



Stephen Pratt:

Okay, well thank you very much. First of all I think the theme for the conference is exactly the right theme when it is applied to the consulting industry because if you look at what is happening in consulting, and where Paul and I and the rest of the people on Infosys Consulting have spend our careers, at least a large part of our careers, that it is a tremendously dynamic time, and I think a time of great opportunity in the consulting industry. I would like to talk a little bit about that opportunity and our strategies in attacking the business consulting market. So if we go to slide three, I would like to get right to it. So first of all if you look at the evolution of the consulting industry, what happened in, what I will call the traditional way of doing consulting, was in the 20th century, in fact the early 20th century, in fact 1915 to about 1940, a lot of traditional management consulting firms arose, firms like Booz-Allen & Hamilton and McKinsey & Company were really the pioneers of the management consulting industry focused on being advisors to clients, they were really the business experts, really the model was done very much onsite. It was a high cost model, and the emphasis on quality was really on business ideas. So that was the way the industry was for a very long time and those firms really designed for the battle of big corporate titans where the future was very predictable and you would spend about 6 months planning out your business strategy and then spend multiple years executing the strategy, and that model was finely tuned to consult in that area. And then what happened in about 1980 with the advent of the personal computer and then with more enterprise systems like SAP, Oracle, PeopleSoft, the big eight accounting firms decided to really get into systems integration in a big way, and so they made big investments in attacking the market, and what distinguished those firms was instead of really being advisory firms, they were more doers. They were the people who really did the implementations. They were IT experts. It was onsite still and very high cost, and the emphasis on quality was really around large project management. And then late in the 20th century what has happened is that when Y2K came about, this really fueled the expansion of the offshore software engineers and of course these would be, the leader in this area is Infosys, and there are obviously a lot of companies having followed that lead and gotten to that as well, and the emphasis was on implementation on doing the firms where IT experts, the model was a really revolutionary business model where the work was done off site which led to very low cost and very high quality technology. Well, that's the way things used to be, and I would say that was sort of the old game and the old rules, and what's happening now is, there is so much static industry of consulting has become incredibly dynamic, and I think if you ask the people in the management consulting firms or the systems integration firms or the offshore software engineering firms, what the new model is, what is the 21st century model, they would agree that it is the model on the right hand side of the slide which is there are advisors and doers within the same firm, there are business experts and IT experts working side by side. There is an onsite component to the team and an offshore component to the team, and there is a focus on getting very very high quality business results and the overall model is lower cost, and I think that if you asked any of these firms, they would agree that this is the way of the future because of the way that the business has changed. I think Kris talked about the acceleration of business cycles where there is no longer this well defined time of advising, followed by doing, they are now moving together and there is no longer a distinct business part of the problem and an IT part of problem, they are meshing together, and certainly the globalization of the knowledge business has been enabled by global telecommunications.

So if you go to page 4, these were some of the challenges that each of those types of firms are facing. The management consulting firms I think realized that they should really try to get into technology and they should really try to get into implementation, and you saw a lot of those firms trying to move this way, you saw Bain trying to move this way, McKinsey trying to moving this way, and then finally abandoning that strategy because really the cultural rejection of technology and its implementation just prohibited them from getting this done, and you have seen a little bit of a retreat from the management consulting firms to focus more on corporate strategy. The systems integration firms, Accenture, IBM and others, I think also have realized this is the place to go and faced very very big difficulties, mostly financial difficulties and risk difficulties, because if you look at the financial challenges in moving from the left side of the page to the right side of the page, they are extraordinary, that basically it is having to completely change your workforce both from a location point of view and from a training point of view and it is just proving to be a extraordinarily difficult. Paul and I have both worked in both management consulting firms and in systems integration firms and have seen the challenges in executing towards the right hand side, and of course the reason that we are at Infosys is we think that this is the best place to be to attack that new market, and so the challenge is



