market is down on one solution, he should be able to move. If I have people on EIP today can move into _____ management with a little bit of push. So similarly, we work such that, we can use them on couple of solutions and that is how I have been managing so far and we should probably will come up with more different ways of doing this.

Participant

You have some offerings like identity management, security and the disaster recovery stuff. There are some offerings which are new offerings, emerging offerings, can you present in terms of the opportunities that you have in each of these and where do you stand today. Can each of these take you to \$50-100 million revenue the next 2-3 years?

Muralikrishna

We want to be a large unit. I think there is no doubt about that one. Everything that we pick up and you see there as a list goes through a stringent business case which is again reviewed by the board and each of them we do a market study. Our intention is that we want to grow and there is a lot of market. If you look at portals and IT management that is where lot of my deals are coming in today across the globe and I still see that to happen. If it happens now, it is more on implementing. As we go, we are going to have collaborations, we are going to have portal migration. As my solution evolves, you will still see that on my list, but we will be doing something different for the same customer, so we will see a lot of work and we continue to build on this. When you see my last strategy was to do an organic growth. We invest a lot in bringing in people, training them, and more or less good percentage of my team is dedicated to two or three solutions. We do not move them quite a lot, so that is one of the things that we do.

Participant

Some idea on the _____ challenges in skill sets, especially in the onsite which are extremely cost competitive. How do you get in there? Example you will take a desktop deployment, they are not efficient in terms of margin

_____ but your identity management can give a much better margin. Can you put some light on deal size, the opportunity side?

Muralikrishna

Absolutely. If you look at some accelerated deployment, I do not want to call it a beach-head, they are open multiple accounts. New accounts as \$4-7 million each deal, and also we have done that in the existing customers. That is pretty much the size that we grow into. If we go into smaller customers, then our whole value proposition is lost, so it has to have certain size, certain sized number of desktops to do that. If you look at the _____ deployment, it is just not deploying XP or the OS. We are taking about a full solution, talks about assessment, talks about application validation, testing, talks about packaging or imaging, and also talks about deploying that. So the width of the solution is fairly large. So it is just not SI, you will see application fees which is delivered by the IBUs. So those kinds of things, so the size of the deals are decently large when you come up to that.

On the identity management of portal space, the minimum size anywhere it ranges from \$ 1.5 million to \$ 5 million and again 1.5 is somebody who has bought into our solution. Sometimes the deals are even smaller than that. If they have not bought into our solution, they say okay can you do this for this certain department and then we will go through and do it for the entire organization. So we might start small there to be big but typically our size is around \$ 1.5 million to \$ 5 million right now. And we do see, as we mature in these two solutions, you will see that going in as a group and the deal size becoming larger. If you see one of the thing is the catalytic IT is one such offering. The offering is all about enterprise IT transformation. It is about how do you transform their current IT to scalable, more adult IT which will be acting as a catalyst to their business. So that offering is a huge umbrella offering that may be encompasses most of the solutions, ES and other services also.

Thank you very much.