

Infosys Technologies Limited
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Topic : Business Process Management – Session 2

Speaker : Akshaya Bhargava

Akshaya Bhargava

Good afternoon everyone. My name is Akshaya Bhargava. I am the CEO of Progeon which is a BPO company. I do not have a lot of slides. I think you may have read most of them anyway, so I will just quickly go through the slides and try and leave as much time as I can for question and answers.

I think the best starting point is probably to explain to you what our strategy is. To me this is really the most articulate thing to put it on one slide. This is really how we think about the business whereas on the horizontal axis we have exit barriers for our customers, right hand side being high exit barriers and left hand side being low exit barriers and on the vertical axis, we have functions that have a big impact on the customer organization versus functions that don't have such a big impact. And if you plot the BPO world as we see in that fashion, the triangle is really our view on the industry and the rectangle is what we want to be. If I then take existing customers and so the plot them against the circles that came up, that is just roughly how they fit. Now again this is not a scientific analysis of what it is. This is my perception of where I think the people work like we are doing for the customer today, over time it might move. So again as you will see, we are quite different. Three years ago when we started the BPO work, there were either captives or call centers and we said we will be neither. We took a view that the future of wallet of our BPO customer would be a combination of many things and we hold that view till today. Whatever you have seen in the market has validated that view. The combination is really end-to-end processes which combines many different processes, it combines voice and non-voice, combines English and non-English, and combines operations and technology and again this view is something that has been validated by a number of customer discussions of the business that we have won so far and I would be more than happy to talk about it.

Of course strategies are all rhetoric without performance, so here are the numbers. Last quarter we did roughly \$ 43 million in revenue. Last quarter we did \$ 18 million, so if you look at LTM basis it is almost \$54 million. We closed last financial year with almost 4,000 people, we closed last quarter with 4739 and as in last Friday, we are 5009. So we crossed the 5000 mark.

We are very focused on six segments and I will tell you which six in a moment. We have 19 customers, our voice revenues is something that we track quite actively are less than 20%, about 19.7. It is an important indicator to us because as a company we have set a ceiling of 30% for our voice business. I don't see us getting close at least not in the foreseeable future. I think we will always hover around 20 to 25% kind of thing, if even that. More importantly, almost all the voice work that we do, is what I call integrated voice which means it is a component of a larger deal and there are non-voice processes with voice processes, so it is really an end-to-end piece of work that we do.

We have a centre in Eastern Europe where we provide services in 11 languages none of which is English. We have a small presence in Philippines through a subcontract relationship with a subsidiary of Philippines long distance telephone company which is established for a particular reason for one customer.

We believe that the future of BPO really lies in reengineering and continuous improvement. So we have very strong credentials to show that. A lot of western BPO companies have grown by taking over work from customers and I really believe that moving work from one company to another does not make it BPO. You have to do it differently and you have to do it better and you have to do it smarter. We are very good in order management where we have four customers and we really have a world class solution there which is validated by metrics. So the kind of metrics we are seeing in terms of straight through percentages, in terms of cost of processing and so on are really _____ if you look at it on the good sign. We are very strong in mortgages, we have three customers, roughly 500 mortgage professionals who are trained and certified. They undergo 8-10 weeks of training before

they are permitted to work. We service roughly \$77 billion load portfolio across the three customers which we work for and we do a whole all range of processes from the point of origination of the loan till the time loan is paid and goes delinquent we have to do collections.

These are the six segments, five or six depending on how you look it at. We have financial services, so we are really fairly strong in financial services. Enterprises operation, enterprises services as it is called here. A lot of it is finance and accounts and order management and so on and so fourth. So again depending on how you define. Its close to finance and telecom is our sixth segment. Each of these segments represents a careful and deliberate choice which we make based on two criteria. One is we must believe that this segment can generate scale revenues over a short to medium term, like three to five years. The definition of scale is somewhat variable but it is not \$5 or \$10 million. We must see our way to a material number. Secondly we must have the capability in-house people who understand the segment, who will help us craft the solutions and allow us to make the right investments in developing our capabilities here. And again this is a strategy that has worked very well for us. We have senior experts and in more than one case, I can recall in the last one year we have actually sat down with the customer and said we can do this better than you can. We will tell what to do. I think that is very important because that changes the dynamics of the relationship in terms of the customer telling us what to do versus us coming out of through experts where we can say we know what we are doing but we can do it differently. We cannot do it in all segments as yet but we are willing to do it in many more than before.

