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India Business Unit

SPEAKER:

Mr. Binod H.R.

Mr. Binod H. R.:

So, good afternoon gentlemen. I think this session is very interesting either you will fall asleep or I may runaway either of these may happen. Thanks for your attention on the India Business. Let me take you through some of the details of the Infosys India Business.

This is the busiest slide I have, so do not get too worried, the rest of the slides are very light. This is the market opportunity slide, basically trying to define how large the market size is. Before I start there is a small error in column 2009, the total is 75 million actually, not 5 million. Kindly make a note of that change. If you have seen this the total IP, this is the IDC information, the data is from IDC and NASSCOM. Basically, 2010 if you see the total market size IT and ITES industrial size is about \$87 million and coming to the domestic part of it, it is about \$34 million. And from there if you come down to the IT services part and the domestic package software part that total is almost about \$11 million. The remaining part of it is the hardware and spread across. So, if you see approximately CAGR is basically in the range of about 20%, so there is very healthy growth in the IT sector and IT spend world over plus even the domestic part of it, which is of 18.4%.

What actually have significantly grown in India is BFSI sector, manufacturing, and government. Government is a very, very large spenders but there is a large split between government and private based to the tune of 90 and 10. 90% of the spends are coming from the government sector and 10% private, that probably will be the trend for the next two years or even three, after which it will probably slowdown because of the election that may come around the time. There are some sectors which actually promised a lot of investments but then suddenly slumped for example retail with the amount of, now retail there was talking across India but suddenly there is a slowdown and it hit nose dived actually and... Services and healthcare is again very steady but not much of the growth in that area.

India Business Unit of Infosys is a little bit different to the other business units, we are more a client facing group, we are more pre-sales focused group. I have about 90 people with me and the rest of Infosys, the rest of 105,000 people is my delivery unit. So, we go, fetch business in respect of verticals or horizontals and then find team together from either the respect of horizontal or vertical to deliver. So, we go fetch the business and they deliver, but I am involved in end-to-end to see to it that it goes on schedule within budgeted cost.

So, that brings us to one important facet where Infosys India Business believed in partnership, so we work with the set of internal partners and we work with the set of external partners to make sure we deliver value to our client. So, there are some of the partner ecosystem, the external

partner ecosystem as mentioned here, internal partner ecosystem is more of the systems integration group, which is the horizontal in Infosys, the enterprise solutions group which is again a horizontal. And there could be banking and capital markets which is more a vertical. So, I need to work with different sets of people to bring the alignments. And in the external partners ecosystem if I take ERP kind of a solution then it will be SAP, Oracle or Microsoft and if it is software, pure software, middleware kind of an area then it would be Oracle, Microsoft, and IBM. And when it comes to hardware it becomes IBM, HP or Sun. And in the networking it would be either Cisco or Juniper so, that is how our partnerships will be. And these players are quite common across all systems integrators in India, so it is not that they are going to exclusively work with Infosys, they will be working with multiple. There are teaming which are done across for various projects. What is missing in this is the other third-party software providers or third-party service providers whom we will have to work with. So, we started with one client in each of these verticals we are operating in and now we have gone to sizable 28 numbers of clients that we have. Now, when I give you the split of 90-10 I thought it was prudent that I justify that in some sense to give you a better flavor of that market outlook.

Now, as we are sharing some of your friends earlier before lunch. My business plan is actually written by an outside person, it is not written by Infosys. The business plan is actually written by the Finance Minister of this country. So, 90% of business so it is Pranab Mukherjee who has written my business plan. So, if you look at the plan there, there are 27 Mission Mode Projects in this country, they are all listed in the NeGP website and they are also listed in NISG website. These are large projects which are G2B and G2C kind of projects. I will take an example, there are four of these Mission Mode Projects have already been decided, two are with Infosys and two are with TCS. TCS got the Passport Seva Project and the MCA21 Project. Infosys bagged with the Income Tax CPC Project, as well as the eBiz Portal Project from the DIPC, Department of Industry Policy & Promotion on Ministry of Commerce. So, though we were very late in to entering into India, we are very proud to say that out of the four Mission Mode Projects, we have two and long time player in India TCS has got two. Most of these Mission Mode Projects are today built around the PPP model or the end user fee model or the transaction based pricing model. So, whatever Kris was referring to in the morning about saying that these are new engagement models based all into this slot very easily.

In this phase basically, these are all systems integration projects. It involves building or using some standard product and rolling it up across the country. For example we are involved in the income tax processing, income tax CPC, so we have developed a software, we process the income tax returns. The final approval or rejection of demand only that portion goes back to the department, they are coexisting with us with the operations team in Bangalore. So, once the process is done, the final decision is with them and then they roll it back, so then if they say okay, now that there is demand on this substance so they raise the demand letter, which will go out, if it says no refund has to be paid, the refund will go out to the tax payers. So, the decision-making of passing that return on that is with the department, rest of the process is outsourced. Exactly, the way the Passport Seva Project works where only the decision to approve the project is with the Ministry Officials, the rest is again is completely outsourced that is how that works, more of this is going to happen.

