

INFOSYS TECHNOLOGIES LIMITED
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Infosys BPO

CORPORATE PARTICIPANTS

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Welcome to the session on Infosys BPO. I think you heard part of the story when Radha talked about the platform side. My intention in the next 15 to 20 minutes would be to cover what our strategy is, why we believe what we are doing is the next wave of how the BPO industry will flow and how it will pan out and what we are doing to address and capture a bit of the market share of what we believe is going to pan out in the next 5 to 7 years. The safe harbour statement.

Very quickly a snapshot of how we have done in the BPO side. We in the Last Twelve Months till September 2009, had revenues of \$ 325 million. We have grown almost double the growth rate of the Indian BPO industry. This data is from the Gartner Competitive Landscape. As far as headcount is concerned, our headcount has actually come down this year a little bit because we have used the opportunity to tighten our employees in terms of the number of employees who are out there and number of people who are sitting on the bench, the kind of training pipeline we build up and the bench we had in each of our engagements. We have done that and that is why our overall employee strength has come down. We are setting more for the same kind of revenue even though during this period as you are aware, some of the currencies like pound and all that on a year-to-year basis have still depreciated against the dollar. Our operating profit continues to improve. We are one of the the top 5 players in the world on the margins. I believe we are one of the best but let me just be a little bit conservative, at 22.6% operating margins, we are one of the most profitable BPO companies in the world. Today, we support 25 languages from 11 centers around the world across 7 countries. We have just gone live in Brazil, so that was the seventh country we added very recently. 65% of our clients use more than one service line which basically means that if you have a client in a particular vertical, if you look at various horizontal services we provide like F&A or sourcing and fulfillment, procurement, knowledge services, HR, customer services, etc., we provide 65% of clients are using more than one service line. 22% of our revenues is coming from international centers which is a good movement. We had 3 years back only 8% coming from international centers. So we have continued to broaden our service offerings across the globe and 25% of our clients are having service from more than one international center. 15% of our revenues come from services which we launched in the last two, two-and-a-half years which is around knowledge services, procurement and platform. That is another important movement for us.

A quick cut of data on verticals and horizontals. If you look at from a vertical perspective, the largest vertical is manufacturing, partly aided by the Phillips acquisition we did. CME used to be one of our largest verticals but it has come down because firstly some of the other verticals have grown and secondly the revenues from one of our larger clients have continued to trend down over the last 12 months and that is another reason why our growth has been hit a little bit. This particular client at some stage accounted for more than 20% of our revenues, it is now down to 12%. We have had good additional number of clients, lot of project-based clients partly because when you do platform deals or when you do IT deals, when you do deals in India, some of them are project based at least to start with and over a period of time they will convert into annuity clients. A lot of clients in the knowledge services side or the sourcing and procurement side start as project clients and then convert into annuity clients. So while we have added a lot of project based clients, the hope is that over a period of time they will move into the annuity bucket. We are also focusing a lot on organic growth because we believe we have a pretty strong base of clients. Most of these 68 clients are Fortune 1000 companies and we need to continue to expand our service offerings in these clients and obviously, we have more than 3 or 4 service lines for them. We have made some breakthroughs in some of the emerging markets like Australia, Japan and India. We have been investing in those areas for some time and now we have clients in Australia, Japan and obviously India also. Today we have almost 6 clients in India which are not necessarily included in the 97 clients because we won those deals but no revenue has really started.

