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Session 3 by Dheeshjith

Jith

You can call me Jith, this is the last four characters of my name. I am VP and I am 19 years with Infosys. This slide is the sixth time you are seeing right. I look after transportation and logistic as well as media and entertainment. There is nothing in common between these two industries because media entertainment is small and that is the reason I am incubating in my group. It is about three years in the company, that is the only kind of expertise we have in that industry and if you have to be expert in both the industry, in the transportation and logistic, obviously, you should truly understand the sub segments. Transportation consists of railroad, airline, parcel express, trucking and so so forth. In the case of media, it is all about publishing, music, radio, motion pictures, and TV network. So what we have done, we have decided to focus on only on specific areas in each of that. In the case of transportation and logistics - airline, container shipment, parcel express and logistic and rail road. These are the areas we are actually concentrating on. In the case of media, essentially it is about publishing, casino gaming, motion pictures and TV network. So we want to have a real focus on some of these areas because without that, there is no way, we can actually make an impact on the customers place. That is the reason for our growth. Now, if you look at the group right now, which is fairly small in the case of media and entertainment, it is about \$35 million in the last year and in the case of transportation and logistic it is about \$110 million in the last year and \$21 million in the current year. Majority of the business is coming from application development in the case of media and entertainment, in the case of transportation, it is about 30% from the non ADM kind of work.

I just want to take you through, how the market is going to look like, the outlook of the market in transportation and media separately after that. The outlook, the business issues, the trends, then I will take you through the exact same thing for the media industry as well. Then talk about what are the strategies we have in order to address the needs of the customers. So if you look at the IT spend, I am just looking at only airlines, container shipment and parcel express and the rail road only here, and that itself is about \$800 billion industry world while. That is the kind of numbers we are looking at and about \$25 billion is the IT spend and it is growing about 7.5% at the global level. If you look at airline, it is about 6%. Now, if you look at the margins of each of the industry, it is very, very, different for example airline, the top, the major airlines in the world, which are about \$ 2 billion an above in terms of revenue, they have a loss, there are making 1.7% minus. That is their margins right now. If you look at the top 150 airlines in the world, their loss is again 1.3% minus it is the negative. Only the low cost carriers are making a little bit of money, their margin is about 0.3%. They need a decimal place to show some significant number. Rail road especially in US is making some money, they are looking at about 12 to 15% and that is the kind of margin they are looking at. Parcel express and logistics, margin is about 2.3% all the way to 14 and 14.4%. UPS is making such a good margin. They see a margin about 15.4% earlier and this year it is slightly lower and container shipment is again the margin, we are seeing about to be 4.3% that is the kind of margin we are looking at.

Okay we will get into the next slide.

The industry trends and the issues, the biggest issue in transportation the rise of the fuel cost. The fuel price has been increasing 107% and that has been the increase of fuel price from 2004 till now. So whole lot of companies are getting battered because of that reason. If you look at transportation, other bigger issue is that increased competition coming from the low cost carriers. That is with respect to airlines. In the case of container shipment, what we are actually going to see is the excess capacity because they are building large ships and so and so forth. So because of the excessive capacity of this area, they will have huge issues with respect to freight rates. Express and logistics, managing the complex global supply chain, that is the biggest issues they are facing right now because as a customer is concerned, they have to actually get a real-time data of where is their product and whether it has already left the Chinese port, whether it already reached here, whether it is in customs or whatever it may be. Everybody wants to get to know that kind of information and the companies like DHL, FEDEX, UPS, these guys are doing 3PL kind of operation. So through that they are able to track that and manage that. So that is the reason, it is extremely complex and it is not a very easy thing. Railroad, is one of the oldest industry and it is

hugely capital intensive industry. They can't add capacity just like that. Right now, there is more demand and inadequate capacity. I think that is the biggest problem they are facing right now.

