Analyst Meet 2004
| New Game. New Rules.
Chennai, August 2004

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Kris Gopalakrishnan: Thank you and good morning to everyone. Let me get the presentation. In the next few minutes let me take you through some more details about the new game and new rules, how we are addressing specifically each of these. Today our services and solutions span the entire value chain from running the business to growing the business to transforming the business. Of course_____(voice inaudible) the traditional IT based services and we are continuing to improve this as Nandan mentioned already looking at new tools like Inflex, looking at requirements definition, looking at the technology itself, how it is changing, how it is evolving over time, for example, dot net or jetv and things like that, how it is impacting, how technology is used in the business itself, and how we can increase the offshore content in these technology based services. For example, in package implementation, how we can increase the effort delivered from offshore to 50%, which we have done over the last 3-4 years. More and more clients are looking at what else can we do from offshore. How can the GDM (the global delivery model) be extended in new services like consulting, how we can integrate these service to include business process management, how we can integrate solutions over time. We have our own solution for the outsourcing issue, our own point of view which is the model of global sourcing, I will talk about it in the next few slides, and lastly, how Infosys is helping clients transform their business through our consulting, through our integrated solutions, and things like that. More and more we are looking at how technology is impacting businesses, how we can increase the revenue for clients by looking at new revenue opportunities, how we can increase the productivity of the clients and their clients themselves. The focus is shifting more and more in to business result for our clients. Just a few examples I will cover. We have invested in vertical solutions like anti money laundering compliance, enhanced process automation through RFID, we are looking at the supply chain and things like that. Over 35% of our revenues come from new services and solutions introduced over the last five years, and we have a growing number of $50 million clients. Nandan already talked about delivery excellence and the Pride business platforms which we have created. We have actually reengineered our quality systems and today it is completely online and we can access this from anywhere in the world. On the technology leadership side itself, I will talk about the intelligent production support platform which we have delivered. The IP content, the intellectual property content, and the innovation content is increasing in every part of our solution and services. New services are being introduced. New solutions are being introduced. The content of IP innovation in every one of our solutions and services is increasing. And lastly, we have added significant number of employees, so there is renewed focus on how we are enhancing our training, our education, both the effectiveness as well as the efficiency of this training. Looking at the intelligent production support and enhanced maintenance itself, maintenance is an old service, it is not new, it has been there for the last 10 years as part of our solutions to our clients. Now there is renewed focus from the CIOs looking at how they can continue to lower the cost of ownership, how they can integrate the offshore solutions, offshore maintenance, with their other vendors and other partners and other services providers, how they can integrate that with business process management and things like that. The focus is also to reduce the risk as the maintenance itself is becoming geographically distributed in multiple locations in India and locations outside the country. Multi vendor, multi locations etc., is becoming a key issue for the CIOs. Now for Infosys, we clearly want to differentiate a service which is a mature service. We want to make sure that our service offering is very different from the service offering of other vendors in the space. We want to make sure that there is better predictability in this revenue stream which is steady and long-term revenue stream. There is more emphasis on measurements, more emphasis on performance. Maintenance is also becoming more sophisticated. It is a multi shift operation. We do now production support, we do three shift operations on maintenance, so there are issues related to providing 24/7 support, reducing the risk using a disaster recovery facility, providing infrastructure management services in this area, and reducing lastly the people risk and things like that. So we have introduced what is called an intelligent production support platform which includes elements of artificial intelligence, it includes capturing the knowledge and leveraging this knowledge on an ongoing basis, and in some cases applying 6 Sigma principles and things like that to look at a continuous improvement program on maintenance. Typically, we are able to reduce the effort by at least 10-15% or some cases actually almost 30%. This is now being rolled out on more and more client projects. Modular global sourcing is a point of view which Infosys has introduced and the focus is now on looking at the enterprise from a narrow focus, that mean, see traditionally the outsourcing is seen as something which IT looks at, you know, leverage your infrastructure, and give it to an outsource vendor, a static road map as technology was not changing for a long period of time, a static road map will be sufficient, you know 15-20