This is how we see the evolving BPO landscape and what are the 5 or 6 themes which we are running after. From 1999 to 2004 it was all about running the business which was the standard BPO. You are aware of all of that, cost reduction, FTE based, Six-Sigma, Lean and it was like a hub-like operation, hub either in India or wherever else and IT and operations were obviously siloed. In 2004-2009 the wave of innovations started, the wave of transformations started, people obviously use different words for different things but the focus started on the end-customer experience, the focus started on improving cash flows, it started becoming more and more transaction-based, people started using re-engineering and technology tools to provide some of those benefits and bring the value from either transaction perspective. People started building spokes which is that you had a hub in India but then you started adding centers around the world and IT and operations started getting connected to some extent. We believe that from 2009 onwards, it will be about transformation of the business and you can use different definitions for transformations but end of the day for us transformation means that whatever you do for a client and whatever process or functions or department you run for them, the transformation has to bring a significant value in terms of dollars to the client's bottom-line either in the form of reduction in expenses or increase in revenue or time-to-market etc. Now, the growth of business part was similar but the range of changes we could bring to a client, let us say from a cost perspective varied anywhere from 15%-30%. What we are talking about from a transformation perspective is changes which will go from 50%-70% over a period of time. That is the kind of changes in the benefits you want to bring to the client over a period of time. It would be then based on outcome and platforms so that they can bring that to the table. On the productivity levers, it will be domain-driven, it will be technology-driven in a big way. You will also from a globalizing perspective, need to have an edge and by edge we mean you have a hub and a spoke and edges that you have people either sitting in a client environment or very close to the client environment. So your hubs, your spokes and then you have the edge and obviously now IT and operations will be bundled. The only way finally where you can actually bring huge transformation to a client is using technology. You can ensure that in a procurement business which has 100 people you can do all the Six-Sigma, Lean stuff, reengineering, you can take the 100 people down to 50 but if you want to take the procurement cost of a company down and not the cost of delivery procurement down but cost of procurement itself down, you need to do things very, very differently. Till now the emphasis has been on bringing the cost of running a department down, what we are talking about here when we transform the business, is actually bringing the overall cost of what the department

delivers down, a big difference and then that requires a complete different mindset change. So that is what we are saying when we talk about transformation of the business and there are 5-6 things which we are running after when we say that this is what we are trying to do. So if you look at the previous slides, we talked about transformation of the business and we talk about transformation of the business value shifts are firstly the transformation capabilities itself. If you look at any client anywhere from 50%-75% of the client's cost, if you look at any P&L, would be in the cost of goods sold. Traditionally the BPO industry has always focused on SG&A which is Sales, General and Administration expenses. First thing you need to change is, focus on costs of goods sold because that is where most of the costs of the client are and those are the costs which are driving the revenue in a big way. We have moved from customer service, finance accounting, human resources to more things which can actually impact the client directly. Today 30% of our revenues are from COGS related services, 10% are coming from procurement, research and analytics and stuff like that. The business value levels which we plan to use in terms of what transformation capabilities we plan to bring up the table, one of the things we are trying to do is obviously coming up with platforms and we have given again a perspective on, initially when we started the vendors incentive was more FTEs you have, the more revenues you have and then we went to the next phase about operations innovation which was capex and transaction-based and now we are changing to a model where it will be opex and transaction-based but the client does not have to spend any capex, it is all opex and transaction based and that is why we launched platforms. Radha talked about 5 platforms we have P2P or total contract value wins of over \$ 150 million in financial year 2009. Today 20% of whatever pipeline we have, the clients are exploring platform options. They might not necessarily have decided that they want a platform but they definitely want a platform option when they are looking at outsourcing. That is how rapidly the story on platform has changed. Now we do not have enough revenue to show for it, we do not have that many wins to show for it and we have been on the journey for almost two-and-a-half years but the point is that all the trends seemed to indicate that platform will become something which is a requirement in the next 18-36 months. Everyone will demand it, everyone will expect it and everyone will buy it because there will be enough implementations out there, there will be enough clients who will be doing it and enough people hopefully will be standing up and saying that this is the right way to go. So we are on that journey. The way we are defining platforms is different from lot of what other companies are doing, people call their solutions also platforms. Invariably our platforms are end-to-end services, cutting across various processes like procure-to-pay, end-to-end procure-to-payment. When we talk about order management, we talk about ultimately entire sourcing and fulfillment cycle. When we talk about Newspaper In A Box, it not only includes finance and accounting but essentially how will you do order for advertising and how will you do accounting and how will you do circulation accounting and that is where it is not just one small thing, it is covering services end-to-end. And if you are able to get clients on that particular platform then it is very, very sticky, it is very difficult to change platforms from one to the other. In a way, you will literally have them for life unless you screw up in such a big way that they want to move away from it because it is just not delivering.

