

Infosys Technologies Limited
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Priti Rao - Session I

Priti Rao

Good afternoon my name is Priti Rao and I head our Infrastructure Management Services, which is a global practice and this is a comparatively newer business for Infosys it is about 4-1/2 years old. We are very, very bullish about this business and we believe there is a room to build another Infosys out of this business and I will speak about how we have done, what we plan to do, how we differentiate at a for the next time of 10 minutes but before that may be I will take a minute to talk about what does this mean by infrastructure management because I think infrastructure and frame work I think these are two quite used and misused words which means a lot of things. Infrastructure actually means right from airport to roads to facilities to technology infrastructure to knowledge infrastructure. So it is a very commonly used word what we mean here and what we refer here is that we are going to speak about technology infrastructure and as a market definition and most of you may be familiar but it means typically 3 or 4 batch to services, the first one being the data center services which includes the servers and servers which includes from end-to-end to line at, it is storage devices, it is about managing mail, which is about lotus notes. So one of the main services is about data center which includes servers, storage devices, the messaging platforms, the databases. My name is Priti Rao and I head our global infrastructure management services which is a global practice, it is about 4-1/2 years that we have done. We have done reasonably well and we actually believe that this service has a potential to build. We actually believe that this service has a potential to build another Infosys. So we believe this service has a potential to become to build another Infosys and I think our efforts, our investments what we are trying to do is towards that but before I go in I will speak about what we have done and what is the market saying and what is the strength let me take a minute to speak about what is the infrastructure management services because infrastructure typically is quite misused what it includes certainty at airports, road, knowledge infrastructure and technology infrastructure, so here we are speaking about external customer facing service which is about technology infrastructure. The way market defines the technology infrastructure mainly divided into 3 components, data center services, which are about the servers right from mainframe to Linux which is about the best part it is about the black berry and other devices that you speak about you actually use it is about the messaging platforms which is mail lotus notes and those kind of thing that we use. It is also about the storage devices, disaster recovery and all that so that is a large chunk of service which is under the data center service. The other services is about network which is LAN and wan which includes all the new technologies IT, MTLs, wireless whatever you are thinking of and the third and important part which is typically not known to many people is also as a part of infrastructure management is about the operating support, so how do you actually support the live production environment, how do you support the users, how do you ensure that the production systems keep running that also is a part of infrastructure technology infrastructure management. So this is how the services is defined and in the morning Nandan spoke about the flattening world and how are the most businesses are becoming global both from their end customers and from the employees so actually most of the employees as well as the end customers of most of our business are becoming global.

The second thing is the technology impact on our life whether it is business or personal it significantly includes this right from some of you are sending may be SMSes or mails while you are sitting here are able to send to a trader on the floor who is actually a supporting certain trades that are happening to a teenager at a home doing dating, everything is kind of depending more and more on the technology and infrastructure is actually the glue that puts into together. I don't know whether most of us are aware, we actually most of the time are the end user of the service, but unless you have the infrastructure that supports that is available 7/24 all fine lines, that is a glue that puts together and actually it is a very expensive glue. It is a very expensive, it is a very high cost effect. So given that it is becoming critically important to business as well as in our personal life given that it is needing 7/24 support given that it is so critical to support every business process around it. I think it is getting a whole lot of attention and the infrastructure services as straight are becoming important in so this is how we have done. From a revenue perspective we have grown more than 50% year-on-year. We have 4 delivery centers 3 in India and 1 from Middle Eastern Europe that we are starting to service. We are also looking at China and Mexico as another option. Unusual and unexpected perhaps but our off shoring percentage looks better than the rest of Infosys to believe that 70 to 75% off shoring of this business is absolutely possible. We are seeing absolutely good potential and seeing a lot of traction in the market. We believe that now we have built sufficient size and scale because

infrastructure business is about size and scale. We are seeing a lot of invitations to larger deals which are multi tower deals which includes IT, ADM plus BPO plus infrastructure we are particularly seeing growth in telecom, healthcare, retail, and financial services.

We are actually seeing a good amount of growth in EMEA and it is quite interesting that we are seeing from an IMS perspective growth from two kinds of customers some customers who are actually our trusted customers who have been part of Infosys services for long and who trust us and they are trying to look at we have out sourced the ADM already and what else can we do and hence they are looking at infrastructure as the next thing. Interestingly in EMEA, we are seeing another pattern there are people actually have not outsourced and they are trying to see what else can I do and they have an option of either looking at ADM and infrastructure and quite surprised even to us that we are seeing a lot of good success in EMEA. So from a revenue perspective our approximate business split is between closer to 48% comes out of EMEA and the rest from US and may be about 2 or so from APAC.

