

## U.B. Pravin Rao

Ganapathy: We will now move on to the next phase where we will get into the details of our core business proposition, which is business transformation through the use of technology. We are joined here by U.B. Pravin Rao, who is the Vice President in charge of our European practice. Pravin has been with Infosys since 1986. He is an Electrical Engineer from Bangalore University and heads up that practice. Pravin from the European practice on business transformation through technology.

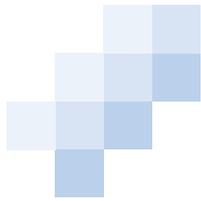
Pravin: Thanks Guns and good afternoon to everyone. For the next 20 minutes or so, I will talk about how business leaders have used technology to transform business and gain competitive advantage and also how Infosys has partnered with our clients in this transformation initiative.

IT is a powerful enabler as well as a driver to unlock business value. Lets see how some of the top corporations in the world are leveraging IT to derive business value. Dell is electronically linked to its network of supplier and by virtue of it; it is able to very effectively reconfigure its sourcing pattern based on the demand. It traditionally keeps about three to four days of inventory, but despite that in the aftermath of September 11, it was able to quickly reconfigure its supply chain and meet the demand whereas its competitor Compaq at the same time missed out on shipping over 300,000 PCs. Similarly, Dell has very effectively leveraged Internet for leveraging a lot of benefits from its value chain and it has resulted in greater organizational flexibility. Or if you look at Capital One, Capital One has used data warehousing tools to effectively gain lot of granular information about its clients. It has used this information to come up with very innovative products to address very small and specific customer segments. It has today over 100,000 plus product combinations addressing its client base by virtue of its innovative products, Capital One in the last five years has risen to the top of the credit card industry in US. Last year its revenue grew 40% as compared to 8%-10% growth of its peers. Or if you look at General Electric. It has created a global supplier network DSN, which links over 36,000 suppliers and 25 and odd GE businesses. GE users can log into this network, request for bids from the suppliers, place purchase orders, exchange EDI documents over the network, request for shipping information etc. By virtue of this, GE is able to save. Last year it saved close to \$1.6 billion because its users were able access a wide variety of suppliers and able to negotiate better deals. So very clearly we have seen some compelling evidence of how business leaders have used technology to transform business.

So, today business transformation through technology is an imperative and this is at the center of Infosys go-to-market strategy. We help our clients transform their business using technologies when integrated set of solutions which is based on a broad range of product offering, broad range of service offerings, based on technical excellence, based on technical and domain thought leadership.

Let us see some examples of such partnerships. I have 5 case studies. First one is on manufacturing, second one is Telco, third and fourth are retail and fifth one is an insurance client.

Today, driving efficiencies through supply chain is a great lever for saving cost. Infosys helped a client in developing a roadmap for transforming the supply chain by leveraging e-business technologies. The client is European subsidiary of a leading global manufacturer of food grain and agriculture chemicals. The challenge was to reduce the supply chain cost and also to do the same and achieve maximum impact with a very limited e-business budget. The idea or the challenge was to leverage technology so as to streamline the supply chain processes as well as ensure greater collaboration amongst the business partners to result in cost reductions. So what Infosys did is as part of this engagement we evaluated the current supply chain process of the client by talking to the stakeholders. We identified the gaps in the supply chain and the various pain points. We did a bench marking with best-of-breed players



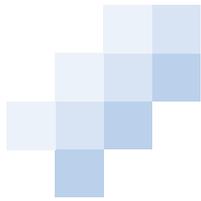
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in that particular industry, and we used these best practices to identify initiatives to plug the gaps and then we prioritized the initiatives based on business value and resource availability and then we created an implementation roadmap. So we recommended a priority set of initiative and also building the supporting architecture in phases and these recommendations evolved around two broad areas. One is e-supply chain within the organization resulting in reduced supply chain costs and attaining supply chain excellence and the second one bordered around e-supply chain with business partners resulting in better collaboration with the partners and laying the foundation for future growth. As a result of this, the client is expected to save over 2.5 million annually with a one-time investment of 3.4 million and the pay back is in round 15 months. This is a testimonial from the client. We have a long history of working with large traditional consulting firm. However, the way Infosys worked collaboratively with our people and crafted a unique solution on business and technology aspects, appeal to the leadership team, the benefits delivered by Infosys were very tangible.

