

INFOSYS ANALYST MEET 2014

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CORPORATE PARTICIPANT

Dr. Vishal Sikka

Chief Executive Officer & Managing Director

Rajiv Bansal

Chief Financial Officer

Navin Budhiraja

Chief Architect

PARTICIPANTS

Anantha Narayana

Credit Suisse

Sandip Agarwal

Edelweiss

Mitali Ghosh

Bank of America-Merrill Lynch

Viju George

JP Morgan

Bhavin Shah

Equirus

Vishal Sikka

Thank you and good morning.

Very surprising number of ties in the room! Of course our MC is wearing one, you sir are wearing one, you and that's basically pretty amazing. I have never seen an Analyst Day like this where there are that few ties, our CFO and COO both are not wearing one.

Thank you so much for being here. I know most of you drove down here from Mumbai, thank you for that.

Pune is of course a beautiful place. Presently it is our largest DC with 31,000 people. Day before yesterday, we were in Trivandrum and the day before that in Chennai. We have two DCs in Chennai. These are magnificent constructions, campuses are incredibly beautiful. Our campus in Trivandrum has two huge buildings in the shape of ships. Actually I was told that sometimes accident happen on the highway in front of it because people are trying to take pictures of those ships while driving. These are really astounding institutions that Ramdas Kamath, Mr. Murthy and others have built over the decades. I am still in awe of them. I haven't been to the one in Hyderabad yet, I am looking forward to that. Actually the building in Hyderabad is one of the world's most Sustainable buildings, arguably the most Sustainable large building in the world. We have 7 buildings already that are 'LEED platinum' certified. Soon within the next 12 months or so, we are going to get 20 "LEED platinum" certified building, I think we might be if not the world's best, certainly one of the world's best large companies in this regard, 37 million square feet of land here in India. So thank you, I hope you get a glimpse of that and especially of course they are all like children, so you cannot be proud of any particular one. But I happen to be the most proud of our campus in Mysore which carries Mr. Murthy's name now and for those of you who have not been there I request you to go there and see, get a feeling for what the place is like. We will arrange for that and that is where we train our employees who have just come in to the company. I have been around universities my entire life basically and it is a place like no other, I have never seen anything like it. It is the root of our company and it is what gives me the confidence for what I am seeing in front of us.

What I see in front of us of course is an opportunity for what I have referred to as the human revolution. So I will talk to you about that, about the direction that we see in front of us. We are still early in this journey. This Monday I finished four months in my journey as the CEO of the company. We will have a more precise, more detailed, more quantitative assessment of the financial implications of the road ahead in the April timeframe when we do our yearly guidance. But today we wanted to share with you some additional details beyond what we shared back in October. But still being early, this is at a relatively high level.

The strategy that we have laid out rests on the fact that software is in a very profound and fundamental way transforming the world around us, is reshaping the world around us. Most businesses are wrestling with this idea of being digital and what that means for them. So our strategy is based on the assumption that we are witnessing a massive and fundamental transformation of every company around us and therefore that transformation must also apply to our company. Over the last two or three months in my conversations with our clients, in my conversations with our partners, with you and industry analysts, I have found that this message is taking hold. Some of our peers in the industry have also started to use similar language perhaps inspired by us. If that is the case then I will attribute that to imitation being the best form of flattery. Nonetheless, the direction we see is quite simple and straightforward. It is that there is a duality that every business faces - the duality of renewing their core business, renewing their systems, their landscapes, the processes, the existing businesses that they are in, renewing these to derive more efficiency out of it. Renewal doesn't just mean incrementally moving forward or keeping the

lights on, it also can mean transformation of that core business but it is about renewal, it is about doing things that we by and large know how to do but to just do them.

From an IT perspective this means moving systems to the cloud to get the efficiency off the cloud, instrumenting systems for mobility for mobile access, instrumenting them for analytics and big data, instrumenting them to connect them to sensors and the new emerging digital world, things like that, extracting value out of them, keeping the systems relevant for the next generation. But in parallel to that renewal, each one of the businesses is looking at new areas, new ways of reaching customers, new ways of reaching markets, getting into new markets, providing new kinds of business models, new economics and in order to achieve those goals to build new kinds of systems, systems where next generations technologies are necessary, where you simply cannot retrofit or renovate the existing system quickly enough or with the enough of a cost performance benefit to be relevant in that new world. So the transformation of the existing systems will not be enough to get into the new world, so new kinds of systems are necessary, even new practices are necessary. So there is this duality of 'Renew' and 'New' and I also believe that usually people don't address the third part. But that is the foundation to serve the transformation of any company and usually that foundation is education, learning, that's the culture of the company. The culture or the context of the company has to be transformed. There are many sayings like 'Culture eats strategy for breakfast' and things like it. But if you just think about it simply, you realize that when a company has to go through a fundamental transformation, when a retailer that has been around for decades or centuries has to become digital, when an oil company has to deal with the reality of what it means to live in a world where everything is connected, when a bank has to deal with inclusive banking and next generation kinds of opportunities, in essence that transformation means you have to transform your workforce and that workforce transformation happens on the basis of learning, of education. You have to reeducate the workforce. So learning, the creativity and the connectedness with the employees is always the sort of the fabric foundation on which this duality is carried out. So that is the basic message and in our word, it is taking hold.