We actually have made this business is actually investment heavy, we have made sufficient investment in setting up a global management centers across the locations we operate. We have sufficiently invested into creating tools and creating technology solutions and I will briefly speak about.

Before I go into what we have done let me just take a quick snap shot of what the market is and many of you may be familiar and have perhaps have read but looks like the business has a huge potential, the numbers actually vary from numbers that people speak about actually vary from something like \$100 billion to \$200 billion but that is the size of potential of business that people are speaking about. Last year about a billion dollar of revenues got delivered out of India from infrastructure. These are some of the recent reports and I am not going to read out all of these but the top one is from Foresters and it talks about 60% of all technology spending, decision makers are focused on reducing cost, you must also realize that most of the technology cost in last 2 to 3 years has been and if you really look at what are the technologies cost and there is hardware and software licenses and the other is salaries and benefits and quite interestingly because of cost of hardware and software is reducing the spend on salaries and benefits is an increasing concern amongst most of our customers and hence it puts us in a good sweet spot.

We are looking at least from this survey 65% of people have said that they are looking at IT, infrastructure outsourcing, 65% of them are saying that they are looking at offshore based services. This is a huge market and there are large legacy players in the market already who have sufficient size. This forester report talks about their growth being into early 12 to 13% where most offshore players been able to grow at 50% of course the sizes of offshore players in this industry are smaller and the percentages still look good but nevertheless I think the growth has been significant in the last 2 to 3 years.

The other interesting thing is also that typically when people use to speak about the infrastructure deal in the past it used to be asset heavy. So people would assume that the infrastructure deal happens along with the assets, but there are lot of interesting reports and some of you may actually want to read and I am not going to at length of what is there in the report but quite interesting in terms of how the picture is changing and how the point of views in the markets are changing in terms of why the assets transfers now are not working and there are lot of good reasons given today the technology cost itself actually go down faster. So typically if you say invested \$10 million into buying a mainframe at the end of 2 years the 10% depreciation your book value still is \$8 million but actually the market value becomes \$5 million. So there are significant losses from a book value to a depreciated value. There are concerns around been able to transfer the maintenance cost, the warranty cost, the maintenance and the warranty contracts that are not transferable. There are lot of privacy regulations that require that when you transfer the asset, the data has and when you retire the assets, the information on those assets has to be taken care of in a particular specific way that you before you would retire assets you take care of those so it is a lot of interesting point on how the asset base outsourcing actually is dividing the whole thing into two assets and services and the services component being off shored or being out sourced is a new trend and IT assets either more customers are now preferring to retain on their own books mainly because they are very large in size, they are able to get consolidation benefits, but otherwise there are many financial intermediaries who are able to take on those assets but even most of these market analysts are talking about significant share base and we see it is very close to what actually we are delivering 75% of the effort is possible to deliver some of the scales.

Again this is from a very, very recent report released from Foresters. This is a report that talks about the leadership accordant and Infosys to the first time from an infrastructure management services perspective has been rated as to be in the global leader quadrant and for 4-1/2 and 5 years old business I think this is a very good credential. This particular report obviously has been based upon 8 to 10 categories which includes size, revenue spread, service potential, but it also includes your vision, your understanding of the infrastructure as a business, your customer references and things like that and I think this is really good thing for us that based upon our

credentials, and the reasons why we are here are more worth celebrating because it talks about the perfect reference customer scores and to me the proof of pudding is always eating. So as long as your customers are able to standby you and saying you are one of the best supporter that we have had, we have had 5 on 5 scores on all the customer references that happened during this survey. We have also been very highly rated in this report on our strategy and are able to understand how and where the business is moving and our preparedness to take on the larger deals and been prepared. The way we sell this service is not based upon the cost arbitrage, the cost arbitrage is obviously is given, because we are talking about 70 to 75% of the work being done offshore, but I think our selling proposition in this service is based upon the transitions, innovations, and transformation. I am not spending any time because I have been asked to reduce 5 minutes from the time, but perhaps I could cover some of those into the Q&A.

I think our selling proposition here is based upon transition, transformation, and innovation and that is something that is well appreciated in the market that is where we are actually seeing a good amount of traction. We also have a well distributed work force not necessarily only the India based work force and I think our plans very, very clearly indicates on our intentions to be global in the near future.

