INFOSYS CONSULTING – Mr. STEPHEN PRATT

Good morning. I'm Steve Pratt. I'm the CEO of Infosys Consulting. And thanks for coming today after especially after a late night with the baseball game last night. And then, I figured that this morning, being here with a bunch of grumpies, making (sense) is probably a tough audience to go against? So anyway, so thanks for making it.

Well, it's an exciting time to be at Infosys and in consulting at Infosys, that as we believe that we are forming the fourth generation of our profession and especially in management consulting where we are really on a pioneering edge, we believe of what clients are thinking and increasingly thinking about in the world of globalization and what's happening in the world. And specifically, there are increasing trends in 'Think Flat'. And as Kris talked that as clients think more and more about emerging markets and accessing emerging markets, accessing talent from around the world and also to look at increased collaboration among companies around the world, that it really plays into our sweet spot and it plays into how we run our business and basically the way we live day to day. And so, to me, there is really no better place to be in the world than to be at Infosys and to be consulting at Infosys because clients are coming to us and saying, can you help us to be more like you? And I think we're really setting the standard when it comes to our margins, our growth rate, the way we run our company, the quality, the talent that we're attracting and I think that it's really an exciting time for us. And at the fundamental core of it all, it's about Infosys delivering increased business value to clients. And our objective is that if a client hires Infosys, he should receive more business value than any company out there. And I think we're off to a very, very start and a very good trajectory for this.

So fundamentally, our approach when it comes to consulting at Infosys is to break down the barrier between strategy and technology. And that is, when we work with a client, we want to be able to tell the shareholder value implications and the free cash flow implications of any technology or process change that they make for their company. And we see that there's a huge opening in the market to break down this barrier where traditionally companies think of technology and strategy and the calculation of shareholder value, as two very separate things. And generally, when it comes to implementation, a lot clients will get it sort directionally correct, that our approach it to make it precisely correct, that we want the complete alignment between the creation of shareholder value and what's being implemented at the client in a very rigorous way. And it's amazing the value that we can create with clients that way. The result of this, of course, is that clients see tremendous value from us and we are able to recognize that value at Infosys. Also, if you combine the Global Delivery Model that we have in technology with our approach in consulting, the resulting financials are very, very strong.

If you look at specifically Infosys Consulting, we're really at the end of the first three or 3-1/2 years and we've built a tremendous platform on which to grow. If you want to build a great city, first of all you have to build a great brick and then out of that brick you build a great wall and then the wall, you build a great building, and then out of that building, you build a great city, we build great bricks, right? And fundamentally, when it comes down to an individual client, the value that we create for each client, we believe, is the best in the profession. And so, right now, we are in the process of really bringing all the capabilities in this together to really build for the next evolution of growth in consulting. And, of course, clients are telling us that they actually see the difference. I think we're one of the very few consulting firms, if not the only consulting firm, that actually ties business value creation to the bonuses of our consultants, where if we have created more business value for our client, our consultants actually get paid more. So we track very rigorously the amount of value that we're creating for our clients. And I'm happy to say that our rating right now from clients is that we're delivering 122% of the promise valued to a client. So when we go into a client and we say that we're going to deliver X business value, they're saying we're actually delivering 122% of that. So I think that's really one of the best leading indicators of the future.

So if you look at Infosys Consulting which is just one part of consulting in Infosys and I believe we talked a little bit about it, we're really the tip of the business transformation spear. So if you look at that we really have a great portfolio of clients and our perspective on this is that we need to win clients over one at a time. It's client by client,

going in and showing the great talent that we have to the client and showing our great approach and getting great results for those clients. And what we find is that there's tremendous stickiness, that when we go in and show the clients who we are and what we do, that client tends to come back time and time again. And as I'll show you, that there's also an overwhelming trend that we'll start small, we're getting competitive positions, we'll win, and then those will turn into sole source engagements going forward. Right now, we have 20 clients where each quarter, where there's a $1 dollars or more in transformation were done at those clients. And again, it's a client at a time the way we're doing this. Our billing rates are very competitive with the top management consulting firms. And if you look at it, right now we're averaging about $230 an hour across the practice which is good. We're happy where that is. And it's trending up a little bit. We don't want it to trend up too much, but like I said, we're happy with where it is.

