



B.G. Srinivas:

Good afternoon ladies and gentlemen. Hope you had a good lunch. It is about 9:45 in the morning UK time, it is a bank holiday back here. It is still suppose to be summertime here but the temperature outside is about 20°C. I am sure the temperatures back home in Chennai is much much warmer. Well, let us move over to the agenda on slide number 3. In the next half an hour I will walk you through a brief historical perspective of Europe. We will take a look at the market place, the market characteristics. We will also take a look at what are the profile of services we do deliver in Europe. Also, we will share our strategy for growth in the next phase in the European market place. Slide 4, Europe has leapfrogged Infosys' growth in the last five years. The compounded annual growth rate has been over 80% and today with over 20% of Infosys' revenue coming from Europe, it is one of the key growth engines for Infosys. Infosys Europe serves clients in different verticals. Some of the key verticals in the European market place are banking and financial services, the telecom industry, manufacturing which includes auto and aero, and retail. In this next slide, slide 5. We opened our first office in UK in the year 1996 and since then we have expanded our operations across the continent Europe establishing offices in the geographies we operate and we believe that this investment has helped accelerate the growth in the European market place. On slide 6, this is the footprint of our services in the various countries we operate. We service our clients in over 14 countries in Europe. This is ably supported by over 9 sales offices and development center in the UK. Our strategy of approaching clients directly through our sales and marketing offices has helped us nurture, sustain, and build a good relationship with our clients and also helped us to ensure that we have a consistent repeat business. Let us move over to the next slide. Let us take a look at the market place, what are the market characteristics. On slide 8 you will see that Gartner has predicted that the IT service spend alone in European market place would be to the tune of US \$183 billion. It is a significant market. It is the second largest market place next to the US. TPI, the Technology Partner International has also reported there is a surge in the outsourcing deals signed in the last two quarters. The IT spending is clearly focused on business process management, IT services, software development and maintenance. So this particular opportunity is very much open for all the service companies. If we take a look on slide number 9, the market spending across the European market place, UK is clearly the leader in the IT spend. In the continent Europe, you would see Germany, France, Italy and the Benelux regions having IT spends which are significant. We do have direct presence in these markets and we have been able to leverage our presence by expanding these markets. The next slide, Europe also poses significant challenges. Europe is not just one market place, it has distinct streams of consumer behavior. Europe also continues to be highly regulated. It is not just driven by cost alone when they look at outsourcing their operations. Infosys has recognized this fact and we have approached the market with our flexible, modular, and value driven approach and also tailoring our solutions to the specific needs of the European clients. The move towards the global sourcing in Europe also poses significant challenges. There are people issues involved in Europe. Again, here if you look at our approach has been very innovative and modular solution sourcing option combined with our proactive resource redeployment option has helped clients mitigate this risk. Outsourcing even today is frequently associated with staff augmentation in Europe. Infosys has clearly shifted this paradigm away from the body shopping, as you could call it, towards a more mature managed services approach, and this is something you will see in all our projects, in all our engagements with our clients.

Let us move to the next slide, slide 11. Let us take a look at the services what is that we deliver in the European market place. On slide 12, you could see the complete footprint of Infosys service offering, which are actually delivered and serviced in Europe. For our clients in the five verticals we service, we do strategy and IT consulting, package implementation, system integration, significant amount of work goes into custom development, business processes outsourcing, and IT managed services are also having significant presence in Europe. We service over 63 active clients today in Europe. Let us pause here, take a look at some of the key services which we offer in the verticals. This is coming up in the next slide. This is an example in the retail industry vertical. A leading food and grocery retailer based out of UK has outsourced 100 business applications which are totally managed by Infosys. We have deployed our trusted transition methodologies and we have improved the service levels in the priority one, and the response time is clearly reduced from what it was before. We have also been able to save substantial amount, to the tune of £1.9 million per annum for this client. Let us take a look at the financial sectors. We do have significant presence in the financial sector in Europe. The next slide, slide 14, this is one of the largest banks based out of UK and here we are