If you look at the trends, emergence of low cost carrier as well, as expansion of low cost carrier and that is the one of the trends we are seeing. We are also seeing whole lot of customer self service. If you look at that, today, they are pushing lot of work to us, the users of airlines, in terms of booking the tickets, printing the boarding pass and stuff like that. If you look at Southwest, everything we are doing. The only thing, we are not getting any salary, but otherwise you can book the tickets and change the ticket and you can get your boarding pass printed. You can just go to the counter, just go to the gate of that particular airlines and board the plane. That is one good thing but whole lot of work is done by the users, consumers, I think that is customer self service. Container shipment, it is said there are building this mega ships which can carry about 8000, 20 feet containers, which are really large. That is reason, capacity is increasingly by 50% over the next three to four years. Express logistic, end-to-end supply chain information which is what everybody is truly looking at today. When you send a package in say DHL for example from here to Delhi, you can actually figure out whether it is already delivered and reached the destination and who signed the receipt and got the package also. That can be actually tracked and that is the kind of expectation customers have today, you and I have today. Mergers and acquisitions, that is one of the biggest thing is happening. Railroad, one of the major issue which is specifically faced by railroad, because it is a very, very, traditional industry is that they have a whole lot of aged population. They joined this industry for retirement. So therefore, in the three to five years, there are going to see whole lot of people getting retired from these companies, the railroad companies, especially in the US and they don't have written down processes. So because these guys doing for the last 20 to 30 years, by themselves, there is no reason to have a processes. That is what they were thinking but now they have to get this knowledge base and retrain new set of people, they will face huge trouble. So they are looking at a whole lot of knowledge retention due to the aging workforce. There are whole lot of initiative people are undertaking right now especially within the US. If you look at the view point of Infosys, we believe that, we want to be a globally competitive industry in the transportation and logistic space. We believe that these companies should have end to end _____ and a predictability of their transportation and logistic network. That is the number one. Number two, they should have a real time data for them to make an agile decision making. That is very important today, because if you ship Motorola telephones from China port to all the way to San Francisco, they want to do a diversion of that, because it takes probably about 30 days to make the shipment, through the ship, we can actually do that way. Because they have all the information available, what is there in what containers and so on and so forth. I think that is a very, very important aspect.

Okay now let me switch over to the media and entertainment, publishing, motion pictures, TV networks and casino gaming. These are the three different areas we are focusing on right now, within media and entertaining space because it is again a very large industry we are in, about \$1010 billion, that is the kind of industry size that we are seeing at this time and they spend about close to \$50 billion in IT around the world and the growth is about 6.49%. That is the estimated growth as far as we are concerned, CAGR, and if you look at IT CAPEX, the publishing companies are spending about half or more than half of their discretion spend, capital expenditure in IT, towards embracing the newer technology, towards managing the newer trends in the market place in publishing because they are transforming their business. That is one peculiar strategy we are seeing. Look at the biggest challenge for motion pictures in TV is piracy. Because you produce a great movie, but we do not have a proper mechanism to protect the copies, obviously people are going to copy and use it, there is no way you can make money. So piracy is the biggest issues they are facing and the traditional business models are stagnating and they are not able to make money out of that. I you look at especially in the US market, you are seeing that theatrical revenue is stagnated about \$9 billion over the last few years. Everybody is thinking that DVD revenues is going to climb up but last year, for the first time in the history DVD, revenue came down. That is a big thing. Because what happened is there are more alternative for people, you do not have to buy a DVD for Rs. 500 or \$5 or \$10 dollars to watch a movie. You have video and demand available. You probably need or may be a dollar or so to get that same information and there are whole lot of digital technologies arriving, for e.g. iPod, it is a new technology altogether. You are able to get a program which has probably run 10 minutes back in the TV and you can get that program, not every channel is providing that feature. You can download in the iPod and you can watch it whatever time you want. So today if you look at the prime time, probably it is 7 pm to 9 pm, that is prime time and you are actually watching a program in the prime time, 7 p.m to 9 p.m. which is a recorded program. Just look at the paradox. You want to watch a program or your favorite program at whatever time which is convenient, maybe 5 o'clock in the morning is good time for you, but these are completely enforced by the television network and stuff like that. But the consumers are moving away with that. So what everybody wants today is that the people want to watch to the program at their convenient time, on their devices. May be you are taking more time to go to your office, you want to watch that on your iPod for example, or your mobile device. Not obviously watching a large movie when you are going to office or what ever place but there are different ways and means consumers want to watch programs on different kinds of device at what ever may be the time. So the prime time concept is going to completely go away. For example, it is different from the live program, live program has to be live, there is nothing

