INFOSYS TECHNOLOGIES LIMITED

INDIA ANALYST MEET, PUNE

DECEMBER 7, 2009

Question and Answer Session on Non Linear Revenues

SPEAKERS:

Mr. Subhash Dhar

Mr. Chandrashekar Kakal

Mr. Anantha Radha Krishnan

Mr. Sanjay Mohan

Mr. Subu Goparaju

Mr. Subhash Dhar

Hi my name is Subhash Dhar and welcome to Infosys Pune for this Analyst Event. I met quite a few of you over the last few months. So it's good to see you back here. I have also talked with you if I recall right about New Engagement Models at length. So I know for some of you this might be a repeat. But I think things are accelerating quite rapidly in this area and therefore it is important that we give you regular updates. The new about the New Engagement models is probably not the model or models but the acceptance that we have seen over the last 4-5 quarters. The acceptance of the engagement models that we have seen in the last 12 months has been extraordinary. Not very surprising but truly extraordinary.

The models have been talked about in the past, we have broadly 2 models, Pay For Results and pay as you go. They have been talked about in the past, we have discussed this with our clients, our clients have compared moving into that, but I think the good times have never been the best times to change things and therefore I think the last 12 months the acceptance that we have seen is pretty large. The central theme of the last 12 months and I think the months going forward are going to be more with less for our clients. The less part has definitely has been seen by everyone, but now we are hearing from our clients that they need to do more. The less is not going away but the more is coming in. And if you put these two together, there are very few ways of doing this I mean to extend your dollar to be able to achieve more, so there are many ways one can imagine how this will be achieved or this will be attempted at least. One of the things that we are quick to point out to our client is of course we should be doing more offshoring right that is how you stretch your dollar, but we can say that to the ones who have not adopted offshoring but some of the more mature clients who have done significant levels of offshoring that does not move the needle for them. The other thing of course comes down to, if we do not come up with models which drive higher efficiencies in service providers like us and higher risk and hopefully higher returns with more mature service providers like us, then we are setting ourselves up for a price discussion, because that is the only other next which is left on the table to discuss if we do not bring these models. So in some ways it was incumbent on us to do this and so therefore we got into this with both our feet. And in some ways it was very important for our clients to discuss this too because they knew that they could only do so much with us in terms of discussion on price and discounts and so on. So I think the environment has been very good in terms of discussing I think the environment is getting even better for us to discuss these models going forward, because now the clients are talking about even more in the future without having, as you heard from Kris that budgets are not really going up for some of our clients, it might even decline because they may not have cut enough last year and so on, but overall at an average it is flat but they have to do more. And so the other issues as well which work very closely with new engagement models, but let us focus on new engagement models and we will go around today because there are certain other aspects which plays into more with less so same thing.

So as I said there are 2 broad models and Shibu alluded to that, Pay For Results and pay as you go. Pay For Results is instead of paying for efforts you change the pricing model to Pay For Results and the results could be any of the transactional results or end business results depending on what the client and the service providers are comfortable with. You know we do not always have to bet all our price and our entire price on Pay For Results we could do a fraction of our price so again what made sense for that particular engagement. The Pay As You Go model on the other hand is more platform based approach where we upfront invest in the solution and to that capital expenditure that normally the client does and then the client goes and pays a fees and pays for use of that platform. So that is in a software department is a more staff kind of a model in a more business process and integrated IT and process parlor because a platform offering. So that is really at the high level of where new engagement models are, we have seen this year about in terms of booking, so we started doing this middle of last year, little towards the 3rd Quarter of last year and this year we have already tracked 75% more bookings on to this model compared to last year, we are going to be tracking 50% more billing this year already. And things are accelerating even as I speak, there are some, we started with small ticket projects they were in you know a million dollars thereabouts maybe going to a couple of million dollars but now some very large engagements and that is where the overlap that Shibu talked about between very large deals which would be in double digit million dollars are also being considered by our clients in these new engagement models and new pricing models.

So I will leave it at that because I know we have some grounds to cover here and let you drive the rest to the questions, thanks.

Mr. Chandrashekar Kakal
Good morning my welcome to all of you for this analyst meet at Pune. I will give a quick overview of what we are doing at Infosys to enhance productivity. When I talk productivity here I will speak basically about work productivity, how to get more with less, the meaning more productivity, more output with less effort that goes into doing things. Very important and also the important piece here is that to improve, to link that enhanced productivity to the new engagement models and new pricing models so that we can retain some part of the game for ourselves, it is not just continuing with earlier pricing models for time and material where the productivity gains are completely passed on so that in some sense it is also linked to the revenue productivity enhancement through work productivity improvement, okay.

