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CORPORATE PARTICIPANTS

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Subu Goparaju

Good morning and pleasure to be here. Thanks for being here.

It is quite possible that some of us have met last time in the last analyst meet. Once again my pleasure to be here and share with you some of the things we are doing. You have probably seen in our annual report this year, a brief description of all the seven key themes that we are working on under the name 'Building Tomorrow's Enterprise' because we believe that most of the companies should be taking these significant changes into account while preparing their strategies and business plans and we have started having conversations with many of our clients. I along with my colleague, who is the head of corporate planning and business assurance, we have been actually having conversations with many of our clients especially with the senior leadership. We have probably so far spoken to more than about 35-40 or so and it is quite obvious that these key themes and the ideas that we are talking about are resonating very well and we are also conducting workshops in helping them prepare their plans etc. Let me go into a little more detail about the New Commerce scheme.

If you have seen our annual report there are 3 key ideas around what we are talking about New Commerce. We believe that the technology changes, demographic shifts etc. are actually creating the opportunity as well as need for organizations to embrace some New Commerce models. The core essence of the thing we try and articulate with the help of 3 key words - Micro, Mobility and Inclusivity.

Let me go into the details of those things but I am sure all of you are aware of and infact may be many of you are users of iPods and **iTouches**, and **iPhones** etc. and are also active users of iTunes. Earlier I used to say that many years ago when iPod was released, there were probably many other mp3 players and music boxes etc, but the combination of iPod and iTunes was really a key differentiator for Apple. But when we actually looked at it even more we realized that it is not only the combination, what really made things possible was this idea of 'Micro' because earlier if one had to buy music they had to buy the entire album. Most of us did that also but it was suddenly possible to buy a single song at \$0.99 cents and it is not that people did not have the desire to do that earlier. Earlier it was not possible, it was not viable to sell a single song at a time. It is the digital equivalent of what many people actually talked about shampoo packets. You are not only downloading the thing, you are also paying that using a credit card, not long ago it was not possible to have used credit cards below a certain transaction clause. But today it is actually possible. It is viable. Technology is making it possible to have micro transactions and micro payments and most organizations are recognizing that they couple that with the opportunity in our emerging economies and most importantly the next 2.5-3 billion people whom they want to address, the real way is to kind of re-orient their offerings and solutions and services to really make them available in micro units. Therefore how do they really rejig there processes and systems in order to be able to offer them at micro levels? We see that as a big trend and helping organizations transform themselves to capture that market is again a huge opportunity for us. At one time people wrote newspapers off saying that now everything is available on the web and newspapers are going to close down and newspapers did go through a very tough time. But they are actually creating new business models where infact in US, you would actually see that there is this new term, may be in India also people are using is, 'viewspaper' because news is the same everywhere. But there is still a lot of value in somebody's views and nobody will appreciate that more than people like you and many of those things are being sold. Many of you are doing weekly subscription of Financial Times etc. So it is a big trend. Similarly on Amazon Kindle, you can actually buy books or buy pages whatever it is.

The second big thing we see is 'Mobility' and when we say mobility we do not really mean mobile technology alone though the technology is making it possible, is the mobility of everything - mobility of resources, mobility of people, mobility of work, mobility of processes. In the last several years, through outsourcing people did do that to some extent, but today technology is making it

possible to do that a lot more frequently. Connecting it to the previous theme, even at a micro level you can take a big chunk of work, break it into several pieces, give it to a lot of people, get it back. There is a company called Li and Fung which actually can do any kind of contract manufacturing work for other companies. It has a huge network of suppliers. They can take a piece of work from someone and break it into several pieces, get it done by their network and then bring it back, rejig it and deliver it back. Was the need there earlier, absolutely yes, but today it is becoming more possible because technology is making it possible to re-define work and break it, distribute, get it done and bring it back again. Organizations need to look at this trend very seriously and redefine or transform their processes and systems to be able to do this.