like prime time. In the case of publishing, print pure companies which are in the traditional print stage are really struggling because there are finding it so difficult to compete. Most of the publishing companies today are trying to getting online. One of the parameter they track today is what is the revenue coming from there from the online space through internet and so and so forth. Look at any newspaper today, the biggest revenue model is not the money you are going to pay, Rs. 10 rupees for your Economic Times or whatever it may be. They get biggest money from their advertisement, that has actually changed. Look at capital gaining, one of issues we are seeing is that there are all kinds of new players are coming in the market place to compete with them, for example Cruise liner is one of the players. In India, casino gaming is not legal but an Indian cruise liner can take the vessels into international water, they can do that. So what I am saying is that competitive threat can come from anywhere.

If you look at the trends in the industry, how many of you know the word content monetizing. Very simple, it is all about you create something and reuse it several times. Let me give you an example. Olden times you watch a movie by going to the theatre, Later they introduced VCD, DVD and all kinds of stuff out there. The same content you are monetizing. It is also available though video on demand and may be it is also available in clips in your iPod or mobile or whatever it may be. So this is all about use the same content, repurpose this and use it and sell it for a price. Similarly if you take a very important photograph, you can actually sell that again and again, you go to Economics Times of yesterday and you cannot take that picture of that you cannot publish that actually, you have to take the permission from them and there is a possibility that the picture may be taken by a freelancer. That guy eventually has to get the royalty. That is how the supply chain operates backwards. Publishing again in same content monetizing issue which I talked about. How many of you have gone and gambled in a casino in the US or other part of world? Alright, see all the machines are independent, but today what they are trying to do, they are trying to integrate all of that. So that they can try to figure out the behavior of the users and stuff like that, if you gamble more, you can get a hotel room free and stuff like that because you have to come up with that kind of statistics obviously you need to get the real time data, the CRM data as well as it has to completely integrated. I think that is the direction the casinos are going. If you look at our viewpoint, media and entertainment industry is undergoing profound transformation. A consumer gets greater control over the choice of content, consumption across multiple and diverse distribution channels. To make it very simple, what media companies today are trying to do, they are pushing a content which is appropriate content for you. If you are a lawyer, they know that you are interested in that field, there is no point in putting an IT content and stuff like that. So you have to give the right kind of content to the people. The second thing is the lawyers who are actually the users of that should be able to extract the data depending on what they need to do. You probably may be an IT industry analyst who is tracking only the IT industry in APAC, you are not bothered about the IT industry in other part of the world. That is what is personalization. So the company should be able to provide the relevant content to you and you as a person should also have a platform by which you should be able to extract from the relevant content, you personalized information, so relevance and personalization. That is what you need to look at. That is what the good service provider should be actually doing. Push the relevant content to you as well as you should have a provision or mechanism to extract your own personalized data out of that and at the same time, you can actually push the targeted advertisement, that is the other important aspect, that is the revenue model.

So let me go to the next slide. Okay so we talked about the industry issues, the trends, the margins and all of those aspects. So what we have done is to enable clients to embrace the new, the emerging industry trends, as well as to manage the issues in the industry, not only that, that is one aspect of it. They also have to run their business and also have to run their business operations in IT because there is huge amount of money being spent on that itself. If you look at the publishing, 50% spend is happening on the embracing the new technology and stuff like that, but other 50% but other 50% is to run their business and stuff like that. That is the reason I showed that the CAPEX budget for each on industries. So we are addressing both sides of that, one is the maintenance project work and all, to run the business they have to spend money in terms of maintenance of their application maintenance or their infrastructure and so and so forth. Similarly to embrace the new area, new technology or new business model, they have to actually invest money in coming up in investing in a newer technology, it could be a platform or whatever it may be. So we are also helping people in that area also. So we have few solutions. One is the Digital Asset Management. All media companies today embrace Digital Asset Management solution. For example if a photograph is taken by a freelance yesterday here, it has to appear in BBC, they have to take permission from the same individual. If BBC is showing the same picture may be one year down the line, the PC speech, he has to get the permission from this guy. He will get the money. That is how it is. So for that you need to have all kinds of technology infrastructure to provide that. Aging workforce, I talked about that is one of the biggest problem faced by the railroad industry in the US. So we have a solution around that, to manage that. There is a technology solution, there is an HR solution and there is a training platform and there is a change management platform as well as a knowledge management platform. It is all integrated together.

