INFOSYS US ANALYST MEET

AUGUST 1, 2008

Mr. Ashok Vemuri – Head - Banking and Capital Markets

Good morning everybody. My name is Ashok Vemuri and I run Banking and Capital Markets for Infosys. So, this is the slide that I am often accused of going on repeating but there are changes here especially in terms of the size in the overall size of the portfolio. The BCM Group contributed over a billion in FY '08, so last 12 months revenue is $ 1.2 billion, CAGR of 45%. It is Infosys' largest practice about 25,000 associates across 22 global development centers in China, India, Australia, UK, US, Canada and Mexico. We are very proud of our blue-chip client base which covers retail banking, investment banking, asset management, brokerage, trading, credit cards, etc. Three clients with revenue greater than $ 100 million, 9 with greater than $ 50 million and 45 clients provide revenues greater than $ 5 million.

As I said earlier, very strong presence, and it is fairly widespread and diversified presence across banking. Capital markets, we have a lot of business with investment banking houses, brokerage firms, advisory services clients, custody services, depository and exchanges and some of our clients, the coverage is six of the top seven US banks we work with. Six of the top ten securities firms are our clients, four of the top 5 European banks are our clients. Three of the top five credit card issuers are our clients. Four of the top five global custodians are our clients and six of the top eight mortgage originators are also our clients. In the market today that is roiled by credit crunch, we see several trends emerging and it is interesting and I will talk in little more detail about how we are responding to some of the key themes that we are seeing in the market, what the trends there are and how our responses are finding success in the market place.

Core banking, something that has been often talked about, but has never really found traction in the US markets especially, is beginning to make a resurgence. Replacement of legacy transaction systems to improve agility is something that is on top of most banks minds. Reducing the total cost of ownership of some of the core banking systems which will not surprise you are more than 30 years old. Payments and essentially all kinds of transaction engines again are finding significant amount of flavor. We are seeing consolidation and transformation of enterprise payments and evolution of new payment standards especially in Europe. Securities trading and processing is an area where there has been a lot of focus, especially in the last 6 months, there is a focus on reference data driven by changing industry standards and initiatives and improving operational efficiencies by redesigning core business process. So this is IT as well as process outsourcing. Risk management and compliance is something that never seems to go out of flavor in financial services. We are seeing significant amount of dollar spend on revamping risk management practices and regulatory oversight driven by the credit crunch and rising financial fraud. This is both in the securities areas as well as in the cards area. And we are also seeing significant amount of reduction requirement in the cost of compliance. We are also seeing significant amount of initiatives in the compliance area in terms of usage of the data for pushing on the revenue side of the balance sheet. IT cost reduction of course what would we do without that. Structure enterprise wide IT cost reduction programs in effect and focus on maintaining or reducing the ratio of IT spend to overall revenue.

So I am going to take each one of these key themes that I have listed on the left and talk a little more about that, especially also giving some examples if I can or wherever I can on some of the initiatives that we have taken and the successes that we have had.

Core Banking Transactions: Transformation banks are starting to look at overhauling their core banking platforms and we saw this trend predominantly in Asia about 3-5 years ago and then we began to see that in Europe and we are seeing that in a very big way with banks in the US as well. So the trends that we are seeing are consolidation and standardization to drive efficiencies and cost reduction. Growing operational complexities are also requiring the banks to look at their core banking platforms and a desire to leverage information and transforming delivery channels to essentially differentiate an extremely crowded and a competitive market place. Our response has been very strong and this was something that Shibu also talked about, integration of our front-end consulting piece, services, with our product, Finacle and our service capabilities. And we have actually done some really seminal work in this. We have recently completed a direction setting space for a large US bank. This is the complete transformation of their core banking platform where essentially we took the existing platforms, ran their systems on that, as well as created a completely new core banking platform. This is work in progress at this point of time. Development of transformation approach essentially to address the growing operational complexity; we have certain tools and products Impact, Value-at-Risk Model etc., which are helping banks transform operations and reduce risks. This is again something an example that Shibu talked about The-Bank-in-a-Box program. This is an interesting program which is being simultaneously rolled out both in the US and 16 countries worldwide as well as in Europe. We are also engaged with a US financial services company to deliver turnkey capabilities for customer and deposit acquisition. This is again a bank which is US based which is making a significant foray into Europe as well as Asia. And this particular program is based out of Asia. We are partnering with global banks in implementing large scale core banking transformations in Australia, in Asia for sure, but also increasingly we are finding traction not only in our traditional markets like US and Europe but also in newer regions like Latin America and Africa.

