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ENERGY & UTILITIES, COMMUNICATIONS AND SERVICES

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Welcome to the Infosys 3.0 presentation. My name is Prasad Thrikutam. I am member of Executive Council and I run the Energy & Utilities, Communications and Services (ECS) business. That unit is a mouthful, a number of different sectors and sub-sectors which I will talk to you about quite briefly.

This is the overview of what we call as ECS to keep it short, its Energy & Utilities, Communication and Services sector. We have over 150 clients globally, 4 of who are in the Top 10 for Infosys, about 17,000 employees worldwide. This unit has a global distribution of business that is closer compared to many other units. Kris and Shibu talked about the 40:40:20, which is 40% from the Americas, 40% from Europe and 20% from the Rest of the World. This unit has about 50% coming from North America, 30% from Europe and 20% from the rest of the world.

The market itself is very large. As you see it is about \$120 bn of addressable spend and if I take the total of Infosys, in this space today we are about 1.25% to about 1.5% points on the base of \$120 bn. So there is a lot of headroom for growth. The sector share of Energy & Utilities and Services given below on your left hand side, 50% of this revenue is from Communications sector and another 50% approximately is from the Energy & Utilities and Services. Today I will be spending more time on the Communication space. I know a lot of people in this room have a lot of questions on the Communication sector, so I will be spending extended time on that. We have had an extraordinary run in Energy & Utilities and services for the last 3 to 4 years. We grew our CAGR of about 27% in that sector, some really exciting work and I will share a few examples of that.

The thing about Infosys 3.0 at least from my sector is, hitherto our approach was very geographical. We were going after North America and Europe but if you see the distribution of Energy & Utilities and Communications sector, it is very global. With us becoming a global vertical, our access to some of the largest clients across the globe has gone up dramatically. We are able to address a set of opportunities and we can bring our capabilities evenly to many of these sectors. Today I can actually go after energy clients in Middle East or in Asia-Pacific which we were not focusing on in the past and this is an exciting opportunity. We are able to bring all the domain expertise, all the consulting capabilities that we have built over the last couple of years to these geographies. That is the first slide which just gives you a broad contour of the Energy & Utilities and the Services sector.

This slide captures the industry priorities. What is the client spending money in, in these sectors and all our services, all our solutions, all our platform are driven towards these sectoral trends that we see. If you look at energy, energy has been very successful for us, especially in the upstream side, the Exploration & Production side of business. We see that there is a lot of spending going on in production optimization. What they want to do is, they want to go back to the wells that have already been dug and they have been there for many years. They want to apply new technologies to extract more oil out of these, so production optimization is a big opportunity. It is an area that Infosys has invested quite a bit of money to build talent.

Digital oilfield - all the companies now want a much better understanding of where their assets are and when I say assets, I am not talking about just the liquid assets but also the physical assets, people assets etc. They are making a big investment in creating digital views of their oil fields across the world and they actually have a central command center kind of an approach to managing their global assets. That is a big area that we are investing in. Health and safety - after the Gulf of Mexico disaster, this has been a big area of focus and there is a lot of spending opportunities in the health and safety and compliance areas.

Ageing workforce - both in energy and utilities, this is a big problem. A lot of the companies have people who have been with these industries for many years, average age runs upwards of 50

years. In the next 5 to 7 years a lot of this expertise will actually walk out of the door. They are putting knowledge management harnesses to figure out how do I capture knowledge, electronically, digitally and make it available to them in the future. Both collaboration and aging workforce, there is a lot of investment that we are getting involved with. I will talk about some of these examples in later slides.

In utilities, the biggest spend area in smart grids. With energy becoming more and more linked to growth, there is a huge demand in developing countries, the BRIC countries, China, India, etc. The option of building huge fossil fuel-based generation capacity is becoming harder and harder. It is also very capital intensive. There is a huge trend into making the utility grids smart so that they are actually able to manage the grids much better to generate energy and distribute it from non-fossil fuel to more sustainable sources of energy. So there is a huge investment in the smart grid area. In the past 18 months, we have invested in sustainability as well as in smart grid. There is a huge opportunity that we see going forward.

