

Infosys Technologies Limited
2008 ANALYST MEET

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Ashok Vemuri - Web Cast

Ashok Vemuri:

Good evening, everybody. Hi, this Ashok Vemuri. I am part of the Banking and Capital Markets team and sorry I could not be there with you in person. I am here through video conference. So let me just quickly jump into my presentation. And I guess the structure is 15 minutes' presentation and then I will take some Q&A and a portion of that Q&A can also be covered during the course of the open house. So the next slide is the safe harbor clause, which you are familiar with I am sure.

Next slide, please. The BCM group contributed over a billion dollars in FY08 revenues and that has grown at a compounded annual growth rate of about 45%. It is the largest practice in Infosys has about 24,700 plus associates across 22 global development centers spreading across India, China, Australia, UK, US, Canada, and Mexico. We service a blue chip client base covering retail banking, investment banking, asset management brokerage and trading, credit cards, etc. Three clients with a revenue greater than a 100 million, nine clients with a revenue greater than 50 million, and 45 clients with a revenue greater than 5 million.

Next slide please. Infosys has a strong presence in all segments of banking and capital markets and the banking area as I just talked about earlier, we service our clients in retail banking, commercial banking, treasury and cash management, cards, private banking. In the capital market space, we are doing projects and programs and investment banking for brokerage houses, advisory services for our custody clients and for depository and exchanges. A quick run-through through some of our statistics about our clients: We service today 6 of the top 7 US banks, 6 of the top 10 securities firms, 4 of the top 5 European banks, 3 of the top 5 credit card issuers, 4 of the top 5 global custodians, and 6 of the top 8 mortgage originators. Infosys also has strategic partnerships with leading technology providers in financial services with whom we partner with to provide spoke services to some of our clients in these spaces.

Next slide please. In a market that is boiled by the credit crunch, we see several trends emerging, and I will talk a little more in detail about the responses that we as a company and as a practice are giving to some of the trends that are emerging as well as talk a little about some of our success stories in these particular areas. The 3 themes that we see emerging: One is core banking and the trend that we have seen there is increasingly a replacement of legacy transaction systems to improve agility and reducing the total cost ownership of core banking platforms. This is both in terms of migration, in terms of improvement, in terms of upgrades as well as in certain situations on both sides of the Atlantic in terms of actual replacement. We have seen increasing interest in the payments solution. The trends we are seeing are consolidation and transformation of enterprise payments, and some of it driven by regulatory requirements, especially in Europe and evolution of new payments standards, something that is stretching across South Asia to the US. Securities trading, and processing continues to be an

extremely hot topic especially for our clients in the European sector whereas significant focus on reference data driven by industry initiatives and these more often than not are self-driven and in certain cases are regulatory. Improving operational efficiencies where redesigning core business processes which expands beyond technologies and process to actually doing process re-engineering which is a forte for us in terms of our consulting capabilities. Risk management and compliance is an area which never seems to go out of fashion. There is a significant amount of money being spent on revamping risk management practices and regulatory oversight driven by the credit crunch and rising financial fraud, again something which has seen significant interest in the earlier days in the US markets but now it has been increasingly in interest both in Europe as well as the Asian markets, obviously reducing the total cost of compliance and using the data generated from compliance and regulatory audit perspective to drive revenue. IT cost reduction structure enterprise wide, IT cost reduction programs- this is not an isolated or siloed line of business initiative but across the length of cost reduction programs which brings our technology forte as well as our process capability today and focus on maintaining or reducing the ratio of IT spends to revenue.