So, the private sector actually in India, if the word underinvested there, I would just like to clarify that, there is no ground up development, there is no custom build software development in any of these sectors, any private in India, which we prefer to use standard software and to implement that, you take your healthcare, they will take HIS and then implement it across with the attached TRP and things like that. So, we do not find globally it is different, globally they try to build, ground up they try to build up solution ground up.

In the yester year people invested in computerization phase, so now it has moved from there, that is all computerization is done but now people are trying to use additional software, surround software just to ensure that they get more efficiency out of the system like if you take banks for instance they are already total bank automation has been done, but now they are using DWBI, lot more data warehousing and business intelligence is built around it. Just to ensure that there is more of, they try to take more derive efficiency out of the IT investments that they have already done. So, most of it is focused on end-to-end turnkey kind of projects, you can even see some of the private sector industries going in for slowly moving towards modular sourcing, so that is the outlook and that is the future, that is where it is moving. So, lot of business in the government sector. Unfortunately, it is their slowdown, actually this government can be very bullish because the left front has not thought of this government and they can take this really fast but I do not know for some strange reason it is really a slowdown. We understand that they have to follow all the processes, they have to be fair, all of that is fine but still it could have been speeded up bit. Suddenly, there is a slowdown; we do not know when that is going to really come out of it. These are some of the key engagements that we have. We are currently developing on-device portal for Airtel and then we are trying to of course Kris and Shibu shared the DTH engagement that they have with Airtel and I already described the turnkey implementation that they have with the e-Filings of income tax returns for all Indian citizens. Both of these engagements are purely on a transaction based model, it is pay per transaction, so it works well. We can manage our cost better, on a transaction basis we hedge our bets because if the volumes go up then that is where our returns come in, so that is where we can at least look for some margins to come back.

Now, in the space there, there is a program called Accelerated Power Development and Reforms Program in India. We have taken top leadership position there. In 2002 there was no India business at that point of time, so we kind of work as a very responsible corporate citizen, we worked on trying to see how best power reforms can be brought into India and that was way back in 2002. In 2008, we actually took up that once again and revised it because a lot of technology had changed, so lot of new technologies had come in and it was easier for adoption and we came out with just the Government of India, Ministry of Power actually came out with this SRS document on the APDRP, it is now called the Revised APDRP, our R-APDRP program. Now, we are consultants to three states Rajasthan, Uttar Pradesh and Madhya Pradesh. In these three states we are consultants, helping the government to put together the bids, selecting the vendor, making sure the right kind of implementation partner is selected and contract awarded. So that leaves us 26 other states where we can go and try and bid for the work, so we are aggressively bidding in some of these projects. It is very interesting to see how to bring down. There are two objectives of this particular program; one is to bring down the AT&C losses. In India the AT&C losses, they call the aggregated technical and commercial losses, put in other language it is called power pest, but I am saying, it is just a nice beautiful word called AT&C losses, there are states where the AT&C losses are as low as about 12%, I think that is the best that is available in India and there are states where the AT&C losses are 63%. I really wonder how that this come, managing director will be going home everyday because he is buying power, distributing it but not getting the money back, I do not know how he or she will even sleep that night. So, we have those kinds of states and this is a program which we will try and put that data in perspective and make sure that accountability is done. Today, right up to the transformers, the data is available digitally you know how much of power has been generated and how much of distribution has happened to each of these locations and finally at the transformer level, how much of our each transformer has been given. From there it gets distributed to let us say 150 or 200 household industry or whatever and the return is analog because you actually get, you go do a meter reading and then you get, bill you raise, the bill collect the money, then you try and reconcile the amount of units you are getting paid for and things like that. So, now we are trying to do a close loop system there, even the amount of consumption at household level comes back digitally, so there are meter manufacturers who are providing this data digitally back into the discount system. So, that makes it accountable. We hope that it will clean up the system, maybe there are more intelligent people who may even try and

beat the system, we do not know. But I think that brings in more accountability and probably brings back that money back into the discount. So, we are consultants in three states and trying to become implemental than the other states wherever possible. So, it is a nice program where the Ministry of Power has revised in such a way that they will provide the loan initially to the state government and the state government has to get this program implemented in 18-24 months and once it is successfully implemented this loan will turn into a grant. So, that is how it is figured out. The total outlay for this is about 60,000 crores and out of 60,000 crores, 12,000 has come into this plan and out of this 12,000 crores, 2,200 crores has been allocated for implementation across the eight states. So, that is how the distribution has happened. So, we will find this very interesting.