So that message of course also applies to us. Our first priority for me and Pravin, Rajiv and our leadership team, is to ensure that we cascade the strategy for everything that we do in the company. That is what we have been extremely busy working on over the last four months. I believe that same duality of 'Renew' and 'New' can be carried out for everything that we do. On 'Renew', if we look at all the services that we offer today on our service lines, I believe that we can renew each one of these services without disruption on the basis of improving productivity and operational excellence, on the basis of innovation, on the basis of Automation, on the basis of technologies like Artificial Intelligence. BPO, for example, can be revolutionized by Automation. Here in Pune, we serve many BPO clients. There are many floors here where tens of billions of dollars of purchases by our customers is executed on. And if you look at the purchasing process, and if you look at the financial reporting process, the R2R Process or other processes like cash and so on, massive simplification to these processes can be achieved because of Automation. Infrastructure Management, same thing, here again in Pune, we do a lot of Infrastructure Management for our clients where we manage their IT landscapes. Automation can have a dramatic improvement to the way we manage IT landscapes. Companies like Google, Facebook, Alibaba, other large scale web communities and properties have extreme amounts of automation in how they run their operations. Sometimes, tens of thousands of servers are managed by a single person. Of course, Enterprise IT landscapes like the ones that we manage are much more complex, much more heterogeneous but nevertheless they can achieve significant benefits and simplification because of automation. We believe that that also applies to other services like Test and Verification Services and even Application Maintenance. Verification of software, maintenance of software, upgrades can be simplified because of technology, source code analysis, new ways of checking software package configuration and management of those dependency tracking. There are new technologies are no longer a thing that have to be done manually or manually cheaply but they can actually be done automatically as well and we are convinced that the renewal of each one of these services can be carried out, all the things that we do today can be renewed and

evolve on the basis of technology, on the basis of innovation. In parallel to that, we are building new capabilities, new kinds of services, Design Thinking, one of these first ones. I believe that Consulting in the future especially for new uncharted areas, will increasingly take the form of Design Thinking. You see a new area is by definition 'new.' The best practices for that have not yet been established. Therefore, a new way, a new methodology is necessary to come up with guidance to client on how to go after a new opportunity of a new area and Design Thinking helps us tremendously in that by focusing on problem-finding, not only on problem-solving, on coming up with a systematic way to find out what the important problems are, what the important questions are, that are important for a business, and then doing that through multi-faceted, multi-perspective, multi-disciplinary teams in open sessions, brainstorming sessions and so forth, identifying things from the perspective of end-users and so forth, and then employing a rapid prototyping and iterative prototyping to identify how to bring those to life and to see if this is being done in the right way and so on. So Design Thinking is extremely important as a service, as a methodology, as a process to help businesses embrace new areas in very practical ways.

Around these kind of methodologies, innovation services can be offered where we build next-generation innovative solutions for clients, we believe that in the enterprise world there is a tremendous opportunity to assemble a new kind of a platform based on Open- Source technology, we call this "Infosys Information Platform". I also believe that because of the pace of innovation and the pace of change, new kinds of partnerships especially with innovative start-up companies are necessary to serve new areas for clients. So we have been working on all of these. If course, just as it applies to every company, it especially applies to our company. Binod is sitting here in the front, he is the head of our education among other things. He has been busy working on Renewing our education, the way we train and we are also focusing heavily in massive deep connectedness with our employees as a core enabling capability for our company. So we are busy cascading this basic strategy to everything that we do. I want to take some time today to give you some examples of 2 of the 'Renews' and 2 of the 'News' and what we are doing, so you get a better sense of what this mean to the work that we do.

Where we stand today is in Q2 – we had 3.9% growth quarter-over-quarter, we achieved 26.1% operating margin, 58.6% of our business was Time & Material, we had 912 customers at the end of the quarter, approximately 165,000 employees and as of 30th September we are at about \$53,000 revenue per employee, that is where we stand today.

And as we look into a couple of aspects of 'renew,' one area that I want to pick of all the work that we do is Product Engineering and Design. Why? Because the integration of the physical and the digital world first and foremost takes shape in the Product Engineering and Design area. We have approximately 10,000 people who work in this area. This is one of our most exciting practices, one of our most exciting pieces of work that we do within this area. When you travel in aeroplanes, almost all aeroplanes have some components that have been designed by Infosys; in cars, drills and oil companies, systems, embedded systems, security system. All these amazing systems that we see around us which have long been physical systems are now becoming more and more digital or integrated physical digital systems. This is the team that works on these types of things. And I am convinced that in this area, we can create a completely new dimension of value for our clients.

The three priorities that this team is working on – first of all, to bring with clients to create innovative end-to-end solutions. Now, Design Thinking, the Stanford d.School was originally came out of the mechanical engineering department, it used to be called as head of our design research. This is where design of physical things happens and this is where Prof. Kelley and Larry Leifer and others came up with the idea that design can be more than the design of physical things, it is about how things in fact take shape. So, Design Thinking actually is uniquely applicable to this area. So, that is one area that we are doing.

