



Analyst Meet

August 11, 2003



Theme Address

S. Gopalakrishnan

Chief Operating Officer and Deputy Managing Director

Thank you and good morning everyone. Let me also welcome you all to Pune DC. Basically there are two questions, which we will address in the course of the day. One, related to an article, which came in HBR about - is it the end of IT as we know, is the innovation out of IT, is it all over now for IT. Second, is it all over from an offshore perspective, can we sustain the margins, can there be a margin differentiation, is all going to collapse to a single number.

The answer to both these questions clearly is 'No' actually, if you look at companies like Walmart, companies like Dell, companies which have leveraged IT and continue to leverage, they derive significant value. If you look at innovations which are happening around us in terms of new technologies like mobile technology, RFIT technology, if you look at the legislations which are trying to leverage the improvements in IT, clearly it is not end of innovation, it is not the end of companies trying to take advantage of IT as we see, and as long as there is innovation, as long as there are new things which are happening, companies are definitely going to take advantage of it and there will be a clear differentiation between the leaders who take advantages of new technologies and the laggards and the people who do not even change who will get left behind.

On the offshore delivery side, we have already told you that the leadership has to be maintained through innovation. The leadership has to be maintained through continued focus on excellence in execution. Many other presentations today will address these two and let me take you through an overview of excellence in execution across the company. The various operational parameters we look at on a day-today basis, on a continuous basis, because we are making improvements in everything we do.

The global delivery model itself is continuously being improved. We are adding new centers, we are adding centers outside India. We are looking at how we can further improve in terms of using the six-sigma model, can we eliminate steps, can we do things smarter, can we create new services. When we introduce a new service, we disaggregate that service, that means look at the components of that service, we look at what and where those components can be executed, and that means those services are being delivered differently by adding new value to our clients. So, for example, today on infrastructure side, which is a new area of Infosys, we have introduced infrastructure management services, and those services which can be delivered from India help desk, database management, desktop management, etc., and the channel of delivering this service of course is the existing customers to start with. They allow us to expand within the existing customer base, add additional revenue streams, as well as use these as entry point when we look at new customers. So, we focus on strengthening our innovative practices when we look at the global delivery model. This has been talked about, you know what are the issues which are facing us and what are our responses, I will take you through each one of those.

On the client relationship side, if you look at the various parameters, we have today 113 million-dollar client, \$5-million client is 37, 19 \$10-million clients, 10 \$20-million clients etc, and 3 \$40-million clients. The top 20 clients represent 53.3% of revenue. Its fairly de-risked, client concentration is not that high, the largest client is only 5.7% of our revenues. Now, this is the strength of our model clearly, if you compare with some of our competitors today, their client concentration is significantly higher actually, whereas we have very low client concentration. Over the years, we have looked at how we can increase the predictability of the business, our relationship model is based on increasing the predictability of the business, increasing the confidence and trust the customers have. Ultimately, the way a customer would look at a service provider is with the confidence and the trust we can build with the service provider. On the last 12-month basis, 91% of our business is repeat business, last quarter it was around 97.8% of our business. We have restructured our clients facing teams to improve



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business understanding, to reduce time to respond to client needs, where we had multiple people handling the relationship, we have reduced it to one or two individuals, there are multi-tiered relationships at the board level, at the CEO level, at the CIO level, at the manager level, etc. It is a very focussed attempt to create a multi-tiered relationship with our clients and as Nandan said, all the parameters indicate that this is really working.