What important thing for us is to see that this is the ground which is set for a smart grid implementation, so once this is done it becomes easier for smart grid implementation to be done where you can have the tariffs rolled out at different times of the day, you can charge different rates and things like that to encourage people to economize them, being efficient and things like that, I mean final dream is to have a pre-paid power card or something like that, but I know that they may be dreaming, you know that reminds me that once we dream people will have sleep so again try to awake you and bring you back into this world. So, that is the pipe dream, but it is possible. This is the same thing which Obama signed about a month ago to going for this kind of smart grids in the US. We are very happy to see that being discussed and part of it getting implemented in when the same thing is being done in the US, so it is very interesting. So, there are lot of people, lot of passion to do this, in fact Infosys has also invested in a program in MDI Gurgaon, where they have started, I mean one of our people is involved in creating a course around smart grids to make sure that there are lot of people who understand smart grids and what needs to be done, how it has to be implemented, so we are involving ourselves starting that course with MDI to make sure that there is enough people available to handle this.

The other program that we did is, a business process, re-engineering and we have the implementation for Thermax in Pune itself. For two of their divisions we implemented the ERP on our fixed price contract. So, that is a traditional business I would say for Infosys.

Going forward we have opportunities as I described to you in the utility sector. In the telecom sector we were actually told that we were very late into the telecom sector, but that was more so for become the S1 player, as the total outsourcing partner for the telecom operators. We tried one of them, which was the Unitech Wireless, which is now called Uninor. We tried to bid for that very, very aggressive bidding happened. We lost it but now we are probably, it was the blessing and disguise for us because we are now positioned around the value-added services because we are now trying to come in and provide the surround space for the telecom operators. What is happening is the hardware is the same, the software is the same, the equipments is also same, so the telecom operators have to provide the same kind of service across. So, you take Airtel, or BSNL or Reliance or any of these players, today it has come down to a battle of 50 paisa per second pulse rate and things like that, so. So, they are not able to differentiate the service through that route. So, everybody is looking at differentiating the service on the VAS, which is the value-added services, they are trying to use that network to see how they can provide more data, provide closed user group, do something on a up-sell, down-sell or cross-sell kind of suggestions. So, there is a lot of market space available on the value-added space. And Infosys is very well positioned there because we have the CME which is the Communication Media Entertainment group, which has got a solid strength in this space, so we are doing lot of work in Indian telecom space.

NSG again there are some public sector undertakings, there are some private sector players coming into NSG and there is a lot of strength that Infosys has in this space, so we would position ourselves very strongly in this area. Then BFSI as usual very strong, in fact we have a large

installation based up in terms of transaction volume very, very large for Finacle, so we are trying to do something surrounding Finacle more with the data warehousing piece or business intelligence piece to bring better efficiency out of Finacle for the client, so we are trying to do that.

Defense, I would say less says the better because not much has happened, the cycle times are very, very long. You know once we will submit the bids, probably we forgot we submit the bid in that situation. I do not criticize them but they have their own protocols to follow in turn because these are all defense projects and they would like to be double-issue or triple-issue or I do not know, so going a little slow. Large projects again but going a little slow. And of course I did describe the Mission Mode Projects in India, so this is predominantly what I had for you and if you have any questions, I will be more delighted to answer. Yes please.

Participant:

Thank you very much. Sir, I had few questions, firstly keeping us in the fact that you had a late start, what are the other areas you think that you should improve versus competition to do well in the India market?

Mr.Binod HR:

Please do not give my answer to my boss who is around here, so he may hold me very strongly to that. I think there are different aspects to it, one predominantly is though we are late entrants, Infosys has not had experienced in doing business in India outside of Finacle, Finacle is the only thing that we did for so many years in India, but that is more a product game, it is not of services game. So, though we try to play services game in the rest of the world, India is very tough when it comes to services, like I mean I can, we ourselves are examples for it. When we want something in our own companies, when we work, we really demand very hard, so I think our mindset is that we always demand the best, highly unreasonable requirements on one side and we hardly want to pay, so these are diverse requirements to handle. So, this when it transforms to our government organization, believe me that it becomes mountain to handle. This country will probably run without diesel, run without power, but cannot run without ego, so when it comes to handling government department it runs purely an ego so we have to handle it very carefully. Though we came in a little late, our strength is actually our brand today, so we are known to deliver high quality software, we are known for delivering it on time, we are known for being very responsible in doing this. This is also reflected in our teams. For instance, one of the top most point here is our differentiation through using global talent, we do not have India eccentric resource pool to deliver projects only in India, we use the global talent to deliver. So, the advantage is that we bring in best practices of whatever we do in different parts of the globe to India projects. And it is not that India is some country where you can go and dump something not really, all the projects we are done here are cutting edge technology and people are, they love to do it, they all get involve to do it. So, in one sense we have the same problems as our other competitors have, but we are trying to differentiate ourselves from there to use global resources. The rest of it, we have not lost much is what I can say. For instance, four Mission Mode Projects which has been awarded two are already with us and two are with TCS. So, we can play this game, we know the game and where we possibly cannot win, I will share that information also. There are two types of contracts in India, one is Pure L1 the other is T1L1. Pure L1 is based on price, you bid, you can win or lose. The decision is purely based on whoever quotes lowest. Technology run does not really matter, if it meets the minimum specifications specified in the RFT that is all what it takes. Whereas there are deals which are, nowadays more deals are coming in the T1L1 route where you have the highest technology at the lowest price. So, what happens is when you rate companies, you get rated on this kind of technology you have suggested, so that is our forte, that is our strength. So, we go and