I believe that Product Life Cycle Management can be redesigned and renewed by bringing together the hardware and software design process. I had a very interesting experience. On the very first night of my journey as CEO, I went to Mysore. In addition to the University in Mysore, we have a small DC there about 7,000 people and one of the major teams there is the Product Engineering and Design team, they showed me two amazing things. On the one hand, there was a huge oil drill that this team had designed, and I asked them, “Do we put the sensors in this drill?” and they said, “Yes, increasingly over the last few quarters, more and more design of the drills have integrated sensors inside the design itself.” So, of course, the physical drill is designed in software and there are software design tools to do that. And as software becomes a part of the physical world, the design process itself brings together software design with hardware design. Being a software company, I think this gives us a unique opportunity to help dramatically simplify and integrate the experience of designing hardware and software together. When you design a drill for example, there is a sensor in the drill, the sensor emits data at a certain format and things like that. The design of all of this, the software part of it and the design of the physical part can all be brought together. So, that simplifies the experience and the feedback loop called “How systems are designed” and that can in turn dramatically simplify the PLM (Product Life Cycle Management) process itself.

Finally, we believe once we do that, there is a unique opportunity to create a software platform for an integrated management of these physical devices when they go into production. One project that the team showed me is this ‘Digital Oil Field’ that we have been building for several clients. I asked them, “With the data for the Digital Oil Field, it is basically a huge digital map of an entire oil field, where you can see how much capacity there is and how much oil capacity is still left and things like that.” That data that is going into this Digital Oil Field Simulation comes from the sensors, the drills that have drilled the oil fields. We have in some cases designed that drill and the sensor that goes into the drill. So that entire process from the design of the drill to the point that the drill is deployed and is bringing out the data, entire process of managing the oil, starting with the physical components can be integrated and simplified and that can create significant value. So, that means that there is an opportunity to create a platform and industry standards around that platform. For example, one of the challenges when you paint an oil field digitally is the formats of the sensors are not always the same. There are going to be trillions of sensors embedded in the world around us and people are not yet thinking about standard ways that these sensors emit data and things like that. Around these priorities, this team has been very busy renewing their own work and I will give you a few examples of work that we have done.

In the First Category, the end-to-end solutions using Design Thinking. We have been working with a leading process control and manufacturing company to bring an artificial intelligence-based knowledge management platform that helps them reduce dependency on the unique kinds of skills and unique niche kinds of services, that were inside the company. This has been an amazing piece of work that our team has done. For a large multinational company, we have reduced the plant engineering procurement and construction cost by using deep mathematical modeling and creating modular building solutions for the company. For a leading apparel and footwear manufacturer, we have been bringing Design Thinking to work on not only new business models for the apparel industry, but also creating opportunities for mass customization, creating the design of wearable’s that go into the apparel and things like this.

On the Second Dimension, the integrated product design, bringing hardware and software design experiences together. We have been working with a leading manufacturer in the Aerospace world on dynamic optimization of aircraft operations using neural networks. This is one of the AI technologies, artificial neural networks. They enable us to create self-healing and learning systems. Aircrafts are all increasingly instrumented. From the time that the engine or the fuselage or the landing gears are designed with sensors inside them, to the time that the aircraft is in operation and that being able to optimize the operation of the aircraft, there is a tremendous

opportunity to bring together this whole process. Here we are building artificial neural network-based solution. I mentioned already the Digital Oil Field modeling and Simulation for determining, for example, what is the useful remaining life of an oil field. We have been working on capacity optimization and routing optimization for a large energy company around optimizing across a complex network of oil pipeline. More and more with things like _____, the production of energy is becoming more and more distributed and fragmented. So the optimization problem around how to move the energy around and how to store it where demand is expected to be and so on has become a much more complex problem. And similarly, for a paper manufacturer, we have worked on reduction in wastage of paper roll cutting through the optimization of their production process. By the way, all of these examples have happened in the last four months.

The Third Dimension is the standards and partnerships that are necessary on the platform side at this intersection of the physical and digital world. We have been working with the “Industry _____” initiative in Germany. We have partnered with Acatech which is a leading think tank in this area and chaired by Henning Kagermann, my former boss. We have been working with Henning and his team and others, like the University of Aachen and coming up with standards and approaches to standardize the integration of software into the physical world. We have been working on partnering with the Society of Automotive Engineers for defining this data standards for vehicle health management in the aerospace world with one of the divisions of IEEE to contribute to this standard on architecture framework for the Internet of Things.

So these are three of the examples and you should expect us to do more in this area to help standardize things so that the value can again move into solutions that can be built on top of these platforms. We will work to take a leading role in establishing the platform for the Internet of Things for this integration of the physical digital world. So this is something we are quite excited about in how we can help rethink Product Engineering and Design and renew this practice of ours. This has already been one of the most exciting practices. Kris in the early 1980s did a project for the Rourkela Steel Plant where we had software running inside the furnaces which were working at 1500 deg. C. Kris actually wrote the analog to digital converter and digital to analog converters connecting to a mini computer in those days to control the operation of the furnace. Today we would call this Internet of Things. We come from a long history in this area. This is one of the areas that I am very excited about, is what the future lies here, or the potential lies here.