Enough has been talked about the inclusivity aspect. Most organizations recognize that growth really is in the emerging markets and probably every decade there is a new emerging space. People talked about BRIC countries, it happened and now people are talking about with certainty. But what is the key change for most of the organizations, I think there are a couple of key realizations here. Number one, again this is linked to the Micro, but in most emerging economies organizations are recognizing that the innovation model that worked to give a quality life to the first billion or billion and a half people in the developed countries, those innovation models are not going to be enough to give quality life for the next 3-3.5 billion people in the emerging markets. We have all seen where MNCs brought the products and offerings that worked in their countries, a cut down version of those things, or stripped down versions of those things were brought to the emerging markets and they were sold only to a few people, not super successful. The next stage was when people recognized that these economies are talent pools and they could fill product, probably aimed at developed countries, also selling a little bit in these countries. But now the third important phase is, most organizations recognizing that these countries are not only talent pools, they are not only markets but they are also key innovation hubs because these countries require very different kind of innovation models, what we call low resource intensity innovation model. How do you build a product here because lot of people here cannot afford a very high cost product? We need air-conditioning but the models that work in developed countries will not work here. We need a refrigerator but the models that worked in the developed countries will not work here. Most companies are recognizing that you can actually innovate here, work with people here and those innovations can be taken to other countries as well. That is a major opportunity and the path really here from an inclusivity perspective, is not only about giving these people these low-cost micro kind of things but it is also about creating a market for what those folks can do for their products and their services. If you look at it, companies like Wal-Mart, started in Mexico, a Wal-Mart bank for micro lending and I am sure you have seen everywhere hoardings saying that medical insurance being offered at Rs. 2 and Rs.3 a week or a month. Most organizations that we speak in developed countries they actually resonate and they fall off their chairs because they are seeing that something like this is possible and they need to re-jig their operations, systems and processes in order to be able to do this if they want a feasible market. So again all these are key trends and we believe technology is making it possible and we believe in order to succeed, tomorrow's enterprises will need to embrace this and the opportunity is huge. If you look at these emerging economies as well as the changing requirements even in the developed countries, without this new thinking, people will not be able to succeed. The numbers are there. We believe this is a huge opportunity.

What are we doing? We are building our offerings and solutions to help our client embrace these key themes. I will probably talk about a couple of those things. We will not go in to too many details. We have the solution- Finacle rural banking. Most banks in India are interested in offering services to people in rural areas. This will be an example of not only creating a solution for inclusivity in India, this will be a key example for an innovation from here that can actually be taken to developed countries because obviously you know about this area much more than I do. Even I was very surprised to know that even in a country like US, something like 30% of the people are unbanked. They do not have a banking account. Therefore a lot of advantages that can actually accrue to them by being part of that financial system, they are not a player to that. If this can be

done in a very low cost manner using technologies like mobile etc., they can be taken elsewhere also and that is our key focus. How do we build here and then take them there.

Second aspect is, like I talked about Micro, it is given that mobile as a platform is going to be the most important platform in everybody's life whether it is a knowledge worker or somebody at the bottom of the pyramid. This is a key platform to provide services and offerings to them and engage them. One key development in this is, you would have noticed, today nobody just sells the device. A few years ago we used to say that the key challenges with the mobile device were, we used to say the form factor, what is the screen size, the battery life and the bandwidth. Today we do not talk about those things anymore. The form factor is no longer an issue, battery life is an issue but people do not care, they have enough stuff and bandwidth is not an issue when you are actually able to do video calls. Today the biggest thing, the trend now is no mobile device comes without a portal, without the ability for the consumer to download content and application. Today unlike a PC which is used for longer duration but less frequently, this is a device you are going to use lot more frequently in a day but in shorter durations. You will be using it to check content or download apps, play or whatever it is, so from playing to doing something very serious. We believe that for most of the people in that ecosystem, it is not enough to create a full device. It really needs to go with a portal, content and application. Not everybody is one of the large players to be able to do this stuff. Flypp is our white-labelled offering to help these people to take a complete consumer experience along with their mobile device. We see a lot of potential there. The next one is how do you engage the Digital Consumer? Sandeep will be talking about it. Three-screen convergence is another big thing that we are focusing on. We believe that the three important screens in everybody's life are the TV, Web and the mobile and you are always spending time with one of these three things when you either want to look at some content in different ways. While people have so far looked at how do I know the context and make the same thing available on all the three, the new trend really is not just about making the content in all the three screens, it is really about how do I understand the behavior of the customer with one device and use that intelligence when he is using the other one. We have created this. This is a patent pending thing, 3-screen convergence platform which we are actually piloting with one of the very large telcos in US. They have licensed this to show to their clients. That is another big piece we are very gung-ho about. Lots of banks in India are interested in rural banking and the Finacle rural finance is about that. I already talked about this plus even in earlier session you have been exposed to this.