There are five to six things on which I believe Progeon is differentiated versus some of the other companies that you find in India. One is we really focussed on end-to-end process management. End-to-end to me means all the adjacent processes that surround the particular product line. It may mean the technology, it may mean all kinds of things but it really should offer the complete solution to the customer. Part of our end-to-end thinking is geographic view where our eastern European center which works in non-English languages. The mandate to them is that if there is a piece of work that does not leverage India, they cannot do it? So for argument sake, a very large Czech customer, they were come to us and say look, we will give 500 people to work but it is only in Czech language and he wants to use the center and there is no India leverage, we won't bid. We will turn that business away because the whole notion is complete, the whole notion is end-to-end and the whole notion is really having a vibe in the complex relationship with the customer.

We are also very actively looking at China and I am very pleased to see some of the building design of Infosys China because we will certainly think of being there in the near future. Solution-led approach is something that we are very interested in. We work very actively with Infosys to develop solutions and I use the term solution a little generally because many times solution is not a tangible solution, it is not people software. For instance, if you are looking at accounts payable, I am giving an example, almost every accounts payable runs either on SAP or Oracle. So you cannot say I will own your SAP to that extent, no one will allow you to do that. What you really own is the processes that one run on top of SAP. And many times some of the tools are little pieces of software they sit and talk alongside this thing. Again to give an example that People Software that we _____ with another small company, which takes an invoice and runs an OCR on it. Scanning is a common place, OCR is a common place but what it does is it takes the data and passes it in a way that it can be directly upload it into a Oracle or SAP. So what it does is by automating the front end capture they are able to increase the straight through processing many times and quite often we are seeing 20-30% productivity improvement even without any cost argument, just how many people are required. So again it plays well to the kind of re-engineering mindset that we believe we bring to the party and again one of the biggest customers is Cisco where three years ago we moved about 340 jobs into India on order management. We exceeded every quality metrics that they placed upon us and I think we are doing the same work with around 230 to 240 people.

So ignoring for a moment the people cost in India there are a lot less people over time and I think that really that goes to the heart of what BPO is all about. It is no longer about one-time cost advantage. It is not even a conversation with customers. Mostly we believe they get 25% when they get off the plane in Bombay. They don't need to come to Progeon to get that, so it is clearly about reengineering and how much you can do year-on-year.

The predictable outsourcing experience is an important notion. We spend a lot of time trying to build predictability. One of the things that comes as part of the Progeon experience is what we call a customer portal. It is a internet portal with where you as a customer can login, you can put in your password and ID and you will be able to see the work queued in real time. You can build on that process, you can build on to an agent level, you can see the picture of the agent if you want to know what he or she looks like and interestingly enough use the same motion and the same concept in the fixed income research that we do. So we are beginning to translate generic process management tools and principles into not just low-end activities, but very high-end activities also and I will talk about that in a moment.

We inherit some of the very strong people practices from our parent company. I am very pleased to say that we really have some very good people. We have recently had a customer event and we showed a film on Progeon and the film was made in the first six months, so it is a three-year-old film and I was remarking to the person sitting next to me that all the people in this film other than two everybody still around. It is a testimonial to the fact that lot of our managers see us as a long term future and have committed themselves to it.

We spend lot of time on career development because we believe that is a big differentiator in BPO. It is not easy, neither is it done overnight, but you really have to keep doing small things everyday systematically day after day. Attrition is an issue in BPO, not so much with us as with other companies, but nevertheless it is a concern that we have to keep watching and there is no magic to it but it is a bit like losing weight, you go to sleep one night and get up next morning feeling wonderful. You really have to do slow systematic things and do it everyday and it is very boring but if you keep doing it, the results will show over time.

