

Infosys Technologies Limited
2005 ANALYST MEET
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Morning. When we visited you last year here in New York, Infosys Consulting had only been through one quarter of financial performance. So we spent most of our time talking about our aspirations and where we were hoping to take the organization and the operations. This year I'm happy to be back and also to provide you with some updates and talk about our actual progress. And I'm pleased to say that we have made significant progress over the last 12 months. Obviously the Safe Harbor statement applies to everything that I'm about to cover as well.

So like the rest of Infosys, we pride ourselves in taking measures of everything that we do as an indication of our performance and of our progress. There's probably no more important measure than the perception of the customer or the client and pleased to show you some of the results of our client assessments of the work that we've done over the past year. I think actually we're above 25 clients, probably closer to 30. At the end of each quarter we actually do a survey of our clients to understand their view of the value that's been delivered. Happy to show you that that it relates to anticipated value from the projects that we have performed for the clients, that their impression of the value delivered against that expectation is 120%.

We also just, it's a little bit more of a symbolic thing than anything, but we do invest in a shadow fund. So each quarter when we sign up a new client, we invest in the shadow fund really to demonstrate our commitment to them and they appreciate that. And the combination of the client value scores in terms of the anticipated value and the performance of the fund do weigh in on the variable compensation of our people. So that keeps everyone focused on trying to deliver maximum client value.

Importantly, we also measure the client's willingness to serve as a reference, both within their own organization and to peers in other companies and thankfully we're batting 1,000% there in terms of clients willing to recommend us to others. Lastly, we don't do this alone. Infosys Consulting is not a standalone entity. We work in collaboration with the rest of the delivery units that Nandan mentioned. We actually provide about 20% of the effort on a major project, obviously a higher percentage of the revenue because our billing rates are higher, but it's roughly about 20% of the overall effort.

Happy to say that we are on plan in terms of our growth. Also, it's more pleasant and satisfying for me to stand up here and talk about growth. In my prior life I was one of the faces of the financial community. I spent a lot of time talking about restructuring and it's a lot more pleasant to be in an environment where you're scaling up. A lot more satisfying to the people who are working with you as well.

As Nandan mentioned, we are somewhere around 2,000 consultants in Infosys. Probably important to note that consulting was not born in Infosys with the launch of Infosys Consulting. Consulting has always been part of what the company delivers to its clients. However, we did come to the conclusion that we needed to strengthen the business consulting dimension of this as we try to continue up the value chain, add more advisory capability, become more of a trusted advisor to senior executives and hence the launch of Infosys Consulting.

We are on plan to scale up the business to around 500 business consultants in the U.S. working with our colleagues in Technology Consulting, Systems Integration and the ES which should bring us to around 2,500 employees. Importantly, we have validated our business model in terms of our ability to sell to new and existing clients, our ability to deliver that value at a price that they find attractive but also at a margin that is acceptable to the shareholder.

Our average billing rates hover somewhere around \$200 an hour, which we think is competitive for consulting. The real value proposition to the client, however, is not just that \$200, it's that \$200 as 20% of the effort blended with our offshore billing rates at 60 to 70% of the work coming together to give the client a very strong value proposition against the traditional legacy consulting firms.

So we probably have to ask ourselves and I certainly did when I got into this venture, does the world really need another consulting company or more consultants? And I think on balance they don't. What they need is a better model and more value delivered for what they pay and I think that's where we put our focus. If you look at what our differentiation is as an entity, while we do focus on helping our clients transform their operations to compete in a

global economy, you probably hear that from a lot of our counterparts in consulting as well. What I think we're really distinguishing ourselves on is how we do what we do and the nature of our business model and that really starts with our people.

Happy to say that of the roughly 200 people that we've hired so far, I think we've done 95% of that hiring without the help of a headhunter and paying those outrageous recruitment fees. I think that's an indication, really of the frustration and the level of disenchantment that still consists in the consulting industry. It's been a tough last few years. It's not as much of a privileged market as it used to be. Clients are a lot smarter. They're expecting more value. There's been compression, at least in the U.S., on compensation. The legacy companies have been highly utilizing their people but their cost structure has not allowed them to compensate those folks. So we think there is a lot of very, very good talent out there that can be acquired and they're coming our way fairly naturally.

Secondly, I'd say that in terms of our approach, we are attempting to try to quantify everything that we do. A lot of the work is technology-enabled operational change, putting in ERP systems and the like or custom systems but not doing that just on time and on budget but doing that in a way that links back to what are the process levers, what are the process metrics that we are trying to improve? And what's the linkage of the change in those metrics to the delivery of overall shareholder value. We call that concept value realization. A lot of the technology that is implemented, again, is driven off of an original business case and then it's implemented and the measures are on time and on budget. It's not really linked back to what is the business benefit being delivered in the operations themselves. So we're putting a tremendous amount of efforts in process measurements and in actually establishing some process benchmarks across the mega processes of our client organizations.