This is again how we help banks to reach to these people in rural areas. From an Inclusive perspective as well as at the bottom of the pyramid perspective. This is going to be used to give them financial services, disbursements and it is again a huge opportunity. One last thing I would like to talk about is, you can actually say from an inclusivity perspective is, iProve is a platform we have built to help companies make their websites and other content-viewing things more accessible.

Let me just ask a question, probably all of you know when you watch most of these movie channels, especially the English channels you have subtitles also, any idea how those titles happen and why it happens?. It is because of regulation, to make people, all the people with hearing disability to be able to equally experience and enjoy the stuff that is happening on TV. The same thing is coming on to the web also. In US and other countries, it is quite possible that these things happen in other countries as well. In fact there is a company which was sued by a customer because he could not experience their website the same way because he had some disability with his eyes and he was actually awarded \$2 mn. Those things happen in US. Now this is a very serious thing. Every company needs to look at what they are actually saying on their website or any other media and make sure that it is not discriminating, it is equally experienceable by all the people. We have this platform called iProve which examines the website and identifies where it is not conforming or complying with all those things and what needs to be done. This again is a huge opportunity. We already have used this in more than 6-7 instances.

Those are the things I wanted to talk about. Why do we believe these key ideas are very important and why every organization is looking at them and what are some of the things we are doing.

Let me stop here. I actually did not keep my promise, took much more than 15 minutes, but I think we have some time for questions.

Unknown Speaker

Hi, can you just give a simple example of how Flypp and iEngage work so that we can understand it better.

Subu Goparaju

We believe that your mobile phone is really no longer just a call-making device. You actually use a lot of applications on it and download a lot of content. Even before a mobile phone, even something like I said an iPod and iTunes combination, iPod became very powerful because it gave the ability to download songs directly into the device. In a similar way, a phone is very powerful if you are able to download content and application. If you look at Apple portal, apparently there are many apps. People constantly search and downloads the apps and use them and these are from games to something very serious, that tells you about may be location-based services like restaurants and hospitals. There are a variety of applications. Even in India if you actually see some of the smart phones. Many of the smart phones actually come with some really cool applications. The point is while they are some large companies who can actually do their own portals and development, Flypp is a platform that is a white-labeled one, which they can use to accelerate. They can focus on the device while we will help them focus on really the differentiating piece about creating the portal, putting the content there, putting the applications there which their consumers can download. This is really platform that we are already pre-building which anybody in this ecosystem, whether it is a device manufacturer or a provider can use and make the platform available to their consumers in an accelerated manner.

iEngage is a social media platform. The belief and the trend especially in the consumer space, it is very important for organizations to constantly look at the consumer behavior and one of the biggest channels of understanding consumer behavior are blogs and Facebook activity, twitter activity etc. People are spending a lot of money and time analyzing what is being said there. The key difference is when you have your databases which are within the organization etc., when you do some kind of business intelligence, the answer that comes up is more or less pretty accurate. But when you are analyzing all the activity on the web, there isn't anything like an accurate answer, it is really an inference that you are drawing. When hundred people express an opinion and when you are actually trying to draw some inference, it is just an inference. It is not 100% accurate and you are today forced to make your business decisions based on the inferences you are drawing from the opinions that are expressed on media like the web etc. So it is very important for every organization to listen to social media. People cannot build those platforms entirely on their own. We have built the platform so that people can actually roll out their own platform in an accelerated manner.

Unknown Speaker

I mean just to understand it better for example, lets say an FMCG company launches a particular detergent, they want to understand what is the feedback then they use iEngage, is that how it works?