We had a case where one major international bank who has a very large capital in Bombay came and offered jobs to 19 managers in Progeon and we were very concerned. We managed to hold back some of them, some of them left. All of them have offers which are increases between 70 and 100% in what they were making with us, so they are financially very lucrative and we were worried for a while. But if you really attract good people and keep them, you train them, then after a while people know this is a repository of good people _____. But after thinking about it we realized that this is actually a good thing because what was happening was that generic BPO experience was not being seen as BPO experience but was being recognized by a world-class financial institution as valuable experience which they could pitch into their organization. So in a sense what you could end up saying to your people that best way to join a Citi or a JP Morgan is to join Progeon rather than go directly. It is true because we usually _____ for them to leave the longer they will tend to stay and we have actually gone into the program to say to our people that look if you want to build financial services credentials, and you want to be seen as an expert in custody or brokerage or market management or investment banking operation or something like that, you don't work for six months, you got to promote _____ something to it and get critical mass of experience and that is when it has value. So you cannot really get value and you can exit at any time, but there is a logical point where you can say two years of investment banking or two years of custody and again that works well for us in terms of being able to explain to some of those people.

Last point is on Infosys leverage and I think that is a true differentiator. There are very big points to leverage not just the same people generating leads that come to Progeon but the whole capability and the confidence to go to a customer that what we really want is your is your processes, we will use consulting to help you define what needs to be done and we will use the technology to make it better and its quite a compelling pitch.

I spoke about attrition a little bit. Our attrition on LTM basis is about 34%, which is a little bit higher than I would like but as all of you know, a lot lower than the rest of the industry. On the subject of attrition, I think there is a right level of attrition in BPO and that right level is not zero. What you really need is some reasonable attrition because it is a very flat pyramid and you want minimal attrition in the managerial and supervisory level and you want some attrition in the lower level otherwise the cost will go up and again you can debate as to what the right number is, I think it is between 25% to 30%. But again its is a matter of opinion. The subject of attrition becomes even more important as we go to the second point which is talent acquisition and development. If you take the industry which is 350,000 people, growing at 40 to 50% per annum, so that will double every two years and if you project the same growth say for four years, you are talking of 1.4 million people and then if you further assume that 1.4 million people are going need 25 to 30% managers and supervisors, you need 350,000 managers, which is as big as the industry today. I really believe that the challenges of the entire BPO industry and the ones who will succeed and the ones who will not, will depend on their ability to retain and attract middle management rather than entry level. So that is a subject with enormous focus for us and it is something that we spend a lot of time on. We have a very clear goal setting criteria, we have very clear performance appraisals, we have very clear career planning. If you join in the entry level and you get appraised every six months, so over a three-year period you have a six performance appraisals, if all six are outstanding then you will become a supervisor. If you are not that consistent, then you go up and down a little bit. You should expect to make it in four years or five years and if you don't make it in five years, you should go. So it is fairly well-defined path and we encourage people to do it. I mean I do not know if we are the only company but I think we are certainly one of the few companies who have introduced variable performance pay literally at the entry levels, so there is a small component of your salary that is based on the performance matrix that you turn out. Of course though we are saying that you must measure and then you must _____ give them coaching to become better and so on and so forth, so it is not just high and variable pay, but the whole attendant precondition that have to go to make that happen.

Nandan spoke this morning about preparing for scale and it is as relevant for us as it is for Infosys, we are a 5,000 person company in another year or two we will be touching numbers that will equal which I think will be roughly the

size of Infosys that Infosys was when it took the decision to create Progeon, which is a very humbling thought. You start to think about it because at that time Infosys was 17-18 years old, mature, it was well-known, it was a perfect company, so we get very nervous when we think about it. We have lot of room to improve but we have taken over lot of systems, a lot of processes from Infosys. We are implementing those in Progeon and we believe that given the kind of kind of scalability that you see in Infosys today, I see no reason to believe that we will not require it a lot sooner than 25 years of its existence.