What we are doing at Infosys to do this basically being a services that we are in, it has to be through people, process and technology and from the people perspective we continue to recruit the best of the talent and impart the required training for them and make sure that they are trained in more than one technology so that we can better use them and put them to use appropriately. On the process side, we do have the process excellence and then we continue to enhance our processes so that the productivity improvement of the individuals that we put the people on is improved. On the technology part we continue to look at how we can improve the productivity, I will talk a little bit more it. Basically it comes down to how do we get more output from the same people. We have taken an approach to make sure that we reuse a component, we build a component in the first place and then reuse them so that the component would have been tested already, component would have been integrated, components would have been developed for scenarios that can be used again and again so we have a repository of the components at Infosys both business assets and technical assets, okay. So we have created over 3000 assets that can be reused by different project groups. We are also putting tools and automation into place and then accelerating that, we have tools groups which focuses on building new utilities finding out the tools that are available in the market and doing a fair amount of chain management within the line to make sure that both re-useable components and tools are embraced by the project group. We are also measuring the effectiveness by finding out how many projects have really planned for using the components for the tools and proactively on a lead indicator basis we track that. We also measure and monitor what has been the efforts saved through using these components and tools very effectively. So in some sense to measure the work output or the productivity of the people in different service lines that we offer, we have to come out with output measures itself very accurately. For example in a software engineering scenario the output of that software engineer or a developer is major in terms of function points as many of you know. But what is the equivalent of that in various other service lines that we have today. Today our application development or the software engineering output is very limited. So we have package implementation, we have support and maintenance, we have our infrastructure management, we have to measure the productivity very accurately and also enhance the productivity in those areas. For example in package implementation there was no industry standard to measure really the output of the consultants. So we said that we will come out with an equivalent measure something at a function point in package implementation space called package points, so we have a place patent for that now there is no industry measure for measuring the productivity of the consultants in package implementation. Similarly we have testing points for independent validation services that we have, how many test cases are executed, how many test scenarios are executed by the people, how can we enhance productivity and measure productivity. In case of device infrastructure management services for monitoring that devices so we have productivity measure there. So like that wherever we do not have an industry measure for measuring the work productivity properly so we have been defining those measures in the first phase and also measuring and monitoring and also taking care to make sure that we enhance the productivity through our people. It is all linked to again as I said through the new engagement model and new pricing model so that the enhanced work productivity can be in some sense converted into improved revenue productivity. So that is what we are doing in a nutshell at Infosys on enhancing productivity. We will go over through other speakers who will speak more about how we are doing similar things through IT innovation and things like that to improve productivity.

Mr.Anantha Radha Krishnan
Thanks Kakal and Subhash. You have heard already from Kris and Shibu and subsequently Subhash about the business platform based services. I think the business platform based services offer us phenomenal potential to be the cascading the next horizon of outsourcing. What is business platform based service? It is fundamentally a unique bundling of an application at the core. This application is something which could be part of an ERP, could be something like SAP the SRM product of SAP which we have used for our 'procure to pay' platform. So these are people soft modules which we are using for our HR platform or the IS media module which we use for our newspaper and our box platform. So you have a core ERP around the ERP we have a wide space technology because the ERP typically ends up getting heavily customized for a specific customer, so we have a wide spaced technology which we use for building out value added tool layer which works in conjunct with the ERP. That wide space technology is our IP. The ERP itself is pre-configured, it is configured based on industry best practices our processes are based on our experience in the other 2 models of business transformation and strategic global sourcing. So we bring that to bear in terms of configuring the ERP itself and along with it we also provide the full stack of services, the traditional IT services which is infrastructure, application support and in many cases we also provide the business process management services. So bringing all of this together end-to-end for a customer through a single provider, providing a full stack of services and you know variabalizing their cost structure because we are now getting paid for usage. Only if the customer uses it the client user's uses it we get paid. So fundamentally we are taking, putting some skin in the game putting, sharing the risk with the customer in terms of variablizing their cost structure. The upfront on boarding fees are there but it is minimal compared to the traditional model. So clearly from a client value standpoint there is a paradigm shift, the paradigm shift is on 3 fronts, 1) It variablises their cost structure which we spoke about. 2) Traditionally if you look at a client corporation there are multiple pulls and pressures, so they end up doing sub-optimality either by function or by process, sub-process, here you have an end-to-end optimization possible, because we are controlling the whole stack so we are able to do it in a way which is best in class, which we can benchmark to best in class in the industry. And clearly that provides a lot of flexibility for the customer to onboard on to a standard platform. The third of course is traditionally most client corporations have struggled having business and technology in sync. You know there is always something going ahead of the other, there is a technology catch up or a business catch up which is technology refresh. So since the whole stack is owned by us we manage all of that for the customer. So clearly the pain of having the key business process and technology in sync is not that of a customer, is that of the service provider which is us. We currently have 3 formally launched platforms as Shibu spoke about 1) The source to pay or procure the pay which is you know cascades the three functions of sourcing, procurement and accounts payables from an F&A standpoint. The second is the hire to retire which is focused on the entire lifecycle of an employee, right from the time the person is hired to the retirement including compensation benefits, overall recruitment all of that gets into the platform. Well we have the end-to-end platforms we also have a modular way of getting customers on board so fundamentally for example when somebody onboard when HR platform like our personal