Subu Goparaju

They already have the platform. They can then understand what is going on. It is a way of engaging with all your stakeholders especially with your consumers.

Unknown Speaker

For each of these platforms that we have - Flypp, iEngage, how many customers have we signed on and what could be the market size for these, what are competing products there, who have similar sort of proposition and how do we stand?

Subu Goparaju

The market potential is huge. Like I already mentioned, in this ecosystem of devices and communications and data, etc. they need a platform like this. This year we have already signed up with Aircel. We are currently working with them and helping them actually roll this out. We are in active conversations with others, I cannot give the numbers but with several, because this is a very powerful proposition. We are very confident that it will happen. I can get you the exact numbers on the iEngage platform. We already have some customers signed and there again we see a lot of potential because in our opinion every organization in that phase needs a platform like that. I do not have the information on which are the competing platforms but if you leave your name I can get this thing sent to you.

Unknown Speaker

_____ Flypp kind of revenue model, for instance the revenue model would be will you just sell the software one-time to Aircel or it will again be the number of subscribers, how many downloads?

Subu Goparaju

It is a combination of all those things. It is really balancing their desire and our desire. When we are selling something, if we get all the money upfront it is great but somebody who is buying will certainly want to kind of try and link it to the flow of their revenues. It is basically a very important aspect of what Shibu and Kris talked about, the New Engagement Models. We have those models where we can link it to their revenue model so that we have a share of the revenue that is coming here. That is certainly there. But if platform can be taken by them upfront probably that is also possible. There are multiple pricing models.

Viju George

When you launch these platforms what is the effort and expense associated with platform? That is one, and second is what is the break-even time and what are the kind of the deal sizes that can potentially come up here once you think it reaches a steady state of full traction?

Subu Goparaju

Today, a lot of our investments are in research and innovation. We are aligning that work around these themes and engineering aspects related to that. Today there are several groups, which are entirely focused on this. For instance, the research and innovation or SETLabs that I head, the 600-650 people are completely aligned to these schemes, building some of the platforms and helping other units take those platforms and then create their specific offerings. That is part 1. Today I am also responsible for the Product Incubation group. Many of the things in the product incubation group are actually about these platforms. The investment is very significant because most of the things that we are doing from research to innovation to product incubation and even the solution that some of the other solutions they are doing in the industry business unit, they are all aligned towards this. Like I said, SETLabs is a 640 people organization and similarly the

Product Incubation has couple of 100 people. They are all aligned around this. Also a portion of the IBUs workforce which are building the solution, are also aligned around this.

These things we are really building them like products and platforms. Like Mr. Shibulal was saying, whether something happens or not 3-4 years from now, we will see these as significant investments from us. As you can imagine for a company of Infosys size, anything whatever we call it a product or a platform or whatever, if it does not reach somewhere between \$ 100 mn or \$ 200 mn in 4-5 years timeframe, it is not meaningful for us. Those are the kind of plans and hopes we have.

Unknown Speaker

_____ then this 3G account comes into India these would again undergo changes _____?

Subu Goparaju

It is a good question. That is a challenge with anything that you build like a product or a platform. When changes happen around you, how do you build, how do you architect it for agility, it is a challenge for everybody. Changes may not be only technology related. For example like we talked about regulation-related changes can be there, demographic related changes can be there or when you go to a new country, the requirements may be different. We need to architect to be able to change in an agile manner.

Unknown Speaker

Apart from the products that you have already mentioned - Flypp, iEngage and the iProve, what is the main focus that is going to give substantial accrument to the division? Any specific areas that you are looking at in the segment?

Subu Goparaju

The themes that we articulated continue to be the focus. There are some initiatives in almost all the themes but it is quite possible that we select something like digitization, digital consumer, new commerce, pervasive computing; all together is a big play. All the platforms that I talked about iEngage, Flypp, Digital Convergence etc are playing there. Health care is a big thing. Eric Paternoster talked about it. Today given our structure of vertical focus and given that we are actually operating in all the sectors that are big spenders on IT, we probably will have important platforms and products in many of this. It is not that we may have dozens of those things but every area will be addressed and we probably will have a couple of big items in all this

Unknown Speaker

Is there any company globally that has made a success of these kinds of solutions or general rolling out solutions either from horizontal or vertical perspective that you know of and that you can guide us to?

