Infosys Technologies Limited

2005 ANALYST MEET

November 11, 2005

Karen Hutton

Ladies and gentlemen, if you'd like to ask a question, please raise your hand and wait until we arrive with a microphone, so that both the audience here and the Webcast audience can hear your question. Thank you.

Unidentified Audience Member

Hi, thank you. Pardon me. I'd love to hear from each of you how the increasing adoption of open-source software affects your respective business units and how you think it affects Infosys as a whole?

Kris Gopalakrishnan

Definitely open source is seen more and more as an attractive option. We have a open-source technology consulting practice within Infosys both as part of our SI, our Infrastructure Management and generally as part of our technology consulting practice. Some of the interesting challenges in open source are issues related to licensing and how when you deploy open-source component in an application, or in a solution, then what kind of licensing etc is involved? So there's a lot of opportunities for consulting in this area. We have not broken it out into how much revenue we are getting in this. We have R&D in the area of grid computing based on open source, in whole aspects of licensing IPR, technology consulting, as well as solutions built on open-source stack, complete open-source stack all the way from Linux as an operating system to MySQL as a database.

Unidentified Company Representative

(inaudible - microphone inaccessible).

Unidentified Company Representative

We have a strong open-source community within the company. We contribute back to the community, in terms of code etc which we contribute back through Linux.

Trip Chowdhry ***- FTN Midwest Securities - Analyst***

Trip Chowdhry from FTN Midwest Securities. Two questions. First is on the large deal side, similar to ABN Amro. It seems like you have been very aggressive in expanding your headcount to almost probably 20,000 people. New people will be added this year. That gives me the impression probably we may see more deals coming your way of a similar magnitude like ABN Amro. Would you like to comment on that a bit?

Shibu

These are deals which are of long incubation type cycles. These are binary deals because either you have it or you don't have it. So we generally do not consider them into our planning unless we have reached a certain level of maturity. Most of the recruitment which we have done so far, if you look at it, our utilization last quarter was again, if you look at the chart, it was 79 to 80%. So it's a very, very healthy utilization because our utilization target is high 70s to low 80s. So most of the recruiting that we have done so far I would believe is for the organic plans.

Trip Chowdhry *- FTN Midwest Securities - Analyst*

The second question is, as the platforms are getting consolidated, both Oracle is on a very aggressive move to consolidate the platform business. I was wondering what new opportunities are opening up for Infosys in the light of the ongoing consolidation in the software space? Thank you.

BG Srinivas

Yes, actually, we are active partners of Oracle. What we have done is proactively looked that Oracle road map of and we have internally built in applications and tools and channeled them to actually help our customers on two aspects. One, as the product and support or product support stop, we are there to support them. On the second hand we have tools to help clients migrate from platform A to platform B in a very predictable manner, and again, this is done leveraging our Global Delivery Model, and tools which are usable. So we have already built these tools, and we are in a position today, to integrate these opportunities with some of our these kind of synergies as our product platforms and projects.

Second, we want to have a very strong EI practice and some of these products are not talking about actually merging, but going to see ___. So these for the same business applications will be networked and then we have this EI practice, which is helping us today to manage this.

David Grossman *- Thomas Weisel Partners - Analyst*

Hi, David Grossman from Weisel Partners. Two questions. First, Nandan, you've talked about offshore pretty much being on everyone's corporate agenda. In that context, then, can you help us better understand where we are in terms of penetration rates of your core applications and development of maintenance business from an operating perspective? And that same context, obviously the legacy peers relate to the game here, but they're clearly recognizing how important this is, and maybe help us better understand what impact that's having on your business.

Nandan Nilekani *- Infosys Technologies - CEO*

Well, I think in terms of penetration, I think in terms of how many of the Global 1000 or Global 2000 companies are doing some amount of offshoring, I think the percentage would be very high. I mean, I will put anywhere from I would say 50, 60%, or even more, in the sense that at various levels of adoption, but fundamentally I think there are really very few untouched sectors in the world, especially in the U.S., which are not looking at offshore, or doing it in some small way.

In terms of penetration, I think while we think that there are two ways to look at it. One is that obviously the early adopters are a lot more penetrated than the late adopters and people who began offshoring and outsourcing 5, 10, 15 years back have a substantial part of the portfolio that are now being done by this model. But there are a lot of companies that have come to the party only in the last three to four years. I mean, if you go back and look at it historically, the big sectors were technology and financial services, and if you go back and look 10 years, it's really technology companies and financial service companies.

But, increasingly, other sectors, in the last four to five years, automotive, aerospace, oil and gas, chemicals, pharmaceuticals now because they are facing cost pressures, entertainment, media, transportation, logistics, a whole new set of players are now exploring offshore. In those cases, I think it is still under penetrated, so I think there is a lot more theme in penetrating those customers. The other thing is that from a service point of view, obviously application development and maintenance is a much more mature part of what is happening. So now you can see and as Bala showed you on this slide also, I mean, today, close to 40% of our revenues is coming from new service we entered in the last five years.

So I think while the application development and maintenance piece of the action is reasonable, it's getting more mature, relatively, there's a lot of things to that. I think there's a lot of the steam in the newer services, like what some of my colleagues like Murali talked about, which is Infrastructure Management in terms of Systems Integration, in terms of EI deployment which is a huge opportunity because people are not going to pay hundreds of millions of dollars to the legacy firms to do some SAP deployment. That game is over. So I think there's a lot of steam in the newer services also. And BPO is one we take, because BPO is going to be very big.

David Grossman *- Thomas Weisel Partners - Analyst*

The second question relates to the margins. I mean, your model runs in the mid to high 20s on an operating margin basis and historically the IT services businesses run in the 13 to 15%. What is it that you could tell us to help us better understand as the Global 2000 gets better at offshoring themselves, what should we think that would give us confidence that they'll let this business continue to generate those kinds of returns.

Mohandas Pai

David, there is a metric that we could look at. The metric takes the global majors on a per person basis have the same amount of operating margin per person that we have. You're looking at percent data. If you strip the argument down and look at per person margin, one big global major which has got $14 billion of revenue has a 13% operating margin. Thirteen percent on $170,000, would be something like 22000- 23,000 per head. We have on $77,000 blended, a similar operating margin per person.

