



INFOSYS ANALYST MEET

OPERATIONAL HIGHLIGHTS

November 2, 2010

CORPORATE PARTICIPANTS

S. D. Shibulal

Infosys Technologies – Chief Operating Officer

SD. Shibulal

Good morning, everyone. It is a pleasure for me to be here. This is an event which we look forward to through the year. It gives us an opportunity to talk about the shifts and the changes which we are making in the organization. It gives us an opportunity to answer your questions and get your feedback. Kris talked about the 5 major shifts which we are making. I will be talking about the operational highlights and I also believe that these highlights are in line with the shifts which Kris talked about.

Before I start when I was waiting to come up here, I was thinking about where we were last year at this time. Last year was a tough year. We had given a guidance of negative growth for the first time in the history of Infosys. However, our focus and our strategies did help us and we completed FY10 with a growth of 3% top line and 2.5% in the bottom-line. In a sense that reflects our ability to manage these tough situations. Our depth of relationship with our clients and it also reflects the rightness of our strategies.

The economic environment continues to be challenging. Kris talked about it. There are clouds in the horizon but at the same time we are very confident about our medium-term and long-term future. This year, we started out with guidance of 16-18% and at the end of last quarter, we revised it to 24-25%. It is in keeping in line with the momentum which we saw last quarter which was one of the highest growth quarters over the last 12 quarters.

The growth was possible because of our continued focus in 3 different areas. Number 1 is building "Tomorrows Enterprise" which Kris talked about in detail. Second is expanding our addressable market space. We can expand our addressable market space in multiple ways. There is a geographical expansion which we can do, vertical expansion that is getting into new verticals, service expansion and also mining our own existing clients. I will touch upon those briefly and our investments into big service offering. We have consolidated our service offerings into 3 categories at the highest level - Transformation, Operation and Innovation. Transformation consists of the work which we do in business transformation which is most often led by business consulting and then followed by enterprise solutions and system integration. The operational pace is 'lights-on work' which we do for our clients, predominantly the CIO client and that consists of application, maintenance, infrastructure management, business process management, independent validation. The third one is the new models of engagement where we use intellectual property or outcome-based that is non-effort based pricing models.

Let me start with the geographical investment which we are making. Right now, we are heavily focused on Continental Europe. Our revenue from Europe last quarter was 22%. It has actually come down because of currency fluctuations and a single client issue we had. But if you look at the history, about 10 years back also our revenue from Europe was only 15% and we have taken it all the way to 28%. Now, even with 22%, about 11-12% comes from UK. We see great opportunities in Continental Europe. As you all know, Continental Europe is not one single country and it requires different strategies for different countries. We have recruited country managers to start with in two countries - Germany and France. FJ is here from Germany. We are also building front-end capability. These are local capabilities, local language, local culture, local relationships and local connection. We clearly believe that that will help us penetrate these markets. In a sense, this is similar to what we have done in Australia and to some extent in Canada. We are now applying that to these two countries but in a different model because the vertical knowledge which has to come from our global verticals will continue to be there and continue to be the primary access in penetrating these countries with the country focus and the local capability build up. We are doing the same thing in France. We have recruited a country head for France also. Once these experiments progress, we will look at other countries in Europe.

As Kris talked about, we are expanding our global delivery capabilities outside India. So our Mexico center has about 450 people today, delivering close to \$5 million per quarter. We did open a center in Brazil, about 137 people now with about 12 clients being serviced. Our China center is taking off. We closed last year with 1,800 people. In the last six months, we have recruited close to 800 people and we are close to 2,700 right now in China. Out of that about 700 people must be in the BPO and the remaining will be in the IT services. Clients have become much more comfortable with China. We have close to 98 clients being delivered out of China and as of FY10, China has become profitable. We are expanding into Australia and New Zealand with consulting services. We have launched a new consulting and system integration services in Australia and New Zealand. The local headcount in Australia is 443 and the total number of people working in that region is app. 1,500.

Let me touch upon some of the vertical expansions which we are doing. We launched a separate subsidiary for Infosys Public Service focused on the government work in US. We appointed our head of Insurance and Healthcare practice, Eric Paternoster, the CEO. A business plan is being prepared. All of you know that attacking the government sector will require us to look at a different model of not only capability of resources, that will also require recruiting locally. We also need to look at creating the contracting vehicles which are required for the public sector clients. We are looking at organic as well as inorganic models of creating those capabilities, either acquiring somebody with those vehicles, for contracting those vehicles or building it ourselves. Building it ourselves will take approximately 12 months. In the public service space, there are a lot of sub-contracting relationships which existing and it is quite common for one organization to sub-contract from the other. That will be a track to take in the beginning to create volume next year. We are also looking at some sub-verticals where we are investing; life science is an area which we are looking at seriously and smart grids in Energy & Utilities space.

