



Ashok Vemuri:

Thank you. Good afternoon everybody. My name is Ashok Vemuri and I head the Banking and Capital Markets Practice in North America. I will briefly run you through the format of the presentation. I will talk briefly about, I will introduce the financial services practices in Infosys, talk little about the markets, give overview of the market and the client imperatives that are being derived thereof, talk little about the financial services strategy that we are putting together to address these client imperatives across industry expertise, risk management, solutions and alliances and integrate outsourcing, and then go on to talk a little about the benefits that we think this strategy is bringing to the table.

The financial services industry is the largest end user of Infosys services. We work in North America through the Banking and Capital Markets Practice and the insurance and healthcare practice. We work in Europe, we work in Asia-Pacific, we work through two other units; one the Global Accounts unit and the other being the Banking Business unit. Financial services is the largest contributor to Infosys' revenues accounting for 34% of the revenues of which 76% comes from North America. The banking business unit develops and markets the Finacle suite of banking products and solutions. As I said earlier it contributes to over third of company revenues and has been growing at a CAGR of about 39%. Some of the key matrix, these are financials as of 31st March, 2004. The number of active clients is 127. Number of clients greater than 30 million is 5, those who are greater than 5 million is 13, with a practice strength of 85%. At this point of time, or as of 31st March, 2004, the revenue profile is about 13% from consulting and package implementation, application development and maintenance is about 55%, testing and re-engineering about 12%, and the others is about 20%.

We service the complete spectrum of financial services industry. We work in the areas of banking, capital markets, diversified financial, and insurance. In the banking space, we work with retail banks and credit card companies, we work with transaction banking, we work with treasury departments, we work with the corporate and credit groups, we work with the private banking groups. In the capital markets area we work with investment managers, we work with brokerage firms, we work with advisory services, and we work with custodial firms. On the diversified financial area, we work with leasing and finance companies, benefits administrator, travel related services and trust services. And in insurance we work with life, property, and casualty, insurance brokerage firms, re-insurance companies, and healthcare firms. And we service this spectrum of financial services through a suite of end-to-end business advisory and execution services. The capabilities that we bring to the table are strategic planning in terms of global sourcing strategies or portfolio rationalizations. We bring business transformation capabilities like doing organizational wide business process re-engineering, and post merger integrations. We bring operational efficiency to the table in terms of straight through processing or claims process automation, and we do risk management compliance based on regulatory frameworks like Basil 2, Sarbanes-Oxley, AML, HIPAA, etc. We also work in customer and revenue management, opportunities like the unified customer view, data management, pricing strategies, etc. And all of these capabilities we bring to the table through a host of services. As IT begins to form center stage, as IT begins to gain center stage in terms of driving the overall corporate strategy, we are getting increasingly invited to the boardroom to bring business consulting, process consulting, and strategic direction setting initiatives. Not only are we providing these business consulting initiatives but we are also being asked to implement them, and we are doing them through our tool based application development and maintenance as well as enhanced maintenance that Kris talked about earlier, we are doing infrastructure maintenance, business process outsourcing, etc., all of it under the umbrella of a very robust program management capability.

I will talk a little about the market overview and the client imperatives that are being derived thereof and then I will talk a little about the strategy. The worldwide financial services industry expects to spend close to about a \$130 billion this year and this is growing at a CAGR of about 6.3%. Some the key facts of this industry, technology is one of the top five business issues of financial services CEOs. The financial services industry represents the largest spender, the largest market for IT services spending worldwide. Financial institutions have been at the forefront in terms of outsourcing both technology and operations. We are now seeing growth in all segments in this industry due to the recovery in the US and world economy as well as several other key drivers. One being the quest for competitive advantage. Two, M&A related IT integration activities, of course the overriding regulatory environment. We believe that the era of buying only technical