Another example of our renewal that I want to point out is Finacle and I am just taking two examples today. Of course, we are doing this in every one of our service lines. Finacle today serves 451 million end users at approximately 200 banks in 84 countries. 56,000 branches around the world are running on Finacle. That is collectively almost one-fifth of the adult banking population in the world. The 6x means that the performance of Finacle, these are some of the benchmarks that we have done. 6x the volume of the total intra-bank transactions in the world, we have benchmarked to run on Finacle on an Oracle database. 5x the payment processing performance of the total inter-bank transactions. In terms of performance it is an unmatched core banking platform. Almost all industry analysts rate ‘Finacle as the Top Most Core Banking Platform’. In India, many major banks run their banking on Finacle. We have a new leadership under Michael Reh’s leadership. We are busy with revitalizing the installed base. The direction forward for Finacle is based on bringing pervasive mobility for mobile banking, digital technology and advanced analytics around risk, around forecasting, liquidity-related analytics, all these areas that are extremely important to banks. To do this, Michael and his team are following an evolutionary strategy where the core parts of the banking system evolve at a slower pace than the edges which move at a faster pace. We bring these innovations to the edge around analytics and mobility and so on and have those been non-disruptively attached to the core part. I believe that this work that the Finacle team is doing can also be a blueprint for us to work with our non-banking clients on renewing their IT landscape by following a more or less similar approach of renewing the core system at a slower velocity and then bringing innovation around the edges so that non-disruptive renewal of the whole landscape can be carried out. So beyond being a banking driver

for us, we believe that the work that our team does in Finacle can be a frontrunner for the work that we do in other areas.

Two examples of Finacle -- A large multinational bank is launching a new digital bank, totally new branch of the bank to serve the needs of younger mobile tech-savvy people. A large communication company has just launched a mobile wallet-based, mobile commerce offering using the Finacle Digital Commerce Solution.

And then on the new side, two examples that I want to point out. The first one is around Big Data and Analytics. Our first work here, I actually launched the Infosys Information Platform in this room in Pune a couple of months ago. We had all the people of the company working on Big Data, all the leaders gathered here at this very room. Infosys Information Platform, the creation of this is the first step, based out of leading Open Source components. After I left SAP my team had built HANA, which was a leading database next-generation In-Memory database. When I came out of SAP, I started to look at what was happening in the world outside. I was quite amazed by the amount of work that has happened in the Open Source world. Of course we were familiar with that when I was at SAP, but I took a deeper look at it and realized that there is a tremendous opportunity for us at Infosys to create assemblies of these open source component, the right assemblies without compromise for our customers. Many companies exist that create assemblies of open source and then sell that for certain areas whether it is Linux operating systems or big data products or other. We have enough scale that we can in fact do this on the fly for our client for large banks, for large Telcos or utilities or oil companies who need the solutions, who need the cost performance of these Open Source Solutions for the new areas but they need the reliability, the enterprise grade performance and the resilience which only a company like Infosys can provide. So we act as a buffer between these open source components and the enterprise to provide the resilience that they need. Then the second stage is to build a next generation big data solutions across industries based on the Infosys' information platform and based on design thinking and overtime evolve this from an information platform to a broader enterprise platform that can serve as a basis for all the services that we bring and also to connect our clients together.

Those were the three stages that we see in the platform evolution. So this is a little bit more detail on what we call the Infosys information platform. There are a lots of interesting open source technologies around Hadoop, there are new technologies like Spark which is here and Storm for event processing and so on. Spark is a distributed resilient in-memory data processing framework with resilience built into it so high availability and these kinds of things and it is completely free and it provides some really high performance ways to do data processing. Then we surround these open source components with partner IP, so many companies have investments in traditional data processing platforms, data warehousing and analytic platforms. We integrate those as well and we provide that integration packaging and support services, we also provide tools, data extractors, in many cases algorithms and in some cases we have already also started to contribute to these open source projects as well directly from our engineers. We provide this layer of resilience around that. Then of course the customization, integration and implementation services around that. So we are not ourselves building this platform but we are assembling this platform and contributing to it wherever possible by taking advantage of the amazing work that is going on in the open source world and also bringing in the investment that customers make in partner intellectual property as we go forward.

So this is the basis idea of the Infosys information platform. As I said overtime over a longer term this will evolve into a broader platform that our services will start to leverage and our customers will start to leverage.

This is also already in operation, Abdul is heading this area, he is sitting here, he has a presentation later on together with Sury. How many project now on this Abdul? Approximately 45 projects are already happening. We have already started in this area. Some examples that I want

to give you, regulatory reporting for a major bank. If you look at a major bank's operations today, some regulations require T+15, the 15 minute reporting of trades of certain category and routinely 10%, 15% even 20% of these requirement of trades don't meet the 15 minute requirement. Navin is here, Navin is the architect of the work that we have been doing here. 15% of trades not meeting a 15 minute requirement, when we have basically almost limitless computing capacity available to us and these open source technologies that allow us to process anything as fast as we need to this is unbelievable. So we have been working with some banks, in this particular case one of the major bank for example that I am pointing out that we can not only report these trades no matter what the volume is within 15 minutes, we actually showed them that we report this thing within 30 seconds. No matter what the volume, in this particular case we were injecting more than 100,000 trades per second, per second into this cluster of 100 machines, in this particular case the POC ran on Amazon web services. We got 100 machines on Amazon web services and we are processing data into it.

