C. Kakal: Thank you very much. Good morning to all of you. In the next few minutes, what I will do is I will take you through what we are doing in the package product related services space and what are some of the myths and realities in this space, and also what challenges we are facing today and how we plan to overcome them. Enterprise solutions group at Infosys is a truly enterprise capability unit. As you know by now, we are organized on the industry vertical business units for the U.S. market and we are retaining our focus on geography for the Asia Pacific and Europe market because of the challenges we are still facing there today. Enterprise solutions group cuts across industry verticals and cuts across the globe. We are servicing all the clients across the globe, and today if you look at, out of the fortune 500 companies I would say 80% of the companies have embraced some ERP or the other. ERP packages have become their backbone and today we are servicing them all over the globe. Also, today there is no large outsourcing opportunity which comes in our way or anybody else's way which does not talk about packaged products. So that way we cut across industry verticals and globe and service from Infosys. If you look at the enterprise value chain, at the heart of enterprise there are ERP packages today. Leading ERP packages like SAP, Oracle, PeopleSoft occupy that position. If you extend it towards the supplier side, there are again packages like I2 or Managistics which take care of supplier side. If you look at customer side, there are again packages like Seibel or Clarify or SAP CRM, Oracle CRM, which cater to the customer side needs. Added to that, there are enterprise application integration packages, which are used for integrating the enterprises. Today, with all the data that is accumulated in the enterprises, customers are looking at how to extract the data, make meaningful analysis out of that and use it for decision making. So there are again business intelligence packages either provided by external separate product vendors or as an extension of the existing ERP suites like SAP or Oracle or PeopleSoft. Today, at Infosys from enterprise solutions group we are addressing all these through packaged product related services. Our ability comes from the fact that we are in a position to address ERP market, supply chain market, CRM market, enterprise application integration and business intelligence altogether at a one-stop shop. Just to give you an example, in one of the global supply chain project which we did for a large global corporation in semiconductor industry which was towards providing visibility both on the demand side and on the inventory side globally so that they will be able to do a ATP promise available to promise check from anywhere in the globe, that is accepting the orders anywhere in the globe and servicing the orders from anywhere in the globe. Today, we are the only company who are continuing to remain with them and taking care of their needs, although there were many vendors in the past which helped them in doing this global supply chain project. That's one example how we service the enterprise market today. We are not just a package implementation company doing package implementation of SAP or Oracle. We are different in a way that we address the entire life cycle of the enterprise application packages be it the enterprise application package evaluation or subsequently implementation or upgrade or rollout or going forward for production support and maintenance also. So, we cut across the globe and service in all the geographies. We provide the complete value chain of the enterprise applications life cycle packages. As mentioned earlier also enterprise solutions practice at Infosys is growing faster than Infosys average. Also, the other thing to notice that in the past 5 years our revenue growth has been faster than our manpower growth. I will talk about, little bit on the myths around ERP packages and how it is changing today and what are the new games, what are the new rules, and how we at Infosys are well positioned to take advantage of that. If you look at enterprise package related services market, there is a notion that package related services are onsite centric. This myth has been broken by Infosys long ago. When we started this service at Infosys 5 years ago, 6 years ago, from day 1 we started utilizing global delivery model of Infosys, onsite-offshore model of Infosys and applied it to package related services also. Today, servicing ERP market or the package market is part of our methodology, it is part of our DNA, and it is not just a reaction to some event that happened in the market place and it is not a back-end office for us. To such an extent that today if I ask my consulting team to do an ERP implementation completely onsite probably they cannot do it. They will expect that there is an element of offshore in it because our methodology proactively prescribes that these are the activities to be done onsite, these are the activities to be done offshore. To such an extent global delivery model, onsite-offshore model has been tailored to ERP package related services at enterprise solutions group at Infosys. The other advantage we took from Infosys, the rest of Infosys, is applying the CMM concept to package related services. Generally CMM concepts are used for custom development applications, where as we used the same concept, we adapted the same concepts to package related services also. That helped us actually deliver the project on a high quality basis with a predictable

