**Topic   :   Enterprise Solutions – Session 4**

**Speaker   :   Chandra Shekar Kakal**

Good afternoon, so very personalized session for four of you.  You can ask me questions may be I will answer so that may be better.  All of you know me, I am Chandra Shekar Kakal, Global Head of Enterprise Solutions group at Infosys.

Whatever I talk here is under Safe Harbor clause, so if there are forward-looking statements, please excuse me.

Enterprise Solutions group at Infosys is all of the package product related services, so starting from package evaluation to production support, maintenance, and we have been growing quite fast in the last few years at about 66% CAGR. And we were about 15.3% of Infosys in the last fiscal, about 3,600 people. I think it has increased now close to 4,000 people and about $265 million.  This is a group which cuts across industry verticals and cuts across geography and offers solutions to the customers all over the globe.

If you look at the enterprise, there is an enterprise and an extended enterprise. So our footprint covers complete extended enterprise both on the suppliers side and the customers side and on the core ERP side, enterprise side. We have also introduced services like human capital management now, because that is the growth area and we have enterprise application integration as a servicing in our portfolio because the packages have to be integrated again using another package, middleware packages, so we use all of that.

Today we also see that there is lot of growth happening in the corporate performance management, business intelligence, and all that because enterprises have their ERP implemented and lot of data collected so they have to really use them in a much better way.

If you look at product vendor perspective, there is lot of mergers, acquisitions and consolidations all that is happening in the market place.  So it is really a game you know, I mean JD Edwards was acquired by PeopleSoft, PeopleSoft was acquired by Oracle, and SAP wanted to acquire Retek and then Oracle over bid that and acquired, all this chaos in the market place.  In fact, we did see that for sometime in the middle, the customers were confused especially the PeopleSoft customers did not know what to do, whether to upgrade or not to upgrade, hold for sometime and all that. So after some time, it got cleared and we started really seeing business again in PeopleSoft.  So, they are definitely under pressure for the licensing revenue and they are looking at other areas of making money like hosting and all that now.

If you look at from the research analyst point of view, of course they have been upgrading the offshore service providers like Infosys in a big way and then putting us equal to the big consulting firms globally, like IBM, Accenture and all that.  Especially with our own Infosys SAP practice they have been talking about we providing higher value which they have collected from the customers of course.  We providing higher industry savvyness and then the business value to the customer compared to any other offshore service provider and our SAP practice is definitely one of the top notch today.

If you look at from the customer perspective, this is what I was telling just before you walked in also that while license revenue for the product vendor may not be going up, there are still expenditures happening from the customers side on the ERP packages either because they have actually bought the licenses and then rolling it out into multiple countries, multiple divisions and all that or they are upgrading their existing ERP systems or they are consolidating, making a single instance and all of that. And they are adding some additional modules and additional systems on the suppliers side, on the customer side and all of that.  So because of all that, there is still large market available for us to grow.  And the statistics say that about $70 billion is the services market worldwide, while we are doing all of the Indian companies put together are not doing more than $ 1-1.2 billion. So there is still a larger market space available. One by way of eating into the market share of the traditional companies like

Accenture and IBMs, Deloitte and Bearing Point and all of that, another is because of that additional spending that is happening in the market place.

This is an interesting slide and this is my favorite slide too. See what is happening is that the whole epicenter of the ERP ecosystem is really shifting offshore. There is lot of product development happening offshore because SAP, Oracle everybody is doing their product development here today and they have large presence here. In fact, Oracle product development happens 6 KM from here and I have a large Oracle ERP practice here, and they interact very well with each other. SAP has got their SAP Labs that is where the product development happens. When product development happens here, the implementation is happening by companies like us and when we implement an SAP or a Oracle, the actual users are the ones who do the business process, and business process outsourcing is happening in such a large scale and they are the people who are really using the system which is implemented us. Just an example is for Cisco in America, we implemented the Oracle ERP and Progeon is doing the Business Process Outsourcing, and it all happens in maybe 10 buildings in the same campus. So that is what is happening and once we implement and then they use, they actually come across the defects or issues and they log it into the system, which is again fixed by us, may be sitting in another building who are doing the production support and maintenance, and when we actually come across those issues, we consolidate all that and then give it as a feedback to the product vendors for them to incorporate it into the next version for the product release. When they do that the next version, they actually give us a chance to have a peek into product before it is released also. So, the whole cycle actually continues and the whole of the ERP ecosystem is really happening here while the customers are still there in America, Europe, and Asia Pacific wherever they are and the actual services are really happening from offshore.