In other areas predictive maintenance of thousands of vehicles that operate mines, each one generating five event per second to detect the machines, the trucks if the vehicles are about to fail or not. This can have a huge impact on the operation of a mine. A leading equipment manufacture, in this particular case a large manufacturer of ATM machines - they operate more than 150,000 ATMs in certain geography. We detect that there is a likely failure of an ATM one week in advance within 3.6 seconds. The bottom-line there is that you basically get to schedule rules. If you have 150,000 machines distributed across a large geography then one of the biggest problems is to send the maintenance crew there, this is one of the biggest cost for such a company. If you can predict that one week in advance with a very good probability this brings down the cost of the teams moving around dramatically. In a case of one very large electronics manufacturer we are doing a similar predictive maintenance project but the first one that Abdul and his team did was to predict the propensity to buy from the existing customers base based on region, based on size of the company, based on the industry and so on and the propensity to optimize the buying probability. We showed them how working on this Infosys information platform, they increase their probability of detecting this correctly from 50% to 80% and actually identified for them certain segments already which have much higher propensity to buy their products and so forth. Similarly one of the exciting projects that we are doing, we have the first results are already in is this anti-money laundering and agent fraud prevention but for a large financial services company, again using this platform. One of the key aspects of this platform is that we can bring together multiple different types of data processing technologies into the same platform. Reporting on transactional data, doing complex data mining on structured data as well as processing unstructured data including deep text mining and processing of large amounts of unstructured information can all be done on the same platform, the same software component, the same hardware foundation which is elastically extensible up and down and the same management, same administration. This means that for a large enterprise the marginal cost of adding a new scenario, for tomorrow if the HR guys want to do analytics on the workforce or the marketing guys want to do analytics on or reporting on consumer behavior, all those scenarios can just be added incrementally into the same foundation with basically close to zero or very-very low marginal cost of having a new scenario. In the past this was not possible, in order to do a new thing you had to build a new warehouse or a data mark, this meant new hardware, new software, new administration and stuff like that. All this has become much more elastic now and this is something that we are very excited about.

And the final example that I want to talk about in the deep drive is the design thinking and innovation services work that our teams have been doing. I already mentioned an example of this with the product engineering and design theme. I mentioned on my first night I went to Mysore and the second day it was a Saturday. I was sitting down with Binod and his team, Pravin and I were together. We asked him, how long does it take us to put together a class for something completely new? In Mysore we have the capacity to train 14,000 people in parallel, right now how many do we have Vinod today? Today 9,000 trainees are in Mysore going through training. So I asked him how long does it take to put together a training class for something completely new that we have never

taught before. And he talked to his team and thought about it and he said, "Vishal in less than three months we can do that". So on my way back home I was thinking about that, that it is an awesome power to have that you have the ability to train more than 10,000 people on something totally new within less than three months and that was very exciting. So one of the first areas that we exercised this was design thinking. I took my entire leadership team to Stanford. We were there for three days and actually we spent half a day at the d.school. Then Vinod sent a handful of his key teachers to Stanford, they spent three days there learning design thinking from the instructors there and understanding what it is, they have put together a class. Already, on October 21, the first one of these classes went up in Mysore. Over the next 10 days 5,300 people got trained on Design Thinking. This is a massive scale. Then the team took a break for a week. They regrouped in the true spirit of Design Thinking, they reexamined how they did this and then they came together again with a new one and then they decided that the full day training could be better than half day. So now they have done a new one for these trainees which is a full day long training class with two instructors and the first wave of these students is now done. As of this Monday, this last Monday, 3000 more trainees went through design thinking so now we have 8,238 people who have already taken the first entry level Design Thinking class be it half a day or a full day. In addition to that about close to 200 senior executives of Infosys, the entire leadership team of our consulting organization as well as the vast majority of the sales leadership has already also been trained on Design Thinking. On the 15th of December we will have the design week here where three Stanford faculty will come to Mysore and we will get an additional 250 senior employees to get that intensive training of Design Thinking. Sanjay Purohit is sitting back there, his entire organization of EdgeVerve, the whole group is going to get trained on Design Thinking and so forth. And of course this we have already been bringing to the clients as well. I mentioned some examples of solutions that we have built using Design Thinking but we have actually been offering in addition workshops for clients around Design Thinking. 2 of these have already been completed and we have 25 more in the pipeline.

Sandeep is telling me I have five minutes remaining. I can go a little bit over, can I not Rajiv? I can go? Okay, thank you.

There are some pictures of things that the kids have done and what they have been doing. These are prototypes that they were making. Actually in the first wave, I spoke to them on the night of Diwali which was already the day after Diwali here. I saw the prototype they have made in that four hour class. It was not just being bombarded by power point they actually learnt to make things. These 22, 23, 24 year old kids were making prototypes of their own day one experience in Infosys. That was the only thing they could relate to obviously so they all made, these different teams made these prototypes, it was really exciting to see that. Of course one of the problems now that Binod is dealing with is we have 8,300 fresher's coming into the workforce and usually their development team managers don't know what the hell Design Thinking is so he has to figure this out. So the massive embrace of Design Thinking as well as the innovation services that we can bring to our clients is the second one of these areas that we have launched and that has been quite exciting.

M&A - many of you are interested in M&A. We believe that of course our core focus, our key focus is our own organic growth. Our renewal from within but we believe that it is necessary to complement this with an active inorganic strategy as well. Some of the areas that we are working on there, we are interested in doing acquisition of small innovative companies. We are not interested in acquiring technologies from yesterday but in acquiring technologies of tomorrow - Artificial Intelligence, automation, Internet Of Things as well as collaboration technology, design technology. Collaboration is at the heart of what we do. The industry as well as Infosys has so far come up to this point on the basis of a Global Delivery Model that had offshore and onshore components and so forth. Increasingly I believe that collaboration technology based remote teams, globally distributed teams will be the basis on which services will be delivered. Therefore a great embrace of collaboration technology not only for our own use but also bringing them together with

client teams will be quite important. We are also looking at underpenetrated segments as well as some geographic regions but again from the perspective of not just buying services companies in those areas but looking at innovation that can be brought specifically with that focus and beyond that the global engagement with the start-up ecosystem. Start-ups are great young ones in any industry and we have been working with start-up companies to bring them to our clients, to invest in them but also to extend their capabilities with our own engineering and other operational services. So that is our approach to inorganic growth.