Subu Goparaju

There are many small companies which have started in this direction. If I talk about for example rural banking, that there are smaller companies but for them what success means is very different from what success means for larger companies. When you say Wal-Mart and if Wal-Mart takes a step about micro finance etc., will you be able to say something about it next year? Probably not. So we are seeing lot of investments in this direction which is as most people would say, it is a very important aspect because everybody believes that. In fact if you look at GE, they are taking in the context of healthcare about spending something like \$3 bn to build a low cost device. Are these

important trends? Absolutely yes. Some small companies have been successful but with our size, today you can only talk about the trend being very important and the investments being made.

Unknown Speaker

_____?

Subu Goparaju

Yes, that is a possibility.

Unknown Speaker

In the Product Engineering space or in such kind of innovation I somehow get a sense that smaller companies do faster and better than larger companies? Is it a right assumption or is it a wrong assumption?

Subu Goparaju

It is difficult to say. My theory is that you can basically do data collection or any kind of hypothesis because there are so many things happening. You can actually get case studies of about half a dozen small companies that are successful but I do not think you can basically establish any conclusion. Look at companies like Apple and Google. They are also able to release new products despite being big. They are able to innovate faster. Another thing is when you talk about technology, innovation which appear as product and especially addressing the consumer space, they are visible because more people talk about them. In services, companies like Infosys and others Indian companies have introduced innovation. Because we are not in the consumer space we may be not very visible and talked about. For every one small company that you are aware of that is very successful there are many that have struggled. You have enough examples of large companies that have actually turned themselves around.

Unknown Speaker:

When we talk of iEngage being a 2 screen, the line between the consumer side and the enterprise side looks as if it is blurring and let us say you have the Android on 3G and where exactly will we be able to differentiate and come out early and make it successful over the longest period that is one. Second thing is something like Flypp, you probably have platform like _____, which has end number of applications on them, where do we differentiate and how lasting can it be in terms of _____?

Subu Goparaju

I did not understand what you mean by blurring. But in large organizations, a lot of their offerings are about end consumer. Companies like ours we are basically trying to help these B2C companies to more effectively engage with their consumer because a big theme that we are talking about is this aspect of co-creation. Today the model has changed from organization's thinking of what might be a very useful product to the consumer, building it and then taking it to the consumer. From that model, it is shifting to how do I engage the customer or consumer in a variety of stages from concept to commercialization. So the co-creation is a very important concept. Today you actually need newer kind of platforms and the new processes and systems in order to be able to do that because it is very easy for people to understand and appreciate a concept but living that concept requires new kind of platforms, systems and process. That is where we are helping. Many of these things are probably in version 1.0, right? Therefore that is the reason we feel very confident that as this case emerges, these platforms will be very useful.

Coming to your second question, the difference here is can then there be a mega portal for everybody? Yes, somebody took this model of 'I will build a portal' and anyone with any kind of device can come there. That is also a model but will the device, will the operator be okay with that? I do not think so because their attempt is basically to not get commoditized. If they are allowing somebody else to be the portal or the content or application provider then what is this? This entire thing is about helping people who are either in the ___ to differentiate. They should be able to do it themselves and we are actually helping them accelerate that.

Unknown Speaker

Would conflict of interest come in the way of this particular segment really scaling up because you are dealing with IP here and you are also service provider in some sense to lot of these net companies. Would conflict of interest come in the way?

Subu Goparaju

Like you said this space is a kind of a techno domain, very technology-intensive domain. Whatever we are doing, we are basically doing with very clear wall in terms of people, processes, systems and including spaces. We are doing lot of things to make sure that I.P contamination do not come up. In fact our people work in very different spaces, they are probably not even on this network. Given that we are in services and we are actually now trying to come up with intellectual property and commercialize, that is a very important aspect that we need to take care and we are taking care.

Thank you for being here and thanks for your interest.