Last slide, I want to talk a little about the customer that we have. It is an investment bank in Europe and these are the kinds of things we do for them. This particular engagement is about 140 people in size and it clusters around 16 countries in credit analysis. It is very interesting work and the reason I am putting this up here is not to talk to a bunch of analysts about analysis because I think it is much more than I do but again to illustrate the point that we believe that there are generic process management principles that can and must be brought on work that looks like this. So the head of research in this bank is an American and it used to be _____ when I said that it is a 900 people in London and Tokyo on equity and on equity and research and the conversation between us must be as much about how do we bring the 900 down to 700 or it should be about how much of that 700 can be done in India. Because if we don't do that then it is really body shopping because all you are doing is replacing an expensive PhD in Wall Street with a slightly cheaper PhD in Bangalore. As long as you maintain the one-to-one mapping you are just replicating all the inefficiencies of Wall Street into India and I am sort of hesitant to say this but there are inefficiencies even in the work that is done in fixed income and equity because it is so high-end because it is so specialized, it becomes a work of art and they ruin the process. You don't look at sharing infrastructure, you don't look at starting it at as magical steps. Just to give you an example, we were showcasing this to a customer this operation and when we were doing a recap the customer says to me what stays with me is the fact that in one particular area you had a team of six analysts and between them there are two Bloomberg terminals. If I had six analysts they would want six terminals, so everyone holds the share. I said have you guys have figured out that you use it for 15 minutes and you use it for half an hour and you use it for this and each terminal costs a lot. So if you end up having hundred extra terminals than you need to, then it is a tangible expense. And you can do something about that without ever outsourcing anything. It is just how you think about the work that is being done and that's very important and that is what we bring to the party and whenever I talk to somebody about knowledge services, the conversation is, if you are not prepared to do it differently and if all you are looking to do is replicate this with cheaper people in India, then we are not the company you should be working with and there are many people who do that way.

Coincidentally, I had a conversation with legal firm in Washington DC, a big legal firm with about 1,200 lawyers and after a while he realized that what we were talking about document assembly, if I can use that term. This firm has 1500 lease templates, different kinds of leases that need to be effective in 50 different state jurisdictions and each time they need to produce the lease, 90% is standard and 10% is what varies and if we even begin to think of something like that, it is a process. It can be subject to knowledge management principles, it can be subject to standardization, it can be subject to breaking down into sub elements and automating some and not automating some. So again I am using this as an illustration to say that we are doing something when it is really really important to us. This is something I will be very proud to see in our DNA, we are really a 3 year old company, so it is really grandeur to talk about DNA, but it is very important that it is something that we spend a lot of time talking and thinking about because again that is the true sustainable advantage in BPO. Thank you, that's all I had. Open to questions.

Question and Answer Session:

Participant

Akshaya Bhargava

It is not been a constraint but I think it is forced to discipline which are considered very valuable. I mean if you look at the last quarter's numbers, our gross margins are very similar to that of Infosys.

Participant

Akshaya Bhargava

But a lot of investment that is not in the gross margin line. Our cost of sales, SG&A, which is why I am talking of gross margin and not net. What you must remember is that in the last session somebody talked about shift utilization. Shift utilization is simply a data point which is one divided by the other, it means nothing. Whereas in the call center, it means everything. In our case, shift utilization within the customer is what is important because when we bid for work, we bid on a dedicated infrastructure basis and if that assumption is a 1.2 shift utilization. If we can improve that by having an intelligent conversation with the customer as to why you must you have this in two hours can you take next big turn around of if you do this process slightly differently etc. Now that goes straightly to the bottom line. Secondly, I talked about reengineering. All our contracts, all 19, except one contract, have a re-engineering clause. So we started to make the processes more efficient and I ended up doing work with less people, I get a piece of the action which again goes straight to the bottom line. So I think those are some other things that have helped us. Gross margin similar to Infosys, to me is not a surprise it something that, it is not we cannot get it for granted because we are not using it. There are a lot of investments that needs to come in other lines so that is when you get scaled and that is not up to optimize.