And finally on culture, people ask me how do you renew or transform a company with 165,000 people. Of course first of all we have to accept that this is a massive scale and this will take time. Even with 8,000 people that we have trained on Design Thinking that means that this is 1/20th of the organization that we have done. So it will take time but it requires engaging and creating a culture of connectedness within the company that is unprecedented. We have been working very hard on that. One area that we have worked on that has been very exciting is a SWAT team that we have created across our different organization, a multi-disciplinary multi-organizational team. It is actually headed by Anup who is also now the head of our BPO. The thinking there was simple. The guy renovating our own processes must be good enough to renovate our customer's processes. So we have been redesigning our own internal processes. The MC was talking about the big cricket ground here in Pune. Yesterday we had a huge town hall there where we talked about some of these initiatives that we have worked on. So redoing our own house is something that is very important and we are working on. In fact this team, this one in the upper left corner, this is that team, this is a picture of them in California when they were out there. They are also bringing Design Thinking to their own work as well, so it is pretty amazing.

We have also been engaging with our employee using some great new technology. We had this initiative that we call murmuration. Pravin and I started that just before we took over in the new roles and that was an extremely exciting initiative, 27,000 people participated in that, they got 2,700 or so ideas, we then bucketed those into 70 big ideas, then we opened it up again to all the employees to vote on them, that distilled down to 10 and now all 10 of those ideas are being implemented.

The next wave of murmuration will be about employees learning to speak up. One of the depressing things that I have found in the last four months, when I look at customer satisfaction surveys, analysis from analysts in some cases who have thought deeply about this or have heartfelt conversations with customers, about really what is it that you complain about how we work, what is that you wish was better, what is your biggest issue with us. I found something that was dismaying This applies not only to Infosys, it applies broadly to the whole industry but I want to focus on Infosys because this is my concern. The customers rate us very high, they usually the highest scores - on the scale of 1-7 they will give us 6s or 7 on quality, on project delivery, on completeness of work, on professionalism and responsiveness, on responsiveness if there is a crises, if there is a problem, if things don't go well how quickly and how well do you respond, they give us the highest scores on these dimensions. But they give us low scores, on what? On participating in their strategic direction, on being proactive, on speaking up. This is a personal observation. I found that to be amazing that we are not speaking up and the client think of us and I ask them, not only us but all the companies in the industry. They think of as dutiful followers of orders but not people who are bringing innovation back to the clients. We are not bringing new thinking back to the client. To certain degree, this is also cultural. We grow up in a culture where asking questions is viewed as a questioning our authority. I myself had this experience when I first gone to Stanford for my PhD program. I asked my PhD advisor, "what do you want me to work on" and I was shocked by his response. He said, "I have no idea." I said "what"? He said, "No, you find your own problem" and I thought no, "you are supposed to tell me the problem and I am supposed to solve it, that is how this is supposed to work." He says "no, you are supposed to find the problem. We are supposed to judge if the problem you have found is good enough or not, then you are supposed to solve the problem and then we are supposed to judge if the solution that you

have found is good enough or not. This is how it is supposed to work.” This sort of got me into a tailspin that “my goodness, what have I got into”. This is not how it was supposed to be. All our lives we were taught problem solving, not problem finding.

Ladies and gentlemen, the world that we see in front of us is a world of problem solving. Once the problem has been precisely articulated will by and large be automatic, but problem finding will not be. Problem finding is where the value is. Problem finding is where the innovation will come from. Problem finding will be the essence of being innovative and helping deliver value to client. So the reason I keep talking about education so much is that we have to turn our people into great finders of problems because their education already enables them to solve the great problems once they have been found. To think about what is it about the world that is wrong that could be made better. This thinking has to come into our psyche, into our mindset. That is what we have been focusing on. In fact Binod has put together a new training program around this kind of proactive communication. We can still be absolutely humble, we can still be considerate, you do not have to become arrogant in order to ask questions or to point out that something can be better. Stanford Professor ____ had a great methodology for doing this. He used to call it, “I like and I wish”. “I like” was things that I like and “I wish” was what could be better.

So beyond rethinking this within our own culture through our education, we are also partnering with other universities in this area. We have done a partnership with Stanford in this area to train our own people. We have done a partnership with the School of Business for executive education. We are one of the first ones companies like this to do this in India. All our top 400 or so senior managers, executives will get this training over a six-month period. In addition, we are also creating a class with Stanford’s School of Business and School of Engineering to train everybody in Infosys on some of these modern business and technology practices. We are working on a partnership with TU Berlin. We are working on a partnership with ECNU (East China Normal University) in China. It is one of the largest universities in China where the teachers get their credentials, so they train the teachers. This is something that we are very excited about.

Transformation like the one that we are on and that we have embarked on, will take time. For sure it will take time and it will for sure not happen in the short-term. But based on what I have seen in the last 123 days, I stand here in front of you, feeling confident that with all these steps that I have talked about and all these initiatives that we have taken, we at Infosys can once again aspire, we can once again become the leading bellwether IT company that we used to be. It will take time, it will not be easy, but I have no doubt that over the long-term, we will get there.