customers have done, they do not have to pick the whole stack, they can pick up the portion of the stack which is in this case the core HR and payroll module and then add subsequent stacks and modules as we go along. We have also got this industry focused platform which is for the newspaper and the box platform. So if you look at it we have two types of platform one is the horizontal process based platforms which cuts across industries which is the source to pay, the HR, the order management platform which is in the works, the data lifecycle management platform which is again in the works. We also have this industry focused platform like the newspaper in a box exclusively focused on the publishing for the newspaper industry, that industry has struggled all along from a CAPEX crunch and this provides them the opportunity to do more with less in the sense of not having to cough up their multiple legacy system they have grown through acquisitions, they have never had the dollars to showed up, all up front to be able to create an enterprise culture within the multiple sub-companies they have, this provides them that opportunity because the up front is minimal, they get paid for the industry process of advertising order management, or circulation order management. We also have the recent McCamish acquisition which is an industry platform focused on the life insurance space, both fixed and variable annuity policies can get managed on those platforms with the services of processing these policies and administering those policies. We are also looking at the bank in a box platform with Finacle which fundamentally can help banks going into more geographies through a complete virtual bank and we are looking at a transportation platform focused on the third party logistics industries and we are also looking at the billing platform to address the billing needs of the CSP providers, communication service providers.

So fundamentally the platform model is the model which we are making a big investment on to move to the next horizon of outsourcing. We have 3 clients I will give you a quick update on where we are, we have 3 clients on the platforms right now, one in the newspaper in the box and couple on HRO. We have a very, very robust pipeline, this last 1.5 years because of the way the marketers and the CAPEX crunch and the customers are now willing more than ever to try out new service models and that is where this fits in well. Over a long run we will have a good mix of platforms which are both horizontal and vertical based, vertical industries. And vertical industry based ones will clearly be niche and the horizontal ones we really hope to deliver margins based on economies of scope and scale and shared services over a period of time, thank you very much.

Mr.Sanjay Mohan
Hi, good morning, you know the beauty of coming in the end, almost towards the end is that all of the relevant stuff and interesting stuff has been said already. So let me add to what Shibu and Subhash and Radha have said between Radha, Subu and myself I handle the product incubation engineering unit, which is one of the newest, I guess not newest within the non-linear revenues models that the company is driving. So let me talk about some of the stuff that my unit is doing. And there is significant overlap between what Shibu and Rajan and I do and some of that is deliberate, some of that is incidental. And there are several ways, let me give you the broad framework on how we do this nonlinear engagement models between the products, platforms and software as a service and there are several ways of slicing and dicing the whole game. And Shibu has talked about one of those, the Blue Ocean and the wide space by synchronizations. The beauty again is how you balance the Blue Ocean versus the wide space because Blue Ocean by its very nature because it aims and intends to change the consumer behavior it is a longer gestation period, right it takes longer to figure out whether you are successful, it takes a lot patience to stay in that game. Wide space we know that there is gap in the market, the customers are seeing some pain and we go out and fill the gap and some of those is some of the opportunities we are chasing are in the temporal space and the life sciences and healthcare, some are in the analytics. So the beauty is in how you balance the wide space and the Blue Ocean so that is one we are slicing and dicing. The other way is how you do the metering will you measure it by the license or will you measure it by the subscribers, devices, page views so we are getting at some of those interesting aspects which has an overlap with that where you price the service or

