Sandeep Shroff: We have Steve Pratt, the CEO of Infosys Consulting with us. Steve and Paul, two of the founders of the Infosys Consulting, they will tag-team this presentation. So if you could just have your seats, we'll give it over to Steve.

Steve Pratt: Hi. Thanks everybody. Welcome back from break. So what I'd like to talk about now is something where the theme of the day absolutely fits. If you think of the business consulting market, which is I'll say the market where clients want to make big operational changes to their companies that, that market has really turned upside down in the last few years. And so it's a tremendously exciting time in that market. I've been serving clients in the consulting market for 20 years and the members of the core leadership team of this consulting have all been in the market for approximately 20 years. So it's a great time to be in that market and there are tremendous opportunities.

And we're going to talk today about sort of our position within that and the aggressive play that we're going to make to take market share and to really become the category disrupter in business consulting. So this is a slide that basically gives an overview of how we see the emergence of the business consulting market. It really started - business consulting started obviously in the 20th Century.

The first creation of the market was in the '40s, where the management-consulting firms really came about. These were Booz Allen & McKenzie really were formed in the model of a major law firm to provide really very good business advisors, people with great business expertise. The work was done on site of the clients and it tended to be very high cost and very high quality ideas. And the - this model was designed for the times when the business cycles were relatively slow, that basically it was a battle of the corporate titans and you could take many, many months to think through a strategy.

The technology was really not that important part of the overall battle of the titans and that it would take a long time to implement the solutions, but generally, consulting firms did not get involved in those. So we know this market very well. I spent 8 years at Booze-Allen. Paul's been 15 years at Mercer. Some of our other managing directors spent time at BCG. We have people from McKenzie.

So we understand this market very well and we understand the strength of this market, but also the challenges that they have. The next part of the consulting market is around systems integration, and the systems integrators really started in the '80s and this was mostly around the advent of the personal computer where the accounting firms basically said, boy, this is a great opportunity and we want to get into this technology game and really help companies implement these enterprise applications.

And really, during sort of the go-go days of the '80s and '90s, this was helping companies put in the ERP packages and CRM packages and really growing quickly. The focus was less on giving business advice, but more on just being the doers, the IT experts, and again, it had the model of what the way things worked is, you got on an airplanes in the morning, on Monday morning, you flew to a client, you sat with a client, and you worked with them.

And then on Friday, you got on a plane and flew back, and that's just the way it was because there really wasn't any other way to do it.

And so the result was it's a very high cost model to clients and but you did get very good project management. And so it's a - this is also a good model for the time, but times have _________(voice inaudible)- but I think the times have changed here.

The other third entrant, and this happened to be really in the '90s is when companies like Infosys really hit their stride and had the tremendous growth, mostly fueled at the time by Y2K, which was really a new model in the business. It was focused on the doing rather than the advising, on really IT expertise again, and it was an off site model, which was really the great innovation.

And as Nandan said, it really created a global supply chain of resources around the world. So that was - so life was good and things were fairly stable, and then the economic downturn happened and a lot of pressure started happening. And I think clients started questioning what the future of consulting was. And really, they said, I like attributes of all of these clients, but I don't like any one of the - or I like attributes of all of these different consulting models, but I really don't see any firm that really serves my needs and what I need in the 21st Century.

And so I think everyone agrees that the model of the 21st Century is what's on the right-hand side, which is basically as a client, I need someone who is going to give me good solid business advice and then help me implement the answers to those. I want somebody who understands the business side of the equation and the IT side of the equation.

I want somebody who has on site consultants who are very, very good at helping me solve the problems and I need a global delivery model to help bring down the cost of the technology side, which has been so high over time. And I need to focus on quality business results and I need the overall price to be much lower.

Well, guess what? Nobody is there yet. And there are big obstacles, - for 2 of these 3 models and they are challenges for everybody. If you look at the management consulting firms that - this is again, the - if you look at the BCGs and the (inaudible) and the Booz really they made an attempt to go this direction several years ago with acquisitions and technology firms that really didn't work. And there's a real cultural rejection to hiring people who are implementation minded.

In fact, a lot of firms will say, we fundamentally won't do it. There's also a rejection of technology and I've seen this first-hand in working with one of those firms and they're very homogenous firms and basically reject things that don't fit in the model. The systems integrators also have huge challenges.