Participant

Akshaya, can you talk a bit about what caused this huge inflection point. Progeon was going around like this and then boomed about three or four quarters back, you had this whole acceleration. So can you actually discuss the events that led to this acceleration, what were the triggers points and whether you can see another inflection point similar to that maybe four, six, eight quarters down the line?

Akshaya Bhargava

There is no inflection point. If you look at our quarterly revenues, quarter on quarter we have been growing very steadily and very systematically. I do have the quarterly numbers here, but I have actually looked at that, in the top line there is no inflection.

Participant

Just take a look at your chart right out there, you have got 1,878 for 2004 and then it just goes up like that to 3,966 or whatever that is for FY05, so if you look at the QoQ acceleration, there is a definite acceleration that happened in 2005 so that?

Akshaya Bhargava

We are just putting the team together. The management team was coming together, we were figuring out footprint our strategy, first customer is always harder, second customer is a little bit easier. So what you seen year two and year three are really built up on a basic strategy that has not changed for three years. I think that is one of the good things what we are doing is that and to many of you I have spoken to two or three years ago, if you recall, we have always said the same thing. We have always said we don't want to be a call center. We always said we will do voice as long as it is integrated with non-voice, we have always said that world is a combination of this side and the other. So nothing has changed, just take a look at the numbers. FY04, the \$ 17.2 million that we did, \$ 14.5 m came from customers we had the year before, the five customers we closed in year one. Out of \$ 42.9, roughly \$ 35 million comes from customers we had at the beginning of the year. So the nature of work we are doing lends itself to very slow ramp ups but gradual ramp ups. Again if you take a 200% call center process, the ramp up is very quick because chances are it is one process, as soon as you train people, you hire 200 people, we will get revenues. If you do the kind of work we are doing, the 200 people will represent anything between 10 and 20 processes. Each of this has to transition somewhat sequentially. So by the time you see full revenues, it could be six to 12 months, so that is the bad part. The good part is if the customer takes 12 to 15 months of ramp up, you are going to take 12 to 15 months ramp down, so the exit barrier very high which really goes back to the first slide I had where I was talking about our strategy which is really and we like business that tends to be on the right hand side of the spectrum.

Participant

If you could also comment on the competitive landscape especially this debate about pure-play BPOs versus integrated BPOs and also in the context of the players that are in India especially Accenture?

Akshaya Bhargava

I have to confess that you probably know a lot more about the players than I do because I only know from what I read what all of you write. If I go to Accenture, it is something they will never tell me what they will tell you, but I think _____ second-third hand information. I personally believe that integrated BPO represents a much more potent combination of capability than a pure-play BPO. I really believe there is a cause and effect relationship between operations and technology and it is not both ways it is one way, and some industries it works that way. If you take the life insurance industry, much of this industry is priced around cost of the policy and those cost of the policy includes operations and technology together. If you maintain the proposition that says keep your technology, I will process the policy for you at 30% less, it will make no sense to the customer because he doesn't count it that way. If you say, keep your process, I will give you technology that costs you 40% less, you will not sell anything because no body counts it that way. So the industry has gotten used to cost of policy, which is an integrated number. Not every industry works like that. You go to banking and _____ the unit cost, and nobody understands that because unit costing in banks is a fine art if we have to get there. So it is a challenge. It is not just a question of the supply side not being ready, I think the demand side is also not ready for bringing this together very powerfully. Will it happen, I think so. It can happen faster in some industry segments than others, but when it does, if you don't have both the capabilities, you will get completely excluded from the deal because then you don't have what it takes. So I think there is convergence there. As regards other BPOs, I feel I see the world in three sub segments in India, one is the primary captives who work for the parent company and the second is the secondary captives like Accenture and IBM who the Indian unit is the captive but the parent company is a BPO company, and third is companies like us. The _____ I find very fragmented and I think it is about a third of the \$ 5.2 billion numbers which is \$ 1.7 billion. The top 20 will constitute \$ 800-900 million, so nearly 200 will constitute the rest. So it is really fragmented and I think people like Accenture, they have seen a big growth in India because a lot of the work that is being done internally has moved to India which they could. I don't know if that is over. I suspect it might be over because otherwise you would see some more growth on BPO, I am not talking of IT for the moment and now they have to get new work and getting new work will be on price points that are set by Indian companies and pretty much on quality points that are set by us. So it is very similar to what Nandan said. I think it is very clear that global players will now have to win new business on our terms and they will win some and we will win some.