of course none of this is free of challenges but Infosys I think is best positioned to do this. Our challenges are around scaling the business, to scaling the consulting capabilities within the business. It's the integration of the business and IT together and repositioning of the brand to be one of the foremost consulting firms of the world, and I think we are well on our way to do that, and I think as I said this is the place to be and obviously we are seeing a lot of people _____(voice inaudible) to come join us at Infosys. If you go to page 5, I will talk a little bit about the financial model and the underpinnings of why this is really an innovative business model. If you compare the cost of a resource, and let us just say US resource onsite versus an off site offshore resource, it is about 6X to X ratio, so 6:1 ratio. So assuming that let us take Accenture, assuming that the Infosys onsite rates are identical to the Accenture onsite rate, and the offshore rates for Infosys are identical to the Accenture offshore rates, you will see that our business model provides a huge competitive advantage that the traditional systems integrator if they really really push it would push may be 20% of the work offshore, in fact both Paul and I and the rest of the people who have spent 20 years in that industry would say it is very difficult for these firms to even to push 20% offshore. So our model using Infosys Consulting and GDM is very comfortable moving 60% of the work offshore, and if you look at this, if you do the math on that, the comparison is the traditional systems integrator having a cost factor of 5, us having a cost factor of 3, which is a 40% difference. This is not to say, in fact we are not pricing our services 40% below the competition, I think this gives us an opportunity to really stretch the margin, it also gives us an opportunity to talk to the client and say, you know, you should probably reinvest a little bit more on the business design and preparation as Kris said, we think that is better for clients, I think IT projects will be, will get better business results if that is the case, and I think it is just overall a better model. In fact I had a conversation earlier today with the CEO of one of our clients and it was a fascinating conversation because he was so excited about the implications this would have on his business that he said tell you what we are working this weekend to put a proposal together to you to move more of our services to you. So we would like to move some services from IBM to you and to really make a big move. So I think we are getting a lot of resonance in the market and it is a very exciting time. So if we go to page 6, what its really about is execution and I would like to have my friend Paul go through the executing on the plan section.

Paul Cole:

Thanks Steve, and good morning everyone. For those of you who have covered our industry for sometime you might be saying yourself, I have seen this movie before and I am not sure I like the ending. Whether that is an EDS going upstream by buying AT Kearney or whether it is Cap Gemini combining with Ernst & Young, you could be saying yourself what's different this time. I think the biggest difference really is not so much in the concept of putting consulting and offshore together. I think it is really in how one goes about executing against that strategy, and obviously to win we must have top talent teaming very effectively with Infosys to deliver higher return on investment from IT projects within our clients. So why don't we spend a couple of minutes in going through some of the facets of our execution, if we can go to page 7 please. First, I will reinforce the point that we are building this organization organically, we could have gone out and done an acquisition, but by building organically we are able to build a culture that not only fits with the current times to the market, but also immediately aligns with the values of the Infosys which we want to fully embrace. Secondly, I would say that in terms of the kind of people that we are going after in the market, we are going after what I call the hungry and the disenfranchised, not the big-time seasoned high-paid partner other than Steve and myself I guess, but really the next group of people who want something fresh, who want to get back into a consulting operation that is growing, which is really rare today. So, I think it actually still is a buyers market for consultants. One thing you will notice in looking at the list of people that we have illustrated here on slide 7 is that they come with both in some cases consulting and industry expertise and we intend to continue to blend that into our business model bringing in seasoned consultants but also people who have real world experience in industry which we think will help increase the pragmatism. Fourth, I think it is worth noting too that in all of our hiring to date and I think through the rest of this year, we will be able to build up our team really through our networks out there in the market place and we will be able to avoid paying the fairly steep premiums to head hunters and recruiters that often comes with having to scale up of the business. So I think that's actually advantageous for us and speaks to the strength of our networks. We move on to slide 8, and we look at the job of integrating internally, which is never an easy one no matter what organizations you are talking about. In terms of internal alignment, this is not a case of separate buddy, which has been true I think in some of our legacy organizations,



