

## Infosys Technologies Limited

## 2005 ANALYST MEET

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Good morning. I will be talking about testing services at Infosys. Let me just start off by giving a little bit of an introduction about testing services. Till about 10 to 15 years back, IT applications were predominantly used by IS organizations. Today, we have more stakeholders having access to these applications and corporations are also looking at pushing these applications to end users with a view to improve key facts. This has had a lot of emphasis on testing. We are aware of several \_\_\_ in testing and the impact of the business that these things have caused. Testing which was just a matter of validating the functionality and the mainframe era has now become more complex and it has had multiple dimensions like performance testing, security and things of that kind.

So given all this, overall we feel that there is tremendous growth opportunity for testing services in an outsourced way. This is the standard Safe Harbor. Let's move onto introduction about the testing services at Infosys. Infosys has been a pioneer in setting up testing services as a separate business unit called Independent Validation Solutions or IVS. IVS provides third-party validation in the area of testing services to clients. We try to be the trusted QA partner for our clients, providing end-to-end testing capabilities. Given the skillset demands and the complexity in the area of testing, Infosys has set up a dedicated career path for people to work in the testing field so that we are able to attract and retain the right kind of talent both in India and abroad. This resource pool predominantly includes people with validation expertise, business domain expertise and a wide range of other cross-functional expertise to provide end-to-end testing requirements.

The testing services addresses multiple damage of testing, like business process validation, business process consultancy, setting up the centers of excellence and test automation solutions and that way we are able to provide a wide array of testing services to our clients. Our client list also includes several global majors in the banking, financial services, health care and retail industry segments.

As stated earlier, testing services becomes critical from the customer's perspective because it's seen as a tool to make critical decisions by CXOs. As per Gartner, the market for IT services and development and integration for year 2005 is estimated to be about \$189 billion and Gartner has quoted that 25% of this is going to be in the testing services area, which is about \$ 47.25 billion. Taking a conservative estimate, we anticipate that this business will be in the range of about \$ 4.7 billion for 2005 and about \$ 5 billion in 2006.

Testing as an outsourced service has been growing tremendously. Today we have over 45 enterprise customers in different verticals and over 20 product-based customers. Over 80% of our business is repeat business and we have more than 2,300 people engaged in providing testing services to various clients and we do it out a very healthy onsite offshore ratio. The onsite effort is about 25%. In terms of testing service as a percentage of the total Infosys revenue, in the year 2003 it was about 3.4%, in 2004, it was 5.3% and in financial year 2005, it was 5.8%. In the last 12 months, it has been at about 6.2% and has been growing tremendously.

Infosys recognizes that having right skill sets in testing will be also one of the key differentiators. Towards this, we have set up a IVS University to provide intensive training to our people in the areas of test process, test methodology and test tools. We also have set up testing labs at various development centers with the leading tool vendors. For example, we have testing labs with Mercury, IBM-Rational and Seague. Most of these testing people undergo intensive training in these testing labs.

We also have set up a dedicated performance testing team to focus exclusively on providing performance testing for Web applications. We have partnered with several professional bodies like the Chartered Institute of Bankers in Scotland and the National Stock Exchange in India to offer industry certifications. For example, we have a LOMA certification in the insurance industry and we have the NCFN certification offered by the National Stock Exchange of India in the area of certification of financial markets. We also encourage people to undergo a lot of serious certificates like CSTE and CSQA to bring in more rigor to our testing process.

We have very good relationship at most of these leading tool vendors. We have a Golden Solution partnership with Mercury which is at this point of time, the industry leader and has 58.8% of the market share. From a solutions

perspective, we offer test centers of excellence to provide managed testing solutions at an enterprise level. We also offer solutions in the Basel II and SOX validation.

In terms of trends in the market, we see that Mercury, IBM, Seague and Compuware as the niche players, offering testing tools. From a competition perspective, we believe that most of the competition still looks at testing from a project-to-project basis and probably we are looking at things from an enterprise level. What I mean by that is today we have set up large test centers of excellence, providing testing service to multiple lines of business in a client organization. We have set up the centers of excellence which are in excess of 100, 150 people, which are global in nature, providing testing services for corporations spanning the globe.

In our view, that the CXO reach is important. We also believe that client focus on total cost of ownership has increased and they are looking at testing services to bring about IT application effectiveness to reduce the total cost of ownership. So what this means is if the quality of products that goes out to the market is really high, there is substantial direction in the maintenance costs, which contributes to lowering of the total cost of ownership.

We believe that test automation will start getting bigger since it offers a potential to improve the coverage of test accuracy and reduce the time to markets. So, overall, we see that testing is going to be important by various corporations and there's going to be increased demand. In terms of challenges and our response, we definitely see resourcing scale as a key challenge. We are looking at creating an alternate talent pool and using the IVS university effectively to train different alternate talent pool to provide testing services.

We also believe that with the fast-pace growth that the testing is undergoing that there could be a commoditization of services. In order to mitigate that, we are looking at providing high-end testing solutions like centers of excellence that we're talking about or setting up performance testing teams and things of that kind. We're also looking at providing go-to-market solutions by partnering with the various tool vendors.

We participate in several international forums like Star West, Star East, Euro Star and things of that kind to showcase our thought leadership in the testing area. We also participate in several university programs and workshops to bring about awareness of testing service as a key emerging service in the future. Thank you.