manner. So this is the myth that package related services are onsite centric has been broken by Infosys. If you look at the other kind of myths, especially when it comes to large corporations and global rollouts and all that, there used to be a practice that local country needs are best serviced by local consultants, local consulting teams. Today, what we see is that with so much of globalization and standardization of the business processes, it is very important for the system integrator to have the global view of the IT applications, global view of the packages, standardization that is done and then use that knowledge for doing the global rollout. Today, we have global teams which are emanating from India and we service the corporations globally in global rollouts knowing fully what their global landscape is and what their local needs are. We use our local consulting teams to do the localization part of it, otherwise we use the global team to move with the customers, and our ability to walk with the customer from one place to another place and handhold them during their global rollout has been very much appreciated. For example, one of the global rollout we are doing for an auto major both in Europe and Asia Pacific, we were a party to doing the global template design along with them, so we have a complete global view of their business standardization, business processes, and we use that knowledge to effectively rollout into multiple countries. The other practices that was followed yesterday was for servicing the different divisions or different geographies, we used to get requests earlier from companies to have different teams, either because they wanted to maintain their specialty or they wanted to have their control, today things are changing. Today things are changing; today the global sale support service 24/7 which we can offer from India and with a lean onsite presence has become very popular. So we have exploited that and we are using a single support organization to do that. The other practice that used to happen was like earlier Steve and Paul mentioned, there used to be consultants who are providing niche services earlier and doing a business strategy kind of exercise or package evaluation exercise and leaving it to somebody else for doing the actually execution or implementation part of it. Today, that is more or less broken. If we go to the clients' place, if we suggest a strategy, we advise them, they also expect that we will execute them. So today with Infosys Consulting also on board, we are in a position to provide integrated service both on advising the clients as well as executing it, especially so in case of packaged products. This gives customers a predictable experience, there is no loss due to the handshake. There is no falling through the crack. Earlier, outsourcing did not mean that there has to be an element of offshoring. Today, even in package related services space, outsourcing definitely involves offshoring. I would say that there is no large RFP today which goes out from the customers' place which does not ask for an offshoring strategy, and in our case, using our global delivery model, offshoring is a part of our methodology and DNA and not a reaction. So we are not like others, we are not saying that we have a package implementation group, which also does from offshore, it is part of our methodology. The other interesting thing that is happening today is the complete ecosystem of packaged products, the ERP products, is shifting offshore. If you look at the large ERP package vendors like SAP and Oracle have shifted their product development mostly offshore. Probably they are having their second largest development centers outside of their home base in India, either in Bangalore or Hyderabad wherever it is. So the product development is happening offshore. Product implementation and related services are happening by company like Infosys. Once the packages are implemented and rolled out, where are the users. Today, with the business processing outsourcing shifting offshore, users are sitting offshore probably in the next building. What is the use and they come up with an experience of the package usage, either they come across a product defect or an application configuration defect. If you look at, they raise a ticket or an issue which actually goes into another system integrator or another building in a company like Infosys which does the production support and maintenance and they fix the issues. Once we accumulate all those issues, we are today providing feedback to the product vendors like SAP and Oracle and it goes back into their product development. Once they develop the product, new version, we get a chance to have a peek into the product before it is released. Look at the ecosystem which is circling around the offshore centers, and today we are in a position to take complete advantage of that because of our closeness, our proximity, and the complete ecosystem and the epicenter which has got shifted offshore. Also, earlier there used to be consulting companies like you also saw from Steve and Paul's presentation, there used to be advisors and system integrators and offshore companies. Today, we are moving towards the 21st century model. There is no place for vapor ware, sorry, there is no place of paper ware, it is completely becoming who can execute the project and show it to me. Today, those earlier cases of the big advise and the bound volumes, the big bound books of strategy, which is left for somebody else to execute has gone. Today, we are in a position to take advantage of that and with our