Some of the strength we have at Infosys is, we have been able to use our execution excellence in the traditional Infosys way and do the ERP engagements also 90% plus of the time in within schedule and within budget kind of thing. We have also established, what we call as Enterprise Solutions University. This building in Hyderabad is actually the Enterprise Solution University building where we have about 400-room hostel where actually people can stay here and the 12 weeks of training which we provide for the consultants whom we hire, happens here. These are the classrooms where the SAP and Oracle training and all that suppose to happen once we open the building. Otherwise also of course it is opening in other places. So, we have established that Enterprise Solution University so that we can actually get industry-experienced people, management graduates, put them through the training and then convert them into ERP consultants. Otherwise, scalability of having good quality ERP consultants is very difficult today and with the demand going up again now, so it is very difficult.

Today, we are also able to do a program and project management of large programs by collaborating with our own Infosys Consulting and our own ability to do those kind of programs. We have definitely developed a global scale today with 4,000 ERP consultants available and with Infosys Consulting also, today we are able to do lot of global rollout and our global rollout story is really increasing its large number of customers. Of course, our consultants are topnotch. This is just a reflection of the number of countries where we are either doing a global rollout or we are in a process and about 79 countries are covered already and some of the examples of the large global engagements, which we are doing, I will pick up may be one of them. A dealer management solutions which we are doing for an auto major actually provides such a solution globally. It has been deployed in Asia Pacific, Europe and then we will probably will be deploying it in America also. This is for tracking the vehicles ordered by an end customer like you. A dealer will be able to tell you what exactly is happening on you car, whether it has been assembled or painted and when it will be delivered all of that very well. Because it has been integrated into the factory production system also and they will be able to provide that solution. So, that is the kind of engagement which we are doing with some of the customer are very intense in nature, and it is not just providing some bodies for them to do the program management. So another examples of what we are doing with the sales force automation implementation with a logistics company is actually covering the sales force system of their people in 220 countries, that is the blue print, which covers almost, every country in the world. Either through franchisee or their own sales force, they want to really establish and have the same uniform system for doing the sales force management. So that is the system which we are implementing using Siebel and we are through with about 50 countries and it is ongoing exercise and we are doing that very well. So what I am saying is the engagement we are doing with the customers are very intense in nature and not just providing some ERP bodies.

The challenges and the strategies would be putting together. Of course, we do have some challenges, especially if somebody asks us for a large engagement what is your past experience in the same industry, similar kind of work, we may not have worked. So in that case, it becomes very difficult for us to really sometimes prove that we will be able to deliver. So in many cases customers with a leap up price have handed over such a project to us and we have delivered well and what we are doing is we are recruiting people from outside who have that kind of a experience from their previous industry experience and all that or previous companies and putting them together with our package experienced consultants and all that and telling them upfront that yes we do not have any

experience as Infosys but we will accumulate the experience this way and we will be able to deliver the project, which we are doing. Our interaction with the product vendors also is going very well today and the alliance traction with products vendors like SAP and Oracle and all that is definitely increasing. They are taking us very seriously. At the ground level with their sales people and our sales people there is a lot of traction happening and we are going to the market together with them in many places. We are also working on several solutions, horizontal solutions for upgrade, package migration and all that and vertical solutions in the area of pharma, retail, CPG and all that along with our own industry business units.

So these are some of the ways which we are actually doing to overcome some of the challenges which we are facing in the industry today. So that is in a nutshell what we are doing at Infosys and what is happening in the market place, what are the challenges and the strategies we are putting together.

Open to questions.