In communication, as you all know, the wire line business has been under pressure and will continue to be under pressure for some time. The ARPU as they call it, is falling dramatically. The capex spends are on the rise, it is not falling. Although some of the consolidation that is expected in this industry, for example AT&T and T-Mobile coming together, is going to drive down some of those but still there is a huge amounts of locked up capital and the focus continues to be on reducing cost as far as wire line is concerned. But the picture on the other parts of the communication which is really the faster growing aspects of communication - cable, media and entertainment and wireless. We see huge opportunities in these three area and I will talk a little bit about communication, as I said. So I am not going to spend a whole lot of time on this slide, I am going to move on but just to sum it up, service bundling, billing transformation, customer retention, reducing customer churns and move from wireline to wireless, that is where bulk of the spend is going to be in the telecom area and I will talk to you about it in the next few slides.

Services - let me define services for you. Services include the travel and leisure, so it includes the airline companies like American Airlines, British Airways, Lufthansa, these kinds of companies. It is a very highly information-intensive industry. There is a lot of technology that is being applied to these industries. There are opportunities there. Then we have leisure like hotelling, casinos and that kind of business. We also have information and publishing. So these are the 3 major sub-sectors of services. Here the shift is from physical to online content, new channels of revenue, cloud computing which Kris talked about, M&A, many different deals that are going on. United just bought Continental, Southwest bought Airtran and so on and so forth. So there are big opportunities there for companies like us.

I am not going to spend a whole lot of time, I think there is enough and more news about this but in general this is the outlook. The last 2 weeks specifically has not helped in adding any more confidence to all of you, nor us, nor the consumer. It is going to be a very volatile, very uncertain times for some time. It is definitely impacting our clients' ability to make long-term bets. But on the other hand clients are also struggling because there isn't much more cost take-out opportunities left. They have cut cost to the bone in the most parts, except probably in the wireline industry. There is a lot of cost take-out that has already happened, so there isn't much left on that side. The entire focus is on revenue growth, better customer service, reducing customer churns, innovation, so that is where all the spend is going on. However it is very guarded. They are taking short-term positions, they are taking one project at a time, there are having the project itself broken down into multiple pieces so that they extract value, not wait till 2 years before the project is completed and then start realizing value but they want value every 6 months, every 8 months, every 12 months. So that is the other thing that is going on.

In the utilities space, with all that is going on with reduced revenue for states, there is a huge amount of focus on reducing capital expenditure for utilities. There is a lot of debate that is going

on into how much of capital that they want to spend in the utilities space. These are the counters. There is a lot of demand for smart grid opportunities but there is a huge issue on revenue. How do you support the capital that is needed to build out this Smart Grid? You all heard about the Japan disaster and that is impacting companies like France and Germany who had huge exposure to nuclear power. Germany has actually declared and it a Federal Law that they are going to be shutting down nuclear power plants by 2022 which means all these companies who have invested tens of billions of pounds or euros are now having to deleverage that and cut costs so that they actually build new sources of energy to serve the growing markets.

I talked about some of the trends in the telecom sector; data traffic is going up dramatically. All of you are downloading more movies, all of you are downloading more music, all of you are texting more with your friends and Skyping a lot more. All of that is adding to data traffic. There is a huge amount of investment that is going on the capital side and of course there is 4G. That is another big area that because of the demands on data, they are looking at enhancing capacity through 4G. I am going to skip this and move on. I am going to leave these slides. I am sure these are available, you can go through these.

What has been our differentiation so far? If you look at my sector whether it is energy & utilities, services or communication for that matter, deep domain capabilities has been a key area of differentiation. If you look at some of the work that we are doing in the energy & utilities space, we are doing work that was thought impossible 5 years ago. We are helping companies to do real-time data analysis for data that is coming from wells producing oil. We are able to do that. That is a hugely complex area but we have built these capabilities over time. We do what is called hydrocarbon accounting. It is one of the most complex areas in the upstream business where an asset is actually owned by many different operators and how do you cut the overall revenue and the production, a very complex area. That is an area that we have invested in. We have invested in trading.