Next slide please. So let me actually talk a little more in detail about some of the trends that I had earlier very briefly talked about and let me start with core banking transformation as banks are starting to look at overall in their core banking platforms, some of which are more than 20-25 years old. Some of these have grown from custom package implementations to something that even the people who implemented each packages would not be able to recognize. The issues here are lack of documentation, inability to understand the system and consequences of merges and acquisitions and many, multiple systems overlapping with each other. So the key trends here are consolidation and standardization to drive efficiencies and cost reduction, growing operational complexity not only from a product line perspective but also from a geographical perspective and increased oversight, the regulatory oversight as well as internal audit oversight, and leveraging information and transforming delivery channels to differentiate and basically saying that their core banking platforms need to actually not only support and maintain the businesses that they are running but also provide significant enhancement and drive products and revenue for them. Our responses to these trends have been integration of consulting and service capabilities and with Finacle, Infosys' top rank banking solution. So essentially what we are doing today is building certain solutions hedge and some modular aspects of our banking product and integrating this with our service capabilities, our process outsourcing capabilities, and our front-end consulting capabilities. Development of transformational approach, we have actually now got certain methodologies like Impact and VRM to help banks transform operations and reduce the risk. This again expands beyond this technology and process and actually provides a direction or a roadmap in terms of how the migration and how the new systems would actually function for a bank. Very quickly in terms of examples, we have recently completed a direction setting space for a large US bank. We assisted in the creation of a comprehensive transformation roadmap to assist the bank to build out the next generation integrated banking capabilities. Again this was not only just a technology problem, also a process issue as well as a change management and a process re-engineering program. Working with a large US financial services firm to roll out a Bank-in-a-Box program. We are rolling this out across 16

countries in the first phase which is essentially to drive a significant amount of deposit rating for the bank through channels which are outside of a brick-and-mortar kind of a situation. Engage with US financial services company to deliver turnkey capabilities for customer and deposit acquisition not only from the Bank-in-a-Box program but to also revamp their existing infrastructure to recharge to their clients for acquisition of deposits.

Next slide please. Payments: We are seeing increasing consolidation in enterprise payments. We are seeing significant amount of innovation and rapid evolution of new standards and in fact the pace at which this is happening is something that one needs to really consider in terms of the speed with which global payments are happening, local payments are happening, and the amount of significant regulatory oversight that is going into payments whether this is as a response to the anti-money laundering or in response to new account opening or regulations that are there in the US on many of the cross border transactions. So we are seeing a trend in the consolidation, in transformation of the enterprise payments space. We are seeing a rapid evolution of new payments and clearing standards as well as a significant amount of regulatory requirements from a reporting perspective as well as from a transactions clearance perspective. Commoditization and focus on value added services, every guy provides a payment service, what distinguishes one from the other. In our response, we have developed an enterprise payment hub solution that enables FIs to consolidate infrastructure and transform payment operations across lines of businesses whether it is for commercial, whether it is for retail, local, cross border, international, various currencies as well as various mechanisms of payment. We have created a payment hub solution that is more of a platform story where we are able to develop solutions for our clients from the payment in a utility model. We are executing large payment programs supporting new payment standards incorporating Infosys solutions both from a technology perspective, from a process perspective, and more importantly from a front end consulting and package space. The leveraging competencies across verticals and some of the innovative offerings, example, a healthcare revenue cycle management and procure-to-pay and we are seeing significant amount of interest that our clients have who are providing solutions to their clients, that could be in the healthcare space, in the retail space, etc. We have implemented an enterprise money movement solution for a global financial services company. We developed an enterprise money movement platform which facilitates money movement functions across internal business units and external financial institutions, and this platform enables automated check processing, streamlines business process reduces time-to-market and enhances most importantly for the bank the float optimization which has resulted as per the client in a total savings of up to 200 million dollars over the last 2-2.5 years. We implemented a real-time payment service for a leading UK bank and this is a SEPA solution for European bank. We are one of the leading providers of SEPA solutions not from a product or a package perspective but from a solution perspective and from our service perspective. In fact we have been invited by multiple banking forums in Europe, especially in the UK to talk about our SEPA capabilities. Most importantly in our payment solution, it is important to highlight that this is done in the form of payment information utility. It is in the form of platform and this is something that is translatable, repeatable, and scalable across multiple geographies. The first example that I talked about is the payment solutions is also something that won us an award from Financial Times.

