

Infosys Technologies Limited
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Good morning. Over the next couple of minutes, I would like to quickly take you through the state of the IMS business services, comment briefly on our service offerings, what are some of the trends we are seeing in the industry and how we are positioning ourselves from a IMS perspective in order to take advantage of those services. The usual comments as it relates to the Safe Harbor applies.

Our IMS services is a three-year-old business. This is one of the new services that you heard Nandan refer to this morning that is contributing towards the overall growth of the new services within Infosys. This service has grown quite significantly in the last couple of years and if you look at the numbers, in the three years that we've been in existence, you see that we have been growing at almost 100% compounded per annum.

We started with one delivery center or one operations center, as we call it, in IMS in Bangalore and we have expanded that today to include centers in Pune and in Hyderabad. Also, if you look at our mix of service delivery from an on-site, offshore perspective, you'll see that we've also made significant strides in bringing the offshore mix in line with the standard Infosys ratios that we tend to look at. And today, we are operating at almost 80% of our infrastructure services, leveraging our offshore capability.

If you just take a quick look to the picture to the left, this is actually a representation of our Pune operations center. This is kind of a unique center in that it's the first of its kind in India and from this center we are actually delivering specialized services for a large European telecom operator. This is particularly significant when you look at the type of services that we are delivering for this operator and with them being a telco provider, in reality, we are running part of their core business for them from this service.

If you speak to any of our senior management today, you'd hear them reiterate the belief that IMS in itself has the potential to become another Infosys and this is evident with the types of investments and support that is being given to our operations today.

Taking a quick look at some of the trends that we are seeing from an infrastructure perspective, we are continuing to see strong trends towards offshoring. We are seeing that this is across all the industry verticals and the geos that we support, and from a service tower perspective, there's also significant potential for growth in all the service towers that we support.

Many of the trends being reported by those who follow the infrastructure space are consistent with our own internal observations. Couple of things that I want to point out. If you look at the reports from Forrester have reported on the S-curve, you'll see that the general offshore infrastructure market is still regarded as an emerging entity and if you look at our own particular numbers in terms of our growth, in terms of adjusting our offshore ratios and offshore mix for infrastructure services, you'll see that this is consistent with what is being reported. Another key trend that we are seeing that plays well to our particular business model and the whole Modular Sourcing that you heard Shibu talk about is the whole issue of moving way from these end-to-end deals requiring from an infrastructure perspective asset takeover, significant amounts of asset takeover and ownership. And what we are seeing today, that deals are generally becoming more modular while increasing in complexity. There is more selective outsourcing from an infrastructure perspective as it relates to what customers are looking for. And there is a general trend to moving towards the whole issue of disaggregation, so to speak, of the traditional infrastructure services space.

Quickly taking a look at the market size, and as reported by Gartner, they are reporting that by 2006 the whole offshore infrastructure space is projected to be a \$1 billion business and from the general IT services, the average growth rate they are reporting is in the 7% CAGR. The key message that we take away from here is that across the four service towers that they report on -- data center outsourcing, desktop outsourcing, enterprise application and network outsourcing, the projected growth is relatively consistent across the four towers.

From our perspective internally, we are seeing that same level of consistency, except of course that we are growing at a much more rapid rate. Looking at our service offering, in addition to the four areas that we mentioned above, we are also providing service in the whole area of ITSM, or IT service management. IT service

management process consulting focuses primarily on helping our customers look at the whole process alignment of their infrastructure services. Many of you are probably familiar with CMM. From an infrastructure perspective, basically, ITSM, which is built on ITIL, or the IT Infrastructure Library, is to the infrastructure space basically what CMM is to the application space that many of you are familiar with.

We are seeing some traction in this space, and we have actually been able to use our work in the IT service management space and ITIL consulting space as actual door openers for opening some accounts for instance within the last six to eight months or so. The IT service management focuses primarily on 12 processes, as an example, they look at problem management, change management, configuration management, etc and we actually are providing services across these entire 12 processes.

The other key message that I wanted just to bring up from this slide is look at from a technical support and service desk perspective, what are the differences in terms of how are we looking at this particular service tower relative to our competition. Most of our competition today is delivering technical service desk space out of their BPO operations. Whereas from our end, we have focused on delivering this out of our infrastructure group from a technical perspective. We believe that this is a significant differentiator for us in that when you look at IT technical support today, delivering it within this model actually allows us to focus on delivery of services at what we believe is a better price point for the customer and this is achieved as a result of our technical focus actually being able to drive first call resolutions within the service desk arena.

Quickly, moving onto what are some of our distinguishing strengths, we continue from an IMS perspective, there is a continued senior management commitment not only from the standpoint of the investments and stuff that we have made in terms of physical infrastructure, in terms of the buildout of our delivery capabilities through our IG operations framework, but we are also seeing that commitment from the overall perspective of understanding the differences of the IMS business relative to our traditional ADM business.

From an investment perspective, some of the other distinguishing trends we believe separates us from some of our competition, is that we are making significant investments in the development of our centers of excellence and competency building in the establishment of the IMS University. Even although there is a significant training and development mechanism within Infosys, there is a recognition that the deliver of infrastructure services and the skill sets required are significantly different from that of the traditional ADM space and we are making significant investments in development of a specific IMS University, which leverages our core training infrastructure that we have in place.

We are a BS15000 certified entity built on our ISO capabilities and experience, and of course we have made significant effort from an organizational perspective in that recognizing that IMS is a true substance for an operating entity in terms of the processes and HR practices and stuff that we put in place, to facilitate delivery of this service from a 24-hour perspective.

Looking at some of the challenges that we see in the next couple of months that we are already beginning to address. The first challenge is in the whole area of looking at how infrastructure services are being priced. You're probably hearing a buzzword like utility computing and stuff like that which will over the next couple of months we believe will change, cause many providers to take a look at the way they price their services. We have already started to put mechanisms in place to look at the whole issue of element-based pricing and to address some of these new trends, as opposed to the traditional FTE model that you're probably familiar with. We're also looking at differentiation of our services from a pricing perspective through leveraging our process strength, the technology platforms in terms of ___ framework that we talked about and leveraging our alliance partnerships.

The other key challenge that we see that are merging this and some of the deals and stuff that we are currently engaged in is the whole issue of multilingual support. More and more customers and more and more of the deals that we are seeing from a global perspective are requiring delivery of services with multilingual capability and we have already started from an IMS perspective to look at addressing this issue by leveraging the investments that the company has already made in the Eastern European center in the Czech Republic and with our China operations.

The other issue that we believe will be significant going forward is the whole issue of security compliance with the advent of SOX and some of the internal data privacy issues that are emerging. And we are taking a proactive approach in terms of addressing this with many of our customers. Both the operations center that we alluded to in Pune and our other operations center, these centers from a physical perspective are all controlled through biometric access mechanisms and as this whole issue continues to evolve, we will continue to work in a proactive manner with our customers to address the security concerns.

While the whole issue of asset acquisition is one that surfaces occasionally, coming back again to the comments that were made in Shibu's presentation and the whole issue of Modula Global Sourcing, what we are seeing is that it's really popping up in less than 5% of the deals that we are involved in and we are addressing this through with strategic alliances with some key partners to address that capability where it does pop up.

That, ladies and gentlemen, is the current state of Infrastructure Services in summary and thank you.