

Infosys Technologies Limited
2005 ANALYST MEET
August 12, 2005

Topic : Systems Integration– Session 2

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Hello. My name Murali here. I work out of the Chicago office. I head the Systems Integration practice. We start by setting a positioning the SI practice, what's the role that we play within the organization first and then I will move into some of the solution offerings that we have and then we will talk about a couple of case studies, and then we can take some questions.

_____ industry that _____ the challenges, the commoditization happens. So that's pretty much our challenge which is center to our strategy. We strive to achieve this by three-pronged strategy.

1. Looking at how do we move into a space of building IP around solutions offerings that we have today and going to market as a productized solution that addresses a specific business challenge of the client. And here this sort of enables us to bring in high margins both due to the value that we provide and also the efficiency and the productivity we achieve with the IP that we create around the solutions.
2. The second strategy that we are looking at is going out and creating more high value service offerings in the technical consulting space which besides being getting us high margin business will also act as a beachhead into the client organization and which gives us a channel to spread our wings to bring in more Infosys services on a higher price platform that the beachhead has created for us.
3. The third strategy here is to, how do we bundle end-to-end propositions such that we include potentially commoditized space as far as that solution and also come out with innovative pricing. The focus here is again how do we preserve the margins that we are currently having?

These strategies have really shown us results in the last three years. If you really look it at, we have in the last two years CAGR has been around 241%. We have an employee strength of 650 people. Around 10-12% or 15% of the employees are based outside of India. They are in US and Europe. The onsite-offshore mix is around 45:55 today. When we started the process, it was absolutely the other end of the spectrum given the kind of business that we are in. Our business is very transactional. You don't have any annuity business in our group. All this we achieved through focus on high quality resources. More than 60% of our staff has some kind of professional certification that matches very well with our services and the solutions that we go out to the market with. From a customer's perspective, the solutions approach has created a good amount of confidence on the customer's client side and they are able to also experience the project as it unfolds in a life cycle. We are proud, when you take solutions figure, we are talking about frameworks, we are talking about _____, we are talking about tools. Some of these tools not only help them in the execution phase, we also give them a kind of experience, getting them to know what it takes for them to complete the roadmap. So that's what we are talking about here. The resultant of all this has been very good with acquiring new clients, the beachhead approach and the solutions approach has really helped us quite a lot. The last quarter we had opened around eight new accounts just with SI services and solutions. And what we see as revenues is very specific just to SI resources contribution. A lot of these things have a significant downstream work which is done by other units within the organization. So some of them are the _____ like idea, strategy, enterprise architects and infrastructure consulting. Everything that we do is design to implementation and if it comes to maintenance of an infrastructure, it goes to the IMS team. There is significant follow-on revenue here. We are looking at application custom development, migrations and infrastructure managed services.

All the dip that you seen in Q1 of 2006 is attributed to

1. The increase in the onsite-offshore mix.
2. The other one is that the last quarter we had quite a few projects coming to an end and large projects starting, so that explains the dip in Q1 2006.

So the results have been _____ there are from the back to the solutions that addresses a spectrum of enterprise technology challenges. Again this goes all the way from migration strategies to high value consulting. Under the service offering what you see is some of them are beachheads, some of them really serve us in account opening opportunities, they serve as brand holding activities. If you look at the catalytic IT, it's a big umbrella solution. It's an offering that really encompasses almost all the services that we need to transform an IT and how IT can be a catalyst to a business need or a business growth. So that's what the catalytic IT is. The solutions here are built very closely integrated with our strategic alliance partners and lot of our staff _____ have aligned to the business needs as well as to help us achieve a good amount of efficiency during execution and a lot of these solutions are end-to-end. So they could prepare to accelerate deployment, migration installed to a Microsoft XP deployment. It goes all the way from assessment, all the way to application, inventory through validation, testing to packaging and deploying to the client locations. Towards the end of this slide, I do have a couple of case studies that we can talk about. Again the key differentiators are in this approach that we have taken to the market, one is that our solutions are pre-built and these solutions are highly _____. You can tailor up to specific needs or a technology. Animation is one of the key focus when we do get into the solution _____, idea here is to come up with a predictable model in quality of the deliverables that we send.

As far as the last point, the solutions of the _____ can be delivered from a global deployment center in various geos, whichever is closest to the client and cost efficient. Again the idea here is to keep in mind the customer satisfaction.

