

**INFOSYS TECHNOLOGIES LIMITED**

**ANALYST MEET 2010**

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Topic: Operational Highlights

**CORPORATE PARTICIPANTS**

**S. D. Shibulal**

Infosys Technologies – COO

**S.D. Shibulal**

Good morning everyone. Once again welcome to Analyst Meet. It is a great pleasure for us to host you here. This is one of our newer campuses and one of our most green campuses.

Kris talked about the strategic map, the intentions, and where we are today. Before I start, I just want to look back once more and just reiterate that when you look at our last 10-year journey, there have been multiple strategies which we have implemented. For example, Kris talked about the shift from Application Development and Maintenance, to a full service provider. Our revenue was about 72% from ADM in 1999-2000 and today it is about 42%. That means while the company has grown multi-fold over the last 10 years, we have been able to shift our revenue of ADM from 72% to 43% and create new revenue engines. The ES service which was started in 1999, today is at a billion dollar. The services which we started about 5 years back - infrastructure management, independent validation, system integration, business process management; these are all at \$250-\$400 mn. Each one of the services, every one of them has the potential to reach billion dollar in the next 5-7 years. It has the potential, whether it will reach or not is something we have to wait and see but they do have the potential to reach very large size. We have constantly innovated and implemented new services. We have innovated in the services. For example, when we started infrastructure management service, Global Delivery Model was not applied. It was not common for infrastructure to be managed remotely. When we started enterprise solutions, it was not common for packages to be implemented in the Global Delivery Model. So we innovated those methods which have allowed us to create these new revenue streams.

Kris talked about Europe, it was our strategy to grow in Europe and we have done well though it has taken a beating now. Even a simple thing has moving out of Bangalore. In 1999, we were 99% in Bangalore (in terms of headcount) and today we are approximately 19%. So in 10 years, we have shifted our centre of gravity in delivering services from 1 location to 10 locations.

Our strategies are usually 5-10 years and once we decide on a strategy, it is all about implementation and operations. In the next few minutes when I talk about operations, these are operations which are meant to enhance our strategic intent. They are meant to enhance our capabilities in the direction of what is required for making sure that our strategies are succeeding.

Shifting back, when we started last year, we had given a guidance of -3% to -7% and we ended the year with 3% growth. The reasons were multi-fold. We applied 3 important strategies during the year which made it possible. The first one was that during a tough year, we decided that we will invest more into our clients. If you look at last year, in the year in which the revenue was flat, we invested 33% more into the Client Facing Group. We started out the year with about 700 people in client facing group and ended the year with 1000 people. So in a year in which we were expecting the revenues to be flat, we decided that this is the time where we should be closer to the clients. This is the time in which we should be supporting them through their tough times and that has paid excellent dividends. We have not only seen growth last year, in the last 3 consecutive quarters, we had excellent growth. Last quarter growth was probably the largest in percentage terms over the last 6 or 7 quarters. So that was about investing into clients.

The second important thing which we did was honoring every single employee commitments we made. By the time we entered the downturn, we had 18,000 offers in the market. We honored each one of them. We extended our training period. When the downturn was over, what happened was that we had abundant supply of excellent talent which was very well-trained which came into the system. Along with that, we had focused on certifications and rolling out iRACE which is a new model for employee development at Infosys.

We also worked on our strategic blueprint. So what you saw today and what Kris presented - the strategy map was an outcome of the work which we did in the last year. Now on each of those client themes, we have a dedicated set of people who are doing research, who are creating case

studies, who are building solutions and who are focused on creating enough thought leadership and intellectual property which we can take to the clients. You will see those during the day in the presentations made on some of those themes.

Now talking about operational highlights and investments, I will start with an update on geographies. We continued to expand our geographical footprint in multiple ways. As Kris said, Europe is an extremely important part of our strategy. We have invested in Europe over the last many years. Europe has taken a beating but even while we invested in Europe, lot of the growth had come from U.K. where continental Europe today contributes about 40% of our European revenue. Now we have shifted our focus to Continental Europe, starting with two countries - Germany and France. We have appointed country heads for Germany and France. This in fact is a slightly new model. We have seen success with country heads in places like Canada, Australia. We have learnt from those experiences and we are now trying to do the same thing in Germany and France. We have country heads appointed in Germany and France. They are building local teams. The most important thing in these countries is to build local teams which understand the local business environment, the local culture, the language capability. These country heads will build a team of consultants as well as sales folks who are local and that is in progress. We have strengthened our operations in Latam. We opened our second DC in Monterrey, Mexico. The headcount has now reached 414 (Jun-2010) and we are serving approximately 31 clients. Last year, our revenue from that DC was about \$5.2 mn. So good progress in a very limited time which is in line with expanding our global delivery capabilities into various parts of the world.