One of the other things that Consulting does is, it's a great way to open up new clients. And I'll tell some examples of where we've gone into a client and talked to them about what's going on in the world and what's going on in the business, specifically what's going on in the Flat World. And that will lead to work that will have a tremendous amount of benefit and use of services across Infosys. Right now, if you look at our headcount, again this is at Infosys Consulting, it's just a very, very top-heavy, sort of tip of the spear. But if you think of it, really it's a partner and maybe a couple of levels below that group where each individual has a huge impact on the company. So that's where we are in Consulting. If you look at the 20 programs, here are basically those programs. And, of course, we had to greatly obscure the client names so you can't guess the client names, to protect the client confidentiality. And I'll go through some of these. But needless to say, that I believe all of these companies are Fortune 1000 companies. There's a very good distribution across verticals. If you look at the kinds of work that we're doing, it's very heavily oriented towards really good operations whether it's around customer operations, which is in sales and service and marketing, or whether it's product operations around supply chain, order management and so forth, or whatever it's around enterprise operations which are Finance, IT -- basically running IT like a business -- or HR, we have a good set of capabilities there across these areas.

Another very important part of consulting at Infosys is really our solutions and Domains Consulting Groups. I think they're really, really terrific groups that are really probably, tip of the business innovations spear. And so obviously, we work very, very closely together and work with the solutions and domain consulting. These groups are responsible for really putting together solutions for specific business topics. And I think some of the other people who spoke today spoke to some of these, but whether it's around things like web store integration or customer data management or procurement transformation or whether it's the retail store of the future, I think these things are really some really terrific innovations out there. I don't know if you saw the recent article in BusinessWeek about the Magic Mirror. It's a really innovative application of RFID technology and customer data integration, that basically if you walk into a store and you the item up to the mirror, it'll basically identify the item. If your market has near-field communication on your mobile phone, it'll identify you specifically also and it'll tell you about the garment, it'll tell you about other things that go with that garment, it'll tell also here are the things you have in your wardrobe and how things interact with it. So it's a really tremendous, sort of example of the innovative thinking that we have going on at Infosys. The other thing that we have is tremendous industry depth, that obviously innovation comes out of necessity at a client and at an industry. And so we have that. There's a tremendous amount of capabilities in that area.

So probably the best way to do this is to actually tell you stories from specific clients. And so let me just tell you a few, until we see if we can get to our four here. The first one is about a global electronics company. And this is more than a $10-billion company. It's global and it's based in North America, Europe and Asia are the primary locations, not so much in South America. And basically, the way they started is that we had a relationship with the CEO that we met through several times. And really, in conversations about the way the world was evolving and about what was going on at his company, that there was a fundamental problem that the company had grown through acquisition and it was very disjointed and was creating multiple faces for the customer and had just a lot of work to do to get streamline the organization. And there was also a tremendous ability to really turn the company into really more like an Amazon model of the way they're interacting with their customers. And so they hired us initially just to come up with a road map of what are the possibilities for creating value for this company. And so what we did was actually run through and created this road map and they were so impressed with the work we did, that it was really innovative in thinking, we pride ourselves in being very progressive in the way we think of business in the global environment. And they liked it so much that they hired us to do, at first a small piece of the transformation and then eventually gave the entire transformation to us. One of the global SIs had one piece of it, the finance piece of it but just recently, we've taken over that as well. And so these were everything from ____ to order, order to cash, it's all the strategic sourcing, basically all of the core processes of the company are in play. And you can imagine that a global company that is coming up with progressive designs in the business across the world is a very exciting prospect. It's a well over $100-million transformation of the company that we are leading. And I would say at this point that we've really displaced all their global SIs as the transformation partner of this global company. And now the work is also sole-sourced and is a tremendous story.

The next one is a wireless consumer electronic company. And again, this is a household name that I won't say what it is, but this is again an example of a company which is a brand-new account for us, as of two years ago where we had no work. And they hired us to do, actually, a friend of mine introduced us and we got to know the company well. And so what we did is it's just a small piece around customer service where we've got a lot of people who were specializing in progressive customer service approaches. And so we won this very small deal. And it's really more technically oriented, it was around Siebel. But I think they were so impressed with what we did around the innovative use of technology that they gave us that work. We did that work, they were very impressed. Then, what we did next is they were having troubles with returns management and the reverse logistics. And this is the CEO's top priority where the CEO basically came in and said, hey, we're having this issue of returns management and the wireless carriers are upset with us. Can you come in and do this? And so we put in a team and did this sole- sourced. We met with their CEO on a weekly basis to solve this issue. And at this point, we again are the dominant player there.