Participant

I just had a question regarding captives. Now you mentioned that you are working with Cisco is doing for 250 to 300 people and 230 people so obviously you were able to take the business from a captive there and take into Progeon. Have you actually lost any business where the customers gone out and setup their own captive and if so and actually in both, if you could give us the reason as to why we were able to convince someone to give you business. I know have you gone through some of the pains versus why you lost – what do you see going forward?

Akshaya Bhargava

Okay, let me _____ question and I will come back to what you were saying. At last count, and no one knows the true numbers so its all speculative. I am told there are 250 captives in India. Now will all the 250 survive in the long run, you can project no. I think maybe 5-10 will make it, the remaining 240 or whatever number are not going to make it because if you have a small captive of 50, 200, 300 people that is a definition subscale. Would you a middle level manager and you know what I was telling about middle level manager and that's where the war is going to be. If you were a middle level managers, would you join a sub scale captive that is not growing very fast? It is doing work but by definition it is non-core to the organization otherwise why would you do it here and you don't have that strong a career path or would you join Progeon which is growing at 50 to 100% per annum or more and is doing all kinds of work, so you can acquire different kinds of expertise in the company. So that's the challenge. It is not going to the the fact whether they can do the work or not but when they retain the talent and need without paying money that will begin to deteriorate the value proposition of the capital, that's the challenge. So just one thing to bear in mind. Having said that, there are some processes that are likely done in a captive. If you look at investment banking and there are a lot of captives that are being setup with by the investment banks. A lot of this investment banking work carries a degree of operational risk with it that I don't want, corporate action. If you make a corporate action, the kind of liability you are opening yourself upto is very really unlimited. If you look at trade settlement the market has moved. So some of the risks are justified to the banks or institutions because their pricing includes that but BPO does not price its services at 20 basis points. So if we pay \$X an hour, _____ justified, so BPOs actually don't tend not to do that and if a customer does want t outsource some of the functions then the captives becomes the only choice or you face a decision on the risk that lot of people don't appear to be comfortable with. So that's one thing. Reality is also you have to pay attention to the organization politics. Many captives are setup because internally it is an easlier sell. I remember a conversation with a global investment bank

and the head of operations was looking at a captive and I said why are you looking at a captive, you are never going to go beyond 500 people, does it really make sense? He said maybe it doesn't, but you know what I cannot convince my process owners that you should do it, put it. If he is telling no this is our company whatever Goldman Sachs, JP Morgan then it is much easier. So a lot of this is psychological and I think once they shift the work here and once he is 7,000 miles away, then perhaps their ability to do it with a third party maybe easier. So a lots of things at play here and not all of them is easy. Coming back to the question you asked, yes _____, Cisco was not from the captive, it was being done in-house in Amsterdam, Sydney and Las Vegas. So it actually came from an overseas location. We have one or two customers who have setup captives after they signed the deal with us. In both the cases, we are doing the work for the customer and the captive, so it's a co-existence kind of a model. What we have told the customer is that, look if you want to take it away, then the contract turns out you can, but we would strongly urge you to maintain this because at the end of the day the primary objective is not for your captive to be successful or Progeon to be successful but your India strategy to be successful and if you really view it that way then having a Progeon plus a captive gives you two strings to the book, so that's one part of it. The second part of it is that we strongly believe that our cost benchmark, quality benchmark, the productivity benchmark are very strong and having two operations allow you cross benchmark each other and that's very valuable, you have done the hard part, now don't throw it away for no reason. It seemed to work, so that is the question right.

