Ashok Vemuri - *Session II*

Ashok Vemuri

Good afternoon. My name is Ashok Vemuri. I head financial services practice and based in the New York office. What I am going to do is essentially in the abbreviated version and the time that we have, we will run you through a very quick presentation. You have a snapshot of that already and we will open it up for questions.

The financial services industry is actually a very interesting inflexion point and consequently so is our service that we are providing to them. We believe that the kind of work that we are doing for financial services companies is also at a fairly interesting inflexion point. You will know that financial services is actually our largest practice and our sweet spot and we have done a significant number of things, lot of them are pending to become more commoditized or more generalized and we clearly see the need for differentiating ourselves in terms of the value proposition referring to the table. So, Nandan talked a lot about the things flat. So, I am just going to quickly explain all those parts here in terms of what is happening with regard to that in financial services.

Opening up of emerging economies is a big play in terms of the power shift if you will more towards Asia. India and China continue to be extremely big players. Structural shift in demographics, this is about especially in the U.S. market about the growing presence of the Hispanic population, it is about baby boomers and retirees living longer and therefore product and services that have to be designed to take care of them. Ubiquity of technology, Nandan talked about that briefly. I think this is a significant saying that changing the financial services market, if you actually read the annual reports of some of the banks you belong to, they more and more sound like they were technology companies. If you look at the amount of money that is being spent on network, the amount of money that is being spent on channels, the amount of money that is being spent on mobility, you would be very hard pressed to make the difference between technology company and a bank today. Regulation and compliance is a bug which refuses to go away whether it is SOX, whether it is Basel II, whether it is MYSIS, and this again is an area of because it is a very sweet spot for us, we in fact pioneered the AML solutions which has found great traction in the market place. So, we believe that this world is flattening and this will lead to the creation of a flat company and we are as a best exemplar of that well positioned to provide services in this changing environment to our clients. What our clients are looking at us for or what they are asking us to do is to make them more agile, more innovative, and much more scaleable. So, Infosys as I said is the best exemplar of this new world and we help our clients to this transformation.

In the BCM world, we bring today deep domain expertise and technology visioning and architecting capabilities to deliver business and technology solutions and these solutions and services that we provide allow our clients to innovate rapidly. We help them innovate rapidly in terms of products and services for the changing markets, improve client to market to make them more globally competitive, increase their operational efficiency which is a huge topic in financial services clients today to increase their operational efficiency, whether as a consequence of the changing market place or as a consequence of acquisitions, the mergers, or the fact that they are looking to move into newer markets that were never there. Enable more effective customer management and lower operational risk. Our delivery capability is globally distributed as a flexibility, scalability, and resilience to address the global needs of our clients and their changing imperative. And financial services has been our sweet spot for a long period of time. This is the largest sector in terms of IT spent and we believe that with our experience we are well positioned to take advantage of that. Quick snap shot of the group, is grown at about a CAGR of about 55% over the last 3 years. This obviously is the largest group and it reflects to a great extent the image if you will or the promise of the company. 15,000 plus associates, we do provide service for our clients out of India, of course North America, Canada, China, Australia, India, Eastern Europe, United Kingdom, as well as Mexico. We are spread across retail banking, investment banking, asset management companies, brokerage and trading cars, etc. One client greater than $100 million, three clients greater than $70 million, and ten clients with revenues greater than $30 million.

Our footprint is in banking, it is retail, commercial; do a lot of work on the treasury and cash management side, cards both on the issuer side as well as on the service provider side, and increasingly we are very big in private banking. Capital markets, we have worked with on the sell side, buy side, we have worked with investment banking, brokerage, advisory services, custody services, depositories, and exchanges. Just to give you, six of the top seven U.S. banks, six of the top ten security firms, three of the top five card issuers, four of the top five custodians, and six of the top eight mortgage originators, we also work in strategic partnership with third party product companies as well as consulting firms where we bring to bear a combined capability for our client.

So, what do we actually provide to a client the services that we bring to bear or we do significant amount of business consulting, we do the consulting front-end discovery part of the story. We do a large amount of the heavy lifting technology field whether it is applications, development, maintenance, production support. Increasingly, we are getting invited to the table to do infrastructure which is becoming if you will the flavor the international services and a sector which has traditionally been averse outsourcing that and once we think of the outsourcing part, I have been rather reluctant to do the offshoring bit. So, we are getting more into the report part of it, the infrastructure management, and of course the process outsourcing is. Some quick examples of our engagements, the portfolio rationalization strategy that we develop our financial firm. This is a project we did with the CXO officers and our clients which is basically to determine what are the kind of processes that they have and to streamline that , it is more kind of a BPR kind of an exercise with significant amount of rationalization in terms of a portfolio. They had significant amount of shelf fair as well as redundant that was the technology's bit, but they also have a lot of the process stuff, which was redundant and repetitive. So, we looked at that.