Next slide please. Securities trading, and processing: This is more than just improving operational efficiencies to use of technology but also by redesigning core business process. We are focusing on reference data which is obviously an extremely important area given the wide scope of initiatives like the Options Symbology Initiative, OSI, enhancing system to support trading in all asset classes in a straight-through fashion and straight-through manner. Flexible and scalable processing frameworks for alternative investments which as you know are increasing becoming popular. Our response has been development of a consulting framework and tool kit for effectively addressing the OSI initiative and this is an initiative that we are working with most of the Wall Street players today. We are leveraging the Infosys SOA framework to help clients develop global trading and multi-asset class capabilities and with defining best-in-class alternatives, investment platforms mechanism by which we are very confident that this is a repeatable and a scalable solution and something that provides our clients with a utility model in being able to define best-of-class alternative investment programs. We are assisting 4 large broker dealers comply with the Options Symbology Initiative something that I talked about earlier. We are engaged with a large broker dealer to consolidate a middle back office and disparate training system and in fact the middle and back offices have been specifically been our forte and increasingly we are finding the results of what we are doing in the middle and back office are allowing us to go to the table with some of our front office solutions which though are still in the state of build-out and they have not reached a maturity are something that we are increasingly finding tractions from with the clients and finding increasing appetite to engage with us in front office solutions. We are also assisting a leading hedge fund administrator in visiting their future state platform. Hedge fund administrator has now become a fairly large segment not only in terms of the kind of work that we are doing with them but also in terms of the depth and breadth of what we are able to bring to hedge fund administrators, so we are adding a lot more clients on the hedge fund administration side.

Next slide please. Risk management and compliance: Intense regulatory scrutiny who does not know about that strong focus and risk management both internally as well as externally and this is not a corporate function anymore but it is being extensively delegated to the line of business as well as more control from a corporate perspective. We have stayed our focus on operational risk management; need to cut cost and meets the capital adequacy needs, overhauling of credit risk management practice driven obviously by the sub-prime crisis and reducing compliance cost while strengthening surveillance of complex securities. Our response has been to deepen our already existing compliance solutions stack by introducing it to a software-as-a-service program, an integrated GRC which is the government risk and compliance offering. We have expanded our credit risk offering moving also into operational risk management as well as strengthening our credit risk management offering and developing collections and bankruptcy framework solutions for our clients. We are partnering with best-in-class product vendors in the risk and compliance area and we are partnering with them to produce not only bespoke solutions but also solutions and services on some of the packages that they have. We are engaged with one of the largest investment managers in re-designing and designing the enterprise wide ORM program. This is a project that we have done for the chief compliance officer of a large asset management company is an extension of

business and is a central coordination point. The program management office is done by us and we are managing all the programs, numerous programs, and technology and process efforts in ensuring that there is a centralized as well as a disparate risk management and compliance factors in the firm. Assisting a large credit card company in streamlining the collection and bankruptcy process; obviously this is something that we are seeing increasingly in the market place in terms of collections as well as bankruptcy process so as not only to monitor but also to understand the impact of that and provide regulatory reporting and we are also today very successfully engaged in end-to-end implementation of leading compliance products at many, Global financial services firms on both sides of the Atlantic.

Next slide please. From an IT cost reduction perspective there is obviously greater focus in reducing IT cost with budgets coming under significant amount of strain. We have seen aggressive programs to reduce IT cost. We have seen significant savings on the infrastructure cost which is the huge item for the CFO to look in the balance sheet and obviously something that we are increasingly been called upon to assist them in the same fashion that we have assisted in the application development and maintenance phase, where a new push towards risk-based outsourcing which is being impacted or being seen or felt through various discussions that we are having with our client. And also leveraging enterprise wide shared services to usher in operational efficiencies, another reason why our platform based, transaction based, and utility based solutions are finding tractions in the market place. We have not yet reached the point where the banks agree or have agreed to use shared services amongst themselves but I think the significant move that lines of businesses was in banks and we agreed to do this. Our response has been to develop the Infosys IP capabilities framework and maturity model. We have devised the IT cost reduction strategies based not only just doing the technology work or based on cost reduction through wage driver but based on infrastructure asset utilization and application portfolio rationalization and doing significant amount of work on strategic sourcing. We have also responded by creating program management and governance frameworks to successfully execute IT cost reduction programs. In fact one of these programs has actually won us another banker technology award in 2008 on the off-shoring and outsourcing project which is not only for successful completion of the project but also providing significant amount of program management and governance frameworks and ensuring that this was something that was acceptable, that we have participated in the change management and we throw the benefits of that to not only to the technology side but also we are able to translate that from a business perspective. We have leveraged Infosys frameworks to identify upto 20% IT cost reduction opportunities to one of the world's largest financial services firms which is in the US and we are partnering with leading US financial services firms to carry out health checks for the IT landscape, not only from the perspective of where they are today, where they want to be in about 3-5 year timeframes, the impact as a consequence of what is happening in the market place whether they want to buy or they want to be bought over. We are also looking at technology roadmap and the impact it would have on the various processes as this is evolving.