In our business the approach that we have taken, we have to keep our eyes open almost all the time trying to look out for what the emerging trends in the market. The _____ that we have or any innovation that we create, it is in some case it is really good, we do have our competitors, we have actually come in and bring down the price points. So our evolution of our solutions is very key to us. As far as the challenges we face, one is the demand side, in trying to continuously position solution specific expertise. It can range anywhere from infrastructure consulting to platform engineering to enterprise architecture. Competing with product vendor professionals and lot of our solutions, we do create multiple tools. I talked about accelerated deployment, when we started with solutions with three or four tools and today we have around eight tools. One such tool is called Night of Deployment Experience. Even if the customer goes home that evening, the customer knows the percentage of completion that will happen that night successfully, which means he or she does not have to worry about what happens, so when they come back the next day, they can compare and say okay it is near to 90% completion tonight. So _____ these things are really automatic and plus there is another thing that we have which is called Zero Touch. We don't in our project like _____, we go from center to center deploying this, but in a Zero touch, the team sits together in a central location but we have a skeleton team that's all over place and we have this methodology and the tool that we have developed which can throw all the way there, clean the machine and pull a new OS, pull a new application and then come up, so that was in the range of 250 per night. Various strategies we talked about, solutions approach and ensure that it is current, innovative pricing models and then investing in our organic growth with solutions specific certifications. So those are some of the challenges that we have.

_____ that we have, one of it is actually the technology research. This deal was won by showcasing our accelerated deployment performance solution which so far we have roped in around \$16-17 million from this deal. The client is a leading bank and a financial services provider in North America. The business drivers were IBM OS _____ operating environment and the hardware standardization was also the key driver. We have so far completed around 4,100 _____ and we still continue to do that and they just acquired another bank, so they started getting that business also to us. I will give another example here on what _____, We do have a lot of incumbents here. Some of them are very large consulting firms and the only reason we have repeat business in this location is our solutions have evolved over time. So there is something when we say we have four tools, today we have eight tools. The productivity has gone up, the quality has gone up and everything is really improving, so they didn't have a reason why they should tie up with another person to do this.

This example is how we go take an EIP to the markets here. This client is a utility client in North America again. We competed against another of those Big 5s. There were two different approaches and ours is the solutions approach, we have a proof of concept here again. We have a governance model for the EIP portal. We mentioned that we have the best of thought leadership, how we facilitated the whole session, they said these guys know what they are doing. They also have something to show that what they have in their backyard. So we could start off with a small roadmap definition and today we have so far around \$4.5 million. We have done multiple projects and we are on the path where half way in, so we have multiple more million coming in for the more projects that we are going to do. Again the peak team size is 35, it's around the last 18 months and it is pretty active project that it is still going on. So that's the thing from me and we are open for questions.

Question & Answer Session

Participant

First question was how is performance of this unit measured in the overall scheme of things for Infosys, is it purely the revenue and profitability here or is it more to it?

Muralikrishna

The performance here is more, those two factors for sure, that is revenue, the margins, the other one is our innovations. We are measured by innovations, solution, lot of new solutions. We are also measured by how many new accounts have we opened, because what we have high-end consult, my team is like fairly a top-heavy team. So the tendency to get more is very high. So we have to utilize our strengths.

Participant

Yes, but any downstream business gets factored in here?

Muralikrishna

It does not get factored. The numbers that you have seen is pure contribution from IT. What is downstream is tracked separately just for performance perspective although to monitor to see what gets us what so that we can focus our energies on certain vs focusing on every one of them. We do track some of it.

Participant

What has been the downstream proportion?

Muralikrishna

I do not have that numbers with me right now. Because if you look at an IT strategy our infrastructure consulting or we go through without any other application development which is multimillion dollars. Just last week we got into a \$32 million deal with one of the financial providers. So that's being completely coming out of a beachhead kind of IT strategy, trying to roadmap into how their IT should look and that had generated huge opportunity for us. So the numbers are big.

Participant

How is it sold, in the sense what is go to market, it is through the vertical route or there is a specific?

Muralikrishna

We go through multiples. One is the verticals, we work with the IBUs and their sales team, other than is the alliance partner channels and in addition we do a lot of road shows in the market that we operate and that brings some more. We do some technology webcasts and then we have people who come in and we take certain solutions and we go out and talk about it and that gets us the lead, but predominantly alliance partners and our verticals.

Participant

Thank you.

Muralikrishna

Thank you.