Operational cost for a fortune 500 mortgage banker. Operational cost is a huge thing for our clients and this was an interesting project which was more BPO-centric in terms of redefining processes which were not core for them, it could actually been sourced out from the processing perspective. We designed the technology architect for a fairly large wall street player. We have been working on the system for the last six years and we basically went back to the client and said look there is a system that you have in the backbone, the architecture that you have is just not conducive for either the automation, with the exchanges that is going on, whether it is the increased digitization of the increased automation that is going on and we actually redesign the entire backbone software from a technology architecture perspective. So, 14 months exercise spread over six countries and post that we not only maintain but also provide the upgrade, etc. Global financial services firm require industry leading unified customer view. If you recall Nandan, I was talking about consequences, or collateral that actually comes through doing let us say find a flat new world. This is an exercise that we were doing on a regulatory compliance deal for a client and we basically were the repository of their data was with us and we basically scrubbed it, cleaned it, did warehousing of it, and basically came out with the fact that we could help the client actually slice and dice a client in multiple ways to provide them with a unified customer view and most banks told them it would be a surprise to you, still do not look at one client to come through multiple ways. We do not look at her as a unified customer but actually look at her as somebody who is doing multiple transactions into place. That was the unified customer view again, a fairly large exercise where we were able to bring our front-end capabilities to this design in terms of build or buy decisions and actually when the decision was to partly buy and partly build, we never blamed them for mitigating a risk. So, we not only did the build, but we also did the decision on the buy we helped as well as implemented that and then we did the process outsourcing as well. Basel II programs again risk and compliance is a very big area for us. This was something that we have done both at the design phase as well as the implementation side. So, our value proposition in a nutshell is to provide an integrated IT and BPO capability with some front-end consulting capabilities. We are fairly comfortable with the successes that we have actually seen in terms of our point solutions and we believe that this is an idea that we are going to continuously focus on to expand our footprint in this particular route.

So, the financial services space is changing and we are helping our clients to navigate and emerge successfully. Outsourcing, as you know, is gaining momentum. It is not a classical discussion anymore. It is now being discussed in the board room we have represented our capabilities in many board rooms and we believe that there is significant understanding and traction in our client space on this. We are expanding our service footprint whether it is business issues. It is not only the kind of things that we used to do about two or three years ago, but increasingly we are getting invited to the table to provide services which were not in the consideration set in the past two or three years ago, whether it is system integration or infrastructure management or independent validation from a technology perspective, also from a consulting perspective in terms of our domain knowledge, in terms of our market understanding and being able to provide differentiated services for our clients. I talked about the global delivery model expansion in terms of footprints. Today we are available to provide services to our clients from wherever they might be operating. As I said, if they currently decide to be in China, we are in China; if they want to move to Latin America, we have a presence there.

IT spending our buyer to a great extent has changed. It is not the VP of IS as it was in the past. Today, more and more of the decisions or larger programs, longer tenure programs and the buyer is more on the business side and obviously you have to bring a completely different value proposition to the table when you are dealing with business than when you are dealing with pure IT because their imperatives are different.

M&A, our market in terms of our prospect line basis is shrinking and I think it is going to continue to shrink because of the fact that whoever clients we want to prospect are getting acquired, but we are in active conversations, we have strong relationship with our clients and so far today we have not come out on the wrong side of an M&A. We are not only doing workforce integration, but increasingly not in a very big way but increasingly we are beginning to see we being invited to the table to actually discuss an acquisition. No body is asking us which bank they need to acquire while there are hypothetical discussions that are if we do acquire a bank that looks like this and this is the state of their IT, how do you think we can integrate, how do you think you can help. The discussions are on that which have fully not been our brief and have been the brief of some of our more multinational consulting firms are increasingly becoming our brief as well.

Regulatory environment tightening. I think this is something that is always going to be there and we have a clear edge in the kind of services that we are providing and I have already talked about the changing demographics. You do not have to take our word for it. Waters magazine has ranked us as a number one best outsourcing partner. This is not a ranking by the magazine but by the readers of this magazine who all happen to be our clients, most of them. We have got many IT vendor of the year awards and what is satisfying about this is in a field where we have a large number of our competitors both India based as well as multinationals. Third fastest growing FSIT company and so on and so forth. We have represented ourselves in industry forums. We were invited to talk about the state of financial services in 20-20 of the world economic forum. We are the only IT service provider who is a full fledged member of the ABA. This as you know is an association exclusively meant for the banking community, but we are a full fledged member of it and we provide our thought leadership, etc. We hosted the fourth annual corporate actions processing workshop an area of great interest to us because there were lot of custody clients and exchanges. We do not have a product in it, but we do not think we need one. Thought leadership perspective in terms of establishing our credentials in the fact that we understand this marketplace. We have papers published in these areas of reputed journals. Thank you.

Participant

Could you tell about how your sales force is structured for this particular vertical and how it works with if there is a voice on the sales force?