Next slide please. This is my last slide. A very quick slide on the achievements and recognition; it is not just enough for us to talk about the work but it is a fact that some of the work that we are doing is being

recognized in the market place. The Financial Times and the Banker magazine recognized us for the Best Off-shoring and Outsourcing Project of the Year, something that I talked about earlier as well as the Best Payments and Treasury Services Project of the Year and this is extremely satisfying that our money movement project won accolades and won the best prize even as we were competing with not only industry players but also with significantly large multinational service providers as well as product companies. Waters of course recognized us again, second year running, as the Best Outsourcing Partner. Waters as we know does this based on pool of our clients in terms of how and across various parameters and we have been very fortunate in the second year running to get the best outsourcing partner award. That is the end of my presentation. I am open to questions. Thank you.

Male Speaker:

Hello? Can you give us a flair of the macro scenario spanning the in the BFSI right now...within BFSI, can you be a bit more granular, what particular areas are you more cautious on within the capital markets, but if it is also commercial banking, insurance, so if you can talk down to your clients and the pricing model that you are seeing now?

Ashok Vemuri:

Okay, it is a fairly broad question with multiple parts and let me try and address each one of them. On macro perspective, yes, we continue to see significant amount of interest in our clients in our services and our solutions. Obviously there is some amount of trepidation in certain areas of capital markets, structured products obviously are not an area of investment. We have seen significant amount of investment in the payments area that I talked about. Treasury continues to be an area of significant importance. Wealth management is an area where we are seeing significant amount of investment. We are seeing investment in the advisory space so from a line of business perspective some of these are finding traction. From a geographical perspective, obviously US continues to spend may be not at the same levels but continues to do investments and in the areas like risk management in terms of compliance, etc., we have actually seen an uptake in the amount of dollars being spent and obviously a reduction in certain areas that I talked about like structured products, etc,. In Europe, I think we specifically have been very strong in the UK market and that continues to grow but we are increasingly finding significant amount of traction and interest in the continental Europe space where we are increasingly finding newer clients come on board to not only adopt a global sourcing program but also adopt our specific bespoke solutions that we are building out. From an Asian market perspective, I think we have seen definitely a resurgence, especially in the Japanese banks who I think have discovered so to speak globalization and I think their foray is not only in Asia but also in other parts of the world is increasingly requiring them if you will to engage them with our business models. There is a traction even in Japan. I think from a pricing perspective I think we are seeing some amount of holding on to the prices that are out there; we have not seen any huge negotiations on a transaction level basis. There are obviously concerns in terms of cost but these are not something that have necessarily translated from a great price discussion but only from a total cost of ownership perspective, which obviously allows us to expand our service footprint and allows us to bring more solutions which will allow them to reduce their total cost rather than just being picky on certain rates or certain prices.

Male Speaker: Thank you.

Male Speaker: Hi, just wanted to know like this core banking platform change – this seems to be one of the like worst times to go in for a change of core banking platforms, so what sort of banks are actually going into this core banking migration or changes? Are these the bulge bracket banks or are these the smaller ones?