What the Global Delivery Model does is to deliver the same operating margin per person on very much lesser payment made by a client, because of the Global Delivery Model. However, the benefit that we have, to earn the kind of operating margin per person, we have an appropriate cost structure. If you have a 20% G&A on $170,000, that is $34,000 per head and if you own $77,000 blended, you cannot afford that $34,000 per head. So if you see the legacy players who come offshore and try to build a model, the challenge is, while they could earn a similar kind of margin that they do on an operating basis per person, their cost structure prevents them on a global basis to earn that kind of margin.

So we do think that offshore players have the capability to maintain the margin among all players for the longest possible time. If 90% of the total software service business becomes offshore, then what you say could come true. The example that we have in mind is that of the Taiwanese silicon, semiconductor companies. So long as you have large companies making semiconductor chips outside of Asia, they could get better prices and have better margins. When they started outsourcing everything to Taiwan and now to China, the margins were under pressure.

Fortunately for us, the top five players in the world in services have a revenue of about $100 billion, and they provide the pricing umbrella. And our ambition is to go up the value chain to make sure that if at all prices come down the line, ADM gets commoditized or if there's a price war market share based upon price, the share of ADM in the business could be better and we are delivering more value-added solution business to generate higher revenue and you compete at the top of the to total pole. So we price to protect the margins. We do think that among all players and services we have possibly the best capacity and the capability to maintain margins around what we earn for the longest possible time.

Unidentified Audience Member

It's been notable that there's been a pretty dramatic slowdown in the pace of reform from the Indian government, and while they're not directly involved in your industry like they are in some others, they do have an impact in areas like taxation, allocation of infrastructure development, currency and even wealth redistribution. Could you talk about how this apparent shift in policy that seems to be taking place could affect you guys in either the medium team or a longer term?

Mohandas Pai

Well, I don't think looking at India right now the rhetoric is greater than the action on the ground. So if you see rhetoric in terms of social actions which is very good. We have been arguing with the government of India that infrastructure part should be bid out to the private parties and the government should concentrate on the social part and put more money into education, put more money into health and nutrition and that's what they seem to do, though in a way which may not be very right. But as far as infrastructure goes, in the roads sector, about $45 billion will be up for bid in the next year. We are going to see a huge, huge uptick in the road investment. As far as the airlines industry is concerned, 250 aeroplane orders have been placed for the companies in India.

But the point remains that there aren't enough -- they are the largest number in the world, but the point is they don't have a place to land or to park. But the Bangalore Airport is in the third month of its construction, the Hyderabad airport has started construction. Bombay and Delhi would be out for bid and if Delhi doesn't happen, it's fairly okay, because could go around the air in Delhi. We're not planning to fly out of Delhi anyways. But if you take power, 125,000 megawatts, 45,000 megawatts to be added in the next five years. Power is fairly good. It is impacting growth but is not a problem. Telecommunications, totally free, enough available bandwidth.

So I think if you look on the infrastructure point of view, on the ground, a lot of things are happening, Though the rhetoric has shifted to the left, the rhetoric is more to the left, and as far as what could impact us, obviously in the cities where we work, we suffer from an infrastructure constraint. So we have to go to smaller towns and make sure that the traffic problems in all these towns don't increase dramatically over the next three or four years. But I think we are in 10 locations. About 30% of our total staff is right now in Bangalore. Over the next two years, it could come down to maybe 15, 20%. We have initial engines if growth in other centers.

So I think overall in the next five years, we could see an improvement in infrastructure and we don't think that we will be constrained unduly

Nandan Nilekani

But it is a risk. I mean, you're right in saying that infrastructure is a risk that we worry about.

David Grossman ***- Thomas Weisel Partners - Analyst***

Can I have a follow-on? Then what about your taxation front for the wealth redistribution?

Mohandas Pai

Well, as far as taxation front goes, we have a 30% tax rate for individual, corporate tax rate has come down from 35% to 30%, plus a surcharge of 33% and we think that remains stable going forward. We have a national VAT system which is in the first year of implementation and showing an uptick in taxes of around 15%. As for our industry goes, a Special Economic Zone scheme has been introduced. Bala has spoken about that. We do think in fiscal '07 and fiscal '08, a larger and larger part of the investment will go into the Special Economic Zone scheme. We do not think that the government will roll back any of the tax incentives till they expire naturally or increase the tax rate as regards direct taxes, corporation tax or income tax. We don't think that matter is under debate right now.

Andrew Steinerman ***- Bear Stearns - Analyst***

Hi, it's Andrew Steinerman from Bear Stearns. My question is about European growth and sort of the rate of adoption from the European clients. Clearly, the ABN win is huge for Infosys and for the offshore players collectively, but it did take a very long time to close and if you look at Infosys's European growth the last two quarters year over year, it decelerated this year compared to the beginning of the year and that's true of pretty much Infosys's peers as well. With that in mind, obviously, Europe is a huge opportunity but are the clients just taking a longer time than expected to kind of help Infosys realize that growth.

BG Srinivas

There have been pretty sizable deals that have been happening in the last two quarters. Alstom $40 million deal for two years ______. So what we see in Europe happening is as some of the impact of globalization is reaching Europe, there are a few players who are taking bold steps. ABN is just an example of this. What is happening is in our existing client support base, there is a rapid increase in terms of offshoring initiatives. And again, to give an example, we just had one or two $20 million clients in the last two years, and then this year we have over six $20 million clients. And financial services is leading the way, again, compared to telecom, retail and manufacturing are following the financial services. UK continues to be very aggressive and it continues to lead most major markets but in the continent we see Benelux, Nordic, Switzerland and then Germany opening up.

Andrew Steinerman ***- Bear Stearns - Analyst***

Right, could you talk a little bit more about that, because I think about German clients and French clients, historically in the decade I've covered this industry they've been anti-outsourcing and they've been very nationalistic?

BG Srinivas

I would say that is true even today. When I say Germany is opening up, it is not taking aggressive spikes. It is slow but opening up. France is still shy. We continue to face challenges in France. Again, in Germany and France, what's easy is as the businesses in these countries are going global, they are facing competitive selling and then these are the companies who are taking these sourcings and then making adjustments. All the other companies which are acquiring, for example, Adidas and Reebok, they are looking at initiatives to build integration and we are supporting them.

Nandan Nilekani

So I think the European companies, especially those that have a global footprint, are less flexible in doing outsourcing in their home markets for social reasons but are very flexible in doing outsourcing in their international operations.