the offering. And the other, the last way of slicing and dicing is the vertical versus horizontal so whether you are in that domain or the vertical space, vertical as in retail and manufacturing or healthcare and because we have domain expertise in those areas we think we can get the right product out to the market and help customers. And then there are horizontal products, mostly in the technology areas and Subu will cover some of those. So fundamentally in the wide space we are chasing the vertical niche products and we have identified several, you will hear some more discussion around that from Pravin and others, Pravin heads the retail. So within the retail and CPG segments we do a lot of products category analytic is one of those. And in that we are doing bottom up sales and marketing effectiveness planning so we have top down and bottom up planning and fundamentally if you look at any process control it is open loop or close loop and close loop is when you get the feedback from the market in a real, near real time business and that is what we are driving. So you have disparate data sources, disparate middleware, several kinds of middleware, several kinds of workflow. And because we have a good domain understanding we are able to bridge all of that being a systems integrator, we can afford to be agnostic to the middleware and the ERPs and that is another strengths we bring to the table. In the supply chain visibility again the same theme we have advanced analytics, now if you look at the recent trend in technology also there are two kinds of analytics, structured analytics which is based on point of sales data which is based on data that you can get from ERP systems and there is unstructured data which is basically social analytics so we are trying to combine both of these things so there is a significant technology angle to it in how you combine the structured data and the unstructured data from the social domains and then provide insight to the customer so they can do better sales and marketing effectiveness or supply chain visibility and planning.

In the healthcare industry we are doing temporal there is a ICD which is International Classification of Diseases that has a new definition so basically the old one has got out of date and there is a regulatory mandate in the US that by 2013 or 2014 all the players and providers have to convert to a new ICD 2010 coding mechanism. So we are offering a whole suite of products in that space and that is being very well received in the industry.

On the communication front we are doing this business convergence solutions you must have seen the digital TV offering from a leading mobile telecom provider in India they have come out in the markets so I think I can name them right so Bharti Airtel the digital TV that they are offering that has products from us. And then we have added more in the recent past which Pravin will talk about, there is mostly in the CPG and retail segments, digital marketing platforms, digital marketing platform and then there is some in the customer support areas with the social support coming in and becoming a more dominant now. We are looking at that angle as well. Okay that is all I had to say and the rest I can handle in questions, thanks.

Mr.Subu Goparaju

Good morning, if Subhash had to stand for all of you to see him probably I need to get on the chair, I can hope you can see me right. Okay and yesterday I got a mail from Shekhar Narayan who is organizing this saying that I have to talk in 3 minutes about what we are doing with 650 people in the labs, 5 labs supporting some 10 odd business units, etc. etc I hope I will be able to do that, but after such a detailed thing in 3 minutes if you still have questions, I will answer those by sitting there. And on top of that now Sanjay kept adding to my stuff, Subhu will talk about this, Subhu will talk about that etc, so I will cover that also. So let me talk about four things. One is obviously we are, the mandate really is to go out with the business units and have them take some partners in innovation for our clients and that is how I define it, now where our clients are looking for innovations there I would like to talk in the limited times, about four effects, this is just current thinking which we elaborate on that but first one is iPhone effect or iPhone light effect where devices are like Kris said becoming very, very powerful and people can actually transact and participate and collaborate from wherever they are. So what kind of applications are needed and how do businesses need to change their processes and systems to support such Smart Phones or iPhones like effects, so that is one focus. Second thing what we called the Twitter like effects right where the consumers are really becoming more creators, creators of content, creators of incidents, creators of your brand, creators of whatever. So they are lot more powerful they can collaborate and actually do many things so do how organizations take advantage of such a power with consumers. The third thing what we are calling the old friend like effect, where I think the focus is shifting from just people searching and looking for information to people actually looking for end question, like so how do organizations need to change their process and systems for such a thing and the last one of course is maybe it is a combination of all of this, what we are calling the cloud effects, again the first three things I have mentioned are really very much like that. About cloud really many people see it as a way of reducing cost etc, at least we are seeing cloud as a huge enabler of innovation because like I said we can actually bring all your stakeholders and to collaborate and co-create with you, so innovation co-creation is a major theme and we believe that cloud actually provides such an environment and you can probably say that it is the digitally core under Silicon Valley, right. So if organizations need to take advantage of all of this kind of technologies and bring all their stakeholders for collaborating and co-creating that is exactly where we are focusing and creating a lot of intellectual property which is actually doing enough solutions and products that for many of these folks are building.