Lets move out to the next case study. This is a large Telco client in the Asia-Pacific. Telco wanted Infosys to work with them in improving their IT effectiveness by way of reducing IT costs, by way of enhancing the delivery predictability, by way of defining a process for effectively collaborating with outsourced application development and maintenance partner. During our preliminary analysis we estimated that Telco spend about 300-400 million more annually due to poor IT effectiveness as compared to the best in class organization. We arrived at this conclusion based on assessing the CMM maturity level of the client and we found out it was between level 1 and level 2. Then we equated this with average in clause on the Keper Jones productivity benchmark scale. Then we looked at the Keper Jones productivity benchmark for the best in class and based on it we were able to extrapolate that the Telco seems to be spending \$300-400 million more annually because of the poor IT effectiveness. As a result of this the client was facing a lot of cut in discretionary IT expenditure and this subsequently resulted in closure of some projects and this was a cyclical effect, which further lowered down the IT effectiveness. So, as part of this engagement we did a preliminary study and during the study we were able to identify a lot of improvement opportunities to enhance the IT effectiveness. One of them was in the area of application portfolio. We identified several ways where applications could be migrated and rationalized. This would result in retiring some of the applications as well as reduced cost of maintenance. We also identified opportunities in terms of streamlining the delivery processes. This would result in greater predictability of delivery and as a result lowered total cost of ownership of the application. We also suggested a matrix-based governance, which would help in creating a process capability baseline and on the basis of which, one could get into a continuous process improvement. So these were some of the improvement opportunities that we identified and we proposed a three-phase transformation program that would help the Telco launch, consolidate and sustain improvements in IT effectiveness. We expect the solution to yield annually a benefit of \$300-400 million with an investment of about 50-80 million over three years.

The next case study is about developing a new supply chain blue print for a leading apparel company. The client is a leading designer, marketer, and distributor of premium lifestyle products. Its brand portfolio consists of some of the world's most widely recognized brand names. It had net sales of over USD 2.2 billion in 2001. The challenge was to need to improve inventory productivity by reducing cash-to-cash cycle time, by reducing total inventory in the pipeline and to reduce supply chain operation cost by reducing the transportation cost, by reducing the manpower cost and by reducing the inventory carrying cost. Again, our typical approach was once again we evaluated the supply chain, existing state of the supply chain by talking to the stakeholder. We benchmarked with best practices in the industry and we identified gaps, we defined the future state vision, and then we identified initiatives to transform from as is to the future state vision and then we prioritized this initiative and suggested a phased implementation. And some of the gaps were like in the planning and design cycle time was very large. This resulted in reduction in their ability to react to the changing environment and it also resulted in higher inventory buffer. So, we suggested design of a corporate calendar to solve this problem. The client was also maintaining inventory



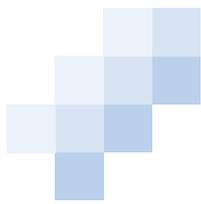
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buffers as well as the vendor was also maintaining inventory buffers because they were following the traditional or classical vendor-buyer relationship. To solve this, we suggested vendor management managed inventory for selected vendor. The client also had multiple warehouse management systems by virtue of it they were not able to use their distribution centers across multiple businesses. Then we suggested standardizing on a common warehouse management system and a common pool of inventory across business divisions. So we suggested a quite a bit of initiatives to improve the supply chain. Some of the initiatives were already identified and were ongoing, but the initiatives we recommended that the initiatives we suggested be implemented in two to three phases and some of the initiatives were vendor management inventory, forecasting and planning, logistics and inventory visibility solution, standardizing MMA solution across DCs, coming up with a forecasting and planning, streamlining marked down planning and execution global production planning system etc. By virtue of implementing this initiative the client is expected to reap an annual benefit of \$24 million with a one-time investment of \$25 million.

The next case study is about a flawless execution to install complex financial system. The client is one of the USA's leading fashion speciality retailer. It has over 100 years in business, 132 US stores located in 25 states and it has online presence and direct mail catalogues. This is also one of the old clients of Infosys we have had over ten years of relationship with the client. The client was going through a re-organization and its existing chart of accounts was unable to meet the requirement for the complex and diverse business. Further the management reports were not available at the required level and also the existing financial system was not able to support foreign currency transactions etc. So the client decided to go for a package implementation they selected Oracle 11 I and they selected Infosys as a partner to implement Oracle 11I. Infosys was involved from the beginning in this particular engagement. Our responsibility included program managing the whole implementation, chain management across the organization, defining the to be process, identifying the gaps and making changes to the Oracle systems to bridge the gaps, interfacing with over 25 and odd legacy systems, user training and implementation support. This is the testimonial from the client. "When I work with Infosys, I don't have to worry about them because they don't make promises that they cannot keep. They are committed to making us successful". This is what the CIO said. The CFO said, "Infosys organization's chain management methodology training and documentation ensured a successful transition". So this project was executed with a very aggressive time line and client was extremely happy.