Payments: An area that we have significant expertise in and portfolio of clients and transactions that we have done in this area which has won us many accolades. The trends that we are seeing are consolidations and transformation of enterprise payments. This is across lines of business, across functions and across geographies. Rapid evolution of new payments and clearing standards- we all know about SEPA and regulatory requirements. And a differentiation between what is commoditized and which can be outsourced as well as the value added services which can be transformed and are also being outsourced. Our response has been to develop an enterprise payment hub solution that enables FIs to consolidate infrastructure and transformation of payment operations. This is not only an area we are working in, in the development and maintenance but also in the infrastructure area. And we implemented an enterprise money movement solution for our global financial services company which won us the Financial Times Banker Award for the Best Payment and Treasury Services category. We are executing large payment programs supporting new payment standards. We are working with about 3 European banks at this point of time on their SEPA initiative and we have implemented a near real-time payment services that is basically a mandate of the OTS. We are leveraging competencies across verticals to come up with innovative offerings and this we are seeing in the healthcare space. Large numbers of our clients, the banking clients, are using the healthcare payment as a mechanism and this is something that we are helping them with. We are also seeing significant amount of interest in solutions that we are bringing to the table which is a combination of our retail practice solutions and our financial services solution.

Securities, Trading and Processing: Improving operational efficiencies by redesigning core business process. The trends that we are seeing here are focused on reference data given the wide scope of industry initiatives like the OSI. We have developed a consulting framework and toolkits for effectively addressing the OSI initiative and today, we have completed OSI initiatives which are essentially roadmap and implementation for 4 large broker-dealers. We are enhancing systems to support trading in all asset classes in a straight-through manner. Here we are leveraging the Infosys SOA framework to help clients develop global trading and multi-asset class capabilities. Again here we are engaged with a fairly large broker-dealer for consolidating their middle and back office and this is a solution that has found significant traction for essentially the securities firms which have disparate trading systems which essentially means everybody. Flexible and scaleable process framework for alternative investments again has significant amount of interest in hedge fund administrators, that's a new segment that we had not hitherto addressed. The hedge fund administrator segment is actually something that is a fairly fast growing segment for us and we are at this point of time actually creating bespoke solutions for the hedge fund administration industry in defining best-in-class alternate investment platform. The key thing here is that most if not all of these solutions are platform based, they are transaction-based pricing, they are flexible, agile and they are basically being devised because the existing systems that our clients have are not flexible or agile enough for them.

Risk Management And Compliance: An area that we have seen significant interests in the past as well and where we see spend that continues to happen. There is a lot more focus today on ORM. Obviously the need to cut cost and capital adequacy requirements are paramount. We are seeing significant amount of overall of credit risk management practice. Some of it is driven by the sub-prime crisis; some of it is driven by fraud, especially in Europe and some if it is basically catch-up as it is in Asia. We are seeing reducing compliance costs with the strengthening of surveillance of complex securities. This is surveillance across how the transactions get approved, what is being communicated and spans from actual approvals to e-mail surveillance etc. Our response has been to deepen our compliance solutions stack. We are also now taking it through software as a service mechanism and we have integrated our GRC offering which I am sure Pradeep will talk about in detail later. We have expanded our credit risk offering, developing collections and bankruptcy framework and this essentially we are doing for credit card companies where the incidence of fraud and the incidence of bankruptcy framework especially unable to pursue any kind of legal action against those who have filed bankruptcies and we have actually created a solution for that. This is again an example where we have taken the initiative like we did when the US Patriot Act was launched or the Anti-Money Laundering initiative was launched. We were the first off-the-block in terms of creating a bespoke solution for the market place which won us many accolades. We are partnering with best-in-class product vendors in the risk and compliance area especially as we open up our clients' segment from the traditional banking and capital market to more on the infrastructure side as well as on the regulatory side or government-sponsored entities, where we are now increasingly doing a lot more business. And for obvious reasons, they have a need for people like us.

IT Cost Reduction: Greater focus in reducing IT costs. The aggressive programs to reduce IT costs and these are not driven by reducing price but we have actually many tools and technologies that we are bringing to the table like we have created the IT capability framework and maturity model. In fact that has won us the second banker technology award this year as the best off-shoring and outsourcing program that we did. A fairly large program which actually resulted in about upwards of $ 200 million of saving over 18 months for our client and where actually there was a built-in clause for rate escalators and not rate reductions. We are seeing that our clients are actually requiring more bundled services. It is not just a silo application development or maintenance or we are seeing more and more transactions which are bundled with infrastructure capabilities, process outsourcing and front-end consulting. So our soup-to-nuts kind of a program, and we are able to leverage our frameworks and being able to identify potential IT cost reduction areas which we are then able to implement. So we are essentially not only recommending what we think should be done but also walking the talk.