expertise is on its way out and that of buying business IT expertise is coming in. Certain mega trends that I want to focus on that are driving client strategies and expectations from our service providers and thereby defining the new game. We believe the financial services mega trends that are helping shape this new game are improving customer management, increased cross sell to reduce churn, essentially customer and client retention, increased regulatory oversight, both external as well as internal in terms of implementation of certain internal compliance measures which have not been, which have probably been overlooked in the past. Global sourcing for competitive advantage. Growing global competition and entry of non traditional competitors, increased complexity, and sophistication of financial products and services, importance of scale leading to industry consolidation like the one we saw of Bank of America acquiring Fleet or the merger between JP Morgan and Bank One, increased use of technology to deliver products and services in a highly networked environment with very sophisticated end users and cost reduction through operational improvement and enhanced productivity. And these financial services mega trends are driving certain client expectations, and these client expectations in turn are driving certain expectations that our clients have of service providers. Our clients expect our service providers to have global sourcing and delivery capability not only in the geographies that they operate in but also deep domain competency in the verticals and sub verticals that they operate in. They are looking for uniform and consistent high value capabilities that will be delivered across the entire spectrum of the team that services them. Pure low cost strategy or differentiated strategies in terms of the sophisticated client-facing group and a weak back-end are not adequate to meet the client expectations. There is an expectation of partner size and scale, there is an expectation that the service providers will bring certain process capabilities and financial muscle to the table to be able to manage and mitigate risk more effectively. There is an expectation that there will be an ability by the service provider to scale and scale rapidly in order to meet the changing business requirements of our clients. Our clients are also looking for strategic partners who have a deep experience, who have a common shared business vision, and business goal alignment in order for them to partner with on large deals, both large in terms of value, volume, and tenure. There is an expectation of providing an integrated operation and technology offering which I will talk about later, and the ability to provide industry focussed solution rather than just plain vanilla services.

We will talk a little bit about Infosys' strategy to meet these client expectations. I list again on the left certain client expectations, the expectations that I had outlined earlier; and top on the right some of our strategic response and our focus for 2004 and beyond. Our clients are increasingly reposing trust and reliance on us to not only bring technology solutions to the table but also deep domain knowledge and process capabilities to make them competitive in the global market place. Our strategic response is driven by these client imperatives and they are designed not only to meet these expectations but also to exceed them. Our response and focus for 2004 and beyond is one, increased focus on building domain and process skills. Two, achieve partner of choice status through process innovation, to provide low risk and high value solutions and services. Three, develop industry focussed services and business solutions internally or through third party alliances. And four, provide an integrated end-to-end outsourcing service. I will talk in detail about this four-pronged strategy.

We are investing in our people to build depth and breadth of industry expertise. There is an emphasis on recruiting business consultants and analysts both in the local markets as well as in India with structured training programs and certification so that we are able to meet one of the key requirements that our client have of us; understand their markets, understand their business, understand the actualities of the business they are in. We are quantifying various key assets from existing projects to leverage innovation and enhance capability for new initiatives to provide faster and effective solutions for our clients, something again Kris talked about in the morning in terms of pride, etc. As an example, we are working with a large investment manager and benefits administrator. The fact that we have significant amount of domain and process knowledge has allowed us to crush the implementation time by about 25-35%. And today we are not only regarded as benefit experts by our client but also by the end users of the said client. We are taking steps to ensure Infosys remains the highest value and lowest risk provider. We are leveraging our multiple worldwide and India locations to mitigate geographical concentration risk as well as to widen the source base from which we can source skill sets and capabilities. The appointment of the Chief Risk Officer for key accounts has been widely appreciated by our



clients. This not only provides us and them with a well defined and structured risk management plan, but also helps us identify areas of potential breakdowns and remedies thereof. We have a robust disaster recovery and business continuity plan for all accounts. We review them regularly with our clients and we put them to stress test quite often and to ensure that they are effective and current. We do a quarterly review of all our financial services clients for the GLBA Act as well as compliance standards on the BS 7799. We believe that the key differentiator in today's financial services market place from a service provider perspective is to be able to understand the business and technology imperatives of our client. We not only believe that is important but what is more important in that is to be able to provide solution services that address these business and technology problems. Our solutions comprise process know-how, domain and industry expertise, and strong technology competency. Our solutions have been identified after extensive client and industry analysts' validation and they cover the area of operational improvement, risk management and compliance, customer management, and technology specific to the financial services space. We have forged alliances with the established and emerging technology vendors focused on this industry to synergize competencies to be able to provide solutions to our clients effectively and fast. We are seeing a significant amount if not already in place the convergence of technology and operations, and one of the areas that actually bears that out is most of our clients today have a single technology and operations executive. We are re-defining our established outsourcing model to offer a seamless IT and operations offering. We are integrating this at a strategic level, at the boardroom level where we are capturing value and providing direction. We are doing it at the operational level where we are facilitating change management organizational strategies, and at the tactical level where we are doing the heavy lifting both on the IT and the operations side to ensure that they are effectively integrated.

We believe that this four-pronged strategy that I outlined above is helping us define the new rules for the new game and we believe that it is creating the structure for the next generation company. Given our strong execution capabilities acknowledged and recognized the world over as being superior to the other offshore players as well as the global majors and our fastly improving industry competence, we believe that we are uniquely positioned for our clients to use us as service provider of choice. Moreover on the financial services side given our dominant market position, our deep experience, and the sophistication of our solution offering, we believe that we are the key driver to define and re-define the new rules for the new game. Thank you.

