

**CONSULTING AND PACKAGE IMPLEMENTATION****Mr. Rajesh Krishnamurthy**

Vice President

Hello everybody. Good morning and welcome back after the break. My name is Rajesh Krishnamurthy and I am going to walk you through a presentation on consulting and package application services.

I am going to present in three sections. I am going to first talk about the state of the business overall. Then I am going to talk about the application services market itself, some of the trends which we are seeing and what is the demand visibility and then I am going to run through our vision for the future and what are our strategies for growth. Some of these sections have been covered by my colleagues in their previous sections, so I am going to move a little faster on those one.

The consulting and package implementation service has seen a pretty strong and steady growth. If you look at the trajectory over the last 4-5 years, we have CAGR in excess of 40% and today we service more than 330 clients. Today, this particular service line represents almost 25% of Infosys revenues and we have seen significant expansion of customer penetration in the last four to six quarters. In fact, more than 30% of customers in this particular service line have been added in the last four quarters. We have about 13,000 plus employees. If you drill down a little bit into the components of this service line, we broadly operate under three economies. We have what we call is the Oracle economy, which is implementation services around all the Oracle products which is roughly about 40%. We have another 40% which comes from the SAP economy and about 20% comes from integration, BPM and other services.

From a geo split perspective we are marginally better than the company average. The company target is to get to a 40:40:20%, we are at about 60:30:10. So we are about half way there. From an industry vertical perspective, manufacturing continues to be a dominant vertical for us. It is about 33%. It used to be a significantly higher percentage. If this number was looked at 12 months ago, it was closer to 40%. So we have seen gradual erosion primarily because of the market conditions. But we have seen a corresponding pick up in retail CPG, in utilities and in insurance, healthcare and life sciences. Overall, it is a well-balanced unit. It has been growing well and a fairly balanced portfolio.

I am going to spend a few moments on taking us back in time to see how the entire application services market has gone through a series of evolutions. If you look at it 15 years ago, this enterprise application was primarily about ERP. Right? Then the late 90s, early 2000s, we started grafting other functional blocks like CRM, we talked about extending the enterprise, bringing the suppliers on the one hand, the customers on the other hand, advance supply chain management solutions. With all this came the need for integration. So that was the evolution into the early 2000s. Then further down the road in the 2000s, we saw Human Capital Management, Business Intelligence, business process management all getting grafted under the core technology blocks. Today, this space is strongly moved into a set of horizontal applications, into set of industry vertical applications, and into applications for real-time business analytics.

If you look at the Infosys footprint today, we cover the entire gamut of services right from supply side solutions for managing suppliers, customer solutions, managing CRM, process integration

through BPM and other services like HCM, BPO and infrastructure related to that. The other service which has really helped us enter into business transformation space and you heard BG and Ashok talk about it, is the consulting arm which has really helped us penetrate into the market of business transformation today. We have about 8 to 10 large transformation programs, which we are running for our clients.

I am going to move on to the next section which is basically a view of the overall enterprise application service in the market and what trends we are seeing. The Package Application Services in the market continues to remain strong. AMR estimates this at about \$70 billion which is a big number and the prediction is that even in a sluggish economic recovery scenario, it is expected to go to about \$75 billion. The way we define this particular space, we also have business process management and integration as part of this which is anywhere between \$3 billion to \$5 billion, so roughly we are talking about an \$80 billion addressable market spend in this particular space. Interestingly, what is happening is the space is actually getting redefined as we go on. A big percentage of this spend actually comes from the global 2000 customer base which is the Infosys target customer segment and over the period of years what has happened is the core ERP has got expanded and expanded and expanded and then there are new releases, new versions etc. and that is the reason why such a large number is still being sustained in such an efficient manner.

Overall, if you look at the split of the revenues from a geo perspective, it is really fitting into the 40:40:20 model and overall from a demand perspective, the demand for transformation related services are more or less the same. We haven't seen a big shift from what it was last year. Implementation and rollout which was stopped for a while and had slowed down, is again picking up. Companies are consolidating, getting ahead of different instances and trying to create more consolidated and centralized implementations. Customers are investing less on upgrading for the sake of upgrades, but support and maintenance related outsourcing services are on the rise.