So, I decided also to put in this last slide so that you don't have to take my word for it all about what kind of work that we are doing. These are some of the achievements and accolades. The Financial Times Banker gave us the award; I talked about this - The Best Off-shoring and Outsourcing Program as well as The Best Payments and Treasury Service project of the year and the second one was more gratifying because we are competing with organizations that you represent and having won over them is obviously always a very heartening thing. And lastly, Infosys was named Best Outsourcing Partner second year in a row by Waters. This is a ranking that is given by the users, that is, our clients who actually rate the service providers. Thank you. We can now take questions.

Karl Keirstead

Hi, good morning. It is Karl Keirstead with Kaufman Brothers. A question about your comments this morning about expanding beyond your core ADM offerings into greater consulting and domain expertise, increasing your BPO practice etc. Cognizant was also talking about that last night as have most of the Indian vendors and I am curious, is that a response to a change going on in the client base that everybody is seeing- if you could talk a little bit about that type of change that might be driving you to accelerate this type of expansion I think that might be helpful, thanks.

Ashok Vemuri

Yeah, so there are 2 or 3 things here. One of course is our buyer has changed, I think this is one of the most important factors. More and more of our conversations are happening with the business people rather than just the IT people who have requirements for more bundled services and are more driven by, "don't tell me which is the technology to use but just tell me what is the right kind of solution and what is it going to do for me and when am I going to get a return on that investment". So that necessarily expands the scope of what we are bringing to the table. So you bring in consulting, you are getting into their minds and into the discussion much earlier on. Secondly, I think the kind of track record we have had in terms of our service offerings; obviously our service offerings have expanded. They are much more deeper; they are much more mature and because of our track record we are getting invited to the table much earlier on in the game and we are getting invited to the table to do various and different kinds of things. For example, we are actually being invited to the table today in anticipation of an acquisition where we have been actually given a technology infrastructure for a target company. Obviously they have not named it or haven't told us and said, "Look, is this the kind of company we acquire and this is their technology footprint or roadmap, how do you think, we would be able to work together or bring together given your experience of how our technology shop looks like". The third I think is that Indian service providers and especially Infosys in the financial service have a significant track record of having delivered quality services and being a partner not only for technology services but for process outsourcing, for consulting etc. and given the deep domain expertise that we have built as well as the talent that we have acquired, it is fairly obviously that there is increasing requirement and demand for these services from us.

Karl Keirstead

Okay, then it is fair to say that you would expect that your revenue mix from your core ADM services which you characterized as 50% now might in fact decline in this coming fiscal year?

Ashok Vemuri

Well, I would not say it will decline in this fiscal year. See even if we do the front end piece, the consulting part of it, still a significant amount of work that we do would be ADM because it is a flow through from that, but the right index to track or the right number to track would be what is the increase in the dollar amount of the front end piece and more of the consulting work and process outsourcing that we are giving. In percentage terms in one financial year, I don't think you will see a significant track, but the direction is to try and bring in more value-added services than just be reliant on the ADM. Having said that, let us not completely forget why we get invited to the party as well because there are certain efficiencies and capabilities that we bring on the ADM side as well, which you know there is a significant amount of head room still there for us to grow.

Karl Keirstead

Thank you.

Sandeep Mahindroo

Just to clarify. Starting with Ashok, all the presenters will be available to take questions at the conclusion of the presentation. Additionally, we also have an open house session when all the presenters and rest of the senior management team will be available to take questions, and this is from 11.45 to 12.30.

Trip Chowdhry

It is Trip Chowdhry with Global Equity Research. I was just wondering like in your sector if the slowdown is for 6 months, how is the company positioned and what changes will you make and what if say the slowdown is for 1 year? What changes in people, skills, go-to-market, deal flows you think you will be positioned for? And what if the slowdown is not even for 6 months or a year but for 2 years, how are you going to change your strategies because nobody knows how bad the situation is and even the companies running the businesses are totally clueless. So in that situation with lot of uncertainty, I understand you have wonderful levers but help us think through this you know timeline and uncertainty and how can Infosys come out of it very strong?