Ashok Vemuri

We have two aspects of our client facing group; one is the pure sales team whose job is to go out and acquire new clients. So their job is to essentially go out and prospect. They are working with the term in our industry as hunters. Their job is to go out and get new client, negotiate the contract, etc. We have another set of people which is a fairly well established and much more deeper hierarchy which is the client engagement team whose job is to ensure that once the account is being opened or the prospect is being converted into client, they actually take ball and run from there, build relationship, and sell the diversified service, and so on and so forth. It is not just the horizontal services, our subsidiary companies, etc., also have sales forces. We have sales forces in other parts, in other geographies, and essentially the idea is to present one NP base to our clients and that is the model that they work on. So, they incentivize along those lines and then encourage to work so that we are able to break the entire force according to the task so that they would work on.

Participant

How many core-appearing sales people do you have that are specifically geared towards this vertical?

Ashok Vemuri

Just the hunters?

Participant

Just the hunters. I do not know anybody like there is a core-selling.

Ashok Vemuri

We do not have any quotas for anybody, we have targets. This is a little different from some of the product companies that sets quotas for themselves. We have targets, both for our CSG engagement management team as well as for the sales team. Purely in the U.S. market, guys who are acquiring clients would be close to 8 and on the engagement management side, across the various hierarchies for the U.S. market would be about 60 odd people.

Suveer, *Macquarie Securities*

This is Suveer from Macquaire. The question I have is, when you are listing out the services, sub-services within your group, you restrict them to something may be you did not talk about package implementation and a followup on that is that how do you see that hidden as a Finacle group and what is the future going there?

Ashok Vemuri

Okay, so package implementation, that is something I probably missed out. We do a large amount of package implementation work in the U.S. So, enterprise solutions that is our solutions defined for the enterprise, we do a lot of that. We also do third package implementation. As regards Finacle, that is a product that is not extensively sold in the U.S., it has not found enough traction in the market place. We continue to focus our product in the market where the scale is appropriate for the size of that product, so the African market is an issue market and accounts for it. But the good thing about Finacle is that it is very marginal, so we can extract assets as a plug-and-play kind of things. It is the cash management bed module, we can actually pull that out from buying that with the solutions. We are doing a cash management project for a client. We are going to actually pull those components out and plug and place.

Suveer, *Macquarie Securities*
What kind of packages in your industry do you see?

Ashok Vemuri

We see a lot of stuff on CRM, that is a very big plane I would say. We see a lot of staff in operations management. We see a large amount of niche packages in the exchange in the stock exchange place. We see a lot of play in brokerage industry. We also have to remember that most banks are little reluctant to buy packages because they built home loan systems and then we modify them and customize them, etc. But, we are beginning increasingly to see package with articles of big play. SAP has no significance place. CRM with a single side, etc., there is a lot of play there.

Suveer, *Macquarie Securities*

But not as critical to your business as it would be the manufacturing industry

Ashok Vemuri

Obviously not because the whole manufacturing industry has grown up on buying packages

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Participant

Can you give us some flavor on how basically the annuity business versus the new development has moved in your particular business unit over the past say five to seven years versus the new development. How basically this ratio has shifted over the past few years?

Ashok Vemuri

I think one indicator would be to look at the amount of repeat business that you have. Any project that you take for a client would not be there for more than 12 months. So, from a project perspective, they would actually filter out over 12 months, but that generates repeat business in the sense that you are probably working with the same line of business in the same bank, etc.

Participant

Let me explain the question a little bit more. Like in 2000, we saw a lot of banks starting a lot of initiatives and with the stock market coming down, all of those initiatives were suddenly freezed. I am just trying to assess that we are again seeing the markets up at a new high everyday. So, how much of this business would be at risk if suddenly you see capital markets correcting?

Ashok Vemuri

There are many questions here that I have to answer. First of all, in terms of the annuity business, you would never get a project that you have locked in for five years. There is no IT project out there which is for a long tenure. The longest tenure you think is 12 months. Anything that goes beyond 12 months is not an IT project, now it becomes a pact. The thing is that the number of projects that you get at any point of time, you have to constantly monitor that. The number of project openings and the number of statement of works that you are assigning over the period of time, and that is actually very healthy. So, we have projects that are starting at the time some are ending. So, the net number of starts that you have is probably the best metric is higher than what it was in the preceding quarter. So, we have always seen that to be an upward flow. In terms of what is the impact on, whenever we look for guidance or whenever we actually determine where we would end up, it is based on information that is available at a point of time. We obviously monitor the marketing very closely. When the whole mortgage industry issue happened earlier this year, we were fairly on the ball in terms of being able to mitigate or risk from that portfolio. So, we keep track of what is happening in the market place, we keep talking to our client. It is not only that, if you take M&A, you could actually get on to the wrong side of an M&A, or you could actually be still on the wrong side, but no decisions being taken and you would actually see a hiatus in your growth. But we compensate that through new account openings, through new businesses. So, it is not only new clients that are coming on to the roster, but also the fact that new businesses and new opportunities are opening up with our existing clients and today, we see a lot more of our services actually finding more traction in our clients than ever in the past. So, it is not only that this is the ADM world and production support world. When that begins to hang, what is going to happen to us. There are lot more of the other services that we play in which actually compensate for any dip anywhere.

I do not want to be between you and lunch. Thank you very much.