instead this is all about one operation which is comprised of different skill sets, but complementary skill sets, which are brought together importantly by a shared financial plan. All budgets in Infosys Consulting sit in the industry business unit's budgets, and from the very beginning are actually tied together and we think that drives the right kind of behavior. Those goals are translated to a personal level. There is absolutely no ambiguity about what we have to do for the revenue that we generate to drive downstream GDM business, and we are really focused on selling consulting services that are connected to technology deployment. I think there is an opportunity if you look at the historical strengths of Infosys in providing technical capabilities to go up one more step in the food chain if you will and really begin to focus on driving business solutions into our clients, that is the world that Steve and I comes from and are comfortable with, and we think that Infosys Consulting can help position Infosys at a higher level to take on more business related problems within our client orientations. Lastly, I comment on attitude and culture, we are not trying to create or recreate the legacy cultures that we come from, and in fact we wholly embrace the Infosys model. We want to be first and foremost known as Infosys employees, in fact just as a smallest expression of that, all of our offices that we are building here in the United States coexist within Infosys offices to make sure that we have got that interaction going on a daily basis. In fact Steve is here in Fremont with Basab who is the worldwide Head of Sales. I happen to be at Boston with Shibu, one of the founders who happens to be the Head of Worldwide Delivery. So we have that integration occurring on a day-to-day basis. We go to slide 9, ultimately all of this has to resonate with our clients. The world really does not need another consulting firm just for the sake of it, but I think they do need a better return on the consulting dollar. This has been a wake up call to our industry. We want to help to revolutionize consulting by bringing better return and I think that comes simply by having better ideas and better consultants delivering those ideas to our clients, helping our client become more competitive by isolating the areas that they can either out execute their competitors on by doing it better or by doing it differently and by linking all what we do in terms of delivering that shareholder value. We think that on the investment side it is a better deal for the client because as Steve has mentioned, the combination of the consulting onsite with the GDM offshore brought together gives us a very competitive blended rate which allows the client to invest less in the consulting and get a higher return, and by adopting the strong legacy with an emphasis of quality and process improvement, we think that that improves the odds of actually implementing the solutions the first time right, which again helps to maximize return and minimize the investment of the client. So if you go to page 10, I guess we would say that we are in our early days, but that the early signs are encouraging. We do have a healthy pipeline of opportunities. We are not speaking hypothetically anymore. We have quite a number of projects already underway, and we feel that the integration and the alignment internally is working well. We have consultants who want to come work for us, and importantly we have clients that want to do work with us. So with that I will turn it back over to Steve to summarize.

Stephen Pratt: Okay thanks Paul. So I think in summary, on page 11 that we are very pleased with our progress. We obviously have a long way to go. I think we are very very encouraged by the business model, by the reaction to the business model by our clients. We are very pleased with the recruiting response, the number of extremely talented people that we are getting is really extraordinary, and I think Paul has said it exactly right it is the hungry and the disenfranchised, I don't think at least in my 20 years in consulting, I have never seen more hungry or disenfranchised people ever. So I think that that really will help us, and I think it is a great labor market for consulting. It appears as though the demand is, for the industry is picking up, so we are very encouraged. It is our intent to basically build the worlds most competitive consulting firm, and I think we are basically at the point where we have built the foundation for that and now it is a matter of scaling it and attacking the market in an increasingly aggressive way. So if we go to page 12, we will be glad to take may be a few questions.

Yogendra Deepsingh: Thank you. This is Yogendra Deepsingh from CRISIL. Steve, if I just look at slide 5, I see that the major cost reduction to the client is due to Infosys performing more of its work offshore and you had said that systems integrators, you know, face problems moving work offshore. Could you just walk us through, you know, what are some of these problems and what prevents them from moving from 80:20 to 40:60 please.

