

INFOSYS TECHNOLOGIES LIMITED

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CORPORATE PARTICIPANTS

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Thanks Shekar and Prashant. Let me also add my welcome to everyone of you. It is really our privilege to host this event here in Jaipur. As Prashant already told you, this is an environment friendly building. It is LEED-certified at the Platinum level, at the highest level of certification. This is part of Infosys' initiative towards becoming environment friendly, being a good corporate citizen. In the last 18 months, we have reduced our power consumption by almost 20%. Our new buildings are 35% more power efficient than our existing buildings. So clearly, you can see that this is a big focus area for us. It is also a big opportunity for Infosys and I will come back to this later.

Infosys announced its results very recently. TCS also has announced. My expectation is that this is going to be a good results season for the industry. When this downturn happened, we had given a guidance of a -3% to -7% or a decline in revenue (FY 10) and we ended with 3% growth. At that point, at least some of you were asking this question - Is the IT industry all over? Lots of questions were asked. Where is the growth going to come from? Will it ever be a sun-rise industry? At that point, we had said that there is a point in the future (we did not know of course when it would be) when we will see double-digit growth for the industry. Clearly it has come back to double-digit growth pretty fast. It's been just a year. For this year we started at 16% to 18%; we are now projecting 19% to 21% growth. So clearly, double-digit growth is back in the industry. At that point we had said that if you look at medium-term to long-term, many of the things which drive growth are still relevant. This Global Delivery Model is faster, better, cheaper. And if something is faster, better, cheaper, it must grow. And we have seen that growth has come back to the industry.

There are many other trends which are happening simultaneously and that is one of the reasons why growth has come back so fast. I will touch upon a few of these things and my colleagues will throughout the day take you through many of those trends. We strongly believe that these trends are going to drive revenue for Infosys and for the IT services industry, but more importantly, these are going to drive change in our clients. These are going to drive transformations in across industries. These are going to drive a better future for companies around the world, a better tomorrow for companies around the world. I will talk about it and my colleagues are going to talk about it in a more detailed manner.

Even though there is concern about economy around the world, even though there is concern about unemployment, businesses are spending money on the future. Businesses are looking at where the opportunities are. If you look at across the world, especially the large multinational companies, you will see that their top-line and bottom-line have improved from 18-24 months back and they are starting to spend money not just on operations, but on strategic and transformational initiatives. In many of the cases, the driver for that are the things that we have chosen.

When Infosys started, our model was to deliver Application Development and Maintenance remotely from locations in India. The Global Delivery Model had to be proven. We started with developing applications, maintaining applications from India, providing technology solutions and services from India. That was how we piloted and established the Global Delivery Model - the processes, the quality systems, the technology that is required in order to make sure that we can leverage Global Delivery Model for Application Development and Maintenance.

Once we established the Global Delivery Model for Application Development and Maintenance, we said let us look at adjacent services and adjacent areas where we can use the Global Delivery Model to further disrupt the services. We expanded into consulting, package implementation, system integration, infrastructure management, business process outsourcing, etc. So, the 90s were the time when we were fine-tuning our application development, maintenance, creating a pure play GDM organization that can scale up the GDM's model. When we scaled up, we also looked at adjacent areas and services and expanded in this too. Starting 2000 onwards, we have expanded into adjacent areas. Many of those services today are about 7% to 8% of our revenues or more. Consulting and Package Implementation today is 25% of our revenues. But if you look at

infrastructure management, system integration, BPO, etc., these are 7%-8% of our revenues. So significant growth is possible in the future. If you take BPO alone it can be even bigger than IT services because that addresses something like 15%-20% of spend for our client organization whereas Information Technology typically addresses 2%-5% of expenditure for our clients. So there are significant opportunities to grow in these services. That is the second, let us second phase of our growth, first being Application Development, Maintenance and disrupting ADM through using Global Delivery Model. The second phase is looking at other services which can be disrupted through Global Delivery Model.

We are at the third phase today. In the third phase, there are multiple things happening. One, Global Delivery Model has become mainstream today. The companies who deliver services using Global Delivery Model have become big. The global system integrators are also adopting Global Delivery Model today. So this has become mainstream. If a company today looks at outsourcing any service, they would request the vendor to provide them a solution based on the Global Delivery Model, a solution based on remote delivery of services. These suppliers are expected to understand the business much better. There is another reason why this is happening. Businesses today want business results. Technology by itself will not provide them the business results. The output or the solutions, that is what is providing the business results. If you can deliver faster processes to a business, that means you can take more orders, you can ship more goods, you can close your books faster, you can leverage information to provide better patient care, you can leverage technology for higher inventory turn. That is what is going to bring in business benefits. So, companies like Infosys are expected to understand businesses and provide business results rather than just provide technology or a service. You need to understand business trends better, you need to become closer to your customers, closer to your clients and understand what drives change in client organization. This is another reason why we are investing heavily into these themes and solutions around these themes.