Loomis Soshield ***- Lehman Brothers - Analyst***

Okay, great, Loomis Soshield, Lehman Brothers. The question is over here. It helpful of you to give that the headcount that you're adding is actually due to the volume you have picking up in the organic business, but maybe if we go back to the large deal that you just won from ABN Amro, obviously over a 12-month sales cycle. So you must have a pipeline of other large businesses like that. I was wondering if maybe you can give us the dollar amount of that pipeline. Realize you might not have yet a win rate there, but at least if we can understand how much more you're bidding on, it would be helpful for folks.

Shibulal

There are a few deals in the pipe. We are actively bidding on other deals. I also pointed out some other deals which we have won, the PSEG and the Kodak and the Underwrited Laboratories. So there are a few deals in the pipeline. At this point, I don't think it's fair to give a dollar number on that.

Loomis Soshield ***- Lehman Brothers - Analyst***

Okay, great. As a follow-up question, I guess as you look to the European markets, obviously one of the things that has obviously been very helpful is that the language capability of yourselves and obviously the UK and the U.S. How do you overcome the language issues when you look to obviously Germany, France, Italy and obviously all the other countries there? Are you looking to try to establish more locations in Central Europe, or are you still looking to try to utilize obviously your Indian footprint.

BG Srinivas

Yes, we are building capabilities in these specific regions in the Germany, Switzerland and France. It is still done in an organic manner. We have a lot of catch-up in terms of skill, and we are today doing that, because we do recognize that is one of the specific challenges we face in these markets. Having said that, again, the global players in these regions, language has not been an issue. To many domestic operators, yes, it is definitely an issue. And at present we are only looking at organic means of doing that.

Shibulal

For the BPO operation, we have operations in Czech Republic which will support multi-language capabilities.

Loomis Soshield ***- Lehman Brothers - Analyst***

Thank you.

Unidentified Audience Member

Hi, the question is for Muralikrishna, and actually I have a couple of questions. One is you mentioned a certain dynamic that you went through on the margins, etc, relative to the global margins. I was wondering if you could kind of give us an update in terms of where pricing and wage inflation are, where are you seeing the people in the global majors or other competition being the aggressors or not the aggressors, or any changes that have happened in that dynamic? Because, to extend your comments, you would think that at that point they don't have that ability to price aggressively and so where is that current situation now, or at least not for an extended period of time. The last thing is, what is the expansion plans for the next 12 months for the IMS business and the testing services business over that period of time.

Mohandas Pai

I will answer the labor cost issue and I think about pricing behavior of multinationals of multinationals in India, Nandan could have a look at that, he will have more data. As for the labor cost issue is concerned, with the last 12 months, we are seeing the kind of large increases you saw in the wages because of multinational hiring has come down. They are not hiring as aggressively as they did when they started off. They have realized that if you have just hired people because you pay them 30, 40% more when they walk in, it is counterproductive. They have become more reasonable. They are benchmarking their salaries against us and we see a moderation in the composition that they pay when they hired mid-level people.

Now, as far as wage inflation goes in the sector, it remains the way it is. At the fresher level, very less wage inflation, but equal to inflation rates. At the middle level, 15, 20%, tapering off in application development maintenance. In the newer services, still high. At the senior level, a lot of people available, not much wage inflation.

Nandan Nilekani *- Infosys Technologies - CEO*

Okay, can you say that question again on multinationals, please?

Unidentified Audience Member

(inaudible-microphone inaccessible).

Nandan Nilekani

The pricing is opportunistic. If you are not around, they charge you high prices. If you're around, they try to match up prices. There is no one price. If they have customers where they have a lock-in or a customer is completely with them and is not looking at options and they're priced like the old days. But if it's a situation where they're competing with us, then for that part of the work which competes with us they try to offer prices similar to us. And I don't think - the point is that a lot of it is transfer pricing, you don't know what's booked in India, what's booked in the U.S. We don't know whether the overheads in the U.S. are being added to that. So I don't know that they are really based on return. They are really based on how do we retain some business or how do they make sure we don't get business? I would put more - they is not an economic barometer based on strategic or keeping us out kind of parameter. It is more defensive, really, yes.

Unidentified Audience Member

My question is for Paul. On the consulting side, you indicated that you guys get about a $200 bill rate today, and it sounds like you also are looking at the model and trying to figure out to get more work done from offshore on the consulting model. As you guys go through that transition, what are the impacts on your bill rate, first, and then secondly what is sort of the optimal mix that you guys think you can get to, is it 70-30 like we see in the core business today?

Paul Cole

Well, I think we're not in the business to just be doing the front-end studies on their own. So in that market we could probably hold it to a $200 price point and still be competitive but I think the advantage to us is when we're doing, as I said, technology-enabled operational change and it's the combination of front-end strategy, process design and roadmap development, along with the configuration, integration, implementation of the technology. And if you do that in ratio of what we strive for is one, one, three, so we have one of our consultants who has proximity to the client and is helping shape the program, joined by let's say a technologist or an architect who is looking at the design and they're onshore with three people offshore actually doing the implementation, then you can get to that ratio and look at the overall blended rate, it's about a 35% advantage, I'd say, against the incumbents today.

So we get there on all kinds of deals now, custom developments or some package work has different ratios, but on balance we're trying to get to 40-60 and if we do that I think we're incredibly competitive. And to the pricing issue, we've seen lots of our competitors win deals and in fact the market has been asking our competitors to show growth but they're not going to make it up in volume in terms of the margins because their staff is 78% utilized and they're making single-digit margins and that's a no-win situation because you have people who are working very, very productively and you're not able to reward them. So those models are under an incredible amount of stress.

Unidentified Audience Member

What effect would a stronger Chinese currency have on Infosys?

Mohandas Pai

It would obviously make us much more competitive

Unidentified Audience Member

I'm sorry --

Mohandas Pai

It would make us much more competitive because their major expenses would be in the Chinese yuan in the local market. So we pay less yuan for the same dollar that they earn, they'll be less competitive. As for the China business is concerned, China is a much more expensive place than India. That is point number one. Two, it is difficult to hire middle level people in China. They just aren't available. At least in India they're available. It may not be at the numbers that you want, but they're not available in China. We are sending them from India and hiring them from the U.S. And third, China is internally growing at 9% on a $1.7 billion economy. India is growing at 7-7.5% on an $800 billion economy. So China does not have much of an exportable surplus in people to tackle the global market in the way India does. Maybe seven, eight years from now, if the capacity in India doesn't go up, India could be in a similar position. So to source people in China going for rapid growth is a big, big challenge. Scaling up in India right now is much more easier because the supply dynamics works in favor of addressing the global market.

