INFOSYS TECHNOLOGIES LIMITED

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Enterprise Solutions

CORPORATE PARTICIPANTS

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Chandrashekar Kakal

Good evening. I will just walk you through this presentation on consulting and package implementation overview quickly, so that probably we will have more time for Question and Answers and make it more like one on one than a presentation. I will cover the state of the business in this service line and enterprise solution and services market and also our vision for the future.

This slide in some sense covers all aspects. The revenues have been growing in the past but in the last 12 months definitely there has been a hit that we have taken. In terms of the revenue numbers it has not been growing as we anticipated, but true to our spirit if there is something that needs to be disclosed and told, we do that but the good news is that the revenues have started improving from the last quarter. The last 12 months hit us bad, but in the last quarter volume has started improving. Revenues have dipped in the last 12 months due to 3 reasons primarily - one is the large programs which ended were not really compensated by new programs that normally start at the clients. There were rate reductions that happened in some cases and also currency fluctuations that impacted us. Because of all these, last year's quarter 3 and quarter 4 and this year's quarter 1, really went back and this year in quarter 2, we have started volume pick up happening again.

We have about 14,000 plus people from package implementation and consulting together. We have added new customers in the last 4 quarters while the business has been difficult but still we have added customers. If you look at from the portfolio perspective, in terms of product, SAP Oracle, and others; SAP constitutes about 36% of our revenue, Oracle about 43% and others 21%. When I say Oracle, it is Oracle R12 plus acquired products like Siebel, Peoplesoft, Retek and all that. SAP is largely SAP and Business Objects. Others include Sterling Commerce, Microsoft Dynamics, Amdocs Clarify, Enterprise Application Integration packages like TIBCO, Vitria and Q-series and all of that which we have bundled all of that into others. We do have a very good portfolio of the services through the product line. We have made sure that we are not entirely dependent on one or the other, so that our future growth should not be completely linked to any one product doing well or not. We have a portfolio view there and we want to maintain a healthy balance. If you look at from the industry perspective, manufacturing is the one which is largest just because the adaption of the ERP and the package application in the manufacturing is the highest and in line with that, our revenues are also high. Retail is the next biggest, retail is also growing. Then we have energy and utilities at 14%, about 10%-12% in the other sectors, banking, capital market, insurance, healthcare, life sciences and so on.

If you look at from the geography perspective, about 59% of the revenue is from North America and 32% from EMEA and about 9% from Rest of the World. Compared to rest of Infosys, the dependence on US is slightly lower in this particular service line. You have heard in the morning Kris saying that we want to move towards 40:40:20 in terms of geography mix, 40% from America, 40% from Europe, and 20% from Rest of the World. From package implementation group also we are planning towards similar direction but it may not necessarily be the same because Americas is slightly larger in terms of the ERP spending. We may get even 45% from America, 35% from Europe and balance from Rest of the world. Directionally that's what we are also going to do and move the revenues more towards other parts of the world.

This slide shows how we have evolved in this space. We have started offering new services as a growth engine for this particular service line. In the 1990s, it was all about ERPs. We entered into the market a little later. During 1999, we started our service offering from Infosys side, but after that we realized that we have to add more, not just stick to ERP but add towards CRM side, towards supply chain side, towards integration, towards Business Intelligence, analytics and all that. We started introducing newer services, sub-service along with the ERP. We also started offering services around Human Capital Management and other business process management and so on. The key success factor in this service line has been introducing new service lines, sub-service line and taking to new geographic - creating new growth engine all the time. Now that we have reached a critical mass, we are focusing more on building industry-specific vertical capability in these packages. For example when we talk about SAP today, it is about SAP IS-Oil, SAP Retail CPG, SAP manufacturing and so on. We are getting into the next level of evolution in this space now.

If you look at enterprise application services market, it is still a $70 billion plus market even with all the recessionary conditions applied on to these calculations. In this $70 billion even if you take out some areas which we are not addressing for example, like product licenses revenue and all that, it will still leave a substantially large market for us to penetrate. As we are doing only about $1 billion in this space, there is more head room for us to grow. That is good news from this service line perspective.

