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Investing for the future while strengthening the core

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Good morning everyone. Once again let me welcome all of you to the analyst conference in Pune. You heard Kris talk about our strategies. I just want to point out that our strategies are usually 5 to 7 years and if you look at the history of Infosys, we have done very well in these strategies. Just to give you a couple of examples, in 1999 we were 99% in Bangalore (no. of employees) and today we are 19%. So along with the Global Delivery Model, we decided that we should spread out and having one single location is a risk and we should really spread out all over India and if you look at the results, today we are 19% in Bangalore. If you look at Consulting and system integration work, possibly about 6 years back we were less than 10% in transformational work and today if you combine consulting, enterprise solutions and system integration, we are probably about 28% and our goal is 33%. So we have really come a long way. Another example is about Europe. If you look at 7 years back when we looked at Europe and said that we should increase European revenue from where it is and at that time if I remember right it was 10% and today we are 24%-25%. So we have an excellent track record of executing all our strategies and these strategies usually last about 5 years to 7 years.

What you saw on that slide is a progression in our strategic path. We had chosen 5 strategies last year i.e. to become the transformational partner for our clients, to become global sourcing partner, introduce new engagement models in the market along with two others which are operational excellence and global talent. You can see that these strategies have in a sense remained the same and we have taken that path. We have done well. So in the first half itself, we had multiple wins in each of these strategic areas.

I will give you a couple of data points on the first two and then move on to the new engagement models. On the first path, we had more than 8 wins in H1 for transformational deals. Today, we are executing multiple of them across the globe and we continue to track, we continue to pursue deals in that space. If you look at the global sourcing, just to add what Kris talked about of the Global Delivery Model, another thought leadership we came to market with was the Modular Global Sourcing. This was our view on how to do total outsourcing. If you remember, total outsourcing used to be done with a single vendor with technology, process and people. Our belief was that it needs to be disaggregated, clients should choose best of breed partners in each of these areas and that is what we came out through our thought leadership in Modular Global Sourcing and that has fundamentally changed the outsourcing scene today. Today clients are looking at more and more disaggregation, they are looking at best of breed partners in each of these areas and we are winning deals because of that. So again in H1 we had multiple wins in the global source in space.

So now let me focus on the new engagement model, the third one which was on this slide. Of course it is of extreme importance to clients. It gives multiple advantages to clients. First of all it moves capex to opex in many places. The new engagement models can be broadly divided into two parts. There is an overlap between new engagement models and other two strategies in a way. One of the piece of the new engagement model is about the new pricing model which we have adapted, that applies to the other two places also. So for example when you do outcome-based pricing in business transformation, when you do device-based pricing in infrastructure

management, when you do ticket-based pricing in maintenance, this is application of new engagement models to the other areas. Basically even though you are doing business transformation or you are doing global sourcing, you are applying a new model of pricing to those areas. It is of importance to clients because in a sense it is making it more linked to the outcome which we provide. It allows the clients scalability. So it is linked to the number of tickets, not the number of people. It is linked to the business outcome and not the effort we put in a business transformation deal. So that is application of new engagement model to the other two areas. And the other half is about building new intellectual property-based services. So when you roll out software-as-a service model, there you are charging on transactions. You are not charging on license or you are not charging on the effort. It is not a cost-based model at all, it is about the usage, the pay-per-use kind of model. Now in both of these, clients have tremendous advantage. Number one it converts in a sense, their fixed cost to the variable cost because the cost is now linked to the usage and not to the effort. Number two, in many occasions it converts capex to opex because they are not putting in upfront investment, we are doing it and it is based on the intellectual property which we have developed, if not today in the past right. That is the second one. The third one, it is definitely scalable, for example if you look at social commerce, it is in a sense seasonal because it could go up sometime in the third quarter or the fourth quarter and it could come down once the Christmas season is over. So there the client is getting the benefit of the scalability. When they use more, they pay us more and when they use less, we are taking the burden in a sense. But if you look at the portfolio approach and balance it, we will be able to balance it over a period of time, over the year whereas the client gets benefit of the seasonality. As I said it is also suitable for some of the new things which Kris talked about, the global trends, so for example when you look at new commerce which is based on mobile commerce or when you look at the emerging economies, where the clients have to make a lot of investments upfront, these new models are of interest to them because it gives them an easy way, a low capex model to enter into these new global trends. So when they enter new emerging countries or when they enter into these new commerce models, these new engagement models are of importance to them.

So we have been in the market for a while now and as we said, this is an innovation which we have done and we have brought it to market. There is very good traction with the clients. We already have about 84 clients engaged in these models over the last 18 months. In H1 FY10, we added 27 new clients to this model. As Kris showed our aspiration is to reach one-third of the business in this model but it will take time. Today we are only about maybe 5%-7% and if I include Finacle which is license based, it will be more but still it is a long way to go and as I said it is 5 years to 7 years strategy.