Unidentified Audience Member

Can we get an update on what percent of your work you're taking away from the legacy IT providers, IBM, Accenture, literally projects that they were working on that you now have taken over, and what percentage do you plan to take over the next few years.

Nandan Nilekani

Well, I don't know that we can give a percentage of what we are doing and what we're going to do in the future, but it's reasonable. There are some things we can say. One is that increasingly we are competing with them head to head. Really, everybody is not in the same boat, and customers see them all in the same boat. Two, we are winning a significant amount of projects where we compete against them. And, three, there are many, many situations where customers who are essentially unhappy about what's happening in some of the large implementations are coming and seeking recourse by coming to us.

Kris Gopalakrishna

See, you have to break it down by industry segment as well as services. So if you look at something like healthcare, or pharma, which is just getting penetrated by offshore, definitely our market share will be very low, but in financial services etc it will be significantly higher because financial services has been leveraging offshore for quite some time. Second is, you need to split the IT services and infrastructure and application development maintenance. Infrastructure again is just starting to get penetrated, so market share is very small. Application development maintenance, significantly higher. So you have to look at it in a very different way. It's segmented differently and then you can come up with the numbers.

Mohandas Pai

I'll give you a metric. It could be interesting to look at this metric. The top five service players in the world, excluding the offshore players, have a revenue of $100 billion, 625,000 consultants. The top five Global Delivery Models, who are substantially offshore players, have a revenue LTM of $8 billion, with about 190,000 people. $ 8 billion LTM, 190,000, $ 100 billion LTM with about 625,000. And if you look at the numbers from the analyst estimate for the next 12 months, for the top five offshore players, they're probably going to hire about 70,000 people. Now, the 625,000 is not going to go up to 700,000, if you look at the analyst estimate data. So in six months' time, the offshore players could be around 250,000 consultants, where as the five-top players could be maybe 650, from 625 to 650 or maybe 660.

If you look at incremental growth rates and take people, because otherwise there are normalized revenues, you find that the top five players, who are many, many times offshore players are adding less people than the top five players offshore. Now, that is incremental business that has been taken away.

Jamie Friedman ***- Fulcrum Global Partners - Analyst***

Thanks. It's Jamie Friedman at Fulcrum. I had a couple of questions with regard to the software landscape again. First, with regards to Oracle consolidating the software customers, could you give us a sense of whether Oracle's consolidation strategy accelerates or decelerates, say, application development in the market, and by what magnitude?

And then the second question is with regard to SAP and historically SAP has had a very strong relationship with Accenture with some specific projects like cross-apps. To what extent does the historic relationship between SAP and Accenture inhibit your ability to do SAP deployments? And then finally, another obscure one, which is Mercury. Many chronicle problems at Mercury. I wonder if they're impacting at all your testing offering and if that's leading to a trend to do testing on a custom basis as opposed to on a packaged basis? So a long-winded question about Oracle, SAP and Mercury please. Thanks.

Kris Gopalakrishnan

With Oracle acquiring these companies, actually, it's creating opportunities for us in terms of maintenance of the existing platforms, creating a roadmap for the fusion as the new common platforms across all the products, understanding what is the Oracle roadmap and how do the customers leverage that. So it is actually creating significant future opportunities. Currently, it's basically status quo. When customers look at the various platforms what to look for, they also look now what could be Oracle's roadmap in the future, so they choose JD Edwards and where is JD Edwards going to go or PeopleSoft, where is it going to go? So it is an opportunity for companies like Infosys, who have deep understanding, and it grows the relationship with companies like Oracle.

Second is on SAP's relationship. All these product companies are realizing that offshore companies are playing an important role in the IT Services space. As Mohan said, the top five companies have almost 200,000 employees. So if you look at not from revenue perspective but in terms of amount of work delivered, significant impact. India has today the second-largest developer community in the world.

By 2008, 2009, it's supposed to have the largest developer community in the world, and every major technology company today is making significant investments in India in terms of training, enabling, creating R&D facilities, all kinds of -- the investment in India is increasing significantly. You may have seen Cisco's environment of investing like something like close to $1 billion in India over the next several years.

So every company is looking at significantly increasing investments, enabling training, et cetera. And that is happening for SAP, Oracle, et cetera. They're suddenly realizing that you need to partner, and we have a strong relationship with these companies in terms of joint go to market, creating unique solutions, so we are talking to them about unique solutions in certain segments with SAP, with Oracle and Microsoft, et cetera.

Lastly on Mercury, so currently there have been no impacts. We are working with them in creating certain platform-based solutions, so no impact, at least to our business.

Paul Cole *- Infosys Technologies - Managing Director, Infosys Consulting*

If I could just add a comment, I think in the fast, happy days of the mid '90s. The SAPs of the world didn't really care about the systems integrators price structure. The market was flush with opportunities. They were getting full rates, we were getting full rates and it was all about just kind of collaborating on the deal flow. I think application license revenue is under pressure in terms of the pricing and they're starting to worry more about total cost of ownership and I think what surprised a lot of these companies and I was at Siebel Customer World a couple of weeks ago. We know Bill McDermott pretty well at SAP. We have quietly built a very strong software engineering capability on these platforms with no help from them. The typical model with the integrators was a very top-down thing. We paid market development fees to get access to the sales reps, to go to the clients together and it was a very kind of corporate thing. I think we've been kind of one of the best-kept secrets and have just quietly built technical competency in a very efficient manner and I know, as an example, Bill McDermott is very excited in looking at how a partner like Infosys can help really bring a higher value proposition to the customer right from the very beginning, when they look at the total cost of ownership of buying, configuring, integrating, implementing and operating those applications over their life cycle. So, I think we have not played the game in the same way as the systems integrators. We tend to under promise and over deliver. I think we're now elevating our stature in those companies, and I think there's tremendous market share opportunities across that whole spectrum.

BG Srinivas

Another point to add is - a key dimension in all of this is customers ___., the vendor partner. They're talking about the vendor partner who have this global delivery capability and it's also putting pressure on folks like SAP, Oracle, to partner with us aggressively. In fact, today, we are one of the global NetWeaver platform partners of SAP on a global basis and SAP has realized that if they want to introduce new product lines, customers is not willing to pay the consulting rates and the only way to do it is to partner with us.