Infosys Consulting also coming into place we are working on the 21st century delivery model. These are some of the myths and realities which I thought I will share with you on what is happening in this space and how we have changed at Infosys the rule of the game. To talk little bit on the challenges we are facing today or the product vendors are facing today in the market place. If you look at the product companies, the large scale ERP implementations have gone by. Today, it is mostly the incremental investments on the packages which customers have already implemented as their backbone. So there is incremental investment happening, so the licensing revenue may not be growing as fast as it used to be earlier. So what's happening with the market? Products companies are actually getting merged or acquired and then there is lot of murky things happening in the market place. You know about the JD and PeopleSoft and what is happening between PeopleSoft and Oracle. Similarly, if you look at the product licensing revenue, probably except for SAP everybody is posting bad results. Product vendor companies themselves are morphing and then trying to see what other revenues they have. Today, if you look at, product companies are going one step ahead and then say that we host the packages and give it to you on demand. So these are some of the changes happening in the market place. Also product companies like SAP and Oracle are becoming more and more open with their newer platforms with an ability to assimilate and work with other _____(voice inaudible). If you look at the licensing revenue growth, the licensing revenue growth for product vendors is not probably growing as it used to be earlier, but what we see in the market place is that it is not just a direct correlation between the licensing revenue and the consulting services which we can shoot for. We see growth happening because of various reasons. One of them I would say is that, there is still incremental investment happening in the market place on their ERP backbone. The second thing is there is lot of consolidation happening, standardization of the ERP applications they have, there is global rollout happening, using the licenses which they have already bought earlier, there are upgrades happening in the market place. There are production support and maintenance requirements on a continuous basis. So we see that as a market although licensing revenue may not be growing as fast as it used to be earlier. Also the second reason is that we are gaining market share, while somebody else may be losing market share, we are gaining market share because of our advantage on the global delivery model. The other thing which we are doing at Infosys is to focus on solutions. We have built solutions to offer these packaged product related services. If you take one example on upgrade, today we have the complete upgrade kit which we can take to the market and provide an accurate estimation and also do an execution in a predictable manner. We have upgrade kits for example which can be deployed even remotely from India to the customers' system. It will help to evaluate and say what objects of the modules are impacted by upgrading, what is the effort required, and how much effort and timeline is required for us to do the upgrade. We actually do the trial upgrades from offshore so that production upgrade can be done onsite in the customers' place. Today, we have used these upgrade kits and solutions in the market place and customers have gone on record in saying that we were able to deliver the project in the predictable manner and with a cost saving. In fact recently in one of the upgrades which we did in SAP in Europe, customer has gone on record saying that Infosys could complete the project as expected with a 20% cost saving. So that is the kind of solution benefit we are getting and we are passing on to the customers. We also have other solutions which we are working on, in benefits administration for the U.S. customers, package assurance, for example if the package implementation is done by somebody else also, we could get in and then assure that the package will do what we expect it to do rather than allowing the package implementation to become a failure. Like that we are working on solutions today and going to the market with our solution-based approach. You have seen this slide before also when Kris made the presentation. With Infosys Consulting, with enterprise solutions group focusing on package product implementation and related services and Progeon doing the business process outsourcing, we are bringing in a synergy to the market place. Like I said earlier, the product ecosystem is revolving around offshore and we are making best use of the change in the ecosystem today. The other thing to note is, like it was mentioned earlier also, the talent pool that is required for ERP package related services today in the market place is going down. There are no major implementations that were happening in the past few years, so where do we get the talent pool. So we realized that this is going to be a major bottleneck and we started what we call as enterprise solutions university at Hyderabad where we are preparing our own functional package consultants. They go through 12 weeks of training. We pick them up from the industry who have got industry experience and who have got a management education background and who might or might not have previous package related experience, we take them through a 6 weeks of