Now what is happening on the vendor side. I covered the evolution of how the core ERP platform has now created multiple stacks and now we have ended up with this huge stack. If you really look at the way these applications have developed over a period of time, if you look at SAP or Oracle, lot of these new products have been acquired and they are probably built at different periods of times. If you look at the old technologies on which the original core ERP systems were built, the technologies date back to maybe 15 years to 20 years, whereas some of the newer applications are using some of the new technologies like Web 2.0 or SOA enabled etc. So if you dissect the applications stack, you will actually see technology which is very, very old, to technology which is pretty recent and cutting edge. And this creates a series of challenges for customers when they have to integrate these applications, when they have to make changes and the real challenge which customers are seeing today is that in a dynamic business environment when they need to adapt to a change which is happening in a market, their ability to make those changes and have their applications reflect these changes in a timely manner is really constraining them. Clearly, SAP and Oracle have realized this. And if you look at the new set of products which they are going to launch or they have launched, SAP has actually already launched Business Suite, they are doing a total rethink on what is the future state of enterprise applications. They are looking at more of a ground-up from scratch development approach. It is focused more on end-to-end business scenario implementation rather than a modular approach which used to be the case which is how the original ERP stack was created. There is an extreme importance of UI experience and user adaptability. They are looking at open standard, Web 2.0, SOA enabling reapplications and to enable applications to function in a more seamless fashion and all of it has been done to really strengthen the ability for real-time business analytics. And that is where the applications are going.

Now if you look at how these companies are traditionally partnered, SAP and Oracle have taken a slightly different view. SAP uses more of an ISV kind of model where they work with software companies who build specific vertical applications whereas Oracle has focused more on a co-

development kind of model where they work with certain companies to co-create certain IP which then the partner can implement over a period of time before it goes back into the standard software. Now we are partnering with most of the leading technology providers in different forms. For example, we are actually building about 25% to 30% of all the business scenario which are going to be part of what SAP's Business Suite will be selling. We have about 12 co-development projects which we are running with Oracle which enables us to actually build these products and gives us 18 months to 24 months window during which we will be the only SI which has knowledge about implementing that particular solution.

As we are looking at some of the effects of the downturn, business priorities have clearly shifted. There is an increased focus on costs, customers don't want to spend too much time on capex, they want to move to opex and continue to lower cost and fundamentally they want a better predictability of expenditure. So here the flexibility of pricing models, a lot of my colleagues have talked about the different pricing models which are evolving, in the last four to six quarters we have actually seen lot of these new models are picking up and we are seeing a significant improvement of pipeline in deals which are in these new models. We launched Infosys business platforms about two years to three years back and today, Shibu talked about this in his presentation. We have three platforms which are live, one for HR outsourcing, one for the publishing and media platform, Newspaper In A Box and we also have the procure-to-pay platform which is being built. Increasingly we are seeing a seepage of work which is in the portfolio of unit of work-based pricing where either it is work-packet based or ticket-based etc. and we have seen a real increase of services which we are delivering in these new models.

I am moving on to the next section; I am going to cover the vision for the future and our strategies for growth. The ES' vision has not changed. We want to be the partner of choice, for our customers, for our employees, for the product vendors with whom we partner with. Over the last decade, we have introduced a series of new services, we have expanded our portfolios and we have successfully delivered and created billion dollar plus business. Today we think we are at an inflection point, where from here onwards we have to look at deepening the vertical expertise, bringing more domain skills, creating a differentiation by investing in IP and in platforms and that will pave the way for us to get into either a segment leadership followed vertical leadership and market leadership.

I am going to briefly touch upon some of the strategies which we have articulated and some of these have been already covered. Growing to build the transformation business, this is one of the key strategies for Infosys. We had a stated goal that we want to generate about 20% of our revenues from transformation business. Today, we are pursuing about 10 to 12 transformation deals at any time. There are a few deals which we have won. There are a few deals which we have actually delivered on our commitments. For example, we have won a major transformation deal for a leading US city, to help manage its assets and to help its better weather situations like storms etc. Another one which we talked about is the deal for the media and ad management business. In terms of how we are progressing on delivering some of our transformational engagements, we have gone live with the first phase for the rollout of Oracle stack for a large electronics major and we have also gone live for the SAP EMEA regions for a European Chemical major.