The other important thing to note is that there are new avenues taken by the product vendors themselves because they have started seeing some kind of saturation especially in the large enterprises of today. So SAP is coming out with what they call as Business Suite and Oracle is coming out with their Fusion Applications which is going to be released maybe in the middle of next year and we are very well placed to take on these products and implement in market. In some sense it also gives us a level playing field compared to other global system integrators who are already in the market because these products are new into the market and we can build capability like anybody else.

We are also seeing the trends of new pricing models, new business models, new delivery models emerging in this space. Packaged applications have seen it all starting from being applied on the client services to the Internet era. Platform-based offering and SaaS-based offering are becoming popular. We are also working towards that in line with the market expectations. The pricing models have changed. You would has heard several sessions on how we are making it non-linear, how we are adapting -based pricing, how we are coming out with outcome-based pricing and so on.

In terms of geography, the whole of the ERP space is largely in America and Europe but there is also play possible in Latin America, Asia Pacific and other parts. We are also making investments in line with that and improving our capability in Asia Pacific and Latin America. If you look at the demand, transformational programs have taken a hit in the last 3-4 quarters but now they have

started reappearing. Implementation and roll outs were there, support and maintenance were there, upgrades had taken a beating in the last 12 months. There was no compulsion for the customers to do a technical upgrade. We have not seen many upgrades but going forward maybe a couple of quarters from now, upgrades may start reappearing, we are hopeful of that.

Clearly the product vendors themselves are at an inflection point today, having seen saturation in their licensing growth. Different companies have adapted different techniques. SAP has taken the beating, their license revenue has really gone down but Oracle has adapted a different tactic of acquiring new products and thereby maintaining some growth in the licensing revenue. We have to acquire capability to implement those new passages which Oracle has acquired which we are doing successfully. In some cases we already had capability to implement those packages like Peoplesoft, Retek and Siebel and so on but there are others like I-log or Portal and all that, we didn't have capability and we had to acquire that capability which we are doing now.

Our partnership with product vendors has been very good and it's also growing by the day. With SAP we are the global services partners. We are also developing point solutions with them. We are using our IP and innovation that we do in our labs to develop solutions which fill the wide spaces of SAP. We are also demonstrating some of these capabilities through our solution labs to the visiting prospects and customers. We are also partnering with SAP on offering business platforms. You would have heard since morning that we have couple of platforms which are built on SAP in the core. We are also focusing on building vertical Centers of Excellence for SAP. This year especially we have taken a view to focus on Retail CPG in the SAP space to hire more people, more principal consultants and above and build more solutions, go to market with SAP aggressively and so on.

With Oracle our partnership is even better. We are a global partner. We are also doing some core development with Oracle. We have business platforms coming out with them. We have an HRO platform on Peoplesoft product. We have a solution laboratory. If I have to give an example of a solution laboratory, we have an Oracle telco laboratory which stitches all the products that they have acquired together to complete a business process for a telco customer. We have demonstrated this successfully to some to the clients and as a result we have got some businesses from Middle East and Africa telecom companies which are smaller in nature but good demonstration of our capability. Oracle themselves could not do this stitching of their own products together and demonstrate this which we could do successfully. We also partner with Oracle University in capability building. We do have access to their course material to train our people successfully on their products. We had Oracle Titan Award granted to us for the co-development work we did during Oracle Openworld. We participated in the Oracle Openworld recently which happened in October. We were a Diamond sponsor at Oracle Openworld and Kris our CEO, gave a closing keynote just before Larry Ellison. It was attended by 15000 people and it was received very well and our profile in the bargain has gone up in the eyes of the customer and also in the eyes of Oracle Corporation itself. We had almost 70 client prospects meeting during Oracle Openworld and we had about 40 meetings with Oracle senior executives. We discussed about the beta-testing of their new version, Oracle Fusion platform, Fusion applications. We talked about building adaptors from their existing applications to the Fusion. We have talked about building some of the migration tools for migrating into Oracle fusion and so on. So our partnership with Oracle has been going really great.