These are all areas that have helped us differentiate dramatically and there is a lot of difference because this takes time. Infosys has been building these for the last 4-5 years. We have built academies for energy where we have certifications for our employees, for every single individual who works on any project for our energy clients, they go through certification. Beyond the 29 weeks of training that they go through in Mysore, they have to go through another level of training because this area is so complex. That is how we have differentiated against our competition in these areas whether it is energy, whether it is utilities, whether it is communication or services. Building deep domain capabilities has been one of the main stays, one of our key differentiators.

Of course, predictability, Infosys has the track record of having 93% of our projects on-time and on budget. In the current environment where every dollar counts, the business is asking, I am going to spend these 5 or 10 or 15 or 20 whatever million Dollars, where is the return? Infosys has these levels of executing projects on time and are on budget and that is who they are turning to. We have the deep domain capabilities plus we have the ability to implement programs on time, on budget and on specification and that is the differentiator. None of our competitors are able to do this. Kris was talking about how we took one of the largest SAP roll outs for a large CPG company and made it successful after many other global SIs have actually failed. I have many examples in my own industry where we are implementing order to cash systems or complete ERP rollouts after they have failed for many years because they could not get it done on time or on budget or the business was not satisfied with what went live. The differentiator comes because we understand the industries so well, we understand the functional aspect of the business, we are able to implement better solutions for our clients. So that is the second differentiator. The third is which is what we are beginning to do now is to build platforms, products, IP and solutions for the industry. Some of those examples are out there. Flypp is an app store for mobile and cable operators, that has gone live. We are investing more into Flypp. iCare is a specific platform that we are offering to our telecom clients where they are able to manage customer response centers using technology

more than voice. It is a platform, it is an IP that has been developed by Infosys. I can go on and on but I will just leave it here as I'm running short of time.

Now comes Communications sector. I know a lot of you have questions so I thought I will give you an extended version of just communications sector alone. Here is the base, please understand that Infosys has presence in all the sectors - wireline, wireless, cables and media & entertainment and look at the numbers. In the last 2-3 quarters, we have added cable sector clients which are world leaders, 8 of the top 9 are our customers. In wireline space 6 of the top 10, wireless this is the most exciting area for us. It is an area that we are seeing in spite of all the turmoil that is going on; wireless is a space that we continue to see investments. This quarter we already have two wins in this space which are in double-digit million dollars and this is in the transformational space. This is not cost-cutting, this is discretionary spending, some really interesting stuff there.

What do we do in this sector? Here is the complete functional map of the telecom industry. Infosys has presence in all areas, starting from market identification, all the way up to customer care and we are launching some really interesting applications that are touching the consumer. We help the cable companies offer a portable cable subscription that you can carry anywhere in the world. All you need is an Internet cable. For example if you are in the US and if you have a cable subscription, you can carry the subscription wherever you are in the world whether it is ani-Pad or an iPhone. This is the first time in the industry and Infosys is responsible for rolling this out.

There is another application that we have built for another cable company where you could do consumer to consumer video conferencing. It is very similar to Skype but it is device independent, another innovation in the product side. Nearly 70% of our exposure last year to telecom was in the wireline space but the growth that we are seeing here is on product innovation ideas, bundling of services, customer care, customer service. These are all the areas where companies continue to spend and we believe that the spend will go up because every wireless operator wants to hold on to your dollar or your rupee. They don't want you to churn; they don't want you to go from one service provider to another service provider. How do they do that? They do that by innovating on the product, giving you value-added services, giving you better customer service and that's what is going on. They are spending millions of dollars on this.