generic training which is methodology specific, process specific, need not necessarily package specific, then we blend them off into package specific training, and at the end of 12 weeks with a dummy project also done they are ready for implementing the ERP packages or any other related services and we have an opportunity to put them on to an offshore project to begin with and later they could go onsite with the package knowledge, with the consulting ability, with the management education to understand and appreciate the business process. So we are using this ES university as a road for preparing our own consultants. As I know today, no major system integrator or a consulting company has taken this kind of a drastic approach to prepare package consultants. So we are preparing functional consultants and technical consultants. We have passed about 250 functional consultants already through ES university, and may be about another 250 technical consultants, and we have firmed up this model for preparing our own consultants. Also, our relationship with package vendors like SAP and Oracle has become much more deeper today and much more intense. Today because of the proximity we have with the product development teams and because of our ability to deliver package related services from offshore, package vendors have taken our presence very seriously. Today, we have joined business plans with these package vendors like SAP and Oracle. We review them very regularly and this is not just a paper plan for the sake of it or just for getting the licenses, pre-licenses. We don't have that kind of a partnership arrangement with the product vendors but our relationship with the product vendors have become much more deeper. Today, we have relationship not just at the higher levels in the market place but also with the product development teams here in offshore. In summary, I would say that although packaged product licensing revenue may not be growing as it used to be earlier, we at Infosys are certain that we have enough space to operate. There is enough consulting revenue where we can shoot for, there is enough opportunity for us. Second is, because the product ecosystem is shifting offshore and the trend is very clear that it is going offshore, we are in a much better position to take advantage of that and do all the package related services from offshore. Thirdly, I would say that we are gaining market share, what we are doing today has got enough opportunity in the same space for us to grow in the market place, so we are very bullish that this will be the service at Infosys with all these we will be able to grow much faster than before. Thank you.

Any questions?

Shekar: Hello

C.Kakal: Yes

Shekar: Hi this is Shekar from DSP Merrill Lynch. See earlier there used to be some relationship between the, say if the cost of package is X and the implementation used to be some percentage of X and then basically the maintenance used to some other percentage of that. How has that changed in the new model, where you are using offshore more. So say if I buy a package for a million dollars or whatever, how does the downstream revenue work out?

C. Kakal: The direct correlation between the licensing revenue and the related services probably is broken now. I would say that there is incremental investment happening today on the existing ERP packages which the customers they already have. So the licensing revenue may not be very high but there is consulting revenue available. For example, today if you look at upgrades. Upgrade does not bring in any further revenue to the product vendors apart from their own maintenance fee, but there is a huge market for us and there are companies which are doing upgrade rollouts. They would have already bought the licenses in the past and today they are rolling it out. So that does not add any more revenue to the product vendors as licensing revenue. So I would say that, still I would say that probably 1:3 is the total kind of ratio today. If you look at the ERP space, the survey show that 26-27 billion is the ERP market space revenue, out of which may be about 7-8 billion is the product license revenue kind of thing. So probably about 1:3 kind of a ratio.

Shekar: Shouldn't that be coming down actually, even earlier it used to be 1:5 or something, so do you expect it to come down further as more and more companies start offering these services from offshore, so instead of 1:3, it actually comes down to 1:2 or something, so basically what we are talking about is actually the size of the pie shrinking just because of the offshore thing, so even if you are gaining market share, how long can you sustain such strong growth rates.

C. Kakal: Okay. What is happening today is that, see this ERP packages have taken a position in the enterprise which is a backbone for the enterprise. Earlier these positions were taken by the legacy systems. Today, it has been replaced by packages. So whether or not the package licensing revenue goes up, there has to be continuous revenue stream available for system integrators, consulting services, either because of the upgrade or incremental investment or consolidation that is happening or the products and support and maintenance that needs to be done on that, or integrating the enterprises, or when mergers and acquisitions happen they have to rationalize there ERP systems. So we feel that because it has created a backbone of the enterprise, so there will be enough work for the package related services as we go forward. Thank you very much.