On the end-to-end services side, we continue to introduce new services and when we introduce a service, as I said, we disaggregate that service, we look at each of the components, we look at where these components are optimally executed such that it is a win-win scenario. It is a win for the client, because we are reducing the cost without sacrificing the quality, in some cases improving the quality, as well as win for us because on work being done offshore we get better margins. We look at leveraging alliances to complete the service offerings where it makes sense, product vendors, technology vendors. We have added the infrastructure side as part of our service portfolio today. Traditionally, Infosys has addressed the application side, that is all the way from idea to implementation, consulting to support, maintenance, etc., but today on the infrastructure side we are introducing services. Independent Validation Services is another service, which we have introduced in the last one year. Now if you look at services which have been introduced over the last few years, Enterprise Solutions, which is one of the fastest growing services for us, contributed 13.5% of revenues. Progeon, which is in the BPO space, has seven clients, 882 employees as of June 30, 2003, and has generated significant revenues, and is breaking even and is also leveraging the existing channel, which we have to deliver the services. Now Progeon is probably one of the companies which had made profits in this space fastest compared to everybody else, and again it shows that the philosophy of the company to do better to deliver significantly more value is working here also. Banking business unit contributed to 3.6% of revenues in the last quarter. We have created different IBUs on a pilot basis and as we understand how these are delivering additional value to our clients, how we are able to leverage this, we will look at how to take these forward. Today, we have healthcare, life sciences, automotive and aerospace, retail. We have enhanced our footprint through our Domain Competency Group. Some of the areas we are working are in the areas, for example, Basel II, HIPAA, things like that and the objective is again to look at business issues, develop business solutions, leverage the global delivery model to optimally deliver the services to our clients. Clearly, if you look at business from marquee clients, all these numbers are going up, partly because we are addressing their business issues.

On the geographical footprint, we have opened offices in Dublin, Ohio. So, our presence across the world is increasing. Today, we are present in 17 countries and have 30 sales offices. We have employees from 37 nationalities and the number continues to grow. We have 200-odd dedicated sales people, our realized revenue per sales person is one of the highest and it is close to about \$6 million. We have another 71 sales people in India, focused on developing new business and promoting client loyalty. We have a 100-seat global development center in Melbourne and a 50-seat proximity development center in Tokyo. So, we are actually adding to our delivery capability outside India. Some of the other centers are in Toronto, in Fremont, in London, etc., and so we are adding to that, Mauritius is coming online as we speak.

As the profile of the company changes, as our capability changes, as the expectations from our clients change, we have to change our brand also. So, we continue to invest in our brand. Nandan talked about Milan. Our customer meets have expanded today to include one in Asia Pacific, one in Europe, as well as the one, which is in US. The Wharton Infosys Business Transformation Award recognizes companies on leveraging technologies. The last winners were the Imperial Sugar Company in US, Fujitsu Siemens Computers, ING Direct Worldwide, and Standard Chartered Bank. We are able to get applicants from not our client-base alone, from a very diverse set of customers actually and every one of them is recognizing Infosys today. We do events across the world, sometimes just Infosys alone or sometimes actually with partners like Microsoft or SupplyChainge, a company in the supply chain optimization space, or Gartner etc. For instance, the global internship program covers today 30 reputed universities across US, Europe, and Asia Pacific and today we are having 33 candidates participate in this as we speak. Finacle™ as an umbrella brand has been rolled out, now this includes core banking, e-channel, e-corporate, CRM, and treasury, so the functionality has increased and we



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now have a brand which is being recognized worldwide as brand which stands for excellence in products area. Our utilization rates have significantly increased in the last quarter. From Q4 to Q1, it has gone up to 83.9 versus 82.2 excluding trainees. Onsite offshore ratios have improved, and we are continuing to leverage the various models and various techniques which are there to improve our internal processes. The six-sigma cross functional processes are used today to look at recruitment, utilization of assets, and resources and things like that including hardware and software assets, not just people alone. Our project management practices have been assessed at CMMI, which is the latest and the newest model, the version 2 of the CMM model, and we are the first company to get assessed for onsite and offshore practices. This shows that we are not standing still. We are continuing to innovate, continuing to increase the distance between us and the competition. We have added to our standard methodologies, and we have also completed deployment of the home-grown CRM solution. We had a third party solution, which we have deployed. We found that it does not give us sufficient flexibility as well as ability to add new functionality as and when our business model changes. Because our business model is unique, in the sense that people are managing relationships between onsite and offshore in multiple locations, multiple people are managing those relationships. So, how do you, capture this across the world leveraging the internet and things like that. So, we have rolled out a solution called Simba which is operational today.

