

**Infosys Technologies Limited**  
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Good morning. I'm just going to wait for a minute for everyone to settle down. All right, good morning once again. It's a great pleasure for me to be here, to talk about Strategic Global Sourcing. In fact when I was putting down this presentation, I talked to a few people in that group, especially Suketu Patel who heads the group and to other people, and they reminded me that today is a very important day for them, because the group was formed two years back, almost exactly on the same day, with a team of 6 people. Today, they are about 40 people and they have a number of good wins under their belt. So they wanted me to be aware that it's a great day for them two years later to make this presentation.

Of course, here is Safe Harbor clause. During the next 20 minutes, I will go over the outsourcing plan SGS, why it was formed, what it has done, what it stands for and what it has achieved, the Infosys point of view, which is the Modular Global Sourcing and the results so far.

We clearly believe that there is a convergence happening in the outsourcing space. There is the traditional outsourcing that is your mess for less. These are cases where the customer gets into the contract which is 7 to 10 years long, large total value contracts. These are infrastructure, people, processes and technology in one single outsourcing and the vendor takes control and tries to deliver productivity as well as efficiencies over a period of time. The customer loses control and there is lack of flexibility in these contracts. On the other side, you have the offshoring. Offshoring has been built on a brick-by-brick approach. If you look at last 20 years, people like us, Infosys and other people, came into this industry and built brick by brick either by staff organizations or by competing for projects, starting with small projects and now very large projects.

So we believe these are two trends which are going to converge. Today, the customers are demanding for the best of both worlds. They are demanding for their quality and the productivity and the excellence in execution which the offshore vendors are delivering, their management capability and the change management, which is brought in by the traditional players. So in that sense we believe there is a convergence happening in the outsourcing space, what is termed as infact in a CSFB report of outsourcing it was termed as a 'lift and shift method'.

We are also seeing some important trends in outsourcing. There is a greater adoption of offshore. That means that vendors like Infosys are being called on to bid on large deals. There is traction in Europe and industry analysts like Gartner and Everest are getting to know the offshore players. They are spending time, they are showing interest, getting to understand what the Global Delivery Model is all about and where is the trend. The Total Contract Value (TCV) is coming down in terms of number of years as well as the total value. There is a TPI prediction which says there will be a 10 to 15% decline in TCV of large deals in 2005, which means that the larger deals are being broken down into smaller components and being outsourced. Again, that actually brings those deals into our sweet spot. The spot or the size at which we can bid very easily.

The next one is the infrastructure-led deals, the bundle of infrastructure and processes and people are getting broken down. ABN is an example where the infrastructure was given to one partner and the technology was given to another partner. That is definitely a new trend. Historically in total outsourcing deals, infrastructure as well as people and process were handed out to the same partners and that is changing today.

There are a number of contracts which are coming from renewal in 2006 and 2007. These contracts were signed in the early '90s, or in the mid '90s, in fact, and they will come for renewal in 2006, 2007. Many of those customers who have been parties to these contracts are definitely looking for new partners when these come for renegotiation.

So with all this in mind, SGS was formed about two years back and they were started with a number of activities. The first one was marketing and positioning. Their charter was to build their market position. Their charter was to build a relationship with industry analyst groups, participate in outsourcing events. They have set up a leadership of change forum for Strategic Global Sourcing. They have been active in that trend. They also were chartered with building our solutions and frameworks required for outsourcing. They worked on it, they came up with a sourcing strategy, assessment and decision frameworks and really the methodologies required for the 'lift and shift' kind of deals I talked about. They build relationships with deal consultants. They have been educating Everest and TPI

and other deal consultants in our viewpoints. They are participating in large deals pursuits. In fact, they lead the large pursuits which we are handling, and these pursuits are usually close to \$50 million and above. Many of them will include people transfer or retrain model. They have built expertise in transition management, which is a key part of the large deals. These are either called transition management or tower management. These are neither projects or programs, but these are large portfolios either belonging to a function or to a specific area of the customer and they have built expertise in doing those transition managements. They have built client partnership models, HR solutions because many of them will include rebadging of people, retraining of people or retrenching. So they have built frameworks and solutions for the HR area, as well as they have built capability in organizational change management.