So that is about what we are doing, now how are we going about it in the last few years we have been increasing the investments in R&D we have (1) many more relationships especially things like investors relationships etc and we are collaborating with investors in Southern California, ***Purdue*** University, we have worked with Stanford MIT etc. We have an MOU with Cambridge though the activity need to starts there, we are a member of what is called Smart Services CRC in Australia, we are a member of IIT Bombay, Monash University Research Consortium. We are actually along with BT in UK, we are actually leading from India the next generation networks consortium that is happening between as a collaborative effort between India and UK so there are many such things many investments that are happening . There is a lot of interest from clients now, we have actually been talking about it for sometimes, but where the clients talking about starting joint innovation labs, so we have a few of those things going and lot more interest being shown. And the third one and the last one, let me say this, the activity like Shibu and Kris mentioned the activity on patenting actually has increased over the last 3 years we have filed for more than 220, I do not want to suggest that the numbers given by him were slightly up but it is 220 applications and 5 granted ones instead of 4 so more will happen in the next coming months and years. And thanks to our wonderful CFO who is actually giving money for filing patents without asking too many questions, that activity is increasing. And I get to spend that and these folks have to make money from that, okay, thank you very much.

Ms.Priya Rohira
Good morning to all of you and thanks for a very elaborate discussion on the investments you are making for the next 5 years where 33% of revenues would grow at greater than 50% CAGR. My first question relates to you know how is the sustainable margins you would see 5 years down the line in this non linear revenue stream. And the second thing is this is a very good opportunity to make a dent into incumbents which is IBM and Accenture. And third how big could client engagements move if you were to adopt this as a process to penetrate into new Fortune 500 or global 1000 companies?

Mr.Subhash Dhar:
First of all I want to say that this is not a marginal bet, this is a significant bet for us. And I think whoever plays this game has to play it on the forward foot as we play in cricket. Otherwise there is a risk because see what are we doing in this non-linear new engagement model is we are assuming slightly to significantly larger risks depending on what that engagement is, we are converting client’s CAPEX to OPEX, we are stretching the dollar so given all this, if we play it timidly and if we play it on the margins there is a risk that we will end up taking all the risks and not

the returns, right. So it is important that we play this in its full color and that is why you have these many aspects that we want to present that there is research there is product development, there is wide space between industries, that is blue ocean staff which is big bets, we go not just in the technology side but all the way up to business process and take the whole stack. It is important that we get bigger and bigger in multiple dimensions of its IT process in order to assure better returns. The game is to get better returns. And more sticky in relationship with our clients, those are the two in my mind the big ones, but also be able to capitalize on a lot of opportunities which are emerging which you saw in Crisil's big slide of how the new discretionary dollar opportunities that are emerging are not within the company but outside of the company of how one company talks to another company, one industry talks to another industry and there is a 3rd area which could be a public system, you know we talked about providers and payers talking to each other and so on. So essentially the whole what we are calling the eco system play is where I think the Holly Grail would probably be. In order to get there yes we will be trading on the doors of the majors who have been known more for this in the past, but really in some ways the field is a little leveled at this point in time for some of these areas because not many companies have these solutions, these are evolving areas even the ideas are evolving, technology is moving faster than most people are able to track, the enterprises are playing catch up to the consumers, consumer is moving faster than the enterprise. So there is a whole bunch of catching up and confusion in the market for someone who can put fire on all the cylinders and be able to get that very quickly but yes it has to be a higher turn and it has to be a more sticky relationship at the end of it.

Mr.Nitin Padmanabhan
Hi good morning, what kind of balance sheet commitments do you foresee going forward for this kind of an endeavor?

Mr.Subhash Dhar
Well we have not really put a number to that because we have just got started. As I said right now we are in the mode of looking at all good ideas which we believe we have the team and the opportunity for and we found thoseI do not if, Bala do you want to comment on any specific balance sheet numbers that you are looking at this point.

Participant:
Just capital commitments to ---

Mr.V.Balakrishnan
and we are not going to use our balance sheet much for all this because most of the efforts are people efforts, right. So we will be very selective take the right bits and make sure that we do not have large commitments sitting in the balance sheet for all this.