Very quickly, the global fashion and apparel company which, again is another household name, this is a place where Kurt Salmon Associates and Accenture were very, very good, where we came in and did some merchandise planning work which is about planning what kind of fashions they have in what stores and so forth. And we redesigned their processes, integrated all of that, rolled it out to their stores. And we're doing work on the wholesale side of this company, the retail side and also are doing really innovative things about web store integration which has really become a sweet spot of ours about doing really intelligent things on web store integration. And then finally, recently doing a digital archive of designs, which I think is a really progressive innovation that we've come out with. So basically for any design that this company has done, that we can link that with the sales results of that design so they can see over time the results of the fashion. And so, again we've become the dominant player there.

And then the last one is a global software company that is a very, very large company. And Accenture was really the dominant consulting firm at this company, then we went in three years ago and did some very small work. Again, they were very impressed with our people and they said, we'd like to hire you to redesign basically all of our pricing and servers and licensing management. So we went through and redesigned that on a global basis. And that was again, a very large, I mean, multi $100-million transformation of the company. Then they hired us to do the field sales transformation which they said, we need to really dramatically redo the way we do field sales. That led to another transformation which was around their service business. So basically, help us run our service business like the way you run your service business. And so we're doing that. And then recently, they've hired us to do a lot of strategy work around services and software as a service. So again, it's an example of where we went really from just being an application company to, I would say that we are arguably regarded as the top transformation of this global brand.

And so these are just four quick examples. I wish I could keep going, but that's just examples of some of the work we've done. And again, the strategy is one client at a time, we're going to win them over and it'll be very sticky. And we will keep working year after year to expand the client portfolio. And one thing I'm excited about is the collaboration with people like Eric and Ashok and Kakal and a lot of others is very, very strong. And because if you look at it, in most companies, that's where it breaks down. And I think we've cracked that nut and I think that's obviously, we have a lot of really good momentum in the market. And I'm happy to take questions. Thank you.

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Rod Bourgeois

Yeah, just a quick question about the growth of the Infosys consulting unit as a stand-alone entity not combined with the technology capability. Is it accurate that your headcount and the growth that you've had in the last couple of years is less than the growth that you would have expected when you first launched Infosys Consulting?

Stephen Pratt

No, it's not actually. Well, it grew differently than we thought. And if you look at our initial calculations four years ago, this is before any of us were employees, that that for every Infosys Consulting person, there would be four people throughout from Infosys Technologies. It actually turned into more like one is to nine because there are tremendous hidden nuggets around Infosys that are just tremendous sources of talent. And so we've been able to leverage those more than we thought. And the other thing is that we've also leveraged the solutions groups, that if you just look at the solutions groups that are in each of the verticals, there's tremendous talent, they have tremendous vertical depth. So, looking at a stand-alone basis, it's probably misleading. So we have to look at it

overall. So it did grow differently than we thought but if you look at the total portfolio of projects, it's actually bigger than we thought.

Rod Bourgeois

So, just to clarify, the portfolio has grown better than you expected? But the stand-alone Infosys Consulting has grown more slowly than you expected?

Stephen Pratt

Yeah, I think that's right, yeah. So, if you look at this, did we think we were going to be this size? No, we probably thought we were going to be twice the size on a stand-alone basis. But if you look at what are the projects that we've sold and are delivering, basically what are we leading, that it's much bigger than we thought.

Rod Bourgeois

I'm just trying to reconcile. You've got a lot of examples of client work where you've done things that you said the client was really impressed with. But the growth in Infosys Consulting hasn't yet been what you expected? And I'm trying to reconcile those two data points.

Stephen Pratt

Yeah. Well, I think they're completely consistent. If you look at the leverage, basically the job of Consulting is to come in and identify the opportunities to create value for our clients and then to lead those transformation and then pull the best resources from all across Infosys. So we've just pulled from other parts of Infosys more than we thought we were going to. And so I think the best measure is what the client portfolio looks like, what does the target portfolio look like. That's the best measure. Because otherwise, you're going to Accenture and saying what's the headcount of your partner group. What's the revenue generated by your partner group I think if you look at what's the impact we're having on clients and what's the impact we're having financially. And that's ahead of where we thought we were going to be.

Rod Bourgeois

Right. Thanks.

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Trip Chowdhry

Just a follow-up to that question, Do you think down the road, say two years down the road, Infosys Consulting maybe gets folded into some other organization to get better operational efficiencies?

Stephen Pratt

It could be. I would think that probably in the shorter term, it'll go the other way, right? That it'll fold more things into a new combined consulting entity. So it will be more centralization of consulting rather than decentralization. I think down the line, it may be that. But as you said, we are probably years away from that I think, because when you get to a huge scale, then you can de-centralize. But I think at this point, we're in very rapid growth mode.
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Kanchana Vydianathan

In your slide you mentioned that Infosys Consulting opened 25 new accounts for Infosys. I want to make sure I understand this. So is Infosys Consulting mainly going after new accounts for Infosys or are you also selling consulting services to your existing clients? And if so, I was wondering if you could give me a sense as to your overall client base and how many of them are your existing clients.