Our employee strength keeps on increasing, attrition is one of the lowest. Over the last 12 months, it is 7.9%, again one of the lowest in the industry. HR has successfully implemented the PCMM model, actually the implementation started here in Pune and we are again at the highest level of the maturity on the model, and our technical managerial training has been benchmarked to the highest of global standards. Recently, we went through a second round of accreditation to upgrade the HR formula accreditation, the process is that we are going through an accreditation through a Bachelor of Science with Computer Science in a US university. That means the engineering degree people have along with the training Infosys gives, with the practical work experience in the first year puts them on par with the Bachelor of Science and Computer Science of a US university.

We have completed a transition to a role-based organization. The role-based organizations structure is part and parcel of creating a road map for every employee. It tells them what are the roads available, which are the different streams which are available, what are the capabilities which you need to have, what are the various training courses we need to have to build those capabilities for you, and then what is the road map for you to get through the next level and things like that. So, there is a clear road map for each and every employee based on the role-based organization structure. It also gives people choices that they can go on a project management stream, they can become a system analyst, they can become a technology analyst, etc. We have also rolled out a three-tier leadership model, because one of the medium to long-term challenges for the company is to make sure that we have a multi-tiered leadership program, because ultimately every employee must feel that he or she is getting the face time with the leadership of the company, the leadership of the company is ready to explain what are the visions, missions, objectives, where are we going, etc., and that is not consistently being delivered unless we have a full fledged leadership program and a leadership capability, and this allows us to create about 300 leaders and then further we will add to the leadership as we go along.

You are in one of the best buildings and best campuses anywhere in the world. Every location Infosys has gone, we have created similar world-class infrastructure, which can be considered as amongst the best in the world anywhere actually and many a time when our clients visit us they tell us that I would love to work here actually rather than back to where I am. We today have capacity to have about 18,000 to 19,000 people, we are adding additional space as we go along, and we are investing for the long term in these campuses. We are in the process of rolling out a Disaster Recovery Center outside India in Mauritius, it will come online very quickly and as I said we have added to our list of proximity and global development centers across Europe and Asia Pacific.

There have been several additional awards which Infosys has received and what it actually tells you is that the company continues to focus on excellence in every aspect of the business, because being world-class means to us being world-class in every aspect of business, you cannot be world-class in



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just, let us say, project management or world-class just in HR or world-class in infrastructure, a world-class company is one which is world-class in every aspect of a business, I would not go through each one of them many of them you would have seen, but the key is, for us this gives us an external validation that yes the company continues to focus on excellence.

Summarizing, actually we look at every aspect of the business, we look at every aspect of the business when we want to build leadership, when we want to maintain leadership we look at every aspect of the business, when we want to look at innovations. Now this facility in some sense is superior to Bangalore because this has been built based on the learnings in Bangalore, so every time we are looking at how can we continue to improve, how can we continue to innovate from a global delivery perspective, model perspective,

We have tremendous experience, we are not sitting back, we are continuing to invest, we are continuing to improve, we have incentives to move work offshore because that gives us greater margins, that is our core competency, so there is incentive for us to further strengthen the global delivery model, very strong financials, best-in-class corporate governance, high liquidity. We continue to add to our services clearly becoming an end-to-end solutions player to our clients. Our set of services, which are designed and evolving to meet the continuously changing client's requirements based on technology, based on business issues, based on solutions, strong focus on excellence and execution, focussed investment in adding to the methodologies, the solutions, continued infrastructure investments, knowledge managements, mature way of leveraging the global delivery model evolved over decades of learning, no shortcuts actually. So the question was asked about how much time does it take, you just takes CMM Level 5, minimum three to five years, it takes to go from level one to level five, if you continuously work on it. So that just shows that one aspect of the global delivery model takes so much time.

We focus on employees, employees are the strength of the company, our challenge is really to create a small company atmosphere culture even though we are a large company, and we do that in many ways. The campus if you look at consists of smaller buildings, each block of about 300 people, we are creating several groups and several business units again, creating the small company culture, creating a multi-tiered leadership to create the small company culture. We are increasing our communications to our employees again to create a small company culture because that is the biggest challenge - to make sure that all the employees understand that we are a successful company, we have delivered, and we have plans to continue to maintain the leadership going forward. So clearly the communication is very, very important to get across to all the employees. Thank you.