Mr.Chandrashekar Kakal
In fact we are also looking at establishing strategic partnerships and working on a back to back to arrangements and things like that, some risk is taken by the partners along with us. For example when you talk about Infosys business platforms we work with the product vendor like an SAP or Oracle or a **hosting service provider from outside** but these are all back to back arrangements. When we collect the dollars from the customers the piece of it is passed on to its partners I mean that is how we are trying to work it out.

Participant
Thank you. This transformation from an input driven model to an output driven model is very interesting, I am curious if you have specific examples of industries that have gone through this transition in the past and what have you learned from those in terms of just how willing customers are to work with you in these kind of a transition?

Mr.Anantha Radha Krishnan
I will talk about a couple of examples in the HRO platform space in both, you know it is across 2 different industries one is professional services the other is insurance and banking and financial services. In both we had a situation where the customers had maxed out on their current processes and systems, what I mean by that is they have grown through acquisitions, they had a situation where they had 8 or 9 different diverse payroll systems, as an example and they did not have a single view of their employee data. And their CFO was not interested in going through the traditional model of buying licenses and then using an SI to implement it to the input based model as you said. So clearly this model gave them an opportunity to quickly on board the HRO preconfigured platform which we had built out on people soft. Quickly get into a standardized process and system carrying out the entire stack of process harmonization, standardization on the system and getting them those benefits of moving towards a benchmark based pricing which in this case was a per employee or a per payroll slip which got generated. It also helped them set themselves up for the future in terms of further growth whether it is to add on learning for example as a service on top of this platform, in the case of the professional services firm they also wanted to integrate their billing with their customer to the payroll which was the wide space technology which is really where the biggest revenue leakage occurs. You know if you look at professional services, what you finally pay to your contractors and your employees you need to be ensuring that, that time and money, your effort is getting recovered from the client. So that is where we have also integrated a couple of modules within People Soft which helps them you know lick that revenue leakage so there have been business benefits but the big benefit is really variabalizing the cost structure.

Participant
Thank you. My follow up question was also related to industries outside of IT so IT, when I was at an Wipro Analyst Meeting last week and you were talking about similar things essentially and maybe at different stages of development but when I, and the question is also related to other industries whether it is maybe materials or energy outside that have gone through this transition from being time and material to a fixed cost model, are there examples of other industries that has successfully managed this transition?

Mr.Kris Gopalakrishnan
So you talked about you know utilities actually, as the new technologies comes in, everybody started generating their own power they had all huge, huge generators inhouse and lots of issues came about and issues about pollution, all the way from noise pollution to you know pollution from you know the exhaust and things like that, sound is an issue plus inefficiency you know the capacity is not optimally used and that is why and the cost, everybody started incurring cost and things like. So it moved to say distribution model and utility model. Today you know in some sense we are going back a little bit but it is a centralized model, it is a distribution model it is a utility model. Now think about computers themselves you know if everybody has the computer on their desk you know when you are not using it, it is inefficient but you are paying for it. When you are using it also you use probably 10% or 20% of that you know processing capacities that is there and sharing becomes an after thought, because it was not built for sharing and it is a stand alone system. As companies look for you know better efficiency, reduce cost, reduce utility cost, increased sharing, shared services model is the direction which we need to go that is why Cloud Computing is today becoming more and more popular. And the cost comes down dramatically of using their infrastructure. Now what we are trying to do is ride on top of that, built solutions and services, price it appropriately so we are actually riding on a trend which is in this directions and go about doing this, now this is true for you know other industries and in every industry go through this curve, actually you want to add.

Mr.Shibulal
Yeah actually I was, because there the question was other industry that I want to give you two examples, one is if you look at the legal history of legal firms now when you go through the litigation and you are claiming some money from insurance and somebody else who get paid based on the amount of money which you make. So if you get compensated for a certain amount, the legal firms gets 1/3rd or 1½ that was not the case before. In the beginning they would price it based on the number of hours you know they would spend and by the the interest rate, and actually I have a much more simpler things, if you look at tiling if you are tiling on the floor, historically you would pay the person based on the number of hours they spent. Today they price it based on the square meters which they tile, so every industry has gone through these kinds of changes this is not the, so it is not something it has happened as you mature as the value increases and it does happen …

Ms.Mitali Ghosh
Yeah I just had a question firstly are fixed priced project just going to be included in this nonlinear proportion?

