COO – MR. S. D. SHIBULAL

Good morning everyone. It's a great pleasure for me to be here. Once again let me welcome all of you to this analyst meeting. So in the next 15 to 20 minutes, I will actually take one more step towards what Kris talked about and I will talk about the five core strategies we have in place. These strategies are multi-year strategies. These are not strategies which we just created. These strategies have been in place for the last few years.

As you will see during my presentation, under each of these strategies, we do have themes. These themes are in running. These fields are run by senior members of our management, our unit heads, our vice presidents and senior vice presidents. Each of the strategies are sponsored by one of the board members which means that there'll be very good governance process in place. This of course is a Safe Harbor clause.

This month is very very important for us. This is the month in which we start our yearly planning process. It starts in the beginning of the month. It will involve internal board meetings along with some of our key business leaders. We look at the 360 degrees at that point in time. We look at what we see in the market, we hear, we take note of what we hear from all of you. We take note of what we hear from the industry analysts. We do a couple of dipstick survey with our clients and we try to take a view on what will happen in the next 12 to 18 months. This will drive our themes as well as our strategies for the next 24 months.

Now these are the five core strategies we have in place today.

The first one is to be regarded as a global transmission partner. This has been in place for probably three to four years. It started with our verticalizing our business three years back. The next one is to differentiate and lead as a global sourcing expert. The next one is non-linear growth or non-effort-based growth. This is a new strategy which we are putting in place starting this year. Operational excellence is of course our core. And as Kris talked about, global leadership or creating global leaders.

So let me take you through the first one. As I said, this is one of our core strategies. This has been in place for the last three to four years. It is about becoming a trusted advisor to our clients. It is about participating in their transformational journey. It is about advising them in their technology as well as the finance aspect of their enterprise. It started probably with the verticalizing of our business which happened over years back. You can see the results of that. We have nine verticals today with, first one being banking and capital markets, insurance and healthcare, it goes on. These verticals are focused on building domain knowledge which has worked very well for us. Along with that, we build the domain competency process. Today, we have certifications within the organization in each of the domains. We do thousands of certifications each quarter. And by doing this, we are building domain competency in the verticals we operate in. So, let me take you through some of them. The change in the consulting paradigm. Today our revenue from consulting is upwards of 10%. Infact if you include package implementation and the transformational work, which we do in package implementation, it can be easily 24%, 18% from the transformational work as well as the package implementation work which we do plus consulting as well as technology consulting will be approximately 24%. We have launched the Infosys Consulting practice three years back. This year they will close approximately about $ 80 million in revenue. But more than that revenue, that is only one piece of our consulting. That is not in the consulting practices which we have. We have consulting embedded in each of our verticals. The package implementation practice probably has the largest piece of that. And each of the verticals practices have vertical consulting as well as technology consulting embedded in them. So as I said, it is approximately 24% of our business today. Solution is another initiative which we launched three years back. Today we have about 50 solutions. Some of them are number one or number two in the industry. Our solutions in retail like master data management or RFID based solutions are probably number one or number two in their space. Today, the solutions program gives us about 12% of our revenue and approximately 6% more margin on this revenue. That means the revenue which we get from solutions today deliver approximately 6% more than our company average. Other one I want to talk about is the domain consulting. I already talked about this. We have about 2,000 people getting certified every quarter. Out of that we have external and internal certification. For

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example, in insurance we take the LOMA certification which is industry standard. There are three levels of certification. It is there in almost all verticals.

The next one is our BPO operations. Last year we closed our BPO operations with about $150 million, this year probably close to $225 million without Philips, 13,000 people and as Kris talked about, the Philips deal put us amongst the top five in the F&A space in BPO operations in the world.

We created a program four years back called ITRAC which was being the trusted advisor to our clients. We did that along with an external consultant and later on, internalized it within our organization. This program has been implemented in the top 20 clients. We are now planning to extend the implementation to the remaining top 30 clients. So by the end of this year or probably in the middle of next year, we would have implemented this in about top 50 of our customers. This is about creating senior client-facing roles. In fact, this is what Kris talked about -- building our relationships further with our clients and deepening those relationships, in fact, also taking it at the higher levels of the organization. We are getting creating senior roles as well as doing local hiring to support this program.