I hope this gives you a good idea of what is the aspect that Infosys is into, apart from wire line. In wireline what is happening is because of the huge focus on cost which will continue for some time, we are innovating through the Infosys 3.0 model. I think both Shibu and Kris talked about it. We have actually bundled app dev, app maintenance, testing and infrastructure services all under what we call the business IT services. For the first time, I am able to go to a wireline company and say I will offer an end-to-end service to you, integrate it and sell you services not on a per hour basis but on a function point basis. Function point is a measure of productivity in the software industry. For the first time we are innovating, selling our services on a function point basis. When we do testing services, we have started selling our services on a per test case basis. So what happens is, I am able to innovate, build new tools, new methodologies and reduce the cost of offering this service, not reduce the price or even if I reduce the price, I am still able to hold on to decent margins. In the old world, if I had to serve a wireline company, the only way was for me to buy business, which you all know Infosys does not have a habit of doing. We do not have the habit of buying business especially low margin business, low value business, commodity business. What we have done is, through our innovation, through this Infosys 3.0 approach of integrating services, even in commoditized services, we are able to offer innovation. We are able to retain margins while we are reducing the price of the service we are delivering to the customer. We are playing both sides on the wireless, cable, etc. We are going after the innovations, the transformation, product bundling etc. For the wireline side, we want to reduce the cost of the service. We are able to sell, innovate, differentiate from our competitors and not lose our shirt in the course of trying to sell the services to these companies. That is the strategy as far as communication is concerned.

Here are the examples for some of the innovative work, some of the transformational work that we have done across sectors. If you look at telco, for a very large we implemented their complete retail application package worldwide. There is a lot of investment that large companies in the wireless space are investing into to create a very strong retail network. We are cross leveraging our leadership in the retail vertical. We are actually leveraging the best of the telecom capability as well as retail and this is becoming a force to reckon with. There is no other competitor out there who is able to do work in the retail and in telecom the way we are doing. That is a very unique case study that is out there. There is another interesting opportunity; this is a very small utility in the northwestern part of United States where we are implementing an outage management system and workforce management for this company end-to-end. It was done on a fixed-price basis, complete transformation. It is a package implementation, business process definition, organization change management, all high-end work and of course implementing the product. These are couple of examples. Here are some of the ideas that we have already invested in, some of these examples, Flypp, I talked about, iCARE, I talked about Smart Grid and these are all the areas that we have already invested in. But products and platforms will be one of the key areas of growth in our sector, especially in the communications sector. I talked about how we are able to sell our IP helping our clients serve their customers with innovative product ideas. We believe that will be a good growth opportunity that we will see going forward.

Last year at least in the energy and utilities space, almost half of the business transformation deals that Infosys won, were actually in the energy and utilities space. When it comes to consulting and high-end systems integration work, my sector has done quite well and we continue to see opportunities as I just talked about whether it is in energy, whether it is in wireless, whether it is in cable and media and entertainment. There is a lot of opportunity in this sector for consulting type of services. I also talked about how by aligning the application development, maintenance testing etc, we are able to offer differentiated non-effort-based pricing model, like function point or price for test case etc., That is also helping us to win business even in the commoditized areas at acceptable margins.

These are some of the challenges-continued economic uncertainties, both in US and in Europe; access to talent. As I said this vertical or set of verticals is very domain intensive, so ability to get the best and the brightest who understand the domain is one of our challenges. Of course the regulatory environment, things are changing and there is lot of flux in that area. Airlines continue to be under pressure, oil prices continue to be a challenge. Being profitable is a big area of concern for the airlines. If the economic activity drops, they have a huge issue because nobody is going to fly for business meetings and pay the high dollars. That is a brief about some of the challenges that we faced.

Here is an example of Building Tomorrow's Enterprise. It is a CEO-level conversation of consulting and helping the company with its future strategy. They are actually a 100+ years old company, they want us to help them with their next strategy. They call it the second century. We are engaging at the CEO level to define the strategy of the company, very exciting work and this is in line with the Infosys 3.0 vision.

With that I will stop here and take some questions.

Kawaljeet

Hi, this Kawaljeet from Kotak. 3 questions all of them on the telecom verticals. First is that, how long would it take for you to correct the skew of revenues in the telecom vertical which is towards wireline and developed markets right now and when I say correction of skew, it the protection of the revenues from wireline and growth in other segments? The second question is that BT has

recently decided to re-tender the entire business, how does it impact you overall? The third question is that you did talk about the fact that you work with 5 of the top 10 wireless companies but that can be slightly misleading. For example if you work with AT&T the presence is largely in the wireline segment, so that is not strictly your wireless customer. Now most of the wireless customers globally have preferred vendors and those are the vendors they are comfortable with. What will basically get Infosys into some of the large wireless names and what will be the key differentiator given the fact that the segment is very price sensitive?

