



Narayana Murthy
Executive Chairman of the Board

Dear Shareholders,

I am glad to welcome you to the 33rd Annual General Meeting. Your continued trust, encouragement, support and fair criticism based on data and facts are what give us energy, enthusiasm, confidence and motivation to strive for betterment. I will make a departure from my usual practice and skip talking about most of what is already available in the Annual Report 2014 and talk about some important issues not covered there.

This year, your company crossed revenues of ₹50,000 crore (8.25 billion in US dollar terms). Our revenue growth, in Dollar terms, doubled from 5.8% in fiscal 2013 to 11.5% in fiscal 2014. The annual revenue growth rate, in Rupee terms, was 24.2%. Our operating margin improved from 23.5% in Q1 FY 2014 to 25.5% in Q4 FY 2014 in US dollar terms. As per the International Financial Reporting Standards, our consolidated revenue for fiscal 2014 stood at ₹50,133 crore.

Your company paid an interim dividend of ₹20 per share (par value of ₹5 each) in October 2013. Our earlier policy was to pay a dividend of up to 30% of the consolidated post-tax profits. I am happy to inform you that your board has decided to increase the dividend pay-out ratio to a maximum of 40% of consolidated post-tax profits effective fiscal year 2014. Accordingly, your directors recommend a final dividend of ₹43 per share (par value of ₹5 each), thus increasing the total dividend to ₹63 per share (par value of ₹5 each) for the year. This is an increase of 50% from FY 13 dividend of ₹42 per share to ₹63 per share. The total dividend pay-out (excluding dividend tax) for the current year is ₹3,618 crore as against ₹2,412 crore in the previous year.

The board of directors has recommended the induction of three new members to the board – U. B. Pravin Rao as an executive director, and Kiran Mazumdar-Shaw and Carol M. Browner as independent directors. These three individuals bring a wealth of experience and insights that will enrich your company. U. B. Pravin Rao has been a Senior Vice President and the Global Head of Retail, Consumer Packaged Goods, Logistics and Life Sciences. He is also a member of the board of Lodestone Holding AG. Kiran Mazumdar-Shaw is the Chairman and Managing Director of Biocon Limited and a well-known corporate leader. Carol M. Browner is

an expert in environmental policy and law. She has served as the Director of the White House Office of Energy and Climate Change Policy in the Obama administration. Prior to that, she served as a senior bureaucrat in the Environmental Protection Agency in the Clinton administration. I am confident that you will vote positively on the resolutions requesting their appointment.

During the year, Leo Puri stepped down as an independent director to join UTI. Deepak M. Satwalekar and David Boyles, independent directors, completed their term and retired from the board. Ann M. Fudge will retire from the board at this AGM. Ashok Vemuri, V. Balakrishnan and B. G. Srinivas resigned as members of the board and from the services of the company. On behalf of the board of directors and on your behalf, I place, on record, our deep sense of appreciation for their services to the board and the company.

Our CEO and MD, Shibulal, has requested the board and the board has agreed that he would leave the company once a new CEO is found and the new CEO takes charge. Your company started the search to select the successor to Shibulal. I am glad to welcome Dr. Vishal Sikka as the new CEO and MD effective August 1, 2014. Shibulal will, therefore, demit his position and leave the company on July 31, 2014. Srinath Batni, who is due to retire in November 2014, has expressed his desire to leave the company on July 31, 2014. Kris Gopalakrishnan has requested and the board has agreed that he will become the Non Executive Vice Chairman effective June 14, 2014 and will leave the company on October 10, 2014. Jeff Lehman and Omkar Goswami complete their terms in April 2015 and December 2014 respectively. I thank, on your behalf, these wonderful people for their seminal contribution to the company.

Our employees are our biggest assets. On behalf of the board of directors and on your behalf, I salute our employees for their aspiration, focus on our clients, hard work, commitment and teamwork.