The next important strategy for us is to differentiate and lead as a global sourcing expert. Again, the SGS (Strategic Global Sourcing) unit was launched three years back. Phillips deal, for example, is a good example of a win under the SGS unit. They work with their units within the organizations to close these deals. They do have skills in managing large deals, in acquiring people and as well contract management as well as transition management. We grew with approximately 50 people. These are industry experts. These are people whom we have recruited locally. And they work with our other units to make sure that we can close big deals. The number of deals I can talk about, a large media and entertainment group in North America selected us as a sole partner for application development and maintenance work. These are deals upwards of $100 million. And now, we are focused on deals with probably upwards of $250 million to $500 million and more. We also had a good win in Canada with one of the railway companies in Canada, we were selected in one of the large outsourcing deals. ADM continues to be a big part of our business. As you know if you look at our revenue, about 45% of the revenue comes from new services which we launched in the last five years, including package implementation, consulting, independent validation service, system integration and infrastructure management. But a large portion of that is approximately 50%-55% of our revenue continues to come from application development and maintenance which means that we have to improve our productivity, we have to innovate, we have to build new models for our application development and productivity track. With that in mind, we created a scheme for differentiating application development and maintenance service. We have built a center of excellence. We have created indirect pricing. In fact, this year we have launched a new pricing model for maintenance which is about 29% of our revenue right now. Most of the maintenance work that we do today is in time and material which means that the productivity improvements which we created through this center of excellence and other tools and methodologies, directly pass on to the client. And I can easily claim that we have approximately 10%-15% productivity improvements year-on-year in the maintenance space. We have now come up with a new pricing model which is not based on effort, but is based on other activities, for example in the case of maintenance, we'll price it based on enhancement, small enhancement, medium and large enhancement, or levels of SLA.   So the pricing model will move away from effort-based to event-based or transaction-based in the maintenance. This will mean that we will be able to share with the clients the productivity improvement which we create, at the same time derive some benefits for us. So that is something which we are launching this year. We also have a very unique product quality metric implementation within the organization. This happened about, two to three years back. This is very unique in the industry. It is about treating every project as a product rather than a project itself. Plus, when you deliver a product, you actually intend to give certain measurements about the quality of the product along with it. So we are now trying to do that a lot for every one of our projects.

We are also expanding our global footprint. We have operations in Mexico now which we started two months back. Of course for our BPO operations we have operation in Philippines, in Thailand, in Poland. And our China center is approximately 800 people right now. The challenges we face with our China center was that the client comfort in doing work out of China was definitely lower than India. It took us a while to convince our clients that we can deliver the same level of quality, same level of comfort or intellectual property protections in China as similar to India. We have been able to do it. Today we have couple of large financial institutions working out of our China center. And we are on track to building large OSDCs in China at this point. I clearly believe that we are over the hump and China will grow considerably over the coming years.

Non-linear growth. This is predominantly a new initiative for us. This is a new theme, new strategy which we are trying to do. As I mentioned so far 70% of our work today is time and material, in that 70% most of the benefits of productivity implementation of tools and methodologies are directly passed on to the clients. With this, we are trying to make sure that we get part of the benefit of the productivity improvements which we implement. We are

coming out with different track, different themes. We are starting to monetize our intellectual property. We have in this year alone, filed for about 70 patents. So today we have about 100 plus patents in flight. These are intellectual properties which belong to us and we are starting to monetize the intellectual property which we have. Software as a service is a new paradigm for us. We are trying to enter this market. This will be based on transaction-based pricing. This will not be based on time and material. There are a couple of areas that we have identified. The first area which we have identified for software as a service is multi-channel commerce. This is in an investment mode at this point. Platform based BPO is another theme, another track. The first platform we have identified is procurement to pay and this is being built on SAP platform. This will be launched this year. We are also evaluating platforms for our HRO practice under our platform-based BPO. And I talked about 93 patents filed. We have a number of intellectual property tools, InFlux, Radient, mConnect, these are core to us, these are built by us. These are operated and patented by us and we are in the process of trying to monetize these assets in the coming years.

We are also looking at changing our pricing models from time and material to business outcome based. And we have created an ecosystem to incubate new ideas. There are a couple of new services in flight which we will introduce this year, one being a learning service which will probably come in to market in the next three months.

Operational excellence is one of our core differentiators. We are focused on this continuously. Two years back we created this, we today run about 6,000 to 8,000 projects at any point in time in ten different development centers across India as well as multiple developments centers outside India. When you run 6,000 to 8,000 projects it is impossible to imagine that there is no project which is in high risk or critical risk. We have created a separate cell to focus on making sure that we have very limited number of projects for a really critical year. So the projects are classified into three categories: first one is being normal, second is high risk, third is critical risk. By then you have a project in critical risk, you have a customer complaint and you have financial impact on that project. Our focus is to identify them early on, put them into high risk so that we can prevent them from getting into critical risk. It has been an extremely successful theme for us. We have managed to bring down the number of critical risk projects to probably one or two at any point in time. So out of 6,000 projects which we run today, at any point in time we have probably two or three critical risk projects.