Rob Bourgeois *- Sanford Bernstein - Analyst*

Yes, Rob Bourgeois here with Bernstein. Wanted to come back to the pricing topic, and I sort of have a two-part question on that. Most of the top Indian firms have consistently argued that pricing on new deals has been trending up a little bit. I noticed in the financial update you had a margin lever list and a margin challenge list, and pricing was on the margin challenge list. Is there a disconnect between the comment that pricing on new deals had been trending up and the fact that pricing was on the margin challenge list, or am I just reading too much into that?

Mohandas Pai

I think you are reading too much into that in the short term. I understand what you're saying and it's a fabulous point of view. The point all the offshore players have made is that pricing on new deals is up, pricing on existing deals is there in the basket. The new deals form a small part of the total business, and for the new deal prices to work through the whole system is going to take time. What is growing today is the deal signed in fiscal 2002, 2003, at which prices were at the lowest point. Fiscal 2004 was reasonably flat. Fiscal 2005 saw a slight uptick, and the uptick continues now. So, for the new business that we signed in fiscal 2005 to make a large impact in the business is going to take two years. To give an example, current year business signed with new clients at higher rates -- yes. Current year's business signed with new clients at higher rates is 5% of the total revenue for this year. That becomes 12% of the revenue for the next year, and it becomes 15% of the revenue for the third year.

So it takes time to go up. And two, you must remember that even though the deal is signed at good rates, there could be volume discounts. So the volume for the same client goes up beyond a threshold and the average rates could be flat, or could come down. So while in the beginning for new customers it could go up, later, when the volume could go up, it could remain flat, flat compared to the existing basket. But that's why we have put it up there in that chart, so there's a positive and a negative.

But I think the key issue is what we set out to do is to say that even tomorrow the pricing remains flat, what do we do? What is our strategy? The way to tackle the pricing environment is to make sure you go up the value chain. To go up the value chain so that the average realization per person is going up. You do a richer kind of work, you offer more solutions, the client is willing to pay more because you are able to deliver better value to the customer. Depending upon the customer to give you price increases for doing the same kind of work, those days are coming down.

Nandan Nilekani

I think I'd like to Ashok to just give some examples, because he handles the banking and capital markets and they've done a lot of work in creating value solutions, so maybe you can relate to those examples.

Ashok Vemuri

Yes, I think in terms of the whole pricing discussion and the margin-related discussion to that, it is important what the mix of value-additive solutions etc that you bring to the table. The parcel that you're able to differentiate in terms of some of the services that we talked about today, as well as proactively market-driven solutions which demonstrate the understanding of the domain. The faster you do that, the faster you'd be able to actually make a difference in what's in the top and the bottom line. Well, as an example, and also going back to the legacy consulting companies, we are going head on head with them not only in our sweet spot which is the application development but also in what is perceived as their sweet spot. For example, we have done a significantly large Basel II implementation with head on head against big 4 at rates higher than they command. We actually won a deal. So we are not only going ahead with the solutions part of it or the actual consulting part of it, we also have the ability to bring the heavy lifting capabilities.

On the other side, operational risk management, an area that our clients, really, and an area you probably relate to, is another area where we have a large number of solutions because we understand the technologies, understand the process, we understand the market realities our clients are going through and regulatory pressure. Those kind of value-added solutions and services, the faster we bring to the table, the more impactful it will be for the client as well as us.

Unidentified Audience Member

And a bigger picture question on pricing. If I understand your business well right now, it appears that demand for what you're doing is greater than supply. But on the other hand, as I listen to the presentation, you've somewhat communicated an intent to sort of compress industry pricing, the example that you're underpricing in consulting by 35% versus a competitor. Is there a scenario here where you're actually pricing more aggressively than you need to. I mean, creating global price compression is not necessarily good for any of the suppliers, and so I want to better understand sort of in some ways you have a stated goal to create global pricing compression. It would be helpful to understand what's beneath that.

Kris Gopalakrishnan

I think it's a good question because it allows us to clarify certain things. When we talk about pricing compression, we are talking about the overall industry rather than our company. So Mohan gave you an example of one of the top five global system integrators having to select 15,000 people and lots of players having about 200,000 people. So the compression is impacting them more than us in that sense, okay? So because of the transparency and the information available across the board of what an offshore solution can give, the overall pricing is going down. And the impact on companies like Infosys is minimum because we are actually driving the price down. And we you're not talking about Infosys price going down, we are talking about industry pricing going down.

Unidentified Audience Member

And I recognize that. I guess my question is --

Mohandas Pai

I understand the question. Let me explain this. At the industry macro level, pricing compression is driven by the Global Delivery Model. Now, look at the industry. You have a country specific industry where the realization for the top people per person could be 170, $175,000. Do you agree on the figure, right? Now, you have the Global Delivery Model where you're getting $77,000 per head. Why is that? Because in a Global Delivery Model, 30% of the work is done at 130, $135,000. The balance of the work is done at $50,000, right? And it's a model. It's a way that you configure or break-up the work. Right?

When the $77,000 becomes a larger part of the business, you probably are going to see pricing compression for people who get $170,000. Now, within the $170,000, maybe 60, 65% of the business is being done by the people offshore. The rest of the business is a high-level consulting which Paul just now spoke about, where because of the way Paul works, you on that layer could see pricing compression. Now, when we talk about pricing, we talk about moving from $77,000 to say $80,000. So we are seeing an uptick, because we are adding to that layer which is higher value added and competing in that area.

In the 40% area, which is higher priced than $170,000, where you get $200 an hour or $135 an hour or $150 an hour, when you price in that layer and you have the capability, the $77,000 blended can go up to maybe $80,000. It depends upon the mix. But the overall $170,000 is on the way down. Let there be no doubt about that. That is coming down. So that is where the industry pricing is coming, but it's coming because of the model. It's because of the way the work is being delivered around the globe. The business models have changed. The country-specific models are not viable anymore.

Shibulal

I just want to clarify the 35% on the consulting which we talked about. It is not on the consulting we are saying there is a 35% drop. It is again, as Mohan said, it is about the model. If you look at this triangle, consulting is right on the top and the technology implementation right below, the triangle because we are doing it in a Global Delivery Model, we are able to give a value to the customer which is about 30, 35% below the industry pricing. We are not saying that we are discounting the consulting work at 35%. In fact, we are actually getting industry average pricing for our consulting work. It is a total value that we are delivering to the customer is at the 35% lower cost.

Unidentified Audience Member

Excellent clarification. Thanks.