On behalf of the board of directors, every Infoscion, and every one of you, I place, on record, our deep appreciation of the clients, vendors, partners, investors and bankers for their continued

support. We thank the Government of India, particularly, the Ministry of Communication and Information Technology, the Ministry of Corporate Affairs, the Ministry of Commerce, the Ministry of Finance, the Ministry of External Affairs, the Customs and Excise Departments, the Income Tax Department, the Software Technology Parks in places in India where we operate, the Reserve Bank of India, the state governments, and other government agencies for their support. We look forward to their continued support. We also thank the governments of various countries where we have operations. We thank the trustees of Infosys Foundation, and the trustees and jury chairs of Infosys Science Foundation for sparing their time for the foundation's activities.

One more thing! This is the last time I will be addressing you as the chairman of the company. It is fair that I have your time to describe the realities of what some outsiders and some section of the media have been commenting based on malicious rumors, unfounded allegations, and speculations. When the board of Infosys invited me to come back last June, they wanted me to do two things. First, build a strong foundation for growth, and, second, assist them in finding an able CEO to take the company forward. Let me talk about the second objective first. The Nominations Committee (NC), with K. V. Kamath as the Chairman, and Seshsayee and Kiran Mazumdar-Shaw as members, brought in Manvinder Banga as an official advisor for this task. They also requested Kris Gopalakrishnan and me to assist them, when needed, in this task. First, the NC rated the performance of internal candidates during the last three years. Then, they hired a highly respected leadership evaluation firm for obtaining additional data on the leadership potential of the internal candidates. The internal candidates made presentations to the entire board on their vision and how they would achieve their vision. The NC also hired a leading global executive search firm for identifying world-class external candidates. After a detailed and thorough exercise extending to two months, the NC zeroed in on Dr. Vishal Sikka, till recently a member of the Management Board of SAP. Dr. Sikka is well-known globally for leading the creation of HANA, and has been hailed as a wonderful leader and a technology visionary. I have served on the boards of two huge multinational companies and have watched their CEO selection process from close quarters. I can say confidently that the CEO selection process adopted by the NC and their advisor here, at Infosys, is second to none in its rigor, fairness, transparency and speed. I hope you will be grateful to K. V. Kamath, the members of the NC, and the official advisor for such a wise selection, and that you will welcome Dr. Sikka and support him fully in his mission to make Infosys the best company in the industry. I am glad that the second part of my mission is over.

Let me now come to the first part of my mission. It was very clear to me, soon after my return, that we needed to improve sales effectiveness, software delivery effectiveness, and cost optimization to get back to the industry leading days of Infosys and that we had to take some hard and tough decisions. I also said at the last AGM on June 15, 2013 that it would take at least 36 months for these initiatives to yield results. I realized pretty early in my career that there are four fundamental requirements for corporate success. They are: building a strong foundation of quality people based on fairness, transparency, meritocracy and accountability; implementing robust real time systems leveraging modern technology so that every employee has access to information that defines the up-to-date state of the

system, of course on a need to know basis; instituting responsive, frictionless and transparent processes to faithfully represent the business environment of the company; and, finally, taking quick and objective decisions based on data and facts and eschewing biases. I have always believed that fairness, transparency, meritocracy, accountability and leadership by example are key to the success of any enterprise. Somehow, the company had diluted its focus on meritocracy and accountability during the last decade. Therefore, I set about identifying hidden jewels in the company and giving them opportunity to lead in its resurrection, and identifying not-so-well-performing people and moving them to tasks that they were best suited for. Every one of these decisions was discussed and approved by the senior management.

We will soon start a Fast Track career program for high performers. We recognized the need to strengthen incentives for technology experts. So, we will start a Technical Stream program for architects, designers, performance engineers and crack programmers who do not want to become managers. We built several industry-leading systems in sales and in software delivery. We hired lots of entry-level people in sales so that we could have more foot soldiers connecting with prospects. We improved our training programs in software development and in sales. We improved the assessment process for employees attending our training programs. We invested heavily in quality and productivity areas, creating systems like measuring and improving individual productivity.

We also focused on how we can gear the company to address the challenges posed by the commoditization of software services. We repurposed our Infosys Labs to focus on how we can use technology to better automate services and create competitive differentiation for ourselves, just like we are doing for our clients.