Speaker
No.

Ms.Mitali Ghosh
Okay. And as we go more into this nonlinear model what changes does that involved in the supply chain and in the way you compensate people?

Mr.Sanjay Mohan
Yeah so this whole game, the product game is a bit different. And it needs a different set of expertise. So we are hiring from product companies we have brought in a lot of laterals and we are tapping into the Infosys capabilities as well, using all the strengths that we have within the company and supplementing the ones that we do not have we are hiring from outside. So on the compensation I think we will let somebody else handle it but I think we are doing okay so far we are doing pretty well on that front, we have not seen any issues so far, we are doing fine.

Mr.Shibulal
There are most skills special skills require and we are creating those, we have them actually if you look at Finacle, we have all those skills, we have product engineering skills, project engineering skills, roadmap everything is there. And there also the compensation is not that different. There maybe always the marginal difference in compensation or some other difference but otherwise the models of products will come out as we know, do we have everything in Finacle so it is not something which we do not have.

Ms.Mitali Ghosh
Just to follow-up, I mean yeah I was just wondering also in terms of the hiring cycle itself, does that have to become more flexible and also does the variable compensation need to move on?

Kris Gopalakrishnan
So please remember, number of people required for the products is very different from a service right the now in the intellectual property is not developed by 1000 of people it is developed by small group of people 10 to 15 people who have deep expertise. So the numbers are very small that is first thing to remember. And in their case, the cycles, maybe cycle time maybe different the variable compensations would not be different but the cycle time may be different, but the numbers are really small. The professional service part which surrounds the product would be our regular stuff, and in any case we have recruit well like 2000 to 4000 laterals a year and which will become part of that.

Mr.Chandrashekar Kakal
What we are trying to do here is that ,I will give you an analogy, I heard this some days ago is that if you buy in kg and sell in kg's then everybody will figure out and there is no conversion at all. If you buy in kg convert that and then sell in meters so you can make it, value in that conversion right. What we have had, doing all these years was buying skill set by the hour by paying the employees and selling the skill set by time and materials basis. So everybody can figure out what is happening and then all of you can put it into the excel sheet and ask us lot of questions. So we are trying to convert that if we will continue to buy the skill set maybe by the hour, by paying the employees, and sell it in a different ways, based on the outcome based on the transaction, based on number of employees of the customer that we service, the number of tickets that we fix for them and what not, essentially that is what we are trying to break that by making the output different from selling the skill set by the hour and which is a old paradigm.

Mr.Kris Gopalakrishnan
It is about value you know what value we deliver and getting paid for the value we deliver that is the key.

Ms.Diviya Nagarajan
Hi, thanks for a very illuminating discussion on the nonlinear models, Subhash my question is to you, you spoke about a very extraordinary response to this model over the last few quarters, couple of questions here, could you quantify firstly what kind of responses you have been getting in terms of number of deals, secondly what are the sets of clients that you are getting this response from is it from your more mature client base or rather all these new clients and also the people distribution. And lastly some color on the deals sizes and the deal durations here please, thank you.

Mr.Subhash Dhar
So I think I did touch upon those point, first of all the extra ordinary is compared to the years before, as I said, the models by themselves may not be very new and the have been conceived in the past and talked about in the past and we have not had, the responses from our clients and acceptance from our clients has been nowhere near what it has been in the last 12 to 14 months. So that is where the extraordinary part will be coming and in terms of quantification I talked about how, this fiscal year of post April we have got about 27 clients but I would say 75% higher bookings and 50% higher billing that we are tracking this year already on that, 27 clients and these clients are cutting across all industries it is not any one or two industries where most of the acceptance is happening it is also not across, it is across maturity levels, new clients, existing clients, I think the conversation is very interesting for the CIO's, for the business leaders, not everybody is trying to say anything, not everybody is buying a ticked based application maintenance, some people are more interested in platform based offering and some people are more interested in infrastructure management service which is device based. So things are different in different clients, but it cuts across industries it cuts across sizes, and with regards deal sizes, I said we started out with smaller deal sized also because we assume risk in these models a little bit more than regular time and material models. I think we are getting more and more confident in taking bigger deals and our clients are becoming more and more confident and looking up and sorts. So right now I think there are those three clients that I can recall very quickly that we are discussing double digit million dollars deals I made, completely based on transaction pricing and this is eminent kind of deals, so if you look at the pipeline is completely changing, we do not have any double digit million dollars deals last year but as we far is doing this. So not much to talk about in terms of you know what significant part of our revenues are coming in the last 12 months but I think the trend is very, very significant in those and over the next one or two years do you I also talked about the first year the discussion was more about cost and price and so on. And therefore the only momentum we had in this conversation was that, just as we are going forward in