These are some of the key features of an SGS deal. These are large in nature, most often. They require portfolio ownership. I talked about this. These are neither projects nor programs. These are large portfolios which are either in the functional area of the client or in a specific technology area. They demand Global Delivery Models, multi-location delivery, delivering from multiple locations in India and outside and the ability to bundle a number of services together and provide it to a customer with a multi-year contracts, with guaranteed productivity improvements and creating centers of excellence, those kinds of commitments. Long-term SLA based contracts. These are result-oriented contracts. These are not contracts where the customer will micromanage or have visibility into the team structure or the delivery structure. These are result-oriented, result-based contracts and there is of course demand for built-in productivity improvements on a fixed-price model.

There are another set of complexities involved because in today's world, as I said, many of these large contracts are being broken down into smaller ones, which means they are bid by multiple vendors. These are bid by vendors which are best of breed in specific areas, similar to the ABN deal. One vendor will get the infrastructure deal, another will get the technology piece. What it means is that for the duration of the contract these vendors need to work together. They need to interact daily to have an SLA between themselves and the customer is now interested in that you have that ability to work in a multi-vendor environment. There is proper governance and SLAs between the vendors. So we have built that capability. There is a possibility of people and asset transfer. We are not looking at asset transfer at this point actively. Maybe in the future at some point in time but at this point we are looking at people transfers. We have developed multiple options for the people space which includes retraining the staff with the customer, retraining, redeploying, reassigning some of them to our projects and rebadge and retrench.

This is a brief overview of our view on the global sourcing. This is what you call Modular Global Sourcing. If you look at the outsourcing space, there is a conflict. From a business perspective, the business leaders look for flexibility, agility, as well as an ability to change very fast from the IT department whereas from an operational perspective, what we are looking for is operational excellence, cost advantage and various other factors. In a sense, these are conflicting views because at one end you looking at flexibility, another end, you are looking at operational superiority. And due to that, many of the IT departments today as Nandan said do not deliver the value that the business is looking for. We believe that the problem is in the monolithic sector because these are treated as one single black box. We believe that the alternative is to break it down into smaller units. So, if you look at this picture, you can see that we have broken it down into a two-dimensional array. On one side, you have the design, build and operate as the execution procedure. On the other side, you have the business sources, business applications, the hardware and the software infrastructure and what we are trying to say here is that you should optimize some of those units, some of those boxes, for speed and innovation. You should optimize some of the other ones for operational superiority. That means if you are looking at the design piece, that should be optimized for innovation whereas if you look at the maintenance piece, it should be optimized for efficiency and productivity.

What we are seeing is that we are able to convince our customers that this is the right way to do it. Customers are buying into our point of view. In fact, ABN is an example where we were able to use this and influence the customer to take a different path than what they were planning to do in the very beginning.

So, from the sales profile, we have some good wins. ABN of course has been pretty much well known. It's a large deal which we won. Of course, another deal which we won is the PSEG deal, one of the largest utilities in the U.S. There are a couple of deals, Kodak and maybe another one which has been Underwriter Laboratories, which has been publicized outside.

The PSEG deal predominantly consists of enterprise applications, basically SAP. So that has been a good deal. SGS solutions are being accepted and are being seen as a differentiator by our customers. We have established thought leadership with the industry analysts. We have built a relationship with them. We have built a relationship with media and deal consultants and other influencers of the MGS. That is a Modular Global Sourcing point of view.

This is the last slide. This is the detail on the ABN deal. This is mostly public knowledge. Application maintenance, \$140 million, between five different vendors, this shows the detail. As you can see, it started in November 2004 and ended in September, October 2005.

So, to summarize, we have taken a strategic decision to create this unit about two years back with a purpose of building thought leadership and building the ability to look at large deals, basically expanding the addressable market. We have been quite successful in doing that over the last two years. We have created a point of view which is getting accepted in the market. We have built relationships with the thought leaders in the market and we have had some very good wins. Thank you.