The phase where we are today, which is as I said Phase III, has some other drivers also, some of which are driving the change which is again based on technology. But there is a business model change that could be happening.

In Phase I and Phase II, the services were delivered primarily on an effort-based model. It could be Fixed Price, it could be Time & Material, but the services were delivered based on the effort spent. We were part of the capital expenditure cycle for our clients. The application would be developed first, that is a capital expenditure for the client and it would be maintained. Of course, the maintenance and operations were part of the revenue expenses of the client. But when you look at the cycle in which we operate it is truly the part of the capital expense cycle. The risk was also less on the supplier or the vendor and more on the client, more on the business.

In Phase III, there is a transition to more variable pricing. The model is less dependent on effort, more dependent on outcomes. Rather than based on input cost, now you are going to look at output cost and outcomes. Why? Primarily, because of technology being available today to do that. That is cloud computing. Second, companies want more flexibility, more variability. What we have seen in other cases, if there is one company in industry moves to this model and gets benefit of that, the rest of the companies are going to also follow because of the competitive pressures. So I strongly feel that cloud computing is going to accelerate, it is going to get implemented faster than what we think it should do. Use of the cloud computing is going to be faster. In the last one week, Gartner had put out a report which said that the spend on cloud computing is approximately \$60 bn going to more than \$120 bn in the next 2-3 years or something like that. That means doubling in the next 2-3 years. There is a lot of other data points like these, which also reiterate that cloud computing is going to take off. The Phase III would include cloud in a big way. Phase III would of course still use GDM. Phase III would include a way for us to embed cloud in the services we deliver.

Prashant already talked about this center delivering HR platform to our clients. That is a response from Infosys to take advantage of this move to cloud computing. So Phase III is about cloud plus services. Phase I was GDM embedded into Application Development and Maintenance, what I would call GDM plus ADM. Phase II was GDM-plus services, how do you take GDM to a broad range of services and Phase III is cloud-plus services which is the phase in which we are.

There is one other trend which is actually quite interesting. Software today has become mainstream. Everything we touch today is using software. Be it the vehicles we travel in, how airlines operate around the world, how our own appliances at home, TV or refrigerator, any of these devices or appliances is being used, everything has software. If you go into a hospital, all the medical equipment has significant embedded software in them. Defence again has software. Everything we touch has software. In fact, everybody is starting to blame computers and software for all the problems in the world also. When this economic downturn happened, one of the article I liked quite a bit was in New York Times which said that "Computers are the Cause for the Downturn." Because if it were not for the computers, you would not have real-time trading, you would not have a global financial industry, the ripple effects are felt all around the world instantaneously, you would not have created these complex models, quants etc., if it were not for the computer. So the computers are the true cause for the downturn.

Anyway, the awareness is coming that software is integral to our lives and software is very important. It means that the quality of the software is of paramount importance; reliability is very important; the need to create an environment in which you can certify software is very important. The liability for poor quality software is going to increase over time. I strongly believe that it also will be reflected into the processes we use and the people we use to build software.

That is why at Infosys we have started to look at certification of our employees. Today, there are no standards for certification in the industry. In the 90s, every large company which wanted to be a global player, which wanted to be a leader, went through CMM certification, ISO certification. The industry actually adopted models and got itself certified and quality definitely improved. Now it is shifting to the individual level- architect, software professional, every one of them will have to be certified over time and industry standards would emerge for the certification. Academic institutions are not producing enough computer science graduates. The onus is on the industry to create the standards and create the certifications. That is why Infosys has taken leadership in this regard and we are certifying our employees and you will see that the project managers are PMP certified, architects have certifications, software professionals have certification. Every person who is deployed on a project would be certified. We have embarked on this journey and it is only a question of time when this will become a standard practice in the industry. Clients are demanding now that people who are deployed on their projects are certified. You will need processes which are at high level of certification. You will need of course software and tools that are of high quality and you will need high quality people. The way for you to convince your clients about high quality people is through certification. So certification will become standard practice in the industry.

I talked about some of the trends. Clearly, the need to become strategic, closer, add more business value to clients is there. There are significant trends which are going to drive transformation and changes in client industry. As software has already become mainstream, the need for certification of your employees becomes necessary. Cloud computing will have a significant impact on how our services are delivered and business models would change. So there are multiple opportunities for us and you will see throughout the day, how Infosys is responding to these changes.

I started saying that double-digit growth is back in the industry. Now is it all good when you look at the future, everything is fine or is there a problem, is there any issue there? There are actually. We are still in a very uncertain period. What I say is that there are distant clouds. Now as you come closer, simple rain is nice. Somebody was just now saying that all of us brought rain to Jaipur and

they are all very happy because it is very dry and they were worried about water in the future. So rain is good. But let us say it becomes a thunderstorm or a cyclone, than that's trouble and we are not sure at this point and when you look at the horizon and see the distant clouds, is it just simple rain clouds or is it much more than that? There are uncertainties there and it translates to the ability to forecast and the ability to confidently invest into the business.