The second element of that is something, which you are calling on the productivity paradigm; it is going from optimizing to multiplying or optimizer to multiplier. I talked about the fact that when people started the BPO business, it was six sigma, lean, optimizer and stuff like that. What we believe can bring technology multiplier and I will give you an example. If you look at any process and in this case we are working for one of the largest consumer companies in the world and when we use six sigma and some of those techniques, we went from productivity of 5 per person to about 20 per person over a period of time and they were doing that in an hour. So you were actually doing 5 transactions in an hour and they moved to about 20 transactions in an hour because they used six sigma lean and stuff like that. We introduced a technology element into it. We developed a tool and we introduced the technology element into it and it went from 20 to 120. The point I am trying to make here is that if you can use these technology differentiations or technology interventions very, very innovatively, it can actually have a multiplier effect on the

productivity and we today have developed 8 technology solutions and Radha is sitting here. He is running some of those initiatives but for example, we have launched a technology solution which allows us to work for the telecom company and help them on how they manage their networks and how they manage the connections that they have with other network suppliers and how they are managed. So we have developed end-to-end technology solutions and it is not a platform because it is not end-to-end because it is looking at very specific solution and addressing a very specific problem but we have developed a technology tool which allows them to do it much more efficiently. Each of our verticals and horizontals which is about 5 verticals and about 7 horizontals, are working on 3 or 4 ideas which we believe will be differentiated in the specific service they are trying to address. If you imagine that in the next 12 to 18 months we have anywhere from 25-30 ideas which with technology on a productivity scale will be three to four times what others can offer, that provides a huge differentiation for you. So we are trying to look at technology as a force multiplier and if we can offer that, we will be offering level of productivity and I talked to you about the 50%-70% cost reduction, it will allow us to offer some of those things that others were not able to do. To give you another example, today if there is any data entry work which anyone does, we have developed tools which can practically automate the data entry in couple of days. If we understand that this is the way data entry is done, these are all the permutations and combinations of data entry, we have developed tools which will automatically create the software to do that automatically in 3 to 7 days. Data entry in any transaction typically accounts for 15 to 20% of effort. So 15%-20% can be automated almost 100% in a very short period of time. If we move further there is 80% of the work, which is supposed to be so called judgmental. Even in that so called judgmental work, if you can develop technology which automates again some of the rule-based work in that judgment to the extent of another 30-40% you can automate that too. We are working on that multiplier journey to ensure that we use technology innovatively and get there as quickly as possible. There are firstly 25 to 30 ideas we are working on, 8 are up and running. We believe that 50% of the new clients that we are acquiring have some technology solutions as part of that win which we have. Over and above that, we are also trying to develop tools which can address automated data entry kind of situations much faster in a much more efficient manner.

I talked to you about the globalization bit which is around hub, spoke and the edge. Hub is obviously offshore, we believe there are two hubs which will emerge in the world over a period of time which is India and China. We have a presence there already. The spokes are about offering specific services or specific skill sets which do not exist in these hubs and you could call our operations on Brazil or Europe or Mexico and Manila as part of that spoke and at some stage, you need to be almost onshore and we have just made our acquisition onshore which is McCamish system which will provide us an onshore capability in U.S. We do hope that over a period of time, we can even develop and provide those onshore services to our client. So you will literally have a presence offshore which is where most of the people are, you will have people in the spokes because you provide a specific skill set or service or a near-shore capability and then you have people at the edge which are basically sitting in a client environment or right next to them. That will allow us to globalize faster, that will allow us to own process end-to-end and that will allow us to bring the entire value of BPO chain to them in a much efficient manner. 22% of our revenues are coming from offshore and onshore, 3 years ago it was 8%, as I mentioned that earlier. We expect that over a period of time almost 30% of our revenues will be coming from some of these near-shore and onshore centers. That's what we expect it to stabilize at over a period of time because if the onshore and the near-shore goes to a higher number, that means there is some work which is happening in those centers which potentially should be shifted offshore because we believe 70% is the right number.

There is huge organization synergy in IT and operations convergence and it leads to intelligent operations. We believe the technology pervasiveness is increasing, technology costs are a big part of what clients are incurring and they want to reduce that. There is globalization happening and people are obviously talking about cloud computing and SaaS and so on and so forth. We are

seeing more and more clients who are coming to us, who want a bundled IT and BPO solutions. There are more and more clients where we are proactively going and IT and consulting and BPO teams are going together and offering solutions to clients. One of the large telecom clients we recently won was based on a 60-day exercise which we did for them on their order management side and proved to them that we can cut their cost by almost 45% because we can bring technology and BPO together and they actually gave the business to us and today we have quite a few people working on that particular order management solution for them and we have actually started proving to them that yes, their costs have come down significantly.