Participant

What you mentioned about the captive _____ my question what are your thoughts on acquisition as a strategy _____ going forward, will you consider the _____ BPO better than _____ BPO _____?

Akshaya Bhargava

I think acquisition is absolutely valid to strategic growth but if you look at Progeon, we have 5000 people today almost. Will we get size on our own, quite possibly, so to to acquire to size doesn't make sense. To acquire for something that I can already do, again it does not make sense. But you have got the several skills that I don't have or gives me access to a segment that is high entry barrier segment is very valuable. So if I apply that filter, there are some captives I really like and we are very actively building relationship with them. So they are not ready to sell but if at any stage they want to sell, we hope that they will talk to us first, but you know this is _____.

Participant

Akshaya Bhargava

See transaction processing like I said, it is like unit costing. If a customer doesn't count it that way, it is very hard to even sell it that way. So I think transaction processing somewhere pricing is somewhere in the mid. A lot of people think transaction processing will make it variable for them, no it won't. The moment I sign a transaction _____, I want you to commit to volumes, upper limit and lower limit. The moment you that, you are in a _____. I don't think the industry is there yet. So a lot of pricing model is already. The onset of pricing trend, we will talk about pricing pressure, _____ read about is what pricing pressure. I actually do not see pricing pressure. Intense price negotiation at the time we sign the contract but if you are signing a 3, 5 7-year-old contract, the price discussion is over once you do it.

Participant

Just one more from side. You mentioned six segments that we are keen to operate or we are operating in and the kind of constraints. I was just wondering any segments that came very close and which got left out? Its an open-ended question here.

Akshaya Bhargava

See the one segment that I had my eye on but we don't understand it sufficiently well is retail and the reason I like retail is that we retail has an element of commodity work and our element is very high in analytics. _____ very nicely together. Again, not a firm plan or anything but its potentially an attractive segment. There are lot of transactions processing, there are some call center work, it is lot of analytics and they all come together to serve the same end customer. There is a market context that binds it together in a way.

Participant

Thanks

Mitali Ghosh

I had two questions one is on you mentioned that you are actively looking at China. So what are the kind of work are you really looking at doing from there or which markets are you looking at?

Akshaya Bhargava

Okay, the work is going to be Mandarin, Korean and Japanese. We are not looking at China for English work. We are looking at China for multilingual work. Where we will be, I don't know. We would like to stay with Infosys because they have a nice building, but if you need to speak in Korean, Japanese, Mandarin, we may end up being in Dalian. I don't think we will end up being in Dalian because we have two or three customers who are looking to outsource work in China and I talked to all of them and none of them really want spoken work, ___ reading and writing skills which sums your pool of talent than if you only want speech.

Participant

This would be from the Chinese market?

Akshaya Bhargava

Okay, I did not get your question. What we have seen in Eastern Europe as well as China are really the global customers who want to outsource. We are not seeing Asian customers, we are also not seeing German and French and European customers who want to outsource their work. I dare say that will come, but as of now, I don't see much of that.

Participant

Okay, just going back to the interesting point your raised on product liability, philosophically if you were actually paid a higher risk premium on taking on that liability, is that something that you would do?.

Akshaya Bhargava

Conceptually, I cannot argue with that. There is a price to risk which can be priced and if somebody compensates you fairly why would you not do it, but the investment and understanding in pricing risk is much small _____.

Participant

Akshaya Bhargava

_____ I should say. Conceptually yes, and again it is not impossible. We had a customer who wanted us to do some accounting, calculate daily NAV and what he also said if you make a mistake in NAV, you are responsible for the consequential damage. Now its not hard and its not that it cant be done.

Participant

Just from a industry perspective, do you think that there was some of the steps going on, mixed pricing of risks by competition, which could lead to a major blowout?

Akshaya Bhargava

I think so and the only reason I base this comment on is when we push back on some of the risks they mention, one of the things we hear from time to time is that _____ right.

Thank you very much.