I very briefly spoke about what are the infrastructure management services and this will give you an idea of what are the services at the next level. I think it is important to understand that this whole infrastructure continuously like a Six Sigma thing needs to run with a continuous improvement factors. We actually are able to deliver complete end-to-end services into the infrastructure management space and last 3 to 4 years we have been spending sufficient amount of time and energy to ensure that we do not have gaps in the services because when you are a player into Infrastructure services it is important that you are able to deliver end-to-end services and that is important. It is not necessary that you deliver all the services yourself for example things like hosting, things like on the ground hand and feet support, or having a physical data center somewhere outside India, these are the things that we do not want to do because it does not fall into our sweet spot, it does not fall into things that we want to do but we have the right alliances, we have the right partnerships, we have the right consortium to be able to bid on these deals and I think we are seeing a good amount of tractions using those consortium and those partners to be able to get on this. I am not going to go through and explain each of the services, but the only point that I want to make is that we have complete set of services. The operate that is a blue thing over there is actually the most the largest component of the whole 5 and that is the most sticky business. I think the other thing about infrastructure services is how sticky it is. It is very difficult to get out of get from that and we have seen almost 100% of our business being renewed so in that sense the growth is also a simpler. 70 to 80% of our business actually comes from how that operates.

I am going to spend a minute explaining how is the traditional infrastructure outsourcing and the new way of doing infrastructure outsourcing is different. Typically, in a traditional outsourcing, if I can use a term it was that my mess for less and that was term typically most the large legacy player would come in, would take on the assets, would take over the people and at the reduced cost they would agree to manage the whole thing.

The assets would remain where they are people would remain more or less same people would do the service. The service would be onsite centric and the same set of people perhaps would continue to do the services. As against this our model is completely different because our model is based upon the JDM. Our point of view is based upon the fact that we do not want to own assets. I think there is a significant differentiator that we are able to offer in this situation because our intent is to do work offshore so that means that our pros is completely process based. Like rest of the Infosys and ADM I think we have actually focussed a lot on profit based approach, similar to CMMI there is a ITIL which is a infrastructure library which is basically defines the processes the infrastructure world use, it is incidents, problem change, composition, capacity, management and these are all the processes in the infrastructure world. I think our complete solution is based upon the process based approach like the rest of them put the services and delivering services from a cost effective location based upon the service. It is also because we are actually not into the hardware and we do not have any specific interest into pushing a specific hardware or a specific software. We appear and lot of consultative mode the technology agnostic way we are able to. We do not have any specific interest of pushing a hardware or software which may be true with some of the legacy players and I think that is how we are actually able to differentiate in many of these large deals because we appear as a neutral consultant, who actually are trying to do things with the interest of customers.

I think this business again is in need of a different kind of pricing model typically FTE based price in models do not work here. We have developed over last 3 to 4 years a good pricing models and depending upon what is the device that you are trying to manage whether it is a desktop or whether it is a server or it is a storage device or it is a service desk, based upon what you are managing the whole industry is around how are you able to price this. So I think various pricing models are there. We are very comfortable about being able to offer these prices. We are seeing a good traction in the market based upon the prices that we are able to offer because we are able to be

at the cost benefit term of off shoring while pricing these. We are also being quite flexible in terms of what is our engagement model for our engagement model, so engagement based upon the customer needs can be either dedicated, it can be partially custom shared kind of a environment or we are also have invested into creating what we see internally global management centers. We invested into a large of these centers it has right technology tool, the right kind of screens and all those things which allow us to use these shared facilities and that is another differentiator infrastructure services.

I will move onto the differentiators and while I spoke about the infrastructure management services I think it is really a bouquet of really large amount of services at one end there are services like service desk or the technology support centers which is typically comes at an offshore rate of \$20 to \$21 and to the other end there are roles and the services that we do which is about infrastructure management consulting, profit based consulting, how do we help our custom organizations to move to the right infrastructure implement right infrastructure processes and organization structure and they are at the end of the spectrum with \$200 to \$250 a point head rate in between there are whole lot of big services. This business is about being able to manage the portfolio of services very well.

Okay, I have not finished, so let me just give me 2 minutes to finish this. So I think the whole business success is about how do you manage the portfolio. I think we believe our margins in this business are quite superior 5 to 8% ahead of our competition and perhaps ahead of the rest of Infosys and actually since we have short of time. I am assuming you have the presentation and some of this things I spoke about and I normally speak about the rest of the differentiators, but and the challenges because some of them we have already addressed and we have been asked to do Q&A outside there are some Q&A we would perhaps do outside and this is a last slide in my deck and this speaks about a single specific customer engagement about 600 to 700 people or a single telco and I think the interesting point is I did not want to really go through and if we are really doing the interesting point that I wanted to make is that for this telco management of a network is the core business they do not do anything else and they have actually out sourced the core business to us which actually talks about the trust and the confidence and the relationship plus the competency that we are able to bring to the table.

Thank you and sorry that we did not have any time for Q&A.