In fact, Paul is in charge of the global restructuring of one of those companies and basically said, you know, the to-do list is something like, you know, fire half of the IT practice and high cost locations around the world, hire then the lower cost locations around the world, retrain the global workforce on how to do projects, tell them they've been doing it wrong the whole time, and basically, get very rapidly scale a management consulting talent to help on the business side. And those are all tremendously expensive, risky and demoralizing things and so one of the - the nice benefits from our perspective is this is creating a lot of turmoil in the consulting market and we're seeing the best labor markets, that I've seen in my career, in consulting. So we're finding very, very good talent available on the market to bring into Infosys Consulting.

We're also seeing the other challenges that we have and so our challenges basically are to grow as fast as possible. So basically, I think we're the only 1 of the 3 that has the model right from the beginning. And so it is fundamentally, we need to go very, very quickly to build the capabilities, to work with the clients, to help make these big operational changes and we think we're off to a great start on that.

I can tell you that having been on both sides that this side is a lot more fun, it's a lot more energizing, it's a great way to attract talent because it's a entrepreneurial opportunity and it's just fundamentally a better model for clients as well. So if we look at that and say, well, why is it better for clients? I think there are two aspects of it.

One is that fundamentally, that because the labor markets are good, that we can attract very, very good talent and Paul will talk about that, but if you look at it from a purely economic point of view, from a client economic point of view, so let's say that we're competing against a traditional systems integrator and the client is saying, I want to put in a CRM system and basically the objective is to increase customer satisfaction.

Well, let's say the onsite rates that we have are identical to our competitors, pur traditional competitors, and let's say our offshore rates are identical to our competitors. Well, generally there's about a - in the U.S. market, there's about a six X to X ratio, a 6 to 1 ratio, between those rates. So in the traditional systems integrator model, I think if you really, really pushed hard on that customer satisfaction project, that basically you could maybe get an 80/20 mix. You could maybe get 80% onsite, 20% off shore. The thing that would prohibit going further than that, first of all, there isn't the scale off shore, but even more importantly, the first question that they all ask is, what is the utilization of the Seibel developers in the San Francisco office or the New York office? And basically you need to keep those people busy first and then think off shore.

And also, all the partner compensation metrics are set up to utilize on site people, but if you really, really pushed it in our old firms, you could probably get it 80/20. But that's really about it. And normally, it's nowhere near that. If you look at the way we're doing it, that we basically do not have the Seibel expertise on site. I mean, basically we will - all of the technology people, all the people who can figure the technology are offshore. And so our model is built on a 40/60 model that basically, there will be 40% of the work done on site, 60% done offshore, and if you do the quick math on that using a 6 to 1 ratio, that gives us a 40% cost advantage.

So basically, we go to a client and we say, you get higher quality consultants because we've hired the best of the best from the traditional consulting firms. You get technology that we can prove to you is higher quality because the GDM actually cranks out higher quality technology, and you get it on average at a 40% lower cost, right? For apples-to-apples.

Another observation is that there are a lot of technology projects that have failed, and we think this is because there's been an insufficient investment on the business side of the projects. So we would suggest to clients, don't pay 40% less for the project, maybe you pay 20% less for the project. Reinvest some of that money that you're saving on the technology side and put more emphasis on the business solution and making sure that the project works when it goes in.

And so fundamentally, it's a better business model for clients and I think our consultants are seeing that and people are really flocking to us to join this because they fundamentally see that this is the next evolution of the business consulting market. So obviously, this all comes down to can you execute on the plan? So right now, I'd like to bring up Paul Cole, who will talk about that. Thanks.

Paul Cole: Thank you, Steve. Good morning everybody. So you may be saying to yourself, if you've covered our industry for some time, I've seen this movie before and I don't like the ending, whether it's EDS's acquisition of A.T. Kearney or Cap Gemini combining with Ernst & Young. You know, is this model heading in that direction and what's different this time?

I think the difference actually has less to do with the intellectual capital, although we think we have some - we're developing some interesting frameworks about competitiveness and so I think the difference in why we'll win has to do with how we're going to execute on that model. Obviously to win, we have to have top talent, teaming very effectively internally with Infosys to deliver better value to the client at a lower price point. And we think we've built an operating model to do that and it really does revolve around these three items, which I'm going to cover very quickly. First of all, as Nandan mentioned the word organic, a couple of times. We are building this organically and we're doing that very deliberately because we think we need to build a culture that not only fits with the market, but fits with Infosys' values from the start, so that we avoid the typical cultural clashes of the past.