We are building scalable information systems. Of course, SAP is our backbone. We have built a number of systems around it. Last year we implemented IPM+ which is our latest integrated process management tool. It replaced IPM which was there before. We have further invested in building OTR systems, budgeting systems and other systems which are required to make sure that we can scale further and further. Productivity improvements, 15% year-on-year. We are definitely best in class in most of the areas or even better than best in class in many of them. Our repeat business continues to be 95%. We are constantly adding clients. Last quarter we added 40 plus clients. We also have a new initiative in place to implement new tools and reuse. We have created a separate cell focus on creating reusable components, again belonging to Infosys. This is our own intellectual property. These components are being used to increase productivity further.

Operation Effectiveness index is something which is very dear to my heart. This is implemented across the organization. It tracks operational efficiency at a sub-process level rather than at the process level. So when you talk about operation excellence and operation efficiency, these are difficult to measure. Now we have implemented a clear instrument, methodology for measuring operational efficiency across the organization. So I clearly believe that what you cannot measure you can improve and now that we can measure, we can further improve our operational efficiency.

The last one is grooming global leaders. We are focused on building leaders within the organization. As you know, we have a leadership institute in Mysore. We have a Tier 1, Tier 2, Tier 3 leadership program in place. We identify about 50 people as Tier 1 leaders, 154 Tier 2, and 300 people for Tier 3. The Tier 1 leaders are trained and mentored by the board, by the management on a continuous basis.

We have an internship program in place. We are getting interns from across the globe. These are top performers from various universities. We get about 100 people a year. 3C is our local recruitment program. Last year we gave offers to 300 people, 150 people joined. And this year we will recruit another, probably 500 people. And these people come to India for training for four months plus two months of work experience there in India and then come back to US. We are also doing it in UK right now.

We have a high performance system in place which is results oriented, repeatable and sustainable, again, unique in the industry. Usually industries focus on results whereas we have come up with measurement for repeatability of the performance as well as sustainability of the performance. Repeatability, to some extent, is measured through the operation efficiency index and the sustainability is measured through the certification program.

We are a very diverse organization. We have people from 40 different countries working for us across the globe. We have diversity cell in the organization which focuses on making sure that people from all parts of the world find it easy to work with us, be comfortable with us. Campus Connect is a program by which we are helping the colleges to create probably multinational-ready students. As you know, India produces 450,000 to 500,000 engineers every year but it can be easily claimed that less than 50% is multinational-ready. So we have created this program by which we are working with colleges. We are sharing our intellectual property. We are sharing our training program. We are sharing our way of thinking with these colleges - 350 colleges with over 13,000 students. We are continuing to roll out this program across India.

We also have a faculty enablement program. A total of 714 faculty across 370 colleges participated in this programs.

So with that, I have covered the five core strategies that we have in place. The first one is to be a global transformation partner. Second one is to differentiate and lead as a global sourcing expert. Third one is to build long term scalability through non-linear growth. Fourth is operation excellence as a core differentiator. And the last one is to build global leaders and attract high quality talents. These are the five core strategies which we have. There are multiple themes in these strategies. These are led, as I said, by the senior leadership of the organization and reviewed at the board level. These are multi-year strategies. And the results do come over a period of time.

Before I wind up, let me just touch of upon some of the challenges which we face. We are challenged to differentiate and move up the value chain. As you can see, the strategies which we have in place, the five of them, are meant to address this challenge. And we clearly believe that it will enable us to differentiate and move up the value chain.

Rupee appreciation is the next one. We have multiple instruments to handle this, of course hedging is one. Second is more work out of Europe and more billing in non-dollars and hiring locally. So there are multiple ways to handle this. Cost competitiveness - again, I just talked about this. Salaries have gone up by about 15% every year. But it is important to note that over the last five to six years, our average compensation has only gone up by 35%, not year-on-year. If I compare my current salary with five years back salary, on an average basis it has only gone up 35%, even though we talk about 15% salary increase every year. That is because of the pyramid model which we have. We recruit 70% of our staff from colleges and their compensation is lower than the senior staff. So there are multiple ways to handle the compensation increase. We've talked about most of them.

Taxes – the STPI taxes will come to an end in FY '10 and it will be higher than present level after that. We are ramping up SEZ. We are making sure that all the future growth is in SEZ across India and we have SEZ in almost all locations.

Outsourcing backlash - there is an election year coming and there could be some rhetoric regarding outsourcing and offshoring. We are increasing our local hiring in onsite location. And today, our offshore ratio is about 32%. We are focused on bringing it down in the next 12 to 18 months.

So these are some of the challenges which we have and we are fully prepared. We are fully planned, prepared to face these challenges and we have strategies in place to address each one of them.

Once again let me thank all of you for attending this conference. Thank you very much.