Our largest vertical continues to be BFSI and the growth continues to come from there. We are seeing a shift in the kind of opportunities we are seeing in the BFSI space. We benefited from the mergers and the acquisition which happened in the BFSI space. Today we are benefiting from the regulatory changes which are coming through. Almost all of these regulatory changes eventually have to get implemented in technology and that is definitely creating work for us.

On the service side, we have strengthened our new models of engagement by doing an acquisition under the BPO umbrella. We acquired McCamish, a business process solutions provider in the insurance and financial space. The integration is complete now and we are seeing very good traction in the BPO operations related to this platform in US.

Kris talked about Flypp. Let me talk about iEngage which is our social commerce platform. Recently, one of the semi-conductor manufacturers in US chose our iEngage platform to deliver their next generation social commerce services. It is also used for employee engagements. So it has two sides to it - the external side and the internal side. As Kris said, the pricing model for these platforms, whether it is iEngage platform or the HRO platform, these are transaction-based. They are not effort based. That allows us to build in non-linearity as well as benefit from the productivity improvements which we can create in these service lines.

We launched a product called iTransform in the healthcare space. It is not a very big product but is a small product. So far 8 clients have chosen iTransform product. That is meant for compliance in 5010. That is a ICD 10 compliance in the healthcare space. We are seeing good traction for the product. More than the product it allows us to deliver services around the product and also shift the conversations from the IT side to the business side. Kris talked about Cloud and Vishnu also is here.

The wins in the last six months have been excellent. We had close to 9 transformational and outsourcing wins spread across two quarters. What we are doing in the market is that there are

enough transformational deals and we believe that is a result of clients starting to invest in their future. If you look at the retail clients for example, they are looking at creating their next generation e-commerce platforms. If you look at various other industry verticals, we are seeing that clients are now adjusting to the new normal and looking at creating growth. That requires them to do transformation of their organization which is leading into the transformational program. That is on one side. On the large deal side, during the downturn most of the large deals had disappeared. In fact they are coming back but they are not the mega deals. They are the mid-sized deals which in a sense is good for us because that is in our sweet spot - \$100 to \$300 million deals and that is where we are seeing very good traction. We have over the last 10 quarters added almost 50% more additional staff in the CFG space and also in the private equity space and in both the areas we are getting good wins.

We continue to apply for patents and that is a must in our journey for the IP based services. If you look at it, over the first 27 years we did not file a single patent and in the last 3 years we have filed 256 patents. It is not that we did not have intellectual property before, it is just that we were never really focus on commercializing the intellectual property and now we are very focused on commercializing the intellectual property which means we need to file for patents. We have filed app 256 of them in the last 3 years and 18 patents in the last quarter itself. 15 of them have been awarded.

Kris talked about the New Engagement Models. We cover 214 clients with new models of engagement. Including Finacle, it is app 10% of our revenue. In FY2009, it grew by almost 196% on a smaller base and even this year the new models of engagement will see growth far ahead of our company average.

We added 141 clients last year. In fact, one of the learnings during the downturn was that a large client base will really help us navigate some of these downturns and our market is Fortune 2000. We had identified 'must have clients' in all verticals and did a much focused effort to open those clients. These are identified clients based on our qualifying criteria and we went after them. We opened 141 clients last year and then in the last quarter, we added 27 new clients.

On the people front, last year during the downturn we honored all the 18,000 offers which we gave and this year right now the recruitment number stands at 40,000. In the last quarter we added a growth of 14,000 employees and the number as of September 30th is over 122,000. As Kris said we are hiring more and more in local markets. The ES-1000 which we are doing which are predominantly consultants, the mid-end consultants, 99%of the people are hired from the local market. These are local non-H1 people. The lateral recruitment which we do which we do in the local markets right now, the H1 independent is almost 60% and we are trying to move it to 70%. It means that most of our recruitments in the local markets are locals and non-H1 people.

We expanded our training capabilities in India. Last year we inaugurated our global training center which can house 14,400 people. We also increased our training time from 4 months to 6 months last year and we continue to do it. The philosophy is to create breadth. Also when you look at the iRACE transformation which we did, it is focused on creating depth of talent. We already have a scalable model but we want to increase the depth of talent because the kind of programs which we deal with is absolutely mission-critical and complex. It means that all of the things which we do, the training, the certification, the length of the training, the iRACE program, all that is focused on building deeper depth.

We have won multiple recognitions over the last year. Number one, our management and strategic planning process were given the 'Force of Ideas' award by the Corporate Executive Board. We also won the North America Oracle Titan award for "Outstanding Customer Solutions" by a Leading Partner in the last Oracle OpenWorld. We were ranked as the most admired company in India according to the Wall Street journal survey and we were ranked among the '50 Most

Respected companies' in the world by reputational institutes, Global Reputation Pulse 2009. There are number of other awards which we received over the last 12 months.

To conclude, irrespective of the downturn and the challenging times our focus on our clients, our addressable markets, building capability, building depth has made us stronger through the last 18 months. It has also allowed us to be more relevant to our clients.

Thank you once again. It is a great pleasure to see you all here. Thank you.