Prasad Thrikutam

The first one, from what I'm seeing in the last 2 quarters, that is Q4 11 and Q1 12 and some of the wins that we are seeing, I'm quite excited about some of the deals that we have won. These are the deals that are in the transformation space, these are in the double-digit million dollar, in the right areas of spend that we want to be in. We think that the wireline to wireless shift will probably take at least till Q3, Q4 is when we will start seeing some amount of growth coming back. But if you look at the pipeline and the wins that we are having, we believe that we are in the right direction.

Second question on BT, we do not comment on specific client business. However that specific question that has been asked is out in the market and yes, there is the bidding that has been put out. It is an opportunity for us because as I said we are innovating on the commodity side of the business also. You never know what it is going to look like and how the whole pie is going to get split up. We will have to wait and watch. I do not have the crystal ball to say how this is going to be? It has just started, so we'll have to wait and see how it goes. But our approach to this opportunity is quite different from the way we used to do in the past. That gives me confidence that for the right types of the business (we do not want to take all the business because it is a lot of commodity work, very low value, low-priced work and we want to be selective, we want to go after those areas of the business that are on the growth and therefore we will be selective as always).

Couple of wireless companies that I talked about are some of the world's largest wireless only companies. It is just not AT&T in wireless or Verizon in wireless, these are pure play wireless companies and with one of them we are doing a complete online transformation Infosys has the contract for that. In the same company, we also started off on a fairly large retail implementation and that is going to be for 5 different countries. We are starting with UK and there is opportunity in France, Germany, Spain, Italy, Turkey, and South Africa, all in the retail space. The opportunities are even in the wireline space. I think our penetration into the wireless side of the wireline is still not very high. The two that I talked about in the wireless space are pure play wireless and the work that we are doing is in the right side of the business, the business that we like, the transformation business. Did I answer all the questions?

Participant

If you could talk a little bit on the energy vertical side, it is still a very small part of the overall revenues for us and when we are talking about this division, more than 50% is just driven by communications, whereas in energy we have seen some of the other vendors growing much more or have a larger share, so we have kind of started focus probably a little late is what my perception is there. How are we positioned there vis-à-vis the peers and in terms of winning deals where do you see yourself? While you talked a lot about what these companies want to do but specifically Infosys in which areas they really help and what is the key differentiator for us and if this vertical, what is the target in terms of what percentage of revenues you want to have over the next 3 years or whatever if you can share on it?

Prasad Thrikutam

If you look at between energy & utilities together, that is almost \$22 bn of that \$100 bn that I talked about. It is a pretty large piece of business. Infosys has done very well especially on the upstream side of the business as well as in the mid-stream. We are not present in the downstream as much and this is again selective because downstream business is all the retail business. This is where the margins are in the 2-3% where work will be highly commoditized and pricing is a huge problem. As I said it is 50% of our business the whole EU&S space and it has grown about 27% on a CAGR basis.