I am open to questions.

Male participant: Could you comment on the opportunity space and IT outsourcing deals and you know what is Infosys doing in terms of addressing this space?

Ashok Vemuri: The opportunity for IT outsourcing deals in the financial services space, I think, is immense, something that has been borne out by my presentation, and I think we not only are we the dominant market leader in this particular space, it is from an external perspective but also internally we recognize that is an area of great competence and strength for us. So we are approaching the market not only from the traditional perspective or the way we have been doing it in the past like application development and maintenance, which we are making better, but also in terms of the solutions, etc., that we are providing. I think today in the IT outsourcing market from the services market perspective we provide solutions across the entire spectrum of things that are of importance to the client whether it is compliance, whether it is operational improvement, risk management, etc.

Male participant: I am talking about, you know, taking over employees of customers.

Ashok Vemuri: We have not done a deal of that nature as of now. If there does present a deal which makes it commercially viable for us and something that fits in with our overall strategy that is something we will definitely look at.

Male participant: Are you seeing such deals in the financial services space?

Ashok Vemuri: We have seen some, none of which have come to fruition. I think a lot of them are in the preliminary stage of discussion, we are involved in those discussions.



- Anantha: Ashok, this has been one of the earlier stages for the Indian IT services companies, and is there a danger that these customers are now fairly mature for the Indian companies and consequently the growth rates going forward could be lower or there could be bit more pricing pressure from them?
- Ashok Vemuri: Well, multiple parts to your question Anantha. I think the first thing is I do not see if you are referring to an exhaustion with Indian IT service providers, I am not seeing that. Essentially, that exhaustion would only come if you are not able to innovate yourself or you are not able to re-invent yourself or provide innovative solutions, something that we are saying we are doing as part of this new game and new rules. And I think the second part in terms of pricing pressure actually, the more value added services you provide, the more solutions that you are able to proactively bring, the higher price points and the value that you will realize, and that is exactly what we are seeing.
- Male participant: This is again a macro question, we have been hearing that perhaps IT spending trends in the financial services space is slowing down and that there will be significant slow down later in the year. Are you seeing that as well?
- Ashok Vemuri: Well the short answer there is, no. In fact we are seeing, I think it is a function of which part of the spend you are referring to. We are not seeing any slow down in the overall spend so to speak, but that is the areas that we are focusing on. Do we expect a slow down coming in the future, you know, that is a little hard to say.
- Male participant: Could you comment on the areas where you think, you know, Infosys is yet to build, you know, capabilities in the financial services space?
- Ashok Vemuri: Sorry, could you repeat the question please?
- Male participant: Which are the areas where Infosys is yet to build, you know, capabilities in the financial services space?
- Ashok Vemuri: That is probably the hardest question to answer because I think, let me talk a little about the areas that we have built competency and you know the financial services market is fairly large and extremely extensive. We are recognized today as one of the leading providers of the, on the compliance side, we have done a significant amount of work on Sox, we have done a significant amount of work on Basil 2 applications. We the other day did a very successful webinar on Intelligent Exception Management which is something that we are focusing on the securities on the broker dealer side, it was very well received and created a significant amount of buzz. We have done a large amount of work in order management systems. We have done a large amount of work in corporate actions. So these are some of the areas that are, these and some of the other areas are typical strong points. I think in terms of the area, we have done a large amount of work in integrated IT and operations area for some of our clients, essentially bringing processes and technologies together. I think that has been a fairly strong area of success for us as well. And as you know, I mean the whole area, I mean, the whole financial services space is so wide in terms of the coverage that there are multiple areas that we have not yet touched for various reasons.
- Male participant: What do you think will be your market share in some of your large clients, let us say top five clients or so in terms of the tech spend?
- Ashok Vemuri: In terms of?
- Male participant: The tech spend of your clients, the IT spend?
- Ashok Vemuri: Well, neither they nor we really share that kind of information, but in our top five clients we are the top service provider from an IT services outsourcing perspective.
- Male participant: What are the growth prospects there?
- Ashok Vemuri: Very strong, I think our growth prospects in the existing account base as well as in the account base that we are prospecting for is very good.



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Male participant: So, let us say one of your top five clients where you are growing, the growth would be coming from expansion in the tech spend or it will be coming at expense of some of the other service providers?

Ashok Vemuri: Both of that as well as a third reason in terms of us moving up the value chain in terms of the solutions and services, the more high value solutions and services that we are bringing to the table. I think we are mixing up the kind of services that, we are not mixing up, we are adding to the kind of services that we are actually bringing to the table today, which in itself creates new market and new opportunities for us. Thank you.