Let me skip this virtual concierge. Okay by looking at all of this, we came up with top 3 strategy for my group. One is we believe that unless otherwise we build real deep domain capability, domain knowledge of the industry, we will

not be able to provide high value to our customers and get the higher price, so on and so forth. So what we have done today is that, every individual working in the group will undergo domain training. See if you look at the company may be 18 months back, we were asking everybody to undergo appropriate technology training program. So today we are giving the same importance to domain also. So people should now even if the person is a programmer, they should know technology, they should also know the domain. So that means people should know airlines domain, people should know the casino industry or whatever it may be, whichever domain they are getting in to. So that may be five years down the line they are experts in that field. So that is the direction the whole company is taking. So that is the reason we have the domain training and certification. This is a very important point you should note. See when you go for a training program, you go and attend the training program and come back. There is no way to figure out whether that is effective or not, whether you absorb the concepts or not but what we do in Infosys now, for the last 18 months, at the end of every training program, there is a test. You will give the test and after that we give a certification. What this means is there are certain mandatory training program individuals or our employees need to undergo and take the training and get the certification. After that only, they can get promotion to the next level. So we are putting certain gates so that as a company we are investing money and we are also passing equal responsibility to employees to go through, diligently go through, sit through training program, understand that, there are questions asked and so on and so forth and become experts in that field. So that is a very important thing. After every training, we will have a certification at the end of it and if they do not pass it, obviously there will not get a promotion, they will not get higher increment and so on and so forth. Specialized talent acquisition, we do not recruit too many people but we look for a very specialized people, specialized in digital asset management, the guys who have may be seven to eight years, may be get somebody who worked in railroad industry for 10 years. We do not require too many of them but we need some of them. That is very important and even today when I hire a sales person, I look at people who have got enough expertise in that specific industry. For example motion pictures, if I want to go and sell something, our solution and services to Sony Pictures for example, the guy should know the industry so well, otherwise he will never get an audience to a CXO level people. That is very important. So we also do a targeted hiring with respect to that and again we do not recruit too many people. We have few people. Then other thing is industry specific alliance with a niche product. There are some companies who provide specific products for example, transportation management system or digital asset management product and so on so forth. We have with alliance with them. So we are enhancing our overall capability by having that alliance otherwise we have to actually built that software which we do not want to get into, the product game. Membership with the industry association, there are few industry associations where we have taken a membership. One is the American Association of Railroad and the other one is the American Association of Publishers. All the railroad companies, CXOs, senior level people attend these kind sessions which happen a couple of times in a year and the Senators from the US Government speak about what are the changes there are going to have, regulations there are going to have in the industry, what are the direction it is going and how are they going to protect the industry and so on and so forth. You will get a first hand information by attending this kind of forum. So that is the other way, we are understanding about the industry and keep in touch with the industry to the grass level, that is very important. Engage with industry analyst, obviously there are people who actually track how publishing industry is going and so on and so forth. So we also have some relationship with them through which we can get whole lot of insight. Of course, day in and day out, they will only do research in the publishing industry. Build the capability, that is a top priority for us, one of the top 3 priorities for us. After building that, you have to actually do branding, you have to tell people, the buyers of the world that we have this capability, we can help you and for that we do whole lot of stuff. A couple of things are given here, we attend the industries seminar, to give an example, National Association of Broadcasting that is the one of the industry forums, marquee industry forum. So there we do an active participation. Its not only about we attending that, we normally have a booth where we showcase our products are services and other thing is we also take up, we also take up a speaking opportunity because it is a great to get a free audience, who are the actually buyers and probably sellers and probably the guys who can actually have an alliance partnership with us. The third thing is we also get a panel moderation slot. It is very powerful slot. It is probably better than speaking opportunities slot also. These are the kind of things we do to get an active participation in the industry forums and talk about our credentials and to understand the industry so and so forth. So the idea is that after creating capability, we have to actually do the selling. This is one of the grass root level branding we are actually doing and of course when we create a whole lot of thought papers, point of view. For example we have point the view on ageing work force, we have point of view on digital asset management and so on and so forth. Other aspect is we are small, so we have make the group bigger and achieving the scale, that is very important. So we do whole lot of consulting projects. The idea is to do some consulting projects and to get a huge downstream work after that. It is very important. It is not just doing this for consulting but for the downstream. So that is one activity we do. We have a joint go to market solution strategy with alliance partners. So many of them ask their customers. Proactive customers reference, many a times, we do a good job but the customers are not ready to go out publicly and say those things. So that is one of the biggest problems, but you ask them privately, obviously we will able to get. They are able to share those things and contractually many a times we are not able to do that, but we have always try to make some changes at least for our benefits least so that they are ready to openly say at least to other prospective customers and stuff like that.