Stephen Pratt: Yeah, sure of course. Having lived that problem for many years and Paul has also lived that problem for many years from the other side, the big problems are that the workforce is in the wrong locations, right. So, fundamentally, most of the workforce for the systems



integrators are in high-cost locations around the world, and the fundamental economics of the business are driven by keeping those people busy, and the partner matrix and the partner of compensation is tied to utilization of people in high cost areas, and the offshore entities are treated as region X or a separate entity or extended delivery, all these words are used as opposed to the _____(word not clear) way of doing things. So that's, fundamentally the people live in the wrong places. There is another a big problem, is that there are generations of consultants who have grown up learning a methodology which is fundamentally based on people getting on aeroplane on Monday morning, flying to the client site and working together, and they have not developed the operational discipline nor the processes for working with people that are remote from one another. In fact the definition of a global project in a traditional systems integrator is that people get on airplanes in different countries and fly to the clients and that is a global project. So I think that, I mean, those are two of the big challenges, there are, obviously those all have huge financial implications if we try to fix them, but those are probably the top two.

Mahesh Vaze: Hi, this is Mahesh Vaze from Brick Securities. Consulting is a brand business, and while Infosys is a big brand in IT services, it is not much of a brand in the consulting space, do you pursue that as a challenge and how exactly are you addressing it?

Stephen Pratt: I am sorry, I did not hear the question?

Mahesh Vaze: Okay, can you hear me now?

Stephen Pratt: Yes I can, thank you.

Mahesh Vaze: Consulting is very much a brand business, and Infosys is not exactly a consulting brand, so do you perceive that as a challenge and what exactly are you doing to address that?

Stephen Pratt: Right, okay. So there are many different ways of building brand and there are many aspects to brands that if you look at the Infosys brand that there is a fascination with Infosys in the major consulting consumers in the world. So if you look at the United States, the UK, even Japan, I think there is tremendous fascination with Infosys as an innovative company, as a fast growing company, as a highly successfully financially company, and I also think there is a bad part to the established brands where the established brands have, you know, are sometimes thought of as being overly expensive and may be not always successful, and so I think that Infosys does have a brand that people who buy consulting are willing to buy. There was work to be done in moving it up so that if people have, if Chief Operating Officers have a very complicated change they need to make to their company, we would like to move it to the first person he would call would be Infosys, we are not their yet, but it is our intent to do that, and I think we can do that in a way that is a more sophisticated branding as opposed to a screaming approach to it. I think that if you look at the way McKinsey and BCG and Booz-Allen do branding, it is very very effective, but it is not taking out \$40 million advertising campaign. So I think building brand based on intellectual property, built on having a point of view is I would see the probably the direction. Paul I don't know if you want to add anything.

Paul Cole: I would just say, obviously we had the option as we thought about how to go to market, coming up with a separate brand, knowing that Infosys was not naturally associated necessarily with consulting, but we felt that there is such a strong story about Infosys as a company, we felt that there is enough goodwill around Infosys and the ability of that brand to stretch that we were on balance better off associating ourselves with it than not, and just by adding Infosys Consulting as a subsidiary, we are able to give ourselves a business model which reflects some of the idiosyncrasies of consulting, but also demonstrate _____(voice inaudible) part of one company, and we think the power is in not losing the translation between the advise that comes from the consultant and the system that gets build by the technology services company, and by doing the branding together, I think we are reinforcing that message.

Mahesh Vaze: One small question for you Steve. You used to meet prospective clients even from Braxton, and now you are meeting them from Infosys, how different is the client response?

Stephen Pratt: Well, they are much happier when they see the bill, right. I think that they are really fascinated because we sort of have this joke running, you know, what is the best way to get a discount from Deloitte or Cap Gemini or Accenture, and that is to hire Infosys



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because we have a lot of people who used to work there and we have taken the best of those people, and the best, the top 10% from those firms and from other places and combined them with GDM. So I think, you know, this is very much a people business and when you get in front of a client and you discuss the business model, they are very excited. I think that Deloitte and Cap Gemini and Accenture and IBM are all great firms but they have extraordinary challenges and I think that the reaction that we are getting from our clients is terrific.

Female speaker: I am sorry, as we are running out of time, we won't be able to take up any more questions. Thank you Steve and Paul for your presentations, and thanks again for staying...

Stephen Pratt: Thank you.

Paul Cole: Thank you.