suggest the best technology and we try and put a price next to that, so in many cases when it comes to transaction best pricing, I am very, very sure that we will win, because technology we have positioned very well, pricing we will be right, it is the right pricing we have to go with, where Infosys today we are able to take the short-term risk but we will try and write the long-term volume game. You touch any project in India it is very, very large. Railways, largest railway in the world, postal services, largest postal service in the world, defense the largest defense in the world, I mean you touch anything is so large. And sometimes my heart stops because if you look at the project, do you really want to do it you know that kind of hesitation we get into, but believe me that, so the T1L1 transaction based prices and model you can be sure Infosys will win that, you know that kind of a situation, we are trying to go in that space. Obviously, Infosys will not be able to go into the space of L1 and win. We have lost, I mean if you have seen L1, BSNL tender. There is no way, it is Pure L1 game, we cannot win that. I hope I.....

Participant:

My second question was how typical is it or in given that you have 90 people in the front-end sales and nobody else has a dedicated India base, I mean how difficult is it to get a point from the employees to work for your projects similar to just now onsite attraction?

Mr.Binod HR:

Boss I have to really pay you to keep quite. Okay, actually it is working in both directions. See, actually my biggest enemy today is the aspiration of the youngsters. The youngsters' aspiration is to work on cutting-edge technology and wanting to be in New York or London or San Francisco or some place, at some exotic place, not that even there also it is going to all place working, slogging, coming back and there is no difference. But he would like to tell his family no I am in New York or London or whatever that is probably. But it is hype around, so youngsters have this aspiration, I cannot kill that, so that is the big entry-dot to work in India, right. So, what we have done is in one of the projects that is what we did, we selected people who are just coming back and identified them and straight from the airport they were into this project. So, it works very well, they also wanted some stability, stay at home, eat Dal Chawal etc, so they were happy and they worked very well and they worked very well for the client. The second aspect which I was telling you will work both ways, many of the people who go outside suddenly had this double mind you know saying that why is our country like this? Now, here is where we turn it around and say, here is the opportunity for you to prove it otherwise, come on get into this. So, people gets very patriotic about it and they get into these projects and they do well and believe me it is not a maintenance project or it is not some *faltu* project, it is cutting edge and then they see it in operation, they can see it being implemented there, they are also beneficiaries of this. I go sit down and do something for Barclays Bank somewhere and then after that I do not know whether that fellow really use it or not. Whereas income tax to implement you have seen, you, your uncle, your father, mother everybody will start moving it, right so there is some passion involved in this. So, it is working this way also where people want to give back to society and this probably is one of the ways, I mean so we have seen some sentiments that people around it. But I cannot go around, I mean it cannot go away, vis-à-vis the aspirations of people. So, that is why we do not have an India-centric pool because I will continuously have attrition in the pool. So, today TCS, Wipro all these I mean the client feedback we have is that they feel that people are waiting for passport or they are waiting for the Visa stamp on the passport after that they are gone. So, we probably do not want to give that impression to our client so, we are trying hard. But how long will it sustains? I do not know, it is a writing on the wall that I may have to have my own delivery team because when the economy is not so well, other units may have some capacity to give me that resource pool to carry forward. But when the economy improves, I maybe the last guy in the line, I mean I do not know, but we will cross the bridge when it comes out, as far as possible we will try to differentiate this way and keep our customers' interest in mind and deliver. So, I think I am sure most of you will also have the same sentiments but software engineers, everything will be fine when the project is working in

India till one fellow suddenly throws a party saying that I am going abroad, so that day everyone's battery will go down.

I do not know whether Shekhar walked in to say that I was talking too much or whether the time is up. So, I am still around so in case if you have any questions here most welcome to ask me, you can bump into and ask me your questions. So, thank you very much, thanks for your attention and I am looking for – yeah bye.