We also opened a center in Brazil and the headcount has reached 116 (Jun-2010). We today serve about 8 clients out of the Brazilian center. This is another one of our fast growth initiative which has been opened probably only for 8 months, we have started generating revenues from Brazil. China center has finally arrived. It has taken sometime because of the challenges we faced predominantly from the clients, challenges in terms of acceptance. It took a while to convince the clients that it is not China we are asking you to accept, it is Infosys China what we are asking you to accept. I think we have been finally able to go over the hump and the global delivery activity from China has really picked up last year. The number of people has crossed 2,000 as of right now and it is quite profitable very much in line with Infosys profits. This year, we expect China Development Center to grow. We are also going after the Chinese market. We have taken our usual approach of doing it by ourselves, not having a JV or anyone of those kinds of vehicles which means that it will be a tough battle to fight. We generally are not able to bid for the project in the PSUs but we believe that there is a good potential and we will continue to grow in the local market in China. We are expecting it to grow quite profitable. We are expanding in Australia and New Zealand. One of the things which we did last year in these two countries is to create a consulting group. That is again very much in line with our strategy of the 'TOI' which Kris talked about, the 1/3-1/3-1/3 direction which we are trying to take. Of course, we have made lot more progress in the T part rather than on the I part and their consulting group in Australia and New Zealand is suppose to help us move in that direction.

Another activity we have done in the T part is to expand our Infosys Consulting. Last year, they opened a subsidiary in India which is about 120 people and the total strength in the consulting group today stands at about 600. The revenues are close to \$150 mn, but one should look at the consulting revenue in a much-much broader sense rather than looking at IT alone. If you look at any industry definition, consulting, system integration, and Enterprise Solutions need to be looked as one single group and that is the industry definition, especially the implementation part of the enterprise solutions. You do not have to add the maintenance part of the enterprise solutions. That is when Kris talked about the 25%-26% revenue that is the portion we are talking about. We are in the geographical expansion. We are expanding within India. We have won a well-known project with the Income Tax department and it has stabilized very well. Mohan will tell you that we are today processing about 60,000 returns per day which is a fabulous achievement. We are

expecting that the number of returns per day will go to about 100,000 over a period of time. We have that kind of capability in that center.

Let me touch upon some vertical footprint expansions. We are investing into multiple verticals - life sciences, services and the commodity side. There are multiple expansions which are happening in the vertical side. One of the important one is Infosys Public Service announcement which we have made. We have now appointed a CEO for the Infosys Public Service and that is Eric who is here today and he is building a business plan as well as trying to create a team of people which will address the \$70 bn U.S. Public Services market. Probably, we will start with the Federal and then move down to the state over a period of time. Now we have a CEO and a business plan. So the things will move much faster. As I said, we are doing investments into life sciences, into retail as well as into smart grid. BFSI continued to lead our growth and as you know last quarter, they contributed 36% of our revenue.

We are also expanding our service footprint as well as our non-effort based pricing areas. Last quarter, we acquired McCamish which is a platform. It is very much in line with our strategic expanding our non-linear growth initiatives. There is a lot of investments going into the non-linear initiatives which we called the 'I' part and the 'I' part consists of 3 different pieces. #1 would be the IP-based revenue, #2 would be the platform and solutions-based revenue and #3 would be the non-effort based pricing models. On the IP-based revenue, we have rolled out iEngage, we have rolled out Flypp, we are rolling out \_\_\_\_\_ for manufacturing segments. That is in progress. We are investing into them and the revenue numbers actually will show up during the day. On the platform side, the HRO platform, the McCamish platform are seeing good traction in the market. On the solution trend, we have multiple solutions being developed.

The non-effort based pricing models are being applied to various service lines. For example, BPO is doing transaction-based pricing, infrastructure management is doing device-based pricing, independent validation is doing functionality-based pricing. So these pricing models can be applied across the various service lines. Even in maintenance, one can do ticket-based pricing. As Kris said, the idea is to give more flexibility to the clients, convert CAPEX to OPEX and allow them to scale up and down as per their business needs. That is the idea behind the non-effort based pricing models. So our revenue from these initiatives, the 'I' part today is approximately 4.5%-5% excluding Finacle. Finacle is not included in this. So we are about 5% and the expectation is that our strategy will move that revenue forward towards our goal of 33%. There are other products which we have launched like iTransform in which today we have 6 clients. The product is meant to allow these clients to move from their 5010 standard to ICD-10 standard. Eric is here, he will be able to give you more details.

I just have a brief update on the transformational side also. Right now are running about 20 transformational programs of very large size. These are not all the transformational programs we are running. We are running about 20 transformational programs of very large significant size and we have a very strong pipeline of transformational program. Our revenue, as Kris said, is somewhere around 26%.

The last part is on the employee side. We honored all the 18,000 employees last year plus we did lateral recruitment. Last year, we got about 400,000 applications and interviewed about 61,000 and 26,000 job offers. This year, the number is 36,000, probably one of the largest recruitment which we have ever done in the history of Infosys. We have already committed to the numbers. We are going to the campuses. We have increased our training period. We inaugurated our global training centre in Mysore which can house around 15,000 people.

We have had multiple awards and recognitions during the year. We were ranked among the 50 most respected companies in the world in 2009. We were ranked among the top 25 companies in BusinessWeek's InfoTech 100. I have a huge list here and I am going to skip most of those.



To conclude in a very challenging time, we have done exceptionally well. We started last year with a negative growth projection and ended the year with 3% growth. We have had 3 consecutive quarters of strong growth and one of the highest volume growths last quarter in the last 6 to 7 quarters. During a very tough year, we have invested. We have created a new strategy on which we are executing. Our investments are in line with our strategy map and each one of those themes has intellectual property, solutions and platforms behind it. We clearly believe that this will allow us to differentiate in front of our clients.

Once again, let me welcome all of you to Jaipur and thank you very much.