

Infosys Technologies Limited
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Ashok Vemuri - Session IV

Ashok Vemuri

It is the fourth round of presentations that I am making. So, I thought I will indicate that by taking my jacket off. We are going to run through the slides very, very quickly and then I am going to open it up for Q&A so that we can do that part of it.

This is the safe harbor clause.

Financial services industry is changing, survival depends on firm's ability to think flat. We truly believe that financial services as an industry is at a very interesting inflection point and consequently we too as a service provider to this industry are at a very interesting inflection point. What we are seeing in the financial services space which has an impact on their business is opening up of emerging economies India, China playing a very big part, Latin America. We are seeing not only a distribution in terms of where the wealth is generated, where it is actually where it is distributed too and where it is consumed from. We are also talking about structural shifts in demographic essentially in the US market, we are talking about the growth of the Hispanic population, we are talking about baby boomers, we are talking about retirees living longer, we are talking about ubiquity of technology which has a profound impact on financial services. In fact if you look at the annual report of some of the financial services companies and banks in particular, they actually if you read them they look like annual reports of technology companies. It is the blurring line between or the lines between what a pure technology company and what a financial services company are getting increasingly blurred. So, the technology it self is going to play a very big role. Regulation and compliance, this is an area, which is never going to go away. It is a very big area spent and with all these factors we believe we are leading to the creation of a flattening world and we as the exemplar of a company in this particular flat world are the best suited to leverage across lines solutions and services and we are helping our clients become more agile and becoming more innovative and of course scalable.

What do we do in the banking and capital market, we bring to them deep domain expertise and technology visioning and architecting capabilities to deliver business and technology solutions. We help our clients to innovate rapidly, improve signs to market, we increase operational efficiencies, the big area for our clients whether it is as a consequence of mergers and acquisitions or as a consequence of expanding their global foot print or just because of competitive pressures and factors and indicated in the macro environment which are compelling them to reduce their costs, to bring in more productivity benefits as well as improving the overall efficiency and enabling more effective customer management and lower operational risk and our delivery capability is globally distributed and has flexibility scalability and resilient with its global needs and changing imperative. Quick snapshot of our market, of the unit CAGR of 55%, we are the largest group in Infosys and very nationally we tend to reflect the performance of the company as a whole. Fairly large associate population of over 15,000 people spread across 22 development centres in most parts of the geography, a fairly versatile blue chip client base. We are in the retail banking space, commercial banking, and treasury, and cash management. We work with a large number of card companies, private banking. We are on the sell and buy side in capital markets, investment banking, brokerage companies, advisory services and so on.

And the right hand portion of the slide is the one that I like the most because it reflects our depth and coverage and the expanse and extent of our engagement. What do we do for them, we do business consulting, it is the front end piece, at the end of the day our value proposition today in a nutshell is the ability to provide the front end consulting fees, the heavy lifting technology part of it as well as the back end process outsourcing piece of it and we think that a combination of these three things provides the best value for our clients and it is the one that allows us to differentiate ourselves from our competitors whether it is global or whether it is India based. Just to give you a quick example in terms of the kind of sample of engagements that we do for our clients with respect to third and the fourth, technology architecture for a global investment bank is a system that we have maintained for over six years and we basically look at it and say that given the way the market is changing the volume of transactions the whole algo trading etc, this infrastructure and this system will not be something that will survive in the future. So

we have proactively went back to the bank and we said we will redesign your technology architecture, so we did that from a back one perspective, wealth systems are on to these today we actually maintain it as well. The fourth is something which is a consequence of something else that we did and Nandan actually eluded to this in the morning when he talked about the flat world and the consequences and opportunities, derivative opportunities that we get.

We were doing a project on regulatory compliance essentially where we were holding or we repository of all the data of their customers and we were sprucing it, warehousing it, and scrubbing it and cleaning it and we found that there are multiple ways in which you can actually slice and dice this data which is already existing in the bank so that to provide our client with a very unified customer view of their own clients, something that financial services companies have not been very successful in doing. It is a fairly large product for 14 months over six countries and spread over significant population of people. So our value proposition again is to provide an integrated IT and BPO capability with a strong front end consulting capabilities which we think is our key differentiator. Now obviously financial services space as we talked about this earlier is also changing. These are things like outsourcing gaining momentum, IT spend is going up, our buyers have changed very clearly. It is not the VP, it is not just the IT budgets that we are targeting, we have being brought to the table to do a lot more of the transformational transactions we are doing. Our buyers have changed into people who actually run businesses and lines of in a functional head and the language has to change, the value proposition has to change and the solutions have to obviously be more market oriented than rather just being technology oriented or you know you have higher Java capabilities or COBOL capabilities. M&A a huge play in this market.

We are not only being invited to do post merger integrations but actually getting invited more to the tables engaged in discussions with our clients at a hypothetical level in terms of how to institutions with you know these kind of IT infrastructure etc. How they would merge etc. We are not yet being called to comment on which banks to acquire but we are definitely being called upon to comment about what the IT road map etc will look like. Regulatory environment, we see every second day there is a new regulatory regulation that comes up, keeps us in business and happy. Now if more and more attention is being paid to Myofis and all that. A lot of transparency, a lot of audit functions in banks are getting more technology oriented. We already talked about change in demographics. In conclusion you do not have to take a word for it. You know Waters magazine actually ranked us as a number one best outsourcing partner in financial services in North America. This is a poll that was conducted by readers of the waters magazine who happen to be our client. We have been rated as the third fastest growing financial services IT company in the US. We have been named by many of our clients as the best IT service provider and in a field where a large of both multinational and Indian competitors exist.