Ashok Vemuri: Yeah. So this is a great question. Clearly I mean it is fairly obviously that, you know, in a period of such degree of, you know, period of turmoil that we are seeing, probably not the best thing to change the aircraft that we are flying in, especially mid flight but clearly what we are seeing is that some of the larger banks as well as some of the smaller banks are taking this opportunity to clean up their house. So they are basically looking at replacement of certain components of their core banking system. They are using our Finacle products which is modular in its architecture, in order to take certain components and do a plug-and-play to replace some of the either the components that have become outdated, that are not able to handle the transaction volume, and more importantly as we are spreading East or if you will into Asia, increasingly and into Africa and Latin America. They are looking for certain products that can be customizable for the local market which their existing systems are unable to be or not flexible enough to do. So, we are seeing interest essentially in smaller banks to begin with, but clearly something we are finding a significant amount of traction in some of the larger bulge bracket players, clearly that's not reached the scale and size that we would like it to be, I mean it's going to take some amount of time, but importantly I think we are seeing it in newer geographies whether it's Europe, Asia or Africa. We are seeing significant amount of interest in newer organizations that are also impacted by the degree of capitalization that they have, so what we would typically call a non-bank finance company would be the ones that are actually finding significant interest in these particular products. Subsidiaries of large banks are seeing obviously an interest in that. We are seeing interest, as I said, in contracts in Europe with significant amount of traction on this front. So, I will not say that there are large numbers of bulge bracket players that are finding interest in doing this in terms of core banking, complete core banking transformation or platform re-engineering. But clearly certain components are being replaced and replaced with us.

Male Speaker: Secondly just wanted to know like this Options Symbology Initiative, what is the revenue potential per investment bank, it will be like as per the standard product which you will be offering to the investment banks?

Ashok Vemuri: So, what is the size? I didn't get the question, is it the size of the Options Symbology market?

Male Speaker: Yeah, no, in the sense like, per bank what is the sort of revenue generation that can happen from this, it's like more of a standards related?

Ashok Vemuri: More of a...

Male Speaker: Standards related thing. In the sense like, its Symbology initiative you said know, what exactly will that be?

Ashok Vemuri: Yeah, okay, so there are many aspects to what we are doing in the OSI; one of course is clearly we are defining the architecture, the guidelines of the existing system so they are able to accommodate transactions which are required on their entire OSI landscape. We are doing impact analysis for key application programs so its not just the derivatives part of it, but also across the entire class of assets in which they are doing this, we have helped build a security master database which is a fairly large program for any securities firm to work on and we are helping in creating a testing strategy map from an OSI perspective. So, the opportunities are fairly large, I think if you look at the kind of players that we have in the marketplace, we are probably one of the few who have an independent solution which is finding traction in the market place. So, this is not combined or coupled with any kind of a product. I think this is an initiative where banks are beginning to spend significant amount of money they have to, basically both from a regulatory perspective as well as from an internal standards perspective, and given the fact that it's much more cross-bordered we are seeing OSI initiatives in banks spread across in both sides, so we are seeing significant amount of traction.

Male Speaker: Thank you.

Male Speaker: We will take one last question please.

Male Speaker: Coming back to your comments on pricing, you said that there are no new re-negotiations but customers are looking at cutting down overall costs, so what implications does it have from a profitability perspective?

Ashok Vemuri: Implications from a....

Male Speaker: Profitability perspective.

Ashok Vemuri: Well, you know, I think if there is a significant amount of negotiation for commoditized business, then obviously you will not be able to continue to sustain the kind of profitability that we have so far. But as long you are able to provide solutions which are based not only just from a rate perspective for a commoditized service, but are able to introduce newer services, and that's the point I was trying to make earlier in the presentation was that you are able to combine the so-to-speak end-to-end kind of a paradigm or paradigm, which includes consulting, technology and process, you are able to clearly bring synergies which reduce the total cost of ownership without necessarily impacting your profitability and actually be able to sustain if not enhance that, and clearly you know if you look at the complete depth and width of services that we can bring to them whether it's pure system integration, infrastructure management, validation, and all of these components that they can bring to the table in a much more focused fashion, we not only expand the kind of services or the total volume of business that we can drive, but we drive that at a much more higher value point than we could do for a commoditized business.

Male Speaker: Thanks, and could you also comment on the pricing of the new deals? Thanks.

Ashok Vemuri: I'm sorry, I just missed the question.

Male Speaker: Could you please comment pricing trends on new deals?

Ashok Vemuri: Yeah, so in newer transactions we are clearly seeing pricing coming in at more or less the same levels, or slightly higher levels. Clearly this is geography dependent, clearly this is also dependent on the kind of transaction that we do or the deal that we have that is allowing us to enter into the client, to work with the client, so that are more value added, those which are more end-to-end, those which are longer tenure are obviously coming at better pricing points than the ones where you are essentially re-negotiating existing transactions.

Male Speaker: Thanks Ashok and with that we come to the conclusion of this VC.