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## Question and Answer session

**Participant**

What experience do they have and you know from where do you hire them or are they just MBA graduates with a CA degree or something like that and you train them and you then call them ERP consultants.

**Kakal**

See, when we talk of ERP consultants, especially the functional consultants if we talk about, the various roles and levels we have is that starting from a Associate Consultant to Consultant to Senior Consultant to Principal Consultant to Senior Principal. Obviously when we want to hire somebody like a Principal Consultant or a Senior Principal consultant, then we look for mostly in the market and then hire people with experience both in the US and other geographies in Germany or Japan or in India itself. We hire them, and the lower level consultants like Associate Consultants that requires somebody with a good industry background and good management education, so that they will be able to understand the functionalities and the package and implement and do the configuration and all that. So that is where we look at the Indian campuses MBAs from the B schools. We go to about 20 top B schools, all the IIMs and one more level below kind of thing. And we take people who have one or two years of previous experience and joined B school or people who have completed MBA and working in the industry today. So we take such people and then put them through the Enterprise Solution University, give them about six weeks of generic methodology training and then branch them off into SAP, Oracle and all that, and at about 12 weeks' time, they will be ready to work on an offshore project and then onsite may be afterwards. So like that next level consultants we hire from the market or upgrade our own consultants after they have sufficient experience and very experienced we hire from the market and the lower level we take from the campus and then train them.

**Participant**

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**Kakal**

Yeah, I mean first question. Our implementation, upgrade, rollout kind of a revenue is about 60%, and then the balance about 40% comes from the production support maintenance and some of the development work we need to do. In terms of margins, definitely we are much higher than the Infosys average. On a revenue productivity basis, we offer 30-38% higher revenue productivity per person compared to the rest of Infosys.

**Participant**

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**Kakal**

Actually, see SAP, for example, still maintaining a good licensing revenue growth about 15-17%, whereas the other companies like Oracle, Siebel and all that are either at 5-6% or negative. Quarter on quarter sometimes they are negative, sometimes they are going up and things like that. Licensing revenue growth is definitely one indicator of

the pie available for us like I said even if there is no licensing revenue growth happening in as it used to be in the past, there is definite market share which we can take from the existing players and there is definite spending happening on production support maintenance and consolidation, global rollout support, upgrade and all of that. So immediately we do not see, although that is a good indicator, a long-term indicator, of what is the pie available for us but immediately I do not think there is any problem.  And actually the product vendors are also very smart. They come out with newer platform, newer technology, and things like that.  Take for example SAP itself, how they are repositioning themselves with their NetWeaver platform.  Yeah, they are repositioning themselves and then that is how they are able to grow the revenue and they actually started expanding into supply chain, CRM, business intelligence and all of that.  Today, their XI is doing very well, SAP XI is a competition for the other integration packages today.

**Participant**

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**Kakal**

NetWeaver has got about six components.  It has got employee portal, it has got BW (Business Warehouse), and then it has got a integration component – XI, and there are about six different components. And they are using all that and putting them together as one platform and then actually selling that to the customers to upgrade themselves into the next version.  So like that, they keep also doing various things.

**Participant**

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**Kakal**

The competition we are facing and then who we are losing to is mostly IBM, Accenture, and in some cases Wipro. I would say Satyam, while they may claim to have a large ERP practice but when it comes to production, support, maintenance and then lot of bodies supplementation kind of thing, that is not a game which we really play.  We get into lot of project management kind of thing not supplementing the bodies.  If we are not program managing and then if we are asked to provide some bodies, we generally do not do that.  That is the space where ____ come in.

**Participant**

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**Kakal**

See, IC, as you know very well, it is about 12 months old. It takes probably, it took about first six months to establish the model.  Today, we are already have two-three wins along with IC which we are executing and the pipeline is very healthy.  We are already executing two three projects and the pipeline is very healthy.  See if you look at large engagements we are doing, everywhere there is IC involved and Enterprise Solutions, especially in the ERP space IC and ES group involvement is very high.

**Participant**

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**Kakal**

Of course yes.  Thank you very much, I think there is a open house.