helping them through a business consulting led engagement which involves process consulting. This also has issues which meets the regulatory requirements of Basil 2 compliance. This is again a very strategic exercise we are carrying out for the client, a large complex engagement which has been delivered in a very predictable manner with 100% milestone adherence, with a zero budget variance. Again the cost savings and cost benefits here are significant to the tune of over 60% as compared to their own internal development. Let us move on to the automotive sector, a case in slide 15. A leading automobile manufacturer based out of Germany, we have leveraged our experience in manufacturing and sales environment to provide an improved support service. Again the same pattern you would see in terms of cost savings, over 460,000 Euro saved for this particular client. We had also helped build global templates and help roll out common business processes for this leading automobile manufacturer. On slide 16, this is one of the largest telecommunications company in Belgium. Again here we automated their backend processes, we reduced the cycle time. And the back office automation helped client reduce their resources and we were able to free up 10% of their resources and help them redeploy these resources to meet their own expansion plans. You will see a distinct pattern in all the services we offer [audio disturbance]. Sorry that was a check on the fire alarm, which happens everyday. Okay, one distinct pattern you would see in all our service offering is that we clearly identify the business issue, we position our solutions which are tailored to meet the client specific needs and we deliver value in measurable terms in all our engagements.

In the next slide, we will take a look at what is the strategy we have adopted for growth in the European market place. We have adopted five core principles to approach Europe. Core principle 1 on slide 18. Europe continues to be highly fragmented market, but the legislation, changes in the market dynamics, and the political changes are pushing European companies to reduce this fragmentation. This has an impact on the business processes for our clients and Infosys has been investing and has been developing solutions in the horizontal and vertical market segments to address this very specific issue. In the financial services, for example, we are building solutions around financial messaging, which helps consolidation of payments for banks. There are solutions built around compliance, specific example is Basil 2. In the retail sector, solutions around RFID, distributed order management, and lead time optimization, all of this which play a key role in the retail vertical segment are being developed as a part of our strategy. Let us move on to core principle 2 on slide 19. We believe clearly that our partnerships with Microsoft, SAP, Informatica, Oracle, and Yantra in Europe has helped us differentiate and develop strategic relationships, joint business plans, and go to market strategies to deliver value to our clients. For example, in one of the large retail bank in UK, Infosys and Microsoft teamed up to help client roll out their XP deployment and this again is happening as I speak. Core principle 3 on slide 20, we recognize the fact that the verticals, the industry verticals require distinct skill sets, distinct capability building. For example, in the automotive and telecom segments, we have built specialist skills to address this very market place. We will continue to invest in this. This would enable us to cross sell and up sell our solutions and optimally leverage the investments we make in these markets. Core principle 4, business consulting is again very strategic. This would enable us to connect well with the client, the client's businesses. This gives us a valuable insight to the client's business and helps us understand the business problem better. So, we have been able to integrate our delivery excellence, our capability in technologies to provide services in the business consulting space to our clients. On the next slide, core principle 5, we have adopted a portfolio approach to manage Europe. We clearly are seeing the markets, the verticals where we need to invest, the markets where we need to sustain our operations, and also markets and verticals where we need to regenerate. We will focus our initiatives, our investments by adopting this portfolio approach and redistributing our investments to ensure that we optimally leverage these markets.

To summarize, Europe is a big market place. It has its own unique challenges. Europe is implementing strategies and I have made investments to leverage this potential. With accelerated growth, Europe will continue to be a key growth engine for Infosys. With this I pause and I am open for questions. Thank you gentlemen.

Amit:

Yeah, hi Srinivas, this is Amit from ILFS Investmart. Could you give us a sense of how, you know, realistic is the plan of projecting a delivery center let us say in Eastern Europe for clients based out of Europe? How does it compare in terms of cost structures? And



are there initiatives taken by other than vendors from India also in the pipeline on that front?

B.G. Srinivas: You are talking of development centers in Eastern Europe?

Amit: Yeah, that is right.

B.G. Srinivas: Okay, our approach to that has been that the offshore centers in India would not actually replace development centers in Eastern Europe. This would provide near-shore capability in the time zones we operate. Point number two, this will provide possibly the language skills which are required to do business in Europe, but this will not totally replace the offshore capability which still has an advantage in terms of prices. I am not sure whether the global players like IBM and Accenture have put up development centers in Europe, I am not aware of that.

Amit: Fine, thank you.

Anantha: BG hi, this is Anantha from Morgan Stanley. In terms of spending by the government sector, it seems to be taking off in a big way in the UK unlike in the US where we are seeing a lot of resistance to offshore outsourcing. What explains the difference, and do you see a similar trend in other European countries as well?

B.G. Srinivas: What you said is right, in terms of IT spending in the government sectors, specifically in Europe and in UK has been substantial but the challenges continue like any other government sector that the sale cycles are pretty long and they are slow, but we are not seen the continent Europe opening up as much as the UK government sector. That, we have not seen that trend yet.

Female speaker: Thank you BG.

B.G. Srinivas: Thank you, thank you ladies and gentlemen. Bye.