



Sandeep Shroff: Thank you Mr. Murthy for that address. I'll now invite Nandan, our President and CEO for his address.

Nandan Nilekani: Thank you Sandeep and welcome to this event. In the next few minutes I'll essentially, , illustrate on some of the issues that Murthy also spoke about. I think now it's fairly clear to all of us that the off shoring model is mainstream. It's gained enough legitimacy. It's gained enough confidence (inaudible) of the customers. It is being seen as risk free. And also the market conditions and pressures of our customers is enhancing and accelerating this strength.

Our customers continue to face challenges of increasing revenues, increasing profits, increasing the earnings, becoming more efficient, reducing cost, and clearly they have seen that our model is a superior way of delivering the value that they want because with our model they get the benefit of superior value at lower cost, at higher quality and less time to market.

So I think all of us in this room will accept that there is a huge opportunity as in the next decade or so, all the global companies in the world start looking at the Global Delivery Model and looking at the global rebalancing of how they do work. And therefore, I think the opportunity is quite immense and you'll agree with that. I think the questions really is, what is Infosys doing or why do we think Infosys is going to be the successful company in this? And why do we think that we'll be able to grow and to provide the solutions that customers want?

First of all, I think as Murthy also mentioned, our goal in Infosys is to create what we call as a scalable business platform. And I think it's important to understand the concept of a scalable business platform. For example, Dell is an example of a scalable business platform because they have the basic supply chain with which they can grow and develop you know new products.

Dell earlier would be in computers, today they sell printers and compete with HP, or they sell digital televisions and compete with the traditional consumer electronic companies. So they have a fundamental platform of doing business, which is efficient, which is on line, which is real time, and which where information is crunched.

And they're able to extend that to new product lines as time goes by. Similarly if you take Wal-Mart, ten years back Wal-Mart was not in the grocery business, today Wal-Mart is the biggest grocer in the US, may be 10, 15 years back Wal-Mart was not in the gas business, today it delivers 7% of U.S. gas. Again they have a global supply chain and the efficiency that they have and they're able to use that and get into new product lines.

What we believe we have created is really a scalable platform for services. And that's something, which we need to understand because historically people did not believe that services was a scalable area.

And I think we have demonstrated very conclusively that it is a place where we can do a scalable model and the fact for example, the fact that we have grown from \$121 million in 1999 to over a billion dollars in 2004, which is almost ten times in five years, is really an indication that you can create this scalable model.

Now what are the attributes of creating this scalable business model? First of all, obviously, anyone who builds this, whether it's a Dell or a Wal-Mart or a Toyota has to think of it as a global platform. It's not just about doing it in one country, but leveraging the talent pool and the resources and the infrastructure across the world. And so all the business platform companies create such business platforms globally.

The second attribute of all of them is they all use information very intensively, use information to manage supply chains, use information to manage the company. And I think Infosys has demonstrated that with the kind of investments we have made internally to build the information systems and infrastructure, to manage information on near real time basis to be able to take benefit of the whole opportunity that we have.

The third thing about creating a scalable business platform is by and large companies that grow like this, grow organically. The reason for that is simply that you have to create an



internal intellectual property content, which defines your processes well, which defines your technology well, which defines the kind of people you have well. So, invariably most of these organizations that create these scalable business platforms really do it through organic means. And all of them are essentially based on process innovation.

It's really having processes, whether it's processes to deal with customers, processes to recruit, processes to deliver, processes to projects, all of them are really well defined and there is a spirit of continuous innovation and continuous improvement in all dimensions of the business.

And I think Infosys in our business has essentially created this kind of a scalable business model, a scalable business model that can grow ten times in five years, a scalable business model that can process a million applications a year, a scalable business model that can add millions of square feet every two months, a scalable model, which can train thousands of people at one time. So all these are different dimensions of the scalability and the process model that we have created and we think that is why we believe that we have created something like a scalable business model for services.

And I think that's the conceptual thing I really want you to understand that it is not services as usual. It's a whole new paradigm for leveraging services and we are bringing the same kind of process and industrial efficiency to services as people have applied to product, and that's the heart, the kernel of what we do.

Now, once you have a scalable business model, once you have a model that is fundamentally strong on the balance sheet, once you have the market opportunity for growth, which we see because of the larger macro issue that I talked about. Clearly we can take this model and add new services to this model.

For example, just like I gave an example that Dell went into printers and into digital TVs or Wal-Mart went into groceries and to gas, similarly, the model, –(in audible) the fundamental strength, robustness, replicability and process efficiency of the model allows us to get into new industries or new services and add those services to our existing business model, and that's the really the extensibility or the extensions that we can do on a fundamental model.