That is the proactive customer referencing, Of course increasing sales force and dedicated cross functional team for a predefined client acquisition. See what we have done is because we really want to jump start our media and entertainment practice. So we looked at 4 clients, 4 large clients in world, especially in the US and we have a small team. They are going to focus only on these four clients. We want to make sure they have a laser-sharp focus on only on these four clients. Today if you look at that, a sales person probably handles about 10 to 15 prospects at a same time but we are saying, just do only these four. We know the quantity and quality of revenues, is going to be much larger, but sales cycle is also longer, but we believe it is going to a good one.

Let me stop here because we do not have any more time. One or two questions I can take, otherwise you are going to lose your lunch, okay. There are couple of case study which is at the end also.

Participant

This is with regards to media and entertainment industry while you had given us some idea of what the size of the market is, I understand this is fairly nascent market in terms of offshoring. Who are the current players here, what does the competition look like here and what is the potential for out sourcing from these levels that you are looking at?

Jith

See if you look at, IT spend itself is very large, \$45 billion worldwide is very large actually. So we are in a good place to be in. The second thing is if you look at publishing, publishing itself, the industry itself is transforming. Everybody wants to get into online space and so on and so forth. That is the reason we see about half of their IT spent is towards discretionary spend and so on and so forth. There is nobody who is an expert in that, everybody is export, everybody can claim expertise in that and these are more technology intensive. So therefore we believe publishing is one of the really good areas for us. That is number1. Number 2, the other thing is who are the players, if you look at the players coming from India, nobody can really claim the strength in that area. Big four, the legacy players, they are obviously pretty strong in that but when it comes to some newer technology area and stuff like that, especially in the publishing, nobody can claim that I have done this in 2 years back because there was no IPod created two years back. So as long as we can track and understand the trends of the industry well and position our solutions and service accordingly, we can play the game. So that is our belief and it working today.

Okay this is the last question.

Participant

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Jith

See one thing is the airline industry is not going to die because you and I have to fly anyway right. So that continues to be there but what they are doing is that they are not spending anything on the newer areas, they are trying to cut down on the existing cost, for example there are lot of the airline companies Continental for example, they have a \$100 million contract with EDS. These are legacy players. So obviously they will open up in the days to come and there is a big play for companies like Infosys. So that is one thing because the thing is the industry is not going to die anyway, it has to exist and for example, this bankruptcy happens in the US, that is for a specific reason. One of the reason is that it is completely controlled by the unions, you cannot do the cost cutting without talking to the union, completely controlled by the unions. So bankruptcy, chapter 11, they have to declare chapter 11 for that kind of reasons because there are other benefits associated with that but otherwise they continue to fly. Delta Airlines today is a bankrupt company but they are still flying. That is how it happens.

Folks thank you very much and know you enjoy the lunch.