Secondly, we're going after what I call the hungry and the disenfranchised in terms of the people that are out in the market. And then there are lots of them out there. We're not going after the seasoned, high powered, high priced partners other than a couple of us. There are a tremendous number of people who really want to get back into an entrepreneurial mode and grow and learn and keep some upside and that's allowing us really to go after that top 10%. In fact, we're asking for every candidates of most recent performance evaluation and we're being pretty rigorous on our selection. So, we think the talent pool and our ability to select the best is very high and here's just a little bit of a representative profile.

One of the things we will be doing increasingly also is lending a mix of people who come with pragmatic client side experience with the classic consultants and we think that, that will also deliver a better product to the client. Third, or fourth, I guess I'd say is, we're using our sense of networks to do the hiring. So, you can imagine as we try to scale up to 500 people over the next few years, you know, the typical headhunting executive search fees are 30% of first year salary can get quite expensive. Given that the founders come from pretty big firms, IBM, EDS, Deloitte Touché, Cap Gemini, today we've been able to hire and we're on plan on our hiring without paying a dime to any headhunter or executive search firm, and we think we can continue to carry that network fairly far down our pyramid.

In terms of integration, I think that if there's one lesson that I've learned, it's probably alignment that is actually really critical and this is not a situation of separate buddy , right. This is from the very beginning, it's one operation, it's financially integrated, and it's a matter of putting complimentary skills into Infosys rather than cannibalizing our own market or being a separate entity and hoping and praying that there will be some downstream. So, our budgets are actually sitting inside the IBU budgets, again, from the very beginning, we have a shared incentive to actually work together. There's definitely nothing ambiguous about our incentive plan, what it's going to take for us to be rewarded, and that will - that ties to not doing standalone consulting, but doing consulting which necessarily drives technology implementation. So this whole notion of one consultant on site with an Infosys engineer on site with 3 people doing development or configuration work or implementation offsite is built into both the financial model and the operating model. So again, it's naturally integrated.

I think we also as consultants can help Infosys elevate its stature within the client organization, also extend our joint footprint. We come for a world of solutions rather than capabilities and in Infosys, its origin is more strongly in the capability and the technology services area. We understand how to package that into business solutions. I think that the consulting team working together can help expand the overall footprint in the market for the joint company. Lastly, and I think it's absolutely critical as a success factor, is the attitude and the culture.

We came from what was a very privileged environment. Those days are gone. We are complying with all of the Infosys policies. We are going to be adopting all of their back office and using their shared services, so I expect that our SG&A on the consulting side, we're not going to corrupt the economic model of Infosys, OK? We're going to adapt to it financially and we're going to embrace it culturally. OK? So I think that we're not trying to recreate the legacy cultures that we come from. We're trying to take five guys from industry, with 20 years apiece at different cultures, and work with Infosys to create a new engine that's going to allow us to build our consulting in a new better way, essentially faster, better and cheaper.

Obviously to do that, we have to - all of us this has to resonate with the client. The world does not need another consulting company per se, but it does need to get more value. We think the market is looking more favorable, but budgets are still very pressured and clients want to get more return on their investment.

We think on the return side, having smarter people giving better insights on how to target those investments is going to help and clearly, keeping the focus on where the competitive advantage can be gained for our clients, while at the same time, delivering those projects at lower cost and with much higher quality, leveraging the global delivery model and the process obsession of Infosys. A combination of all that we think is going to deliver a much better return. And I'm happy to say at this point we're not talking hypothetically. We've started kind of our operations in the second quarter, starting in March, April, May, June, and we already have a half a dozen projects or so under way.

Our pipeline is looking pretty healthy and our hiring plan is on track. So we think it's being validated in reality as opposed to being talked about hypothetically. So with that, I'm going to turn it back to Steve and we'll take some questions.

Steve Pratt: Yes, thanks, Paul. So in summary, I think we're off to a great start here. I think the model is resonating in the market, just a little anecdote. We had our first client working actually with Ashok in the banking and capital markets area and I got a call from the CEO of this client, just last weekend. And he said, boy, this model that you've built is really unbelievable.