Muralikrishna

Both examples that you have are very high in competition. We had TCS in my first case study and we have Accenture also there. That case study we have is something that we have won with a premium and we still have these other two incumbents tapping on this department to outsource that piece of work. Everyday it happens but what they see from our team is a quality, the productivity and the tools and the focus that we bring to the table is too much that nobody can replicate. I can surely very confidently simply because we work with Microsoft. The kind of response that they get from us is very different. We talk about _____ types. Everybody else who talking about provisioning, I am talking about deploying. I am talking about something that you can feel it on the client site. But everybody else who is talking about _____ in the provisioning space. So you know, it is more planning, so that is what is keeping us here. And the second case study if you look at this most of the solutions, we ran into Accenture, BMTs, Wipros in identity management portals and those kind of engagements. And on the accelerated deployment, we won from a _____ sometime. Sometimes other departments work with these guys and hence we have the tendency to see them there. In addition to that, we do see HP and _____ typical competition that we have. We see that here.

Participant

Muralikrishna

There is a challenge when it comes to when you have a hardware refresh, we do not stand a chance there and IBM and HP will throw in their boxes which we can't do. Those are the time when we tend to not go out completely _____, but otherwise our solutions approach as such. Till today every customer we have gone in we have got them. It is just the half a day that they spend with us, it is kind of tools that we given them, experience that they get to see. Some of them even make comments like, I don't think Infosys was doing that, I think they are only in the application development. Some comments we hear like that and once they feel, some of them even come to the point of I will give you the _____ for _____ and then you can do the big piece then I will give you the big one. So once they see the solution and see the expertise that comes out, the thought leadership that comes out, I think that is one of them. The other one is we are very strict with training, certification, expertise in general. We expect certain amount of depth in whatever go with, because we are going in as ambassadors of this organization. So most of the accounts that we get in as a beachhead, we try to sell other services also.

Participant

Muralikrishna

Everything thing that we do is horizontal technology solutions. So if I actually look at portals, there are times when I tie up, like if we go to a healthcare, I tie-up with domain from IBU consulting and we put up the whole thing together. We _____ what we have with a vertical spin and we go to market. That's where we are scalable, then I work with somebody else like a utility firm. Then we also have this horizontal option, employee service portal, its not going to be different in any customer. Then we have collaboration too, it is not going to be any different. So we also have this go horizontal and we also based on the needs how a client contacts we get, we wrap it based on that.

Participant

Muralikrishna

To the best of my knowledge, we do not have any kind of penalty clauses on this any more. We pretty much work the Infosys way and when we go out of solutions, I think there is decent amount of predictability in what we do. That's a good question though. Do you see penalty clauses kicking in everywhere?

Participant

Muralikrishna

Sure, if you look at some of the solutions, if you look at Accelerated Deployment, you can look at pricing and that kind of stuff, how much that we take to roll out of the desktop level, that's one. The other one is, I have mentioned this, in an Accelerated Deployment, we also have come up with something called a deployment agreement which _____ the enterprise agreement of a Microsoft _____. So there EA runs three years, our EA runs three years. So based on the product, I will _____ deploying that to the client keeping it current for the next three years. So that way one of the innovative pricing models that we have and also all these deals extend into managed services which the IMS takes care of. The other one is as far as the application packaging, even that we be innovative _____ based on the pricing around at.

Participant

Does this system integration activity include also your software products from your end, sale of software products?

Muralikrishna

As Infosys products?

Participant

As a part of this division or part of Infosys?

Muralikrishna

We don't develop any products.

Participant

I mean when system integration _____?

Muralikrishna

Yes, if you look at if an RFP comes looking for, I have some example where we were bidding for a company in Singapore. We are working with a couple of alliance partners, Yantra, and we went to a bidding process. So we do all the large system integration kind of activities that we keep them as three different tracks. Again, all those to preserve our margins. We do not let any of those pass through our books.

Participant

How do you get the leads basically in these activities?

Muralikrishna

Leads, through our sales force and then we also have other people coming in directly and asking for us with RFP and things like that.

Participant

Muralikrishna

Yes, within Infosys anybody we get through them. Within Infosys, we get leads from every unit that works. For example, if I am doing something and there is a request for _____ implementation, ES is going to be a part of it. If there is a request for an Accelerated Deployment, I would say we also want managed services to be part of great stakes and all those things. I also want to tell IMS comes into this. Sometimes, I go into a total engagement and they say I do not have the server, I do not have the hardware, but I want you to host it, I work with IMS. So we did bring them in as a partner to us. So when we go there, we have this close formation, so we _____ again to make sure we get the biggest deal that we can get.

Participant

Thanks

Muralikrishna

Thank you very much.