I am cognizant of the time. We are talking about firstly business value spectrum offering which is around ensuring that we are attack COGS in a big way. We are talking about platform and utility delivery. We are talking about multiplier productivity and how we bring it to the table. I talked about a little bit about the globalization and then obviously how IT and BPO are coming together to ensure that there is a convergence and we are adding value. If these are the drivers we believe going forward in the future where we are making our investments, we are in platforms in a big way, we have been at it for two-and-a-half years. We are trying to increase investment further, it is in international centers, it is in new practices and in markets. Some of the new practices we launched are India practice. I talked to you about the fact that we have been investing in Continental Europe and in Asia and from a sales perspective, we are looking at Middle East as we speak. On the knowledge services side, we expanded in a legal process outsourcing practice in a big way. We are increasing our technology capabilities, we are talking about the technology differentiation ideas and how we are working at about 25 ideas. We believe that to do that you also need to do certain things right which is around being seen as a trusted partner, it is around being predictable. At the end of the day, the BPO operations are all about being predictable. You need to almost assure the clients that they can sleep well at night, nothing will happen to their operations when they get up in the morning. There is about risk-sharing, they are taking a lot of risks when they outsource work and how are you sharing the risk and at the same time making money together rather than you making money and obviously a long-term view. So what is the concept we are trying to sell to our client? What we are really trying to tell them, is that we are a player which can bring realized business value to you and the way we are bringing the business value is by first a combination of lean and technology multiplier which we believe could a force multiplier, second obviously addressing the COGS part of the cost which is a big part of the cost, end-to-end platform we have launched 5 and we are in the process of looking at 5 more and ultimately impact business metrics and outcomes. Those are the 5 to 6 things which we are looking at.

Some of the risks which we are worried about - impact of global economic slowdown, market differentiation, there is a problem of market differentiation, while we are trying very hard to differentiate, we need to differentiate more in our goal to move towards a realized business value as a step in that direction. We are also investing in business transformation, consulting services and we have started winning clients in that area. Exchange rates everyone is aware of and obviously talent risk has always been an issue in the BPO industry.

Some examples of what we have done for our clients, rather than me talking about it may be just let me leave it here for you to read. Examples on the left are SG&A but you will see how we have started impacting on the revenue side also. This is for a search engine major as to what we have really done in terms of optimizing, we are actually doing work for them, when people advertise on their websites as to how we have optimized bids for their keywords, how we have started doing sales forecasts so they can plan better and price their services better and how we have been helping them in budget planning. Obviously some of these numbers are signed off by the clients themselves. We are adding value about \$ 30 million per annum for them. We have decreased the cost of underwriting insurance policies for one of the insurance major by 96%. This number has

come from them, not from us. Some other examples, again focus on cost of goods sold and some examples around that.

Some of the awards we have won. Gartner has placed us in the top quadrant on the F&A side. We are in the same zone as Genpact. We did not have F&A services five years back and to be placed in the top quadrant on the F&A side and being placed together with Genpact, it just goes to show as to how we have built up our capability on the value chain over a period of time and how we are seen as one of the top players in the world today.

There will be five minutes left, so let me open it up for questions rather than keep going on and on and on.

Unknown Speaker:

Are they adapting for the full end-to-end or are they looking at certain modules within that?

Amitabh Chaudhry

Right now the clients we have won, they would have a strategic roadmap in terms of doing it end-to-end but invariably it has phases to it and the phases would normally be based component-wise. So for example on the HR side some of them might pick up only recruitment and learning to start with, or payroll and learning services to start with or learning and development and over a period of time add some of the other services as we along. I think because we are very new to this market, I doubt anyone will take a risk of doing it end-to-end, in terms of saying okay everything has to be implemented at one go together. They are very happy to sign up for an end-to-end strategic roadmap but there are toll gates in between and if you have delivered what you have promised to deliver, they will move on to the next phase, so that is how we are signing.

Unknown Speaker

The company you have acquired, it has got a platform, does it have clients' who are end-to-end or they also have similar kind of model?

Amitabh Chaudhry

No they have clients which are end to end. They are actually running entire products for their clients' end-to-end. Insurance companies, let say have the product, the entire product is hosted on their platform. A insurance company has lots of products invariably, they would have may be 100 products, one of the products is hosted but that product is hosted end-to-end including the BPO service provided on top of it.

Puranik

Sir, the platform transformation from an expertise perspective and acceptance perspective.