Ashok Vemuri

Yeah, so clearly when we do our modeling and when we do our preparation, we take into account whether the slowdown will be 6 months, 3 months, 9 months, 12 months, 2 years, 5 years and we look at various scenarios that could be and what our responses would be to that. Clearly, we think that continuing to build on our strong relationships, continue to leverage all the various capabilities that we have built in Infosys and brining all of them together in a much more focused fashion through the benefit of our clients is what will really stand us out. Clearly, we do believe that we have been and we need to continuously and continually actually continue to hire talent which is very important. As I said earlier our buyers have changed, so we have to address that as well. Continuing investment in certain areas like process outsourcing and new technologies and new solutions, building out our front-end consulting capabilities which are actually giving us a significant amount of leverage and benefit because we are now in a position where we are recommending certain things given our longevity and depth of relationships and breadth of service in some of these clients to actually be able to tell them to do certain things and then we can back that up by doing the heavy lifting work. So, there is a combination of things. We obviously also need to look at newer markets. As you know, we have a strategy to expand our European footprint that is going beyond just the UK onto the continent. We are looking at newer markets. Today, we are looking at Latin America. We get RFPs and proposals or request for meetings from far away countries. I mean we have had conversations with banks in South Africa, etc. So that's another way of doing it. We obviously have to continuously upgrade our skill sets in terms of what we believe would come down the pipe. So a lot of the stuff that we are doing on the payments side, a lot of things that we are doing on the credit card side, a lot of the more end-to-end transactions and programs that we are doing, all of these are capabilities that we have built, not necessarily in anticipation of a sub-prime crisis but something that we do believe is what our clients are going to look for and that's the direction that we will continue to move in. So it is a combination of geographical expansion, building more bespoke solutions, partnering with our clients in a language as our buyers change which they understand. Obviously, hiring talent, refreshing the talent that we have inside the company as well - all these are very important things for us to stay competitive. So far we seem to be fairly comfortable but obviously you know the previous quarter is never an indicator of how things will shape out in future.

Joseph Foresi

Hi, Joe Foresi from Janney Montgomery. I was wondering if you could tell us if you have seen a reopening of budgets, assume that if they were all closed and if you have seen a reopening, in what particular area and maybe quantify from a percentage standpoint where it was?

Ashok Vemuri

So from a budget perspective, obviously once the budgets got signed off somewhere in mid-March-April timeframe, we have seen deal closures happening. I would actually say that there has not necessarily been a reopening of any budgets or a re-release of any money and the transaction pipeline is fairly healthy in terms of conversations. Having said that the transaction pipeline is healthy, the amount of time it is taking to close some of these transactions take that much longer, there is a lot more due diligence that's happening in our client organizations. Transactions where we would have earlier expected a sign-off from the CIO, now we get calls from the CFO asking us to explain certain things and more often than not they are not asking their people, they are calling us and saying, "Okay, explain this to me." We are seeing larger transactions, more bundled transactions and obviously it takes that much more time. We are seeing a lot more contractual complexities in what we are signing up to, tenor is going up, volumes are going up, conversations are getting a little more longer drawn out than they were in the past. We don't think that there is going to be any release of any additional budget in the coming quarter or so.

Joseph Foresi

Okay, and then may be you could just as a quick follow-on describe sort of the spending patterns over the last 3 months, is there some spending that you are expecting that you now obviously are a little less optimistic about. Thanks.

Ashok Vemuri

So certain areas like structured products, etc., we obviously expect no more funding – no funding is happening and no funding is expected to happen in those areas. Some areas like mortgage service providers etc are re-looking to refresh and redesign their entire system. So we are beginning to see traction from that particular area; a lot of traction in payments; a lot of traction in wealth management space; we are seeing a lot of traction in treasury, lot of conversations in that area; I think a lot of the acquisitions that have happened in the past have not fully been digested and we see a significant amount of interest in accelerating the process of integration of all the acquisitions that have been made. We have been invited to do projects to basically look at their IT roadmap and IT infrastructure and drive efficiencies in that. We have a project called Shelf-ware Reduction, which are essentially products which they have brought that they are sitting on the shelf, what to do with them in order to get rid of them. So there are many of these essentially in the area of risk management; compliance; operational efficiencies; operational risk management is a huge area and I talked about the lines of businesses. The other interesting thing that we are seeing when I was talking about the bundle thing, we are also seeing a lot of infrastructure services, something that hitherto they would not have necessarily gotten into a conversation with service providers such as us. These are larger infrastructure transactions, not just application maintenance on a certain infrastructure.

George Price

Thanks very much. George Price from Stifel Nicolaus. I wondered if you might comment about what you are seeing on the commercial banking side specifically given the you know the loan quality issues and the charge-offs and how that is impacting that client base and how they are reacting vis-à-vis IT spending budgets in your services?