I mean, if you look at the cost advantage and the quality of the people that you've had working with us, that what I'd like to do, -- this is him speaking, is to put a proposal to you guys. I would like to consolidate all of our strength(inaudible), take the work we have with IBM and give it to you because we've been looking for a consulting firm that would bring the really high-channeled on site consultants working with the very, very high talent offshore technology delivery. And we'd like to make a proposal to you to consolidate strength(inaudible). And so we're in the process of negotiating that right now and it's very, very positive.

So I guess in summary, we're very pleased with where we are at this point. It's early and we have a lot to do. But all the signs are going very well. And I think that we're on to something here and I think we have now created the foundation of a superbly competitive consulting firm. And I think it's our ambition to be the world's most competitive consulting firm and as measured by the return the clients get on their investment in a consulting project, that we want to be the world's leaders at that and so far, so good. OK? Great. Thank you and I'd love to take some questions. Yes?

Adam Frish: Adam Frish) from UBS. Could you go through a couple of things in the 40% reduction that you have on onsite resources? What are some of those things that you are able to ship offshore and thereby propose a better client saving proposition?

Steve Pratt: Right. OK. Sure. So the 40% savings is for - if you think of the project that we're going after - our target client is the chief operating officer of a company, so a chief operating officer will generally have a problem bringing something like my SG&A costs are too high or my - as I said in my examples, that customer satisfaction is low. So we would come in and look at customer satisfaction, say, you know, let's look at the customer experience, let's do some process analysis, process design, and then implement some technology most likely to help fix the problem. So there's - so it's that project right?

Typically, 70% of the work that goes into that project is technology-related work. So the 30% is the business design, the 70% is technology, is technology related, and so what we can do for the technology part of that, do that in a highly offshore manner, right? So that's fundamentally where the cost reduction comes in is that part.

So in the example that I gave, actually the onsite rates are the same as a traditional consulting firm, so it's - they're very healthy rates in the market. It's just fundamentally the offshore mix on the technology side gives us just a structural advantage over the market.

Unidentified Speaker: Don't your technologists in India need to know about your customer and their business in order to make the technology work and fit?

Steve Pratt: Yes, right. So the way it works is that the consultants will work on site with the client. The people will fly over from India, right, and be working with the client to come up with an understanding of the business processes, to come up with the functional requirements for the technology, the technical requirements, for the technology, then fly back to India, work on the development of the technology. And then basically while the technology is being developed offshore, the consultants are working onsite with the client around management incentives, on training, on process redesign and then it comes back together at the end where the Indians are training and getting ready to implement the changes and then going live. And so there is a tremendous amount of interaction between the onsite team and the offshore team and in fact, that's one of the big learning's on how to do this model is to learn how to do that.

Unidentified Speaker: Next question. On the projects that don't involve a high component of technology fixes, would you say then that your model is similar to the other models that we see out there?

Steve Pratt: Yes. You know, I think there are - largely the answer is yes. We are seeing how much we can apply the global delivery model to pure consulting. I mean, if you look at pure management consulting, business analytics, competitive analytics, you know, shareholder value analysis, right, that basically, there are something that can be done offshore. In fact, we've experimented with that early on and it looks like it's going to work. We're doing some sort of financial comparisons of companies, but that can be done offshore. So we're playing around with it, but largely, from a business model perspective, it's similar. We like to think that we have some advantage by the level of talent that we're bringing in.

And also I think in the area of competitiveness, from an intellectual property point of view, we think it's a largely untapped part of the consulting market is really helping companies analyze from an operations perspective how to create structural advantage and operational advantage. So I think, you know, we're going to try to create an advantage on the IP side as well as the operational side, but largely, yes. Whoever has the mike wins.

Ed Moran: This is Ed Moran of Thornburg Investments. Will the offshore employees be dedicated full time to the consulting group? Or will assets be allocated to your group on sort of an as needed basis? And do you have, you know, three and five-year objectives for your growth in head count and revenues?

Steve Pratt: Yes. So I think first will there be dedicated resources, the answer is no, right. That the - as Nandan was saying, the real key is to keep a very flexible core, right, where you can dynamically allocate to wherever the demands originates and so, I think it would be a mistake to say this part of the global delivery model is dedicated to consulting because utilization would suffer and you'd just be recreating the model. And so the idea is to take advantage of that core and to allocate it as demanded. So for growth projection, yes, from a head count perspective, by the end of this fiscal year, we want to be 75 people within Infosys consulting. There's a broader consulting community that we can leverage and at the end of three years, to be at 500 people are the plans. Yes?