To give you some numbers, we have in this year, in H1 FY10, we have won close to a 100 deals amounting to about a \$ 165 million in TCV on these models and as part of the second phase, we are in the process of getting into products and platforms. So we have set up a product incubation group which is looking at product development. Product development requires special skills - product engineering skills, product road map and it has to be based on the intellectual property which we have. We have been developing intellectual property for the last 25 years. It is not that we have started in the last 3 years, even though we actively started doing patenting only in the last 3 years. The reason being that historically, even though we developed intellectual property, we did not focus on commercializing the same. It was always provided as free of charge along with the services which we provide to our clients. In the last 3 years we are looking at commercializing the intellectual property which means we have to patent them. We have so far filed about 204 patent applications and most of them are in the discovery phase. We have been awarded 4 patents in the last 24 months. It takes time for the patents to be awarded but 204 applications are in the discovery phase and these intellectual properties we are using to develop the products.

Our product development strategy is two-fold. We are not entering into developing a new ERP platform. We are not trying to compete in that space. Our product development is in 2 different areas. One, what we call the blue ocean space which is completely innovative. These are new

areas which you create. So for example if you look at the digital consumer platform which we rolled out along with Airtel in India, that is a blue ocean space because you have never seen commerce being done on a satellite TV. That does not exist. So it is a completely blue ocean product. If you look at the ShoppingTrip360 which we are rolling out in in US, that is a blue ocean space because that is about changing the behavior of the consumer. That is about building an eco system which includes the retailers, the service providers, the consumers. So it is about creating a new product space, new revenue space. So that is blue ocean space. The other strategy is to develop products in the wide space. Space where even though there are products surrounding it, there is an empty space in between or there is an empty space as regard to the quality of the product available. So if you look at the Category Analytics or if you look at supply chain visibility or if you look at I-Transform which is a product which we have launched successfully in the health care space, these are products which are meant for the wide space where you have an empty space where you can create a product. So our product strategy is two-fold. It is based on the intellectual property which we have. It is either a blue ocean product like the ShoppingTrip360 or the digital consumer product in India. In the wide space we are creating products which are in the empty space.

Another area where we are focused is what we call the Infosys business platforms and this is about providing either a SaaS-based offering or a platform-based offering and so far we have three of them in the market. Here the intellectual property which we have owned is comparatively lower. It is not a product which we develop. We use probably an industry standard product, it could be SAP or Oracle or something else and we add a layer of intellectual property. We create what we call scenarios over that intellectual property and provide to the client but it is an end-to-end offering where we own the hardware, we own the service, we own the intellectual property which we have and we license the underlying products which create that environment. We are responsible for hosting it, we are responsible for the SAP or the Oracle license which we take and for the client it is completely end-to-end platform or a solution which we provide. An example would be the iEngage the social commerce software-as-a-service which we have offered to couple of our clients which is already in production being used by our clients. There the underlying product is Jive and on that we have build the marketing scenario and that scenario is what is being offered as an end-to-end service to a client or if you look at the HRO platform, we are using Oracle as the basis and on that we will either build or add our own intellectual property, our own scenarios and that is being offered to our clients. We already have two clients on the HRO platform going live, the P2P platform which is another platform which we are rolling out. There is another platform which we created for the newspaper industry, the Newspaper In A Box which is also going live in the next 2-3 months.

So these are platforms or services which we are providing, completely end-to-end, not based on effort as the pricing model, purely based on either the number of transactions or sometimes it is associated with BPO also. So the number of transactions plus the BPO service which we provide. So as I said, the new engagement models have two or three specific areas. It is about bringing out new models for some of the existing services, it is about the product space, it is about the business solutions space. So it is a very wide space and in the next 15 minutes or so you will anyway have an opportunity to talk to all the important and key people who are running these services.

Before I conclude, one another point I wanted to make. While we are doing all this for the clients we are also investing in multiple initiatives internally. So if you look at that slide, the bottom line where we talked about the investments which we are making, it started with Infosys 3.0 which is a marketing and branding exercise and for that we are investing more into marketing. We have created field marketing along with our verticals. We are strengthening our corporate marketing group. So we are investing into marketing.



If you look at the other two boxes, basically about increasing the client base as well as deepening client relationships, we are doing multiple things. In the last 6 months, we have added 100 people into sales and before the end of the year, we will probably end up adding another 100 people. So it is almost a 30 percent increase over the sales force. Our sales force in the beginning of the year was 800 and we will probably end the year somewhere between 900 to 1000 (excluding attrition). It is meant to do two things - one is to increase the client base predominantly in the Fortune 1000 and few in the Fortune 2000. It is also about deepening client relationships. This is the time for us to get closer to the clients and that is where we are making those investments. It is about adding new client-facing people. We have created a new role called the Client Partner which is meant for the large clients. So we are going ahead with recruiting client partners for few accounts. So we are investing into the front-end simultaneously and that is all about increasing the client base as well as deepening our relationships with our clients. Some of the investments are going into new geographies, expanding geographies. Right now we are focused on in Europe, Germany & France. We are recruiting country heads in Germany & France and along with that we will be investing more into those countries. Other areas of investment are India, then Middle East, China, Latin America. These are all geographies we are now starting to engage in a much more deeper manner. So if you look at the bottom line in that slide, we talk about branding and marketing, we talk about deepening client relationships, we talk about increasing the number of clients, we talk about the new geographies and the last one, smarter Infosys. In each of these areas we are making very very serious investments.

With that let me conclude. Once again thank you very much for attending the conference. Thank you