Thank you. Perhaps, Sandeep we have time for a few questions.

Anantha Narayana

Good morning Vishal. My name is Anantha Narayan from Credit Suisse and thank you for a very interesting presentation. I had two questions. First was, you spoke very lucidly on the capabilities that you are planning to build for Infosys. Also I was wondering whether you have any thoughts around the sales process. Are there any significant changes that you are planning to bring out there? My second question was as an outsider when we look back at Infosys 3.0 strategy, one of the issues that we found was that there was too much focus on the transformation without focusing on the bread and butter core business. so in your view do you think that any lessons to be learned from that?

Vishal Sikka

On the second one, to be honest I actually have not paid that much attention to what it was and what it was not. We sort of moved on. The basic ideas were somehow similar. So I have not really

focused so much on what Infosys 3.0 was all about and what it was not. I believe that the strategy that we have talked about – ‘Renew’ and ‘New’. It is a very practical strategy. It is a common sense idea that we are renewing all the things that we do. That means that we are not abandoning the focus on today’s business at all. We are incrementally renewing all the services that we offer today. That means that the present businesses do not have to be disrupted. Even more so, there is a risk if a company or if Infosys were to adopt very kind of divisive strategy that this is the old stuff and this is the new stuff, then you run a risk that you create also a cultural problem that within the company you create a sense that “oh! My god, I am one of these old guys and the new guys and geniuses are all sitting there.” You cannot do that. Nature does not work like that. There has to be a renewal of the existing business as well, but there has also to be an understanding that renewal is not going to be enough, that you need to complement that with completely new things that are not there today. So there has been a lot of thinking in this area - the blue plan versus the pink plan, the disruptive versus the incremental and so on. But both trains have to move. We also have to realize that these things have a time based dimension to that. What is ‘renew’ today is the money winner, what is new today is give the customers the confidence strategically. The ‘new’ today does not bring much revenue, the revenue still comes from the ‘renew’ which is the existing stuff. However, over time today’s ‘new’ will become tomorrow’s ‘renew’ and this is sort of how the cycle goes. So this is the basic idea.

To your second question around sales – in Pravin’s presentation he will talk a little bit about this. Yes, our sales process has to be renewed just as the other things have to be, both in terms of just making it a world-class sales process, the dynamics, the operational aspects of it, the way the process works, the ability to mine accounts and build greater pipelines making sure that all the right clients, right level connections are there and things like that, but also increasingly new ways of selling have to be brought in. New ways of capturing the value that is created, have to be brought in. That means that sales teams have to understand the value that is being created and have to come up with ways of capturing that value or sharing that value in a win-win kind of a scenario with customers and so forth. That has to be created and this focus on design thinking and executive education will help with that.

Then the third thing I want to say and Pravin will cover the rest in his presentation, is that much of sales for our kind of business, at least big parts of it can be made automatic. We can create market places where at least long-standing existing customers can automatically directly work with the teams on creating project teams and for new areas and where employees or people can connect themselves be it the customers and so forth. We have started some of this work. Binod team has created a “My Works” portal where well-encapsulated small projects, people who are on the bench or people above and beyond their committed time can actually contribute to these directly without involving sales people and so forth. So that degree of automation in the sales process for a big category of things can also be brought in. So yes a significant renewal of the sales process has to be done but this can also I believe incrementally can be done without disruption.

Sandip Agarwal

Sandip here from Edelweiss. I have one question. When we talk about the culture of learning and if you see how Automation and Artificial Intelligence are becoming extremely important. My question is that if Artificial Intelligence is going to become so important and which is happening, it will need very high-end domain expertise because basically you are trying to map what is an optimal solution according to the best human brain, that is what Artificial Intelligence is. So will you be able to put that kind of training of culture of learning sitting here and across such a huge base, because until that transformation happens probably this initiative will not help much.

Vishal Sikka

That is the most important question which is facing us from a skill prospective. I believe that it is not so much that these skills are so high-end or so specialized that they cannot be taught to large numbers of people, they can be. It has happened before. This is in some ways a natural evolution that certain things become automatic, then you retrain the people in new things and so forth. We are already doing that. Abdul has done the data science classes already around next-generation algorithmic techniques and so forth and how to use algorithmic technique. Binod's organization has put together a new Artificial Intelligence class. It is a 14-day class covering comprehensively all the major technologies of AI. This training can be done, we are already doing it. As I mentioned, we have already built the first solutions like this. We have a team in fact based here in Pune that has sort of the nerve center of our AI network around the company across practices. I know many people question this idea that will AI will replace people? Yes, AI will replace the automatable parts of the work that we do, but as it does that and displaces and creates a new opportunity for us to do next-generation kind of things. And history tells us that the new opportunity is always bigger than the previous opportunity that was there before. This phrase the human revolution and is inspired of course by the Green Revolution. I had this brief discussion on this with the Prime Minister. When I was little just after the 1971 War, I was 5 years old in 1972. I remember India use to import Wheat, we use to import Rice, Milk use to be ration to families and then the Green Revolution happened. Professor Borlaug invented this particular germ resistant wheat seed and some other initiatives were taken to simplify land ownership and things like that. Within one generation India become the largest producer of wheat, one of the largest procedures of rice, now we export milk. So that happened because even though the actual number of farmers went up, their productivity went up much more. We are still a people company. The productivity improvement of people is what is at the heart of this. You have to measure us overtime over a longer term 5-7 years by how much our per capita revenue production is improving. That would be a good measure of are we succeeding in this direction or not. Some in the industry have shot off on this downward spiral of more and more lower cost, faster and faster hiring, jamming people into project faster and faster. I think that is a wrong direction. The better direction is the one that the spiral goes upwards towards more value, more innovation, more embrace of automation and so on. I think that is right direction.