We wanted to showcase the fact that we not only understand technology in this space, but actually understand the space in total and we wanted to highlight the fact that we have been invited for our domain and for our part leadership in this particular industry. We were invited by the world economic forum to present a paper on what financial services as an industry will look like in 2020. The only service provider that is a full member of the ABA, we hosted the fourth annual corporate action and workshop and we have published many part leadership papers both from a technology as well as from an industry perspective in the magazines and journals listed here. Thank you.

Participant

Ashok Vemuri

Yeah, we definitely help our clients to set up captive, as you call them captives in India. We love the fact that they are coming to India. It is a validation of a model that we have been espousing for 25 years. It is great competition for us and I know it is a competition that we can easily beat. So, yeah we help set them up. We invite them and we will invite more to come in.

Participant

Ashok Vemuri

You are talking about technology capitals or research capitals.

Participant

Research capitals

Ashok Vemuri

We provide KPO business.

Participant

Ashok Vemuri

I do not understand what you mean by are you involved in setting up.

Participant

_____. Do we look at any of those as a potential M&A targets or do you think you would like to grow organically.

Ashok Vemuri

We have a strategy. It is fairly well articulated in terms of how we want to grow both organic and inorganic. If we find something out there whether it is a captive, not a captive or what ever, if we think it makes sense for us, it will provide synergy to the existing business model that we have, we will definitely go for it. So whether it is a captive, not a captive, it is very hard to comment, but are we looking to I mean truly speaking we do not have to. The cream of the crops actually comes to us, what is it that we are going to acquire, a building.

Participant

Could you give us a sense of the addressable market, not by geography but if you look at the global spend by financial services company, then IT services, how much of that spend is actually outsourced and how much of that spend is actually offshored and if you can split that and also give us little sense of within this practice, how much of your revenues come from ADM versus the other service operators.

Ashok Vemuri

Yeah. Multiple questions here. The first part is that the size of the market is about \$6 million, that is the financial services spent. The largest bank spends close to between \$8-10 million in terms of IT spend. The thing is that what was, we have not from an outsourcing and an offshoring perspective even scratch the tip of the iceberg. There is significant head room here. How if you take an apples to apples comparison what was considered offshorable and outsourcable three years ago has changed dramatically in terms of added to it today, so services like system integration or remote network management or any independent validation and testing, and package implementation were not considered offshorable, but they are part of the course today. Similarly, so this market is actually is growing at one end in terms of the spend, changing in terms of what has been spent on, it is changing in terms of client attitude towards what can be outsourced, what can be offshored, it is changing in terms of what we think we can bring to the table, it is changing in terms of what the client think we are capable of doing. Three years ago if I went and said look I wanted to do a BPR for your portfolio rationalization, they would blast me out of the building. Today, they call me and say can you do me a IT strategy road map for the next five years and tell me how I need to plan. So obviously these things change. On an apples to apples basis even with existing stuff that we had two years ago, a significant head room for us to grow, for anybody to grow because there is a lot more that

can be outsourced and offshored. The problem is that what is tending to become extremely commoditized, or is already commoditized you do not have price leverage on it. You really cannot exercise such a huge price, you know every year this thing has to go up by 4% or 5%. What is the second part of the question.

Participant

What is the commoditized part of the service offering today?

Ashok Vemuri

Production support to a certain extent which has been going on for a period of time, low hanging fruit like you know application, maintenance, and some of that stuff, which is non-project type or may be slightly project size kind of work.

Participant

And the second question was within your segment what is the percentage of revenue is coming from ADM versus...

Ashok Vemuri

We do not give a split for this on all of our verticals, but on a rough basis it is very comparable to the way our company is

Participant

Along the lines of what is outsourcable, in the past the concerns of international services especially was privacy and are you seeing that those concerns are now pretty much put to bed or are those active concerns that your clients still have.

Ashok Vemuri

No, I think privacy is a very important part. It is a very important consideration when you are doing outsourcing, but I think recent experiences of our clients in how much of their privacy security has been breached in the United States, I think they will more than welcome the opportunity to offshore it, but having said that the reason why a lot of captives get set up is also because they believe that those captives are either from a regulatory perspective have to be under the banner of the bank or in the establishment that belongs to the bank or if they think that they will be better equipped to manage the risk than providing it to a third party and there is some truth in both of these things, but increasing amount of confidence in the ability of third party provider to actually manage some of the sensitive data is increasing. Infosys actually gets audited on requests by the OCC. So we undergo the same level of audit requirement and compliance regulatory requirements at any bank and we have always come out in flying colors. So, however the banks get audited we get audited the same way. So, to get an OCC, which is a trade regulatory body for the industry I think speaks for the fact that we are, our performance is comparable if not more better than our clients. You want to take it outside. Thank you.