Amitabh Chaudhry

As far as transformation is concerned, it is still a journey we are on. If you look at what are the enablers for our transformation. If you define transformation as something which changes the cost structure by 50-70%, increases revenue by 15-20%, it has to be a game changer. If you look at what potentially could be the enablers for the transformation, it could be platform itself, it could be

technology solutions which you have, it could be the re-engineering abilities which you bring to the table, it could be the functional view which you have or the practitioner's view on a particular process. It could be around the domain expertise you can bring to the table, it could be some of the best practices that you bring from some of the other clients to the table. There are about 7-8 enablers potentially you could have and when you look at a client environment, it is not that you can just say that by the way this is the model I run and everything happens. Given where the client is, given the maturity of the client, given where they are, their position in industry, you need to come up with a strategic roadmap which defines as to how you use these enablers over a period of time and how will you transform the business. At the end of the day, we cannot walk that transformation journey, the client has to walk with us. In some areas we are becoming quite strong, in some areas we still have to invest to some extent. I would say another 18-24 more months to go before we can be a real expert in each of the enablers which I have talked about. One of the enablers I talked about was platform itself. Now we have 5 platforms, we have 3 clients at this point in time. We have a very, very strong pipeline. So for us to claim that we understand platform inside out would be an unfair statement to make but McCamish systems adds to our platform capability. They have 39 clients. They have been around for a long period of time. As you are on this journey, the comfort which you can give to your clients before they sign up with you is always increasing day by day. I can tell you couple of things on platform. One, we have had innumerable conversations with our clients on platforms and platform opportunities. I have not come across a single conversation where the client has said, you do not know what you are talking about. So first is, we seem to be talking sense which is an important first step. Second is that you need to give a comfort to the client that yes, you can deliver. So our first clients on platform will go live next quarter and we can actually show live clients and that will give another level of comfort. Third with McCamish coming in, it is a different level of comfort though it is a new company and we have to ensure that people understand that it is fully integrated and will take another 3 to 6 months for it to happen. Fourth is that we have started a platform on the Master Data Management side and I am only talking about 3 wins but if I add the Master Data Management wins which is also a platform, then the number goes up by another 4 in Master Data Management. But the wins there are small. In the Master Data Management, the wins could be a couple of million dollar each. It is not a very big number, so that is why we do not talk much too much about it but as I start implementing Master Data Management platform also, then I will have potentially about 10 implementations to show in terms of how we do platforms.

Puranik

Do you need expertise to deliver which is different from the_____?

Amitabh Chaudhry

Oh yes. The expertise is different because people need to understand technology, people need to understand business, people need to understand BPO. You cannot find those people easily. So you need to bring them together and house them in an area where they start understanding all of it together. Please understand when you implement a platform, you cannot go and say that okay by the way tell us how you do the process and I will do it in the same way because that is how BPO industries have done it in the past.

Puranik

The BPO guys were trained into doing that?

Amitabh Chaudhry

No, it is a combination. We are hiring the technology guys, so our enterprise solution guys are working with us. The team which Radha owns has a combination of enterprise solutions people, which is Kakal's group has a combination of technology people who understand technology and network and all of that, people who understand BPO and also people who come in with a business prospective. So it is a combination of all of that and you need to tell them that this is the way your process will be run and that is how we will run it. There is no knowledge transfer, it is a knowledge implementation, so it is a very different way of running business. Because you are telling them this is how your process will be run in the future rather than the way it was done in the past when they used to tell you this is how we run the process and by the way we bring to India and start running it the same way. Now, if you own the platform and you know how exactly the process needs to be run, you actually have to turn it around and tell the people that okay in the future this is how the process will be run. It is a huge change. The way you run the transition and the way you implement the platform, how it is managed, what are the tollgates in between, how ultimately it goes live and day one they need to start running, we cannot say that we will do a parallel run, there is no parallel run. On day one it needs to start running. It has been a tough journey and that is why when people say they are going to start running platform services, I laugh because we have been in this for two-and-a-half years and this is where you have reached and we have been investing a lot of money in this and these are end-to-end platforms. So lot of people talk about platforms and every solution becomes a platform and so on and so forth. We have eight solutions. We are not calling them platforms.