And because our core competence is take any kind of value that we create for the customer in a service, deconstruct the value basically do an x-ray of all the activities in the value chain of creating that customer value.

Desegregate that into different components and then using a global model figure out which component of that value chain should be done where by which resource and then reconstruct this all together and create value for the customer in a superior way. And that's really the core competence or the core knowledge that we have.

And therefore using this core competence of deconstructing services and using the underlying infrastructure of a scalable business platform, it enables us to get into new services and offer and take the same services which were done in an old fashioned way by some other company and reconstruct that value in a new way using our model and deliver those new services.

And therefore, if you look at the investments we're making today in systems integration, in infrastructure management, in enterprise consulting and now with our Infosys consulting, all of them are really examples of how we have taken services delivered in a traditional way by incumbents and redesign and re-architected them to sit on top of our business model and deliver them in a superior way.

And that is how we get the extensibility of new services into our business and that's really the model, which applies to anyone who is building this kind of business platform. And that is the kind of approach that we're taking today to create the Infosys of the future. Because I think all of us accept that the scale opportunity is there. I think we all accept that the evidence of the last several years, be it the fact that our customers are facing global pressures, the fact that this is a superior model.



I think everybody accepts that there is going to be a major trend towards globalization, towards rebalancing of global work force and leveraging the global resources. I think that's an accepted thing even today. And I think, as I've argued for you, we have also demonstrated that it's not just about the opportunity, it's about creating a scalable engine to access that opportunity and I think I've given enough evidence and we'll talk about that going forward on how we've created the scalable model for the future.

And because of our ability to take new services and then deconstruct them and deliver them using our model, we also have the basis for what we call as differentiation. And why we need to differentiate is very clear. We need to differentiate to make ourselves different from our other Indian competitors. We have to differentiate to fight the threat of incumbents coming into our back yard.

So there are a number of good reasons why we need to differentiate. We need to differentiate so that we can sustain our margins. So clearly we have to differentiate and offer new and better and unique value to our customers. And therefore the reason why we are getting into all these new services whether it's consulting or developing business solutions or integrating operations through technology or going into alliances with major companies or going into new markets are all really attempts differentiate and provide a unique different value for us to our customers, which is different from our competitors.

And because of the model that we have, because of the model that allows us to add new services to an existing platform, we are actually able to take these kinds of differentiating services that offer the new value and then apply them to our model and then deliver the kind of differentiation that you want. And that's the essence of what we're trying to do. We just combine the scalable model with differentiation.

Now question the next question that really arises is that what is the competitive situation on that? Well, clearly we believe that the scalable business platform has to be developed organically. It cannot be, you cannot take a legacy organization and redesign it to become a scalable business platform. It has to be built from the ground up because it's about process efficiencies, it's about leveraging a global delivery from phase one, it's about the kind of recruitment etceteras. It's something like saying can an incumbent airline become a jet blue. It's not going to happen because they have the legacy of pension fund, the legacy of unions, the legacy of the roots, all that.

Similarly, we believe that when you create the kind of model you have to build that from the ground up. And therefore fundamentally we have a strategic advantage because the model is new, the model is organic, the model is built from the ground up. And because this model is now accepted by the market place as a superior model, those incumbents will have to completely redesign their firms. They will have to completely rebalance their work force. They'll have to go back and redesign everything from the beginning.

And we believe that is going to be intensely traumatic, intensely disruptive and it is going to have people pre-occupied with their internal struggles and not really focusing on the customer. And that's where we're expect to take an advantage with respect to the incumbents.

With respect to other companies who may have built along the same lines, we believe that our model is far more sophisticated, it's more matured and you know the ability to differentiate our offerings to the customer. The kind of investments that we have made in the last year or so, investing \$20 million in consulting, we're investing \$5million in China, we bought a company in Australia for \$23 million, we're investing \$10 million in a banking unit, we're investing \$16 million in our IBU structure to develop business solutions.

All these investments we believe will enable us to go into the market and offer the differentiation and business solutions that we need to be able to show to our customers why Infosys is the obvious choice.

So I think on the one hand we have a global opportunity. On the other hand we have a scalable business model. Then we have the methodology for adding new services, which will allow us to differentiate.



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We think it's a situation where our model is going to be organic where as opposed to the incumbent trying to redesign the way they work and it means that because of the sophistication and maturity of our model, it puts us in much better position with respect to our domestic competitors.

And therefore, our view is that we are at the sweet spot of this whole revolution that is happening. We have the brand, the size, the track record, and therefore we intend to take every advantage of this as we go forward. Thank you very much.