Why is it important? If you look at this year, Infosys is going to recruit 36,000 people. About half of those are campus hires, offers we have already made in campuses, etc. Now, 36,000 translates to almost 9,000 a quarter. But most of them are of course the campus hires coming in. If you see higher growth opportunities within a quarter, you cannot respond fast enough because of the lead times in recruitment. The recruitment cycle is already over because the campus recruitment is over etc. What I am saying is that in some sense, the growth rate you would be able to deliver is based on your ability to forecast because of the size and the scale of operations and the lead times in recruitment. You can stretch your utilization levels by 2%-3%. You can maybe go to market and recruit a few people here and there but not much more. In that sense your ability to forecast will decide your growth rate. So when you look at the next financial year or next 2-3 years, what is the growth rate thing you can assume? Is it single digit, is it double digit, is it more than that? That is the challenge actually. Your ability to forecast because of the uncertainty about the future is a concern at this point. We cannot of course talk to you about what is the growth rate etc but looking at this year, seeing how fast growth has come back, this is something which we are all grappling with.

I have a couple of slides. I just want to share with you the context of where we are and how we are looking at the future. This is the Safe Harbor statement

Our vision has not changed. Lots of changes have happened but certain things do not change. Our vision has not changed. "We will be a globally respected corporation that provides best-of-breed business solutions leveraging technology, delivered by best-in-class people". Our values do not change. They stand for CLIFE – Customer Delight, Leadership by example, Integrity and transparency, Fairness, pursuit of Excellence. Our business model does not change - Predictability, Sustainability, Profitability and De-risking (PSPD). We have been talking about PSPD for 20 plus years. We want predictable revenues, we want sustained revenues, we want good profits for the business, profitable growth and we want de-risking. You will see us consciously acting on these things in every decision we make. Our mission has changed in the last 2-3 years. We were looking at trusted partnerships. Today, we are talking about strategic partnerships for building tomorrow's enterprise. This is because looking from a client perspective, looking from a prospect perspective, we believe that all of them are focused on building a stronger business for tomorrow, building tomorrow's enterprise. Our goal is to be a strategic partner for that, our focus on trends, our focus on solutions, our focus on broad range of services, our focus on building long-term relationship with our client, our focus on profits so that we can reinvest back in the business, is all driven from our mission. Our aspirations are to balance our revenues between business transformation, strategic sourcing and new engagement models. What we call TOI, not Times of India, but Transformation, Operations and Innovation. One-third from each of these.

We want revenues across geographies, 40-40-20. Europe has actually taken a beating at this point in for us. It went up to 28-29% of the revenues, it has now come down to 20% of revenues because of the slowdown in Europe as well as the depreciation of European currency. But we are proactively investing in Europe and my colleague Shibulal will talk about some of those things. We are focusing on Europe and we still believe that Europe has to be 40% of our revenues. Europe is the second largest economic region, at least for the next 5-10 years. Maybe beyond that, we will have to look at China, India etc., which are part of our investments. The Rest of the World - China, India, Brazil, Mexico, all these are factored. We want to get to 15% of global talent. We want to have industry leading financial performance. So these are our aspirations.

This is what we call the strategy map. At the top, what our business is looking for? Businesses are looking for revenue growth, profitability, asset efficiency. I have highlighted trust. In today's environment, trust is extremely important. Trust in businesses is declining. Of course CEOs are the lowest in terms of even as low as politicians, I am told globally from a trust perspective. But I strongly believe that one of the challenges for business is to build trust with all the stakeholders - Employees, customers, consumers, clients, as well as society

The themes which we have chosen: Digital Consumers, Emerging Economies, Sustainable Tomorrow, New Commerce, Healthcare Economy, Smarter Organizations and Pervasive Computing. My colleagues are going to talk about it a lot. So I will not spend too much time. But these are huge opportunities. These are opportunities which will drive significant transformations in our client organizations, significant revenue for our client organizations and hence are significant for us.

Our offerings are into three buckets: Transformation, Strategic Global Sourcing (Operations) and New Engagement Models. We have all our solutions, services aligned to these. At the bottom, these are the capabilities we are building. These are the investments we are making. Infosys 3.0, which is the third phase of our growth. The branding is also required around that. Initiatives like business value articulation, looking at adding new clients, deepening our existing relationship, expanding the markets in which we operate, creating a smarter Infosys, similar to smarter organization, research and innovation, the number of patents we file, number of IP we create, number of solutions we create, strategic alliances, especially when you look at business models around cloud etc., strategic alliances are important, continued focus on execution excellence and productivity. We have to make sure that we do not miss out on quality. This is a stable stake at this point. You have to make sure that your quality is still very high, your productivity is high etc, managing our talent and leadership.

So this is the strategic map. The client-focused investments, client-focused offerings, what drivers transformation and change and what is the measure for success for our clients. If we are aligned to those success measures, then we will be successful. Ultimately that is what any organization is looking for. We want to make sure that we are aligned to that and our success is aligned to these.

So thank you very much. Again, let me welcome you all to Jaipur.