Puranik

Some thoughts on your Boston acquisition

Amitabh Chaudhry

The Atlanta acquisition you are saying. The reason we bought them and we have been engaged with them for a long period of time. This was not a two-month acquisition, we were actually engaged with them for almost a year. We understand the company inside out. We have gone and met every client of theirs; there are 39 clients. I do not think there was a single client we have not met. I think there are at least 10-15 clients where we have gone and made a joint proposition. So through this one year, we definitely got to see the company, the technology, their clients and meet the CEOs of the companies who are using their technology and our comfort level will only grow over a period of time, from a culture perspective, from a technology prospective, from the relationships which they have. Obviously, in this economic crisis, insurance companies are not investing. I think when the market opens out, the Infosys-McCamish combination, we do believe could be winning very, very large deals. Now we have nothing to show for it but the reason we bought this company is not for this company to grow by 25-30%. The reason we bought this company was that we could actually be winning \$ 100-200 million deals and that could be a huge jump-start to our revenue and our platform story in a big way. Obviously we need to execute, we need to see whether we can do those deals or not.

Unknown Speaker

Are clients talking more in terms of profit sharing or pay per use?

Amitabh Chaudhry

Yes, the platforms are all based on some kind of either pay per use or pay per employee etc. Platforms are all on some kind of transaction pricing whatever that might be, it could be outcome-

based, it could be transaction based, it could be as I said employee based. If I am doing a pay roll or I am the providing an HR platform then depending on the number of employees, we charge something per month and that is the way it works. In some of our specific service offerings, yes we have started moving towards profit-sharing. On the sourcing and procurement side, as an example, we are signing deals where most of our payment will come because we are going to save some money for them. In some of the deals which we have signed in India, we will get a share of the revenues which is generated as a result of the services we provide. Our IT deal is based on doing a IT return, so it is a per return what you get paid for and we won the IT deal almost nine months back we are delivering the engine for them and we still not shown a paisa of revenue because we have not started executing on those returns as yet. Also, we have been spending a lot of money for the last 12 months on delivering the engines which will process the IT returns automatically but once the automatic processing of the returns start, yes our revenues will start showing in. By the way all that is in the numbers. It is not that we have not recognized the expenses. All the expenses are in our numbers but when the revenue starts flowing in, hopefully it will flow in big sums

Unknown Speaker

___ your platform strategy in the current scheme of things?

Amitabh Chaudhry

No, I do not think so. Let me give another example of our platform, but we are not calling it a platform. Our knowledge services business has recently launched a research portal on-demand. You can go to the website and you can actually ask for any kind of research on demand. That is a simple thing to do you can always create a portal but that is not where it ends. You can actually ask for a research on-demand. You can monitor the progress of the research on an ongoing basis. You can see where the research is sitting. It allows you to communicate with the person who is doing that research, you can actually exchange notes you can, you see the graphs, it is you sitting anywhere in the world and by the way we have won our first transaction there which is very small. But we have won our first transaction, it came through word of mouth. We believe that we are creating services like that for the future, we are not even calling it a platform because it is a platform of a certain kind if you really think about it. But we are not calling it a platform because we believe it is too small to start with. When you think about it and step back from platform, we believe that most of the commoditized stuff will shift in to a utility and a platform-like model. You cannot bet on everything, you have to take some big bets but to say that because I am taking those bets the other services are not important, I do not think we are saying that. We are just saying that based on how we see the market today, based on how it is panning out, based on the competition, these are the bets, these are the bets which we are taking today. Over a period of time, it might expand to some other area, over a period of time some of these technology solutions could themselves grow big enough to become a platform because we keep on adding to it and at some stage it starts looking more like platform. Today if we start the research portal, if we have enough things going through it, if we can do more and more enhancements as we go along, tomorrow it could almost become like a platform. It is a research service on a platform and you can do anything end-to-end with it. So it depends on how you look at it.

Unknown Speaker

The second thing I wanted to ask was that in the long-term Infosys wants to get one-third of your revenues from platforms and our sense is that BPO will probably target something higher in the medium-to long term. Just wanted to get your sense on that.

Amitabh Chaudhry

We have said that platform will be an important part of what we believe is going to happen in the future. If I was to take a punt on what that number should be in 3-5 year timeframe, yes it should be 20-30% range for BPO itself. Please understand that if you look at platforms, then you can talk about platforms which have BPO services attached to it. You can have a platform which is only a software-as-a-service or you can have specific services like what they are doing with Airtel whether they dole out set-top box and they are getting a share of what they are doing. Invariably if you do it right and you want to grab the maximum value possible of that platform, BPO has to be part of it. Think about it. If it is a software offering, if you start services on top of it, you get a larger portion of the pie. So over a period of time I do believe that if BPO executes well, BPO will continue to account for a large part of the so called platform revenue. It should ideally and for BPO itself it should be a large revenue stream ideally.