I think consulting the Infosys way is also -- it may not be something that's visible even to the client, and certainly not to all of you, but I think again it is one of our distinguishing characteristics. I've been in consulting for 25 years. I think it's a notoriously poorly managed business. The notion of the cobbler's children have no shoes. Basically, it's a bunch of people with smart ideas that go to clients and tell them they can help fix their businesses, but there isn't a lot of discipline, really, in how the consulting business itself is run. I think we're taking a page from the rigor within Infosys itself and tried to deploy much more discipline in how we deploy our people, how we train our people, how we measure our people, linking a lot more of that incentive measurement to their overall performance and trying to do some things differently to address the disenfranchisement of the average consultant out there. For instance, in most cases, people talk about people being utilized or being on the bench and we don't believe in the concept of a bench or a beach. We say people are either billing, selling, learning, teaching or contributing and they have a development plan that is always in front of them that says if you're not billing, you're learning or you're teaching and so on and so forth. Secondly, it's really important to these kids to not be treated like a cog in a machine. They want to learn. They're getting smarter and smarter. They know more and more what they want in their careers coming out of business school. That creates pressure on us as managers to develop them and nurture them and point them in directions that are fulfilling to them and also profitable to us.

We are making a major investment in an application that we're putting in which will allow our people to actually state their preferences for projects and link those preferences with our pipeline and soft-tag them to things that are coming their way, ultimately that may even go the way of an auction system where we allow our people to bid on a project, but really, really important in terms of maintaining a high level of employment and managing attrition to be able to satisfy the needs of people that are I guess typically described as fairly high maintenance. But they want to drive their careers, and we have to give them the ability to do that. So a lot of emphasis put on kind of the internal mechanics of how we're running the operating model as a way to distinguish ourselves.

It is true that I think happier employees, more motivated employees, are just generally going to do a better job for their clients and they're going to be more faithful to the organization. I think it isn't so much what we're doing, it's really how we're doing it. And, again, I think the last point is probably important as well, that the faster, better, cheaper model I think is applying to consulting. We actually are inventing in offshore consultants. So while we're building 500 employees onshore or at least that was the first three-year plan, we are adding global delivery thinking to consulting itself. So what can we do offshore with analytics, as an example, or taking process maps that have been generated and having those codified and worked on overnight in India. So we actually have a consulting operation that is offshore.

Consulting requires a bit more proximity to the client than software engineering. It's not as linear but there are ways that we can apply that. And what's the value of that? The value of that is to give the client a better price point, number one, keep our cost structure down, number two and keep the pressure on the competition, number three. So, at the end of the day, and I run the operations -- we talk to our people about we want the P&L for consulting to look more like Infosys's P&L than Accenture's or Cap Gemini's or anyone else's, right? And that's going to require new thinking in how we do delivery of consulting services.

I didn't really hit on this point, but there is a convergence taking place in the market. Who's going to get there first? I don't know, but I obviously voted with my feet in saying that I think it's going to be Infosys. But the notion of taking

the components of the industry, which are basically thinking, building and operating, systems and bringing those together into one portfolio to deliver a large-scale transformation for clients. That's really the sweet spot. That's where a lot of people are headed. But I think that building on our Global Delivery Model, which is not a new phenomena for Infosys. It's in the DNA of the company, it's been here for 25 years, it's a structural advantage. I think starting at that point and building on top of it the value-added services and the consultative mindset has a much higher probability of getting to that destination first than the legacy companies that really are struggling, quite frankly, with restructuring of their businesses and rethinking their business models overall.

So, again, our main focus is really to serve clients and distinguish ourselves through the quality of our people. In terms of where we are getting our people, our leverage model looks a little bit more like a diamond than it does a pyramid. That's because when you add that diamond to the Infosys leverage model, then it really does look like a very wide pyramid triangle at the bottom, but we are pulling a lot of people out of industries, from, again, the legacy firms. And we're in a position, to hire the top 10% and we're actually pushing for that and have had very good success. I suspect at some point we'll get to a point where we'll have to engage recruitment agencies to support that. We are on campus. We did our first campus recruiting last year at the top business schools. While we don't attract volumes of people, because I don't think we have the brand recognition on campus that Harvard and MIT and Stanford that some of the other firms do have, it's interesting that the people that do come have done their homework. They're intrigued by the notion of what's happening globally. They have had their antennae up and heard about Infosys as a globally respected company and we're getting very, very high conversion rates of the people who come who we extend offers to in terms of them joining Infosys and believing in this next generation model. We are within the U.S. covering the major markets. You'll see more markets next year, I'm sure, when I'm back up here.

Importantly, we are not a U.S. based consulting organization. We are a global organization. I think if you're going to compete for major transformation, you need to be able to serve companies in all parts of the world. We are ramping up in the UK and in Germany at the moment, and we'll probably go north to Benelux and down to the rest of the continent afterwards, but the focal points for at least the next six to 12 months will be the UK, Germany and probably Switzerland.

With that, I think I'm done. Thank you very much.