Ashok Vemuri

Well, I think, retail banking especially I mean you are talking about corporate banking, right? So essentially in the banking sector both in the corporate and retail banking, there is obviously significant amount of uncertainty. There is obviously a situation where the spend has not necessarily been as high, but as I said, transaction banking, payments, treasury services continue to attract significant amount of spending. I think there is also a distinction to be made here between banks in the US, Europe and Asia. If you look at the traditional banks in the US, they are still focused on doing it the IT first way. If you look at the conversations we are having in Europe, all conversations are predominantly process outsourcing and IT, so BPO, IT kind of conversations. And some of the conversations that we are having in Asia are led through process outsourcing initiatives and then a followup is IT. So I would actually say there is nothing very markedly different in terms of the budget spends between commercial banks and investment banks but definitely investment banks have moved much faster and telling us that these are the areas that we are not going to spend money so don't even bother coming here.

Rod Bourgeois

Hi, there. Rod Bourgeois with Bernstein I want to talk about pricing and I have to assume that your pricing power today is maybe not as strong as it was a year ago. Please disagree if you think that's the case but what I want to specifically ask is are you seeing more instances of your competitors sort of breaking rank with respect to pricing and not just pricing and rate per hour but in other terms, they are generous to the clients like doing upfront transitions at reduced rates and giving extra staff away for free and things along those lines. Are you seeing more of that type of pricing and other discounting activities today than you were a year ago and can you quantify to what extent that is taking place?

Ashok Vemuri

Yeah, since you asked that question in so much detail, you probably already know what the answer is, isn't it? But in terms of pricing power I think the pricing power is reflected by getting in higher pricing is obviously not fair, we are not getting any dramatic increases in pricing, one-off kind of things are there where we have got significant increase in pricing. But I think the pricing power in today's environment is reflected by the fact that we are able to hold on to our pricing and the fact that we are able to structure our transactions in such a fashion that overall cost or the benefits to both the client and us is maintained. Yes, we are seeing situations where on a transaction-by-transaction basis on certain particular transactions, not those if you are already engaged in, but new ones where we have seen a slight amount of irrational exuberance from our competitors especially where they have to defend a book that they are afraid, they may lose and therefore their entire practice may disappear. So situations where we have had our competitors trying to hold on to certain client or clients where they believe that if they are not able to give that, they will be out of the doors and they may wipe out their entire FS practice, there we have seen that happen and those situations are very hard to compete with. I think it is more a question to ask them as to what their strategy is but we have not had a situation of that kind in any client where we have a significant material presence.

Rod Bourgeois

Just a few quick follow-ups on the same topic. In cases where competitors become irrationally exuberant with pricing, what are you doing in reaction to that – are you succumbing to the same forces or are you holding the line with your pricing?

Ashok Vemuri

So as I said, it has not necessarily happened to us where we have a significant or material presence. In certain cases where it has happened, specifically we have not reacted to that. We have kept our pricing as it is, we have maintained that. Obviously there could be a fall-out as a consequence of that. At this point of time, there has been no negative fall-out nor a positive fall-out. We continue to maintain that. The situation if it happens in one of our larger clients would of course require us to rethink a lot of things because we hope it does not happen given our strength of relationships and the breadth of services and value that we have brought to the table so far. But there is never knowing what an irrational competitor would actually end up but Rod, the interesting also thing is that a lot of clients see through it as well and where they have gotten rock-bottom pricing 6 months ago, they have turned around and come to us and said, "Look, we have got that great pricing but what happened as a consequence of that was that the service provider could not invest in the account, so when we asked them to do something out of the ordinary than just providing a warm body, they were not able to do that." So they too realized what it means to trim somebody down to such a level where they are not able to invest anymore.

Rod Bourgeois

Alright. One final piece of this - you have had a structure in place in recent history where new deals have been coming in at higher prices than existing contracts and as the model has matured and so on, you are getting better pricing. Is that structure still in place for your average new deal is coming in at a higher price than your average existing contract or is that dynamic starting to rollover?

Ashok Vemuri

Okay, so there are 2 aspects of this. One is where we are getting new clients in, we are actually getting them up at slightly higher price points. Renewals of statement of work are not happening at higher price points, they are happening at the same price points. Contract negotiations that are at the MSA level, if 2 years ago, you got a 4%-5% rate increase built into the contract, that number is half now.

Rod Bourgeois

Got it. It is very helpful. Thank you, sir.

Sandeep Mahindroo

Ashok and all the other presenters who have already presented or will be presenting during the day will again be available to take questions from 11.45 to 12.30 as part of open house. We now move to the next presentation on communication and media and entertainment by Subhash Dhar.