Cynthia Houlton ***- RBC Capital Markets - Analyst***

Hi, Cynthia Houlton, RBC Capital Markets. Just wanted to revisit the margin discussion as it pertains to your costs in India on an employee-related cost like healthcare and benefits versus Europe and the U.S., obviously much higher cost, and kind of what trends we should think about or look to on a go-forward basis as it pertains to margins and, again, rising employee costs in India?

V. Balakrishnan

See, the wages in India have grown between 10 to 15% in the last two years, (inaudible-microphone inaccessible). So that will have an impact of something around, if you were to take 15% on 10%, it would be 150 to 160 basis point impact on the margin. And outside India, we have seen the wages growing by 3%, we have 90 basis point impact on the margin. Overall, we have to manage something around 160 plus 90, 250 basis point impact on the margins, but that is again cushioned by the fact we have a variable compensation structure, that people are incentivized based on performance of the company, and also the wage pressures not being there on the freshers which forms a major component of our hiring. So overall it is a manageable issue as of today. It is not an unmanageable thing because the pull is also great. India produces 400,000 engineering graduates and 2 million graduates. The pull is great, the pressure is less, so it is a manageable issue.

Mohandas Pai

I'll give you a data point, I think. We had 46,000 employees as of September 30th. 5,000 employees are in Progeon. To take 41,000 for Infosys, including all its subsidiaries, Infosys Consulting, etc. 8,000 thousand people work outside India out of 41,000 at any point of time. 33,000 people work in India. The average compensation, annually for the 33,000 people, including all of this year, is $11,000 per year. The whole basket is $11,000 per head per year. For the 8,000 people who work outside India, the compensation rate is $72,000, average for the year.

Now, a European firm would have an average of $72,000, because they don't have an offshore component, right? Now, the $11,000 per year could go up by like Bala said, 10%. So for it to come to the European levels, it's going to take a long, long time. Infact, I was in France meeting analysts and one of them told me, you guys are dead. I said why? The wages are going up 15% a year, in three years, you're gone. And I had to give this maths to explain what the differential is. Now, this is the data point and it correlates very closely with an economic concept called Purchasing Power Parity (PPP). The Purchasing Power Parity in India is 4.5 times. And if you multiple 11,000 by 4.5 times, it means $11,000 buys the same kind of goods and services that $70,000 buys in the United States or in Europe. So the economics of the whole matter works in our favor.

Unidentified Audience Member

(inaudible-microphone inaccessible).

Mohandas Pai

No, 11,000 includes all the benefits. I'll give you another metric. It costs us $50 to insure one person per year in India and you get Traveler's medical care, $50 a year. For us, it costs us $200 a month to insure one of our employee overseas. So the bigger benefit, right?

Unidentified Company Representative

That's (inaudible).

Ashran Shevoyka ***- Citigroup - Analyst***

It's Ashran Shevoyka from Citigroup. I'd like to get your view on Infosys' strengths and weaknesses relative to some of your traditional competitors, like TCS and Wipro, especially as offshore evolves into new services, new sectors and large deals?

Nandan Nilekani

No, I don't think we really would like to comment on specific competitors. I'd just like to say that if you look at the last five years, whether it is growth in top line, growth in bottom line, growth in net margins, growth in brand, I think we have led everybody else.

Ashran Shevoyka ***- Citigroup - Analyst***

Okay, separate question. Is it possible you would ever pay for infrastructure management deals with a capital component to it? What are your thoughts on that?

Kris Gopalakrishnan

Not right now, but you can never say never, right? So maybe sometime in the future we would look at it, but right now we have no plans to bid for capital purchase.

Unidentified Audience Member

Hi. I was wondering if you could talk just sort of in general terms about the cross-selling opportunities you see. Maybe you could give us a specific -- for example, what percentage of your expected revenue growth over the next year or two years you think will come from cross-selling, and also if you could comment on if outsourcing and consulting trends are moving towards sort of shorter-term contracts, I guess medium-term contracts instead of longer-term and lower dollar value, how that's affecting your ability to cross-sell your services? Thank you.

Nandan Nilekani

I think cross-selling is a way of life. Now I can't give you a percentage on that. We have customers which have begun with a $250,000 engagement and today are generating for us 50, $60 million of revenue. And the only way you can reach that level of success is by cross-selling. I mean, today, Infosys Consulting has 25 customers. I would say almost 90, 95% of them are cross-sold. I mean, they are Infosys regular customers whom we have sold consulting. Similarly, when we look at Progeon, 80% of Progeon customers have been cross-sold. So I think cross-selling is a way of life and as I said in my talk, we have a very clear account strategy activity, where we take up all the large accounts and we systematically understand what are these opportunities we have in them, what are the opportunities we have to expand our presence in them by expanding geographically, by expanding in different business units, and what are the new Infosys services that are not yet in these customers. Is there an opportunity to get some opportunity there?

So I think cross-selling is a way of life. Cross-selling and repeat selling, as Shibu was saying, that 90% of our revenue is repeat business. So our whole model is to become a trusted partner to our customer and increasingly become a bigger and bigger part of what he's doing.

Paul Cole *- Infosys Technologies - Managing Director, Infosys Consulting*

Just one additional comment. I kind of take exception to the term cross-selling. I think our clients don't want to be cross-sold. But the one thing we do recognize is we need to bring a single face of our organization to our clients to add maximum value, and we do have an initiative called One INFY, and if you go as one company, as opposed to different units selling their wares and the focus is on helping your client transform and bringing just whatever set of capabilities from wherever in the world you have to bring them that delivers value, that's a very appealing concept to our clients. The idea of bring products that you're selling is not very appealing.

Moshe Khatri

This is Moshe Khatri from SG Cowen. If we fast forward maybe three years from now, despite some lows and large numbers, what other challenges do you think that you're going to have to deal with? And then, from a big picture perspective, what in your view is the most significant risk to the model as we're looking at it today? Thanks.

Nandan Nilekani

Well, let me just -- internally, when you fast forward, as we talked about earlier, is how do we combine scale with differentiation? Because clearly we know the scale game and we have shown that we can scale up. The thing is how quickly we will differentiate whether it's brand-building, solutions, consulting transformational initiatives, intellectual property, whatever, and how quickly we will differentiate. Because if we don't do that, we think the thing is that if the commoditization happens faster than our ability to differentiate, then obviously we run a risk not so much in terms of scale but certainly in terms of margins. I think that's the biggest internal challenge for us, is how we manage the scale and how we manage differentiation and get both done at the same time.