Moderator

Mitali Ghosh from Bank of America Merrill Lynch.

Mitali Ghosh

My question was in terms keeping in mind the investments that are going to be required in retraining, creating assets, strengthening sales, and also keeping in mind that over the last one year, cost and utilization have been broadly optimized. How should we think about margin for the next couple of years and for the next three to five year?

Vishal Sikka

We are so far not changing our thinking around this. Maybe Rajiv you can add to this. We deeply believe in what Mr. Murthy used to call "consistent profitable growth". We believe that a next-generation services company like the one whose vision I have painted here could be not only a leader in terms of the revenue growth but also in margins. I mentioned in October that overtime such a company could achieve 15% to 18% growth and what was it, 25% to 28% margin. I am standing by that. I have not seen anything in the last two months that makes me question that. So I believe that overtime consistent profitable growth with such a strategy will be achievable. However, what that means to us over the next two-three years? This is something that we are still working through and we will have more on that especially on the capital outlays and the kind of

spending that we will need to put together by the April timeframe. Do you want to add anything Rajiv?

Rajiv Bansal

By April, we will be able to say about the kind of investment we would require for our strategic journey and what it would mean in terms of margin in the short-term. As Vishal said I think in the medium to long-term, we believe that 25% to 28% margin is achievable.

Viju George

Hi, Viju George from JP Morgan. I have three questions, Artificial Intelligence is a concept that has been around for at least 20 years.

Vishal Sikka

1956.

Viju George

Okay. I remember doing a course on this in engineering way-way back. So I am just trying to understand what is it about today that has become exciting in services because we have seen it in products and we have seen it in software. So why isn't it being used in services? Is it because now you are seeing a blurring of software and services I just want to get that clear.

Vishal Sikka

No. I believe that technologies have converge to the point that these things are now possible. See many of these things required so much computing capacity that we just did not have enough of that. So 1956 Marvin Minsky, John McCarthy, Herb Simon and Allen Newell came up with the idea of Artificial Intelligence. I did my thesis. It went through waves. There was a saying in my time that "once something becomes interesting and mainstream it no long consider artificial intelligence." Now of course AI is kind of hot again. I think it is more because on the one hand computing technology has become so vast that complex problems can be analyzed within shorter windows of time and on the other hand, new software techniques like natural language processing has become much more efficient, voice recognition has become much more efficient and rule processing has become more efficient. So these technologies have developed to the point where you can build solutions out of them. I mentioned knowledge-based management in a Manufacturing company, we are doing large scale text analysis for insurance companies, we are doing rule base systems for automation and infrastructure, we are working on voice recognition kinds of things. It is more about the fact that the technology has made this possible than any other particular reason.

Viju George

One last question on the Product Engineering Design piece from what we have seen so far in industry, since this is largely R&D and engineering spend, it is pretty fragmented and it is very difficult to get scalability in this as an industry and players also struggle to scale this business up. You have shown us some nice examples but I am just struggling to figure out whether some of these can really scale up and how?

Vishal Sikka

It is a very good question. So when I mentioned this, the second part of this, this integrated hardware and software design process, this exactly speaks to the fragmentation that you are talking about. In the past, these things used to be bits and pieces across department. So once the thing was done there was a design guy, the manufacturer, the engineering guys, once it was in deployment there were operations people I believe that it is now possible for us to integrate this process across these divisions and created in a unified way, just like order to cash is process that can be thought about in a unified way. This kind of product lifecycle process is one that can be thought about in a unified way. This is one of the main points. So your observation about the fragmentation is exactly right and I believe that we can serve these techniques to de-fragment and therefore create larger chunks of value.

Bhavin Shah

Bhavin Shah from Equirus. Vishal you described the industry players in sort of two buckets. One that approach you are taking and then the other bucket that you described. I think there is third bucket which is that is one of the largest companies developed lots of platform solutions for every single vertical and they seem to be having a lot of traction there, so I just want to know what your view of that is?

Vishal Sikka

I think it is very interesting that we see a massive amount of software around us but yet the most of the new software that is governing our lines is not return on any of these platforms that we grow up with. The new platforms that people are building solutions on are these open-sourced based technologies are things like iOS and Android and so forth. This is why I believe and Navin help put this together. We start with the big data where we can bring this big data-oriented technology. These are all completely open source stack and wherever there are investments the clients have made with traditional technologies, we integrate those of course because we can. But the predominant new value comes from these open source based platform. So I think there is lots and lots of investment that some software companies have made in this work but I believe that is being disruptive and there is an opportunity to deliver new kinds of value for client by addressing this open source. Navin you want to add anything to that? Navin Budhiraja is our Chief Architect and head of the Platform work that we do.

Navin Budhiraja

So just to add to what Vishal said I think _____ is an obvious example. But I think as Vishal mentioned earlier if you look at some of the large internet companies, Googles and Facebooks of the world they do not build their applications, they do not build their platforms on these things that we grew up on, right. I think that finally has begun to seep into enterprise IT as well and I think that is what we are saying.

Vishal Sikka

Well thank you very much folks and look forward to seeing you at lunch and later.