Stephen Pratt

Right, okay. Actually, our primary strategy is to focus on existing clients. If you look at what we consider our core client base of existing Infosys clients and to do the kinds of things that I talked about which is going from the client having one view of Infosys to having a very broad view of Infosys and our capability. So, that's our primary

strategy. It just so happens that we know people at different clients. And we will go and then talk to former clients or friends or colleagues and that will lead to new accounts. Also if there is a head of a unit who says, hey I want some help really opening, figuring out is there a way that we can add value to this client, it's a new client that we will go and help out and do that. So, the 25 new openings really wasn't the primary part of our strategy. The primary part of our strategy is move up the value chain on existing clients.

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Kanchana Vydianathan

So of the 500 clients that Infosys has, how many of them are Consulting?

Stephen Pratt

So in Consulting, this year it's slightly more than 100 clients that we've served. But I would say some of those are pretty small for us. And I think if you look at the core of it, it's probably 40 clients is probably where the majority of our revenue would come from.

Kanchana Vydianathan

Okay. Thanks.

Stephen Pratt

Yeah. Sure.

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Andrew Steinerman

Hi, it's Andrew Steinerman at the Bear Stearns. When you look at the level of profitability of Infosys Consulting, given what you're arguing of how much you're influencing the rest of your organization, you probably could argue that it would still make good business sense for Infosys Consulting to continue to run at a loss.

Stephen Pratt

Yeah it's interesting how it's set up right now. Again, the view is you have to look at what's the entire client portfolio view? Or when we do a transformation program, what does that portfolio look like? Because looking at the profitability of the consulting stand-alone, it's like saying what's the profitability of the Accenture partner group and which is probably pretty low. But one, it's very, very important to Infosys and very important to all of us including the people at Consulting, that we stay on our own two feet and obviously, we're here to help maintain and improve margins. And so having margin targets on a stand-alone basis is a great way to instill discipline in our team and to go forward. Now, on a stand-alone basis, we're not trying to match the profitability of Infosys but if you look at the Consulting plus the flow-through work, we're trying to exceed the margins of Infosys. So that's where we are. But no, I think it is important to make money everywhere

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Andrew Steinerman

Right. And are you able to measure that let's say that bigger P&L that you just mentioned, taking your stand-alone plus the flow through where your unit can out deliver the corporate average? Are you able to measure that or is that a philosophical belief?

Stephen Pratt

No, we measure that. If you look at the flow-through, it is much more profitable than the Infosys average. It is tough to measure actually. But no, it's not a philosophical argument. It's like Infosys doesn't really talk philosophy. We talk profitability.

Andrew Steinerman

Thank you.

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Nischay Goel

Could you talk about what are your incentives for the 500 consultants in your group? What are the real incentives? I mean what is compensation and bonuses for the consultants? What metrics are they based on?

Stephen Pratt

Yeah. So for the leadership team at Consulting, it's on a pretty broad base of metrics, they range anywhere from what's the client value scores that you're delivering, to what's the revenue, what's the profitability of the portfolio. We're given additional credit for focusing on the core clients and core services that we're focusing on.   And obviously, the flow-through is important, but we're not over ___ , it's a nice balance. We also have another metric which is around helping the partners be successful. So we've created a culture where partners help other partners be successful. And so as part of the compensation that we've set up, if you help somebody else be successful, it helps you. So there's a voting mechanism where you vote how the other person has helped you. And so I think probably the two innovative things in there are, one, is the client values which is actually part of the compensation. And number two is that we have a very strong view that that success is that leaders help people around you to be successful. And so those are the two things. And, of course, the other ones are typical revenue, margins, those kinds of things.

Nischay Goel

I'm just curious. What are client value scores?

Stephen Pratt

So at the end of the every client engagement, one of the managing directors, infact I do a lot of these, call the clients and they go through a survey where basically, they say how did we do? And the client value scores at the very end, and this is the most important question, is 100% if we delivered 100% of the business value they had expected from this engagement, how did we do? How did we do? And if they say, 90% then we under-delivered on expectation and if they say 110%, then we over-delivered on expectation. And as I said earlier, we're currently at 122%. And so that has a direct impact on the bonuses of our top people.

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Sandeep

Folks, this brings us to the end of presentation on Infosys Consulting. We now move to the open house.

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Stephen Pratt

Okay, thank you.