TIBCO again we have a global consulting partnership. We also partner with them on their engineering side in the product development side. We have developed some adaptors, taken to the market and all that. We do have a concept center in Infosys Bangalore campus which is one of its kind. There are several good things going in with the product vendors in a strategic partnership manner.

With Microsoft, again the relationship with Infosys has been very good. Our partnership has been strategic and from the Enterprise Solutions side, we are also partnering with them on Microsoft Dynamics in the MS-CRM, Accepta, Great Plains are some of the products which we are implementing with them. With IBM, we partner for their Maximo implementation. We have a couple of good implementations going on Maximo. With other companies like Sterling Commerce for example we do have an integrated order management solution and multi-channel commerce implemented through them. We partner with other product vendors like Kronos, Workbrain and all that on a need basis to complete the solution for the customer.

New engagement models to suite the customer needs is the focus. You would have heard about these since morning many times. The pricing options that we are providing to the customers are different these days. It is no more only Time and Material or Fixed Price alone. We are looking at application-based pricing, ticket-based pricing, outcome-based pricing and so on. We also have a shared service center established for maintenance and support. We have a maintenance Center of Excellence through which we are offering shared support service 24 x 7 on 'pay-as-you-go' kind of a model, 'pay-per-use' model. In this maintenance Center of Excellence we have about 21 customers now, out of which about 12 customers are really on completely share basis. Clients do not get exposed to the resource of that report on supporting these. It is completely opaque to them. We get paid based on the output that we deliver, the resolutions that we do for them. We are also leveraging some of our platforms for accelerating the solutions deployment, for transition we use some of our SETLabs solutions. We also have a ticket tracking system today built by Infosys using a third party tool called Essence. We are able to provide these shared services very effectively today.

Infosys business platforms are the new engines of growth. In line with what we call today as cloud computing paradigm, hosting and taking complete ownership of the infrastructure, the life science, the application, the BPO capability, everything. We are offering the Infosys business platforms. We already have 3 platforms launched in the market. Some of them are with SAP, some with Oracle and there are at least 4 in the pipeline which are being built on other products. We have a source-to-pay platform on SAP with SAP R3 in the core. We have added certain modules which are required to complete the process and we also have added the capability of application management and BPO capability on top of it. Similarly we have Newspaper-In-A-Box for a publishing platform with SAP in the core. We have HRO platform with Peoplesoft in the core and we have more coming up. What is interesting here is that some of the layers on infrastructure management or communication layer are common and we can go on building newer platforms on top of this, common infrastructure, common capability. This is only a beginning. Once we learn the game of this - hosting, pricing, delivering on these kinds of platforms, we can repeat on many more. This is going to be a new line of business or a new growth engine for Infosys in some sense and this is keeping in line with evolution in the industry on the enterprise application services delivery. It helps the clients to move away from capex to opex because when we offer payroll processing or benefits processing or talent management or recruitment or performance management through our HRO platform to the client, they really do not have to make any capital investment. We may take a small on-boarding fee or the one-time fee to onboard them but they will have their employees being serviced on all these and payrolls being processed completely on our platform which means that they don't have to buy hardware. They don't have to buy software. They don't have to get the implementation done by us or anybody and so on. Going forward, this probably will be one thing which we will pick up.

I will talk little bit about our vision for the future. From this service line, our vision is to be the partner of choice with the customer and helping them in their transformation journey of building IT systems for them to be global. Partner of choice to key stakeholders in the global market for

enterprise solutions is our vision which continues to be so. Many of our clients have started telling us that we are the partner of choice for them. Our mission is to attain externally recognized market leadership in package application services as we go forward.

Enterprise solution services at Infosys has completed one decade, in 1999 it started. We are looking at the Enterprise Solutions 2.0 as the next wave wherein we will move from the existing base into building leadership in different ways. Today if you look at the analyst ratings of Gartner, Forrester, AMR and so on. In Forrester wave, we have already been rated as the leader and we are among the top 3 in Oracle and looking at the scores that they have granted, we are globally in the number 3. In SAP, we are in the top 5. Analysts have started recognizing our capability and putting us in the leader quadrant, leader wave. Customers also have started recognizing that we are able to help them in transformation programs. That's how we have won several transformation programs in the last half year. Shibu mentioned in the morning that we had 8 transformation programs in the first half of the year and out of the 8, 7 were in the Enterprise Solution space. That's good news and that's an indication of our capability which has moved up.