Industry leadership - we clearly want to improve the positioning as a partner of choice for business transformation. While today if you look at the enterprise solutions services business, it is spread out over many verticals. We have decided that we are going to focus specifically on two to three verticals for the coming years which are going to help us establish an industry leadership. We have selected retail CPG and hi-tech and industrial manufacturing as a two verticals where we are going to make a concerted effort to increase our domain skills, increase our ability, increase our partnering and go-to-market with select partners, to improve our market positioning and to build a better pipeline to structure go-to-market activities with our partners.

Infosys business platforms - I briefly talked about this. So clearly here what we are trying to do is, we are trying to create a model where for certain core functional areas, we will create an entire stack, starting from infrastructure to the applications, to the operations, to the process outsourcing part, and offer that in a work unit-based or transaction-based model to our customers which reflects with the changing business needs of the customer. So what this really means is it takes away the first implementation effort for a customer, it is a platform which we will be able to leverage for multiple customers and it enables customers to quickly come to a standardized platform which incorporates all the best practices and is able to give lasting business benefits to the customer. The HR platform is an example of what we have done here. We are also looking at launching a platform for billing. We are looking at a platform for order management, which are platform which we expect to launch in the next three months to six months.

Accelerating IP commercialization - this was talked about, I am going to just talk about two specific things here. One is we have established a technology innovation center along with Software Engineering Technology Labs. The idea here is to help customers implement solutions in a faster way and to create IP which can be used in pockets to bridge the gaps which exist in deploying applications today. The other important initiative is co-creation with ISPs. I talked a little bit about how the major players in the market are kind of doing a rethink on their strategy. I think the important thing here is that we need to be the early mover and take an advantage of the co-development projects which we are doing today and we are making significant investment in co-creating the solutions along with the partners which allows us to be the first to take that solution to the market.

Executional excellence and geo penetration - execution excellence has always been a key strategy for Infosys. If you look at the portfolio of projects which we have been executing for the enterprise application services over the last four to five years, we have increasingly taken on more and more complex projects. And in spite of that we continue to have extremely high success rate of on time and on budget deployment. Today, about more than 92% of our projects still continue to be delivered on time and on budget and this is head and shoulders above the average in the industry.

Geo penetration - we talked about Germany. There are geographies which is under-penetrated from an Infosys services perspective and we have selected a few geographies, where we are going to focus on for the next few quarters. Germany is specifically one of them. The Middle East is something which we have been investing in over the last 12 months to 18 months and now we are seeing the results. Latin America - we have opened up centers in Mexico and in Brazil and we are supporting a lot of our global customers today out of these centers but we also want to look at this as a market and we are specifically investing in these countries as a market. India continues to be a strategic market for us and my colleague Binod will be covering this in a later presentation.

Here a few case studies of customer needs which have evolved over a period of time and how we have successfully partnered with them in meeting those needs. I am going to just take a couple. We recently won a large transformation deal on the PeopleSoft application stack for a home improvement major. This is a \$ 50 million plus deal. And we are looking at consolidating over 100 different legacy applications and sun-setting them and bringing them all back on to a single consolidated PeopleSoft platform which will serve almost 60,000 employees. I am going to take the another example of an Australian mining conglomerate, where we have converted the old contract which we are running on a T&M and a partly FP basis, which we have now moved into a complete managed services offering with year-on-year productivity, improvements and things.

We continue to be rated as leaders for SAP, for Oracle, also for CRM. In a recent report by Forrester, Infosys was rated the highest in value for SAP implementation and that is a big recognition of game-changing things which Infosys introduced in the market and the market presence which we have created in a pretty short time.

I would like to summarize by saying that the market conditions have been challenging. The product wins and strategies have been changing and evolving. At the same time customer needs have changed and they have evolved as well. And I think with all the investments which Infosys has made, we are geared up to meet the challenge and continue on this growth trajectory. Thank you very much.