Externally, clearly, there are three or four risks. We talked about one of them, the infrastructure risk in India. Because while India will continue in our opinion to have the best price, volume, value proposition for human capital, some of those constraints could play a role. The rupee could get stronger, as of now, the rupee is becoming weaker because of global things. But fundamentally, as Indian economy becomes stronger, I think the rupee should get stronger. And essentially, going back to Mohan's point, essentially end up reducing purchasing power arbitrage. Right, that's what it's all about. So as an economy develops, I think purchasing power arbitrage would come down. That's a risk. Then of course there is the whole issue that we think the outsourcing backlash is going to be a function of robust economic growth in the U.S. If there is robust economic growth in the U.S., I don't see a backlash, but on the other hand if economic growth in the U.S. slows down and unemployment goes up or leads to a trigger point, then I think there will be more of a backlash again. And, then, of course, competitive pressures in terms of other countries becoming more competitive and creating new companies that deal with better, more efficient models to us. And then I think the final source of stress is whether there will be a new paradigm in the whole software business that makes us obsolete. If something happens in the next three years and you don't need all these guys and it's all done automatically, then we are lower. So I think there are all these things we need to worry about. I'm not saying the game is over, I am just saying before you guys go and tell everything or something like that, that we have to worry about these things in terms of the strategic possibilities that can happen.

Unidentified Audience Member

I have another question. TCS has signed a few deals lately where they've taken over some local assets in the UK and Latin America as well and some people are suggesting that this may be a trend in that industry. They argue that it gives them local presence and a specific amount of domain expertise as well, which is something that seems to be very important in the BPO industry. Could you talk about that trend and whether you see yourselves participating in that kind of way?

Kris Gopalakrishnan

Yes, we also look at acquisitions from either clients, which is a large deal, or acquisitions of companies, and we have a group which is dedicated to look at M&A within the company. We have different parameters of what is right for Infosys and if something fits in, they want to be acquired, then we will go ahead and do that, but we do have parameters and we do have a group which looks at that in Infosys.

Unidentified Company Representative

(inaudible-microphone inaccessible).

Kris Gopalakrishnan

I think consolidation, amongst the tier two, tier three consolidation, across geographical boundaries consolidation in the legacy companies. Some of that we are seeing today. We are also seeing some of the the captive units in India moving this way or that way. That is either captive units being consolidated into an established company or a company suddenly realizing that offshore is strategic and then wants to create captive units. So all kinds of moves are happening as the industry matures. Mohan you want to add?

Mohandas Pai

Yes, I think the key thing what you see in TCS is geographical expansion. We have a unit in Eastern Europe. We are expanding that. We have services and BPO initiatives in Europe. The BPO business for execution in Latin America is looking very interesting and I think that's something that people had to look at very seriously because like TCS has taken over a company, possibly other players need to look at organic growth or whatever it takes in that area because clients are asking for some delivery capability in Latin America increasingly. That looks interesting.

These are the two trends that you see and the third thing that you see is among the top-five players, relative growth rates that are different? Nandan has said that we have the fastest growth rate. It is a data point that is true. As you see the other two players, we are catching up with the top player. The other two, one player is falling back, so maybe acquisition is a good idea to catch upon scale. It's a very interesting thing.

David Lane ***- Bear Stearns - Analyst***

David Lane, Bear Stearns. Over the last couple of quarters, we've seen some attrition at the very top, Basab, head of sales, Hema, head of HR, your head of Australia and all that. Why would these executives choose to leave the best-positioned Indian offshore IT services company?

Mohandas Pai

I'm sorry. Can you repeat the last part?

David Lane *- Bear Stearns - Analyst*

Why would these executives want to leave the best positioned Indian IT offshore company?

Nandan Nilekani

Well, I think first of all, all them left and nobody left for our --

David Lane *- Bear Stearns - Analyst*

As a broader industry --

Unidentified Company Representative

No, I think the fact of the matter is that people have aspirations. Basab is a great guy, but he wanted to create his own company. I think all these people have done well financially at Infosys in terms of options and all that. I think they are at a point where they would like to take other challenges, so we respect that. We certainly value the contribution of Hema and Basab to our success, but I think there will always be some people who will have those aspirations. We think that Infosys model is not a person dependent model. I think what we have done is we have built a platform. We have built a scalable platform, which is really lot more person independent. And therefore we think the engine and the brand will continue to do as well as they were before.

David Lane *- Bear Stearns - Analyst*

And then one quick follow-up. Shibu took on global sales in addition to being head of global delivery, and Mohan took on HR in addition to the CFO role. Do you think that there is some management bandwidth issues that you'll be addressing shortly?

Nandan Nilekani

No, there is no management bandwidth issue

Mohandas Pai

No, these are over-side positions. These are over-side positions at the board level. For example, Kris handling HR. I took it over. We have a head of HR for Infosys who has stepped into Hema's shoes and is doing very well. So what you have seen is allocation at the board level into over-side positions. So it is not an operating position. For example, I'm not running HR, but there is an over-side position on the board. That's all it is.

Shibulal

Even on the sales side, things have changed over the last two years. After we were verticalized, we have 9 heads of sales rather than 1. So the worldwide head of sales role is more of a functional role whereas the operating role has now gone into the units. So Ashok Vemuri who runs Banking and Capital Markets is the head of sales, B.G. who runs Europe as the head of sales. So there are heads of sales now within the different units, so the worldwide head of sales function becomes more of strategic and directional in nature. So it makes sense to take over. That's why it's happened.

Unidentified Audience Member

Could you expand on the China project and also comment on the significance of China as a market and how important it is for Infosys's future growth?

Kris Gopalakrishnan

For us, China provides multiple opportunities. One is servicing the global clients who want to enter China, who want to leverage China in some way and this is where we have maximum opportunity today, currently, or maximum today servicing our global clients from China. The second is Chinese market itself and Chinese multinationals. It is the second opportunity we are looking at and the third is specifically servicing Japanese clients who want to leverage China, and this is something we are also exploring today. All this requires us to create processes in China. We have about 300 employees. We have plans to, as we publicly stated, take it to the medium term 5,000, and maybe long term 10,000 people. We are setting up two development centers just like we have in India, one in Shanghai and another one in Hangzhou. The Chinese center today handles about 20 clients, all global clients. So we want to feed it, give it time to mature. Today, most of the project managers go from India and the development resources come from China. We are slowly creating a true Infosys center of excellence or development center, set of development centres in China, replicating the India model in terms of training, systems, processes, customer focus, etc.