Partnerships are going to be the key for this. We are establishing strategic partnership. We already have partnerships with the product vendors like SAP, Oracle, TIBCO and so on but more capability is required with the infrastructure provider, with hosting data center provider, communication provider and all that which we will build. As we go forward, we will attain some vertical leadership in chosen verticals and then go for market leadership in this space. We have already started focusing on certain verticals as focus for this year, for example Retail CPG vertical in SAP and High-tech, discrete manufacturing vertical in Oracle.

Some of the strategies that we had in the last year - growing transformation business, vertical leadership, accelerating business platform-based solutions, IP commercialization, execution leadership, that is to continue to deliver on time within budget, that is continuing and geo-penetration into new geographies where we were not present earlier. For example we have a new and renewed focus on Germany and France from Infosys perspective. We are building capability, bringing in a country leadership and our front-end capability is being enhanced and we are augmenting our capability in China. We are present in Mexico, we are increasing that because lot of customers are asking for Latin America capability. We have a subsidiary opened in Brazil, we are getting more and more package implementation capability in Brazil. We were in Middle East and we had built up some client-facing and sales capability in Middle East, so we are getting more business through Middle East. Our focus on other geographies like Australia will continue. That is a market for us. In Japan we are already present. So we are continuing to build our geo-penetration further.

These are certain case studies. I will just leave a thought here that while in the last 12 months, the quantity of revenue had taken a beating and the growth had suffered in terms of the revenue numbers, the quality of work that we had done in the 12 months has been phenomenal. Transformation businesses have been won and newer delivery models, pricing models have been introduced. Our profiles in the eyes of the customers and product vendors have gone up. Strategic partnerships have started yielding results, strategies have started yielding results. In the last quarter we also have seen volume growth picking up and going forward I think we should be able to do well.

If you look at some of the case studies, the case study #2, here talks about one of the Home improvement major in the US where we have won a transformation program and executing it. Case #3, is about HR system that we developed and rolled out throughout the globe. #4 is about a company in Europe in the seeds and chemicals business. We have a transformational program

going on with them on SAP. Like that there are several transformation programs and good quality work is being done and the volume has started picking up which is a good sign.

With that I stop here. Are there any questions?

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Participant

What percentage of Enterprise Solution revenues would be from the new licenses sales and for the rest of the portion, what would the driver be? Would it be more linked to the revenue growth of your clients or would be it more linked to the capex cycle.

Chandrashekar Kakal

That's a good question. While there is a definite linkage between the licensing revenues of the product vendor and our services revenue, it comes with a phase lag. If the revenue for the product vendor falls this year, this year itself we may not get impacted, we may get impacted few years later. But still the enterprise licenses that they have on the shelf which have not been completely used up is one avenue for us to grow. Lot of global corporations have still unfinished agenda of their globalization and global IT system, still there are lot of global roll outs pending for large global corporation which is a source of revenue for us. The other source of revenue could be instance consolidations because during the hey days of ERP implementation in the 90s, they have gone for different instances in different countries and division. So they ended up with maybe 28 different instances today and trying to consolidate all of them into one to get a 360 degree view of their business globally. Because of that we definitely have a play there. Maintenance and support of the existing applications has to be done. Today about 38% of our revenue comes from support and maintenance. So enhanced growth of our clients is one source of revenue because as they grow and then introduce new services, new products and new geographies they enter, they have to enhance their IT systems, they will have to continue to keep spending on the IT system enhancement. Transformation programs, roll outs, support, upgrades, yes these are all sources of revenue. New license sales of product vendors, is definite source of revenue for us but even without that, there is still some more play for us especially in the large corporation.

If there are no more questions we can move into the open house. If there is anything more, you can ask your questions there.

Thank you very much.

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