my opinion from the conversations we are already having and I just met two CEO's last Friday, they are saying if this part is, some of them actually said that the cost part is done, we really need to go and go get things of it, and the more part we have to do a lot more and again driving to the same conversations we were to put more skin in the game and we got to pick more risk, we believe you are partners, we believe we are, we have to bring other partners together in order to solve that one business problem, a very big partner of ours I met them last Wednesday here a big technology company and we did not want to name them because we do not want to get into trouble but he is saying that his clients are telling him that you paint the big picture of where the future state of my industry is going to be, most technology companies are good at especially the big ones and then finally you sell me this box and I am now going to sell and buy that box, go to sell it, I like your picture, I want to buy that picture, go get that picture and he said I do not make the picture, I just make the picture I do not execute on the picture, what I give you is boxes those and he was just laughing . So I think our clients are talking about come together, deliver that picture that you are talking about the big things that you solve Crisil slides at the top they want to see those things happening but they want to take lower risk when they get into this, they do not want to be buying a lot of hardware and software and time and material services as we go to that picture. So it is really I think the acceleration from the more side which I am getting more and more excited about I think just the pricing discussion is by itself given us some momentum but I think it would have more going forward.

Mr.Kris Gopalakrishnan
See as we enter emerging markets, as we increase the share of emerging markets revenue, the buying behavior in emerging market is very different. They want integrated services, emerging market companies are willing to experiment with new models actually they have no legacy so they want to actually go to the next generation model and we are seeing lot of traction in emerging markets in India especially. And I do not want to take away from Binod's presentation later in the day so he will talk about some of the very interesting work he is doing in India and with even government actually, government is willing to sign up for these models. In fact they like this model because they get better service levels, they get guaranteed service levels, they get no technology obsolescence and they only worry about citizen services they don't worry about technology, they do not worry about product, they do not worry about software nothing. So they like actually this model. And more and more government services will be delivered using this model. You know many of the large contracts today from government are completely on this model, they like this model very much. And these are 5 years, 7 years, 10 years contracts.

Mr.Subhash Dhar
Some more numbers here, this fiscal year we won 144 deals on this new pricing models with an estimated deal value of $165 million US dollars. We currently have about 115 open opportunities, active opportunities of $528 million US dollars value really from our CRM systems.

Participant
Okay, I had a question with regards this year.

Speaker
Okay.

Mr.Nitin Padmanabhan
I think you mentioned 33, 33, 33 right as run the business, transformational deals and where we have new engagement models. And also we are selling kgs and meters so does it mean that over a period of time we would see margins really increase further, because we are not really adding further investments on the balance sheet…?

Mr.Subhash Dhar
We are also looking at the consequence of not doing this.

Mr.Kris Gopalakrishnan
So from a margin perspective, you know we have certain targets, beyond those we will be investing back into the business. So please look at our annual guidance on margins and base the margins target on the annual guidance. What we are doing is actually moving with the trends, making sure that we lead the industry, we understand where the market is going, where the clients are looking at, we differentiate ourselves significantly and we create a unique positioning for Infosys, we drive the industry that is our goal. Margins please look at our annual guidance.

Mr.V.Balakrishnan
To improve the quality of the margins not the quantum.

Mr.Nitin Padmanabhan
No I was looking at more of a long shot, if you are to get 33% from transformational and 33% from new engagement models and I assume that some portion of that would be successful, then at some point would it mean that you would disincentives T&M?

Mr.Kris Gopalakrishnan
So we were to create the capability how much of the new engagement models would happen in each of the years will depend on how the market takes up that is why we have not given you a date by which we will reach the 1/3rd, 1/3rd, 1/3rd target. Our goal the last line on that part of the presentation slide talks about industry leading financial performance so that is our goal and the actual numbers we will give you every year, okay. Thank you all very much I think we are breaking for tea and coffee and we will get back to the breakout sessions at 10:55, right thank you. Okay 15 minutes breakout actually so.