Mohandas Pai

Right now we have 80% of the business in China, addressing the multinational market in China, 20% of the business billing from Infosys China is for the external market, basically working for our clients globally, which we are trying to drive. And the visas for next year for Infosys China doesn't exist, the visas are closed. So the whole year till fiscal '06 October, nobody else can get visas to travel to the U.S. H1B permits are closed. So even the next year, the Chinese local market, which is dominated by multinationals, will be prime market for us.

Unidentified Audience Member

I wanted to ask you about the people transfer deals, and particularly as it pertains to the strategic global sourcing initiatives, it sounds as though perhaps we're getting a little bit more aggressive on doing people transfer, taking on the employees from your customers. I guess the asset transfer depends on those kinds of deals you seem to still be considering and not moving forward on. So when it comes to the people side, it sounds like a more expensive proposition as far as hiring people from your customers. It sounds like a lot of on-site people that may take some time to retrain and redeploy. Can you talk about what these kinds of deals might mean to your margins?

Shibulal

As we talked about as part of SGS, we have come up with a set of strategies for people. There are multiple strategies and viewpoints we have come out with. One of them is rebadging. There are other ones like reassign as well as other models. So in the rebadging model, we may not rebadge the entire set of people. We may rebadge a small set of people, because in our model, in any case, 30% of our workforce needs to be where the customer is. So if you rebadge, 15 to 20% of our people, 15 to 20% of that, that means that 30% becomes a mix of 15% from your customer and 15% from us, and there is really no impact.

But once again, one needs to remember, we have today, what 8,000-plus people outside India at any point of time. So if you take over 300 people, that is not a very large number compared to what we have already outside India in this number of 8,000 probably by next year, it will be 11,000 or 10,000. So if you take a couple of hundred people into the system, we have the ability to use them as our customers as well as reassign them to some of our other customers. And on a percentage basis, that will be a pretty small percent.

Unidentified Audience Member

I had a question going back to something. I'm not sure if Nandan said this or Mr. Murthy said this, but the analogy to Wal-Mart. Can you just address other fees and very efficient supply chain systems to some extent in terms of sourcing the work from India. Mohan was talking about 75,000 versus 175, but is there still inefficiency in the models that you can address to either bring your price points down to what a customer sees or potentially not see margin compression as maybe ABN Amro matures in TCS and Wipro will get more aggressive on pricing.

Nandan Nilekani

I think what we are saying is that we believe that increasingly the leading companies will be companies that have an efficient and lean operating model, and we say so, and we give you examples of Dell in computers, or Wal-Mart in retailing or Toyota in cars or UPS in logistics, or us in this business. So we see it as a sort of information and knowledge supply chain optimization issues, getting the right people with the right skills at the right time to the right customer to do the right job. So, in that sense, it's a supply chain kind of issue and I think a lot of the work that we have done in the last few years is to build that optimized supply chain, and we have are continuous on that.

I think in terms of pricing, I think -- our view is that we want to -- certainly, as Mohan has pointed out, I mean, this whole thing has been delivered at a price point of $77,000, and at $77,000, you're getting much better quality. So we are already giving better quality at a much lower price point in a much more predictable way with better human capital. So there's really no need for us to do more than that on that kind of a thing. So we want to maintain prices, we want to also, as Ashok mentioned, go up the value chain when we do something, whether it's a Basel II project in financial services, or whether it's a transformation project run by our consulting guys. We want to make sure that our contribution contributes millions of dollars to the customer's bottom line in terms of costs or profit and therefore if we think we can do that, then we deserve to get a better value for what we do. So that's how we would view this whole equation.

Kris Gopalakrishnan

Long-term, I believe that there's only so much you can do on pricing because remember that salaries in India are going up. The total cost of ownership is what our clients are more and more looking at and total cost of ownership in view of creating the right solution or using the right technology. So things like service-oriented architecture, the whole idea of legacy modernization and looking at platforms which are better, cheaper, etc. Looking at new paradigms for development, which allows you to look at reuse and things like that, so productivity increases. Reduced cost of maintenance, typically you developed the system in the last year and maybe reused that system for the next 5 to 10 years. So look at what kind of strategies to adopt for maintaining the systems such that the maintenance cost comes down. So those are the areas in which you will see more work being done and more leverage being created than looking at the purpose and cost or price and things like that. And clients are also starting to see this. It's very optimized, but it offers opportunity to bring all of the work being done in a Global Delivery Model. That will give us the benefit, but going beyond that, it will be looking at new paradigms for technology, new paradigms for development and maintenance, better synchronization between IT and operations. That's a great opportunity, and that's why you're seeing more and more the business process management and IT tied together in client organizations as well as in the service providers. So there are some benefits which will accrue based on this.

Unidentified Audience Member

If I could just ask a quick clarification, maybe Shibu or Mohan can address this, but for a project, to take an example, a 1,000 people project that's done entirely in the U.S., and it's $175,000 an employee, if you were to move that to India at 77,000, can you do that with 1,000 employees, or do you need 1,300 employees for that?

Shibulal

No, actually, we would probably need less, because the quality of people whom we deploy is definitely very good. We get the best and the brightest and they are very well trained. So during the transition period there will be an overlap because the transition happens and 30% of the people are onsite trying to get the knowledge transfer done. Once it is done, in the steady state, our belief is that we will deliver better productivity.

K. Dinesh

We have standardized methodologies and processes of executing these processes. That also adds to the productivity of the people. We use tools to make sure that people are more productive.

Nandan Nilekani

Yes, maybe we can take a couple of questions and then wrap up if you don't mind. Last two questions? That's it? Okay.

Well, I'd like to thank all the people for coming. I know it's a big thing to come and spend half a day at a conference. I know that all of you are very busy, but we are very grateful to you for coming here. We have tried our best to make sure that we made the presentations as useful as possible. We are committed to delivering on what we have promised. We are committed to the higher standards of corporate governance and transparency. You are always welcome to call us or write to us or visit us to really get more about what we do as a company and our business. And many of you have been friends, well wishers, shareholders, for many years and we thank you for your trust and we look forward to doing this every year and meeting you here in New York. Thank you very much.

Sudhir Pai

Now I request you all to join us for lunch. Lunch is arranged at the Regency room, which is just upstairs one level. Before proceeding for lunch, I request you fill out the feedback form. Once again, a great thanks to each one of you for attending the 2005 analyst meet. Thank you.