Unknown Speaker

Currently BPO contributes around 7 or 8% of revenues. What is your strategy going forward may be three years down the line in terms of revenue

Amitabh Chaudhry

I hope it would be larger but I do not know how fast Infosys itself will grow.

Unknown Speaker

Secondly I want to ask you about is, you did acquire a company this time, an insurance BPO. I wanted to understand, what is the strategy of acquiring captive BPOs where you get captive revenues going forward?

Amitabh Chaudhry

Let me answer the second question first. It was not that we are against acquiring captive BPO. We did the Philips acquisition which was a captive BPO and we have looked at some of the other transactions which have been talked about in the market place. The reason we have not acquired them could be because our perception on the pricing or the price we want to pay was different from what others were willing to do. Second, in some cases maybe we thought that the revenue which was being promised as part of that deal was not good enough and third maybe there was a huge cultural mismatch or the revenue productivity of the business was so low that we did not want to go and take over some of those captive and that kind of leans me to answer for the first one. The limiting factors for the BPO to be a bigger part of Infosys are two. One is that our margins even though they are highest in the industry, are slightly lower than that of Infosys and if Infosys has to maintain its margins then we become a drag to some extent and our revenue productivity is also much, much lower than that of Infosys. That is why movement into the platforms and doing some of those stuff is very, very important because end of the day we cannot become a drag to those parent company in terms of rather pulling their revenue productivity down or margins down. I do not think Infosys is saying is that you can be only 10% of what we are. They are saying that you be as large as you want, as big as you want, as long as you do not become a drag for us on our revenue profitability or our margins which is a fair statement to make.

Puranik

_____ in terms of deal size, longevity of deal and also the margins and scope of service of that come?

Amitabh Chaudhry

Frankly I would not differentiate on any of those parameters that today you could do a very small deal where IT-BPO is coming in to play. The deal which we did with the Income Tax Department is a very good example of an IT-BPO combination deal where you are actually developing an engine first which will allow you to process IT returns in an automated fashion and then obviously there is a BPO element to it, whatever falls on the floor, you process it and you finish the IT returns and there is obviously scanning involved, there is a return involved, there is a customer experience involved. You are taking calls etc. So it is a good combination of both. There are deals. I gave you an example of a telecom client where we said that before we go and execute on the deal we will change the underlying technology in a big way and then the BPO process will start and then there will be some technology people who will continue to sit with the BPO people to ensure that we can keep enhancing overall services moving forward. So it is not based on deal size. Ultimately the best combination of IT-BPO is platform where either the IT and BPO come together and those deals can be very, very large. Obviously you have created an end-to-end offering around an IT-BPO offering and that is a platform. So yes if we do it right and the only way to get a large deal is to actually have a platform or have a service offering or a solution which people and you can understand and articulate to the customers. We have had examples where bank has come to us and said and said we have the technology and we are spending 'x' amount on technology and 'x' amount on BPO, total amount is less than \$50 million a year. Why don't you take this over and give me 40% benefit. We have had examples of that. I think you will see more and more of it where client will come to us and say I incur a technology cost of 'x' on this business which I am running. I incur a BPO cost of 'y' on this business I am running, take both of them over and give me a benefit of total cost of $0.7(x+y)$. Those become complicated because you need to go in to your due diligence, you need to understand what benefits you can bring to the table, you need to understand what exactly you are taking over. Invariably it might involve a re-badging or taking over some of the people and you can pass this benefit on over a period of time but we will see more and more of these deals as we move forward. Very few companies can do it and that is where these deals can be large and if you do it right, then some of these technology and BPO operations which you buy as a result of this can become your platforms for future. That is how you do it.

Unknown Speaker

How scalable is KPO business?

Amitabh Chaudhry

KPO business is scalable. It is not that it is not scalable but yes the problem with the KPO business is that till now most of the companies have scaled based on projects and when these projects go away, suddenly the business will come down and what we are really trying to do on the LPO side and the analytics side is based on that we need to deal with Fortune 1000 companies and if you can become an important service partner for them on either analytics or research or LPO, you could easily have 50 to 100 people working with each of these companies. So we are let us say 100 clients and you have 50-100 people working and the numbers are going to be very, very large. So they have to be scalable from that sense but yes you need to have the domain expertise, you need to have the ability to kind of scale and become a clear partner of choice for them and that takes time. That is where we are on the journey but it will take some time.

Thank you. Thanks everyone. Thanks a lot.