The last case study is to showcase how we have partnered once again with the one of our earlier clients, older clients, to create a transactional website. The client is USA's leading provider of individual life insurance. It was named by Fortune as the most admired company in the world in this category. It provides annuities, mutual funds, long-term care insurance, and disability income insurance. We have had relationship with them since 1996. The relationship started with the Y2K initiative and now it has extended to all IT projects. We were involved, the scope of requirement was to develop and launch an online fund transfer option. Today, 25% of the client's internet business is comprised of variable life and annuity policy holder, given the daily variation in market and its impact on the underlying funds, the policy holder need real time information on the value, as well as the ability to re-allocate their funds differently. So we help the clients right from conceptualization design, building and deployment of site, and again this was against a very aggressive time frame, and this was the first online transaction application, which was implemented by the client. Today, the business benefits by implementing this for the client is by way of 24x7 customers Health Service facility, lower reliance on customer service call center since the whole thing is done by the customer on his own, there is no need for people to enter the fund transfer request, and thereby minimizing the error that would have occurred and also minimize the cost. The feedback from the client is very positive. "Infosys technological expertise and excellent execution were exactly what we needed to provide our customer the convenience of self-service and online confirmation of important transactions".



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To conclude, we have seen some examples where Infosys has partnered with the clients in its business transformation initiative. All this is possible due to the wide range of services from strategy to execution that Infosys has and this coupled with our Global Delivery Model and excellence in execution makes a very compelling value proposition to the client to engage us in such transformation activities. That comes to the end of my presentation. Thank you.

Ganapathy: We have about ten minutes for questions, so anybody has any questions please forward.

Male Participant: If it is possible to so precisely kind of quantity the gains for the customer, is it also possible to sort of build it into your pricing model, some kind of a model. Has Infosys really benefited from that?

Pravin Rao: We are actually increasingly seeing some interest from the clients towards those kind of models - risk and reward models. But to the best of my knowledge, I am not sure whether we have really done any such things.

Kris: Today, see many of these are long-term relationships, and we are exploring this. But, there is a request from the client's side now to look at risk and reward models, we will look at it.

Male Participant: You have been doing so much of technology work in Europe and US where it becomes very important that the knowledge which you create has to be patented. So how many patents has Infosys really applied for? Actually Kris, I wanted to ask you that, but there was not much of time.

Kris: Actually two presentations from now Subu will answer that, but we have applied for about three patents right now.

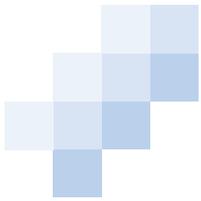
Male Participant: Just one question.

Kris: Yeah.

Male Participant: In the areas where you can quantify the benefits so clearly, it is nice to have the ROIs and pay back of less than two years. In many cases we may see that the benefits of it may not be as easily quantifiable or the ROA calculations may not be as advantageous as it is. So I just wanted to know like how are the customers, all the 100% of the customers go for tangible financial outcome for this IT spend and/or some of them just do it for you know modernizing their companies and things like that?

Pravin: No, as part of all these initiatives, we program manage most of these initiatives and we also keep track of the benefits accruing because at the beginning we estimate what the benefits that would accrue and we continuously keep track of benefits that has accrued as we start implementing initiative and that gives us a chance to compare whether it is in tune with what was predicted earlier. But, it is a mix of things. In many cases client states that business need or a competitive need that they need to implement, that is definitely one of the cases, but you need to recognize that there are multiple initiatives in any organization and they definitely need some means to decide which to go through and this is probably one of the basis they decide on which implementations to take power.

Kris: Just to add to that, the examples Pravin has given here are in terms of business solutions. If you look at the traditional services of applications development and maintenance, clearly offshore gives them immediate benefits from what the cost they are used to presently. So there is a clear benefit even in the traditional services. These are explicit examples of business solutions where we are now quantifying the ROI, which was one of the issues with consulting projects, but we are able to quantify the benefits.



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Male Participant: Thank you.

Ganapathy: Thank you Pravin.