In fact we just signed on another large integrated oil company, pretty large for the first time and this energy is a very conservative business, it is a very complicated business especially in the exploration & production area. But once you get in there and you build the capabilities, then growth happens quite dramatically. That is our space and we want to get in to the top 3 or 4 and then grow our business. That is our strategy. If you look at the global players, as I said our focus has been North America and Europe for the most part and actually it is mostly North America and maybe 1 or 2 clients in Europe. But in the last 12 months, we have signed on many more clients especially in the oilfield services segment. Oilfield services segment consists of companies like Schlumberger, Halliburton, Technip, these are large companies and we have almost a monopoly in this area except for one company, we are present in all the oilfield services segment. We are doing work across the E&P space which I just talked about, doing work in the traditional worldwide SAP or a roll out engineering space. In fact one of the oilfield services companies we just sold our first platform which is a supply-chain platform; it is the ____ platform. It is going to be completely a transaction-based pricing model, so on the OFS side we are extremely strong. Coming to the solutions that we are investing in, we are going after 3 or 4 areas. One is the digital oilfields, we are building capabilities in the digital oilfields on how do you get real-time data, how do you analyze the data and help in business analytics and decision making, that is one area where we are focusing on. Second area that we are focusing on is to go after the aging workforce problem. We are building a collaboration platform to help people collaborate because as people leave the organization, there are fewer and fewer specialists that are there and these specialists need to be available anywhere in the world. You need a very powerful collaboration platform. We have something called Buzz we have in place. That is an area that we are focusing on. We are focusing on the ETRM space, the Energy Trading and Risk Management area. This is another area where we believe that especially in times such as this where volatility is very high, traders make a lot of money. There is a huge amount of spending that is going on in the ETRM space. I hope I have answered your questions.

Pat Srinivas

On the wireless segment specifically on the IOS on the Android platform, do you have any strategy that works on the service presentation or the application layer of these platforms?

Prasad Thrikutam

If you look at Flypp, it takes Android as much as it takes Apple and so on and so forth. Whatever application that we are building, I gave you the example of this mobile, you can port your cable subscription. What Infosys does with the enterprise mobility, we have capabilities on Windows 7, Android and Apple platform. We are going after all three and we are advising our clients not to take a platform-specific view and build applications that are platform invariant. We are not focusing specifically on Android. Whatever we are doing, whether it is an enterprise app or something that a client will use, we are saying make that platform independent and that is the capability that the companies like because we are able to provide capabilities on all three platforms.

Participant

I just wanted to clarify on one of the slides that you had mentioned, looking at fewer critical large projects, competitive pricing is what you had mentioned. Are you mentioning about clients asking for more value on the pricing front or are you facing that kind of a competitive pricing you are talking about, or you are talking about from the client's perspective and a little bit more color on the pricing scenario per se in this vertical?

Prasad Thrikutam

Actually there were two separate points, unfortunately they got clubbed into one. When it comes to discretionary spend, when it comes to business transformation deals, price is not the basis on which the decisions are taken. It is purely who has a better capability, who has a deeper domain understanding and who gives to the client a higher probability of implementing this on time and extracting the business value. Clearly it is not price sensitive. Cost pressure is mostly on the commodity side of the business. Right now the price is stable. We are not seeing drops in pricing, it continues to be stable. But when it comes to commodities, obviously it is under pressure because people in some cases actually want to buy business. Infosys has pricing disciplines that there is a floor below which we do not go even if it means that we lose the deal. While there may be pressure for the commodity work either we innovate through reducing the cost of serving the customer, that means I innovate through tools, methodologies and productivity enhancing the usable code etc. so that I do less work, so even at a lower price I am able to make a better margin, so that is the approach that we are taking. But pricing is stable but we now have to see what happens now because this whole thing that is happening in the last 2 weeks, we do not know how it is going to work out. We will have to watch and wait. But I can tell you when I met clients last week, when we were in our sales conference and I have been meeting clients, most of them are worried more about growth and innovation and customer acquisition and customer retention than they are on cutting costs because they have already cut costs. They have squeezed the lemon to the end; the juice is not worth the squeeze anymore. We really want to go after those companies that can actually deliver business value because that is where we do well.

Participant

Just one last, on the 30% that you are talking about coming from non-linear initiatives going forward, how much would the communications vertical pitch in to this 30%?

Prasad Thrikutam

It is very hard to say. To be very honest this is a new area but if you look at some of the IP that we have built around Flypp, iCARE, these have huge opportunities. You can have substantial chunk of money. The other one which is a more horizontal platform, when you talk about HR outsourcing or procure-to-pay these are non-verticals, they are equally applicable in any of these. The platform group will contribute both from a horizontal standpoint as well as vertical. I am not in a position to give you exactly what the split will be. But the vision is that we will be a third of our revenue from these factors.

Thank you.