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years back, you would see that a mainframe or a COBAL environment would stay the same for a long period of time. Today, the technology is changing very rapidly. So you need actually an enterprise wide view. You need to look at how we can leverage business process operations, look at a business function view rather than as an IT department view, and we need a dynamic compass which allows you to look at technology refresh once in 18 months and things like that. We need to look at a transparent view of the outsourced relationship than a black box view. Traditional outsourcing looks at a black box view, whereas we are prophesying much more transparent view of outsourcing relationship itself. A much more flexible relationship which allows for changes in the business environment, which allows for technology change. Similarly, move from a resource view to a deliverables view. Move from just static roles to just in time skills. Again because of the rapid changes in technology and things like that. Become more proactive rather than reactive. Embrace change rather than look at fear of change itself. So our view on outsourcing is radically different from how traditionally outsourcing is viewed and this actually addresses the realities of how business have to address today their outsourcing requirements. The shift is moving from taking over people and assets to making clients more competitive by becoming more flexible, proactive, deliverables based business research base. Our service capabilities have moved from point solutions, we still have those solutions, to end-to-end solutions and we have leveraged now Infosys Consulting on the front end side looking at how clients can get competitive advantage by leveraging business trends and technology trends to how they can reduce the cost of operations through business process management and lastly how if their objective is to leverage packages and solutions, how they can leverage that through enterprise solution group leveraging the functional knowledge and the technology knowledge we have. In the area of consulting itself, looking at consulting from a very different point of view; one, how can we leverage offshoring consulting itself. Two, if you are worried about the cost of consulting and if you are reducing the time taken for business design and preparation, traditionally the system integrators have actually moved away from the front end business design and preparation time because of the high cost of that to technology delivery. The technology delivery itself is very high cost. Now by combining Infosys Consulting with the downstream delivery capabilities Infosys has in the global delivery model, we can actually increase the time spent on the business design and preparation, and actually lower the time taken on technology delivery, lower the cost on technology delivery. Overall, we are able to bring down the cost of system implementation and things like that significantly from traditional levels actually. Our early successes of this will be talked about by Steve when he talks about some of the early wins we have in this area. The number of relationships are increasing. All of you have seen the data, over the last one year, we have increased the number of million dollar clients to 141 from 113, $5 million clients have gone up to 53 from 37, $10 million clients have gone from 27 from 19, etc., and we have three $50 million clients. Now every one of these $5 million relationships has the potential to actually grow significantly over time because all of them spend a significant amount of money on IT, and with the expanded footprint we believe that our addressable market has increased three times actually. So there is a significant opportunity for us to leverage each of these relationships. We are increasing the capability within the Infosys teams to look at larger engagements and larger projects. One, enabling our own people to take up large assignment. Second, by bringing in the right talent from outside who have this experience. We are consolidating the point of view on strategic sourcing, which I talked about already. Infosys is focused on winning the war on talent. We have increased ability for us to scale up our recruitment. The last quarter number is about 27,939 and we have added significant number of people to that almost reaching over 29,000 now. Today, we have people from 33 nationalities. We have increased the velocity of hiring, both on the entry level as well as on the laterals._____(voice inaudible) We continue to focus on learnability. Now why is this important? Especially in the Indian context, if you look at the number of experienced people the country has, it is very limited. Ten years back Infosys itself was 300 people, today we are close to 29,000 people, right. So if you look at 10-year-old experienced people, we will not find that many numbers of people in India. So you have to have a very different model, and this is actually strikingly in contrast with how the global system integrators are approaching the Indian market at least at this point. We need to have robust processes and system to test these people across multiple cities and a strong evaluation process to ensure the quality of recruitment still is maintained. We have invested in a world class training facility in Mysore which has the capacity to concurrently train 4000 people, which is fully residential. It is one of the largest corporate universities, probably the largest anywhere in the world actually. Now combined with this we have also significantly increased our investments in direct communication links, for

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example, traditionally we have looked at just Bangalore as the hub for direct communication. We have now added Chennai as an additional hub in India, and we have 45 megabyte links going from Chennai and Bangalore, and Chennai and Bangalore are connected by 90 megabytes, and similarly in the U.S. these hubs terminate at Fremont and Quincy and they are connected through 45 megabyte links. We have increased our internet band width. We are experimenting with voice over IP. So our investment in technology continues to increase over time. Just a few data points. We today in the first quarter itself we have given 55,000 days of foundation or entry level training; 16,000 days of middle level training; 10,000 odd days of managerial training; and the knowledge management system itself has 2,800 hits per day. We are training about 100 students from University of Mauritius looking at alternate pools of people, especially outside India. We have launched a campus reach program, which was announced in the last quarter, in the last 2-3 months. Currently, we have 41 campuses in the program and we are looking at adding more colleges to this. Today Infosys recruits from about 70 odd campuses. We have created an enterprise solutions university in Hyderabad, and we have trained over 250 consultants over the last 6 months. Again, the focus is on creating a scalable pool of people though training and enablement internally. Thank you very much.