



## Speech by N. R. Narayana Murthy

Dear Shareholders,

First of all, it is nice to be back here with you after missing the 2012 AGM. I am overwhelmed by your affection. I thank you for electing me as a member of the board. I thank Mr. K. V. Kamath, Mr. Kris Gopalakrishnan and the other members of the board for welcoming me so warmly. I am grateful to Mr. Kris Gopalakrishnan, Mr. Shibulal, Executive Directors and every Infoscion for making me feel at home so quickly. I promise to dedicate fully and wholeheartedly to the task on hand.

In the recent months, our company has gone through challenging times. However, we should all be optimists. We have much to be proud of. We have overcome tougher and bigger challenges before. Through our hard work, sacrifice, intelligence and relentless execution, we have built this company from a small two-room apartment in Pune to a global company covering over 30 countries, 30 million square feet of space, ₹40,000 Crores of net worth, over ₹130,000 Crores of market value, over ₹40,000 Crores of revenue, over ₹9,400 Crores net profit, being listed on the Mumbai/NSE/NYSE-EuroNext bourses, and winning several prestigious awards. This company has a large pool of world-class talent, a committed group of customers, and a portfolio of over 440,000 well-wishing investors. But, we have much more to do. The need of the day is to focus on our employees; take quick, tough and firm decisions; communicate these decisions with clarity and speed; execute these decisions with speed, imagination and excellence; and exceed the expectations of our customers and investors. We will overcome the current challenges too if we demonstrate the same aspiration, determination, commitment and hard work as we did in the past.

The current strategy of the company aims at market opportunities in the following three revenue streams:

1. Focusing on opportunities from consulting-led, end-to-end solutions leveraging technology for higher margins.

2. Developing intellectual property-based solutions to delink revenues from effort.
3. To win highly-competitive, large-revenue-yielding outsourcing projects involving application development, maintenance, testing, BPO, and infrastructure management.

Historically, the company has relied primarily on the third stream. This stream has become commoditized in recent years. Our desire has been to ensure revenue growth while maintaining decent margins. Hence, given the current market reality, the company adopted this three-stream strategy two years ago.

However, there are changes we need to make in *executing* this strategy. We believe the first two streams of our strategy are necessary for a better future. While we have performed creditably in these two streams as of today, we should continue our focus on these two streams since they have a potential to improve our future.

During the last two years, our focus on the third stream was blurred. We have to refocus on this (our bread and butter business) in the short-term while also ensuring that we accelerate our progress in the first two streams in the medium to long term.

We have had a detailed discussion on this. Let me be clear. By short-term I mean the next six to 12 months. By medium to long term I mean the next three to five years. The entire company is committed to refocusing on the third stream to enhance our win ratio in large outsourcing deals. Such extra focus on commoditized businesses has the potential to accelerate our revenue growth while reducing our margins. I want you all to be aware of the downside.

The current discussion on the new immigration bill in the US is both an opportunity for innovation and a challenge for growth. I would like every Infoscion to see this as an opportunity.

Therefore, we will take the following actions with speed, clarity and dedication to make our strategy yield the desired results:

1. We will enhance the confidence, hope, trust and enthusiasm of our employees. This initiative will require better communication with Infosys and spending a few percentage points of our revenue on their compensation.
2. We will strive to enhance the respect for the corporation from our stakeholders — customers, employees, investors, vendor-partners, government of the land and the society — in every one of our decisions.
3. We will focus on cost optimization and elimination of wasteful expenditure. We will divert the saved funds towards some of the productive investments needed to make Infosys the market leader.
4. We will make our sales force more effective by improving the quality of sales talent, and by providing them with incentives and every resource needed. We will adopt a flexible pricing policy, where absolutely necessary, to enhance our growth rate.
5. We will innovate to improve the quality and productivity of our software development teams to deliver even better value to our customers. We will use such innovations to improve our margins even in the most competitive and commoditized businesses.

Thank you,



N. R. Narayana Murthy  
*Executive Chairman*

6. The predictability of our earnings forecast has weakened during the last couple of years. This has resulted in our inability to provide earnings guidance to the market. We will refocus on building a more predictable earnings model in the medium term.

Executing this strategy may require me to change some of my long-held beliefs. But then, I too believe in Sir Winston Churchill's words that improvements require change and the quest for perfection requires us to change as often as necessary.

The challenge is daunting and the task is tough. Therefore, the task of rebuilding a desirable Infosys will take at least 36 months, even with a high quality team and the full dedication of every Infosys. In the process, there will be some tough decisions resulting in pain as we move forward. I need your understanding, support and encouragement in this exciting and rewarding journey of the next three years. Knowing you, I am confident that we will walk this journey together as willing and enthusiastic partners.

Bangalore  
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