Unidentified Speaker: Trip Chowdry Midwest Research. You do seem to have a good consulting model in place, but I was wondering like many of your competition does have more awareness than you have. Do you have any brand equity or initiatives in place to build awareness of your division in your group?

Steve Pratt: Yes. I think if you look at brand, I think there - if you look at the incumbents, there are two aspects of their brand. One is that they're well known and the other is that it's very well known that they have a lot of problems in failed projects and so I think if you look at the traditional consulting firms, do they have unblemished records and unblemished brands as far as quality and getting client results, the answer is definitely not.

I mean, there's a - there's a uh oh, do we really need to do this again, right, thinking, feeling, when using a traditional firm. And I think if you look at - on the other hand, if you look at the Infosys brand, there's a terribly intriguing part of the Infosys brand. One of the reasons I'm here is that it is what Wired Magazine called, you know, the 40 companies changing global economy, rated number 11.

It's what Tom Peters called the world's coolest company. It is what the - on the (inaudible) 100, rated 27th, so it's - there's something going on, right, and the branding is out there. I think there's also a way to do branding that is not screaming, right. I mean, there's a traditional - if you look at the management consulting firms, they have very, very effectively branded their companies without screaming at you. And so I think ...

_______________________(voice inaudible)_______________________________

Frank Hath: Thank you. Frank Hath (ph) from Lone Pine Capital. I had a question. You mentioned that you are adapting and plan to adapt to the Infosys culture given your different background; and I'd expect, anyone you hire, probably, have that in realization to understand what they're getting to. To what extent, do you think that the Infosys culture has had to adapt to you and as much as you're coming in and maybe displacing people who previously worked on the client contact side or, you know, you're doing a different style of work whether customer contact, greater onsite presence, different salary structure, or that sort of thing? And has that reflected too into this commitment to your growth?

__________________________(voice inaudible)____________________________

Unidentified Speaker: (inaudible) the way they're going because of the way into the consulting is going about their hiring and the acculturation of the people who join Infosys Consulting. They're essentially opting in. I mean they know they're joining Infosys. They know that we have a global delivery model. So when they -- it is not an acquisition; this is an opt in. So when you're opting in to join Infosys Consulting, you're saying, "You know, I believe in the global delivery model. I think this is the way of the future for consulting; and therefore, you know, if this is the future, I'm willing to change myself to make it work with this global delivery model." So I say that the changes that have been required are more than in creating a solid integrated operation model rather than on the culture side.

__________________________(voice inaudible)____________________________

Tim Byrne: Thank you. Tim Byrne from Robert Baird. I just want to go back to some of the comments on selling. Can you talk a little bit about the partnership now that you're doing -- you're building here? To what degree, will the partners in this consulting practice have the traditional partner role of selling and delivering? And what would your model look like in terms of partner leverage? Will it be significantly more leveraged than the traditional consulting firm, given the global delivery model or should we expect, if you will, the pyramid in your model to be similar to what it has been historically?

Steve Pratt: Right. Just one slight correction to the question -- we're not building a partnership base. It's not a partnership structure. It's -- I think we're -- what we're doing is, you know, we've all been in partnerships for a long time and some of them in incorporations; and I think we're trying to take the best of both. But if you say that there is a spectrum there its probably more towards the corporate side and because there are a lot of advantages to that around scalability and to -- and I think that consulting is ready for a little bit more of an engineering mentality to some of the works. right. Some of it is the creative upfront business solving; but when it comes down to processing _____(voice inaudible)________ and understanding how to help a company perform better, that is -- there is more of an engineering mentality. And I think that's a lot more scalable.

So the ideas that Infosys Consulting would be again the 20%, and 80% would be leveraged by the resources in Infosys Technologies; that basically, our model is for every one of our practice leaders who, I guess, from a level of perspective would be approximately a partner level. We would have approximately, in the early days, 12 and then, as we get more mature, 20 people per practice leader; but that's only for the 20%, and so if you think it's also leveraging an upstream another 80% that we get tremendous leverage out of the model. Did that answer your question? OK. Right.

Tim Byrne: Yes. OK. Thank you very much.