The company had not given salary increases for two years to Infosys above a certain level. No Infosys had received compensation increase for over a year. We gave salary increases twice during the last twelve months. For the first time in the history of the company since 2002, the letter of compensation increase and promotion was sent to every one of our employees before March 31, 2014. The company had reduced promotions to internal people at lower levels and was hiring outsiders at higher salaries. This had led to low morale and higher attrition among our people. We changed that practice and mandated that 80% of the promotions should go to internal people based on competency. I thank Srikantan (Tan) Moorthy – Head (Human Resources) for his leadership in making these important changes happen.

I travelled to various development centers and met our people. I met lots of customers, prospects and investors.

Let me now come to the cost optimization agenda. Our operating margin was around 30.0% as of March 31, 2011. Our operating margin should have been 37.8% in Rupee terms as a result of the Rupee devaluation between March 31, 2011 and September 30, 2013. However, it had plummeted to 23.5% as of September 30, 2013. Therefore, it was extremely important that we cut all wasteful and avoidable expenditure and get value-for-money in every thing we did. We introduced several improvements. We reduced expenditure on non-revenue earning people abroad. We strove hard to move the role ratios to the pyramid structure that existed till 2002. The company had become top heavy since then. A certain percentage of software delivery people earning high salaries were performing lower level jobs and were being billed at lower rates.

The entry level sales people were starting with an advantage of 10 to 12 years over entry level software development people. We started correcting these anomalies. Some of these will take several years before they are completed. However, despite giving salary increases twice during the year, some initiatives of our cost optimization program raised our operating margins by 200 basis points. I thank M. D. Ranganath from my office and Rajiv Bansal, our CFO, for their leadership in making these changes smooth.

Let me now come to a final issue. There have been several reports in newspapers and TV channels about 12 middle and senior people leaving the company. Of these, one extraordinary person became a consultant with us due to some unavoidable personal reasons. Two people were middle level people handling less than 0.5% to 1.0% of the revenue in distant lands. Some had been identified as low performers by the external evaluation agency and the board. Some were evaluated to be low performers by senior management. A small number of them left since they had higher aspirations and their aspirations could not be fulfilled in Infosys. I can say confidently that this company has gone out of its way to retain high performers and has retained them. I want you to remember that this is the first Indian company to start a full-fledged Leadership Institute (ILI). ILI nurtures and develops 585 leaders at any time. The new CEO has put in an organization structure that will help him to reach his goals. An external agency has assessed the next level of leaders. We are confident that we have enough budding leaders to handle any eventuality of some more people leaving us.

Both tasks, I was assigned, have been completed. I want the new CEO to chart his own path to create better glory for Infosys without any interference from the founders! I have already spoken about Kris and Shibu's departure from the company. Let me come to my case. I suggested to the board and the board has kindly accepted that I would become the Non-Executive Chairman from June 14, 2014. I will leave the company effective October 10, 2014. Therefore, the Chairman's office will be dissolved effective June 14, 2014. I thank M. D. Ranganath – the fine Dean of my office, H. R. Binod, Deepak Padaki, and Rohan Murty for their extraordinary commitment to their tasks. While the first three will move over to new responsibilities at Infosys, Rohan Murty will leave the company on June 14, 2014 since his stay in the company is coterminous with my stay in an executive role, as I had promised when I came in. I am happy that Mr. K. V. Kamath will become the Non-Executive Chairman of the company on October 11, 2014.

We, the founders, wish the new CEO the best. I hope the media will treat him fairly based on data and facts, and not on rumors and speculation. One thing is certain. Like the other founders have done, the now-departing founders will not make public comments on the internal affairs of the company based on rumors, half truths and speculation, and demotivate the people working hard to make Infosys a better company. This company has given prestige, wealth and fame to an average person like me. I will remain ever grateful.

Let me now talk about some of the strategic issues in more detail. To build a stronger foundation for the future we also started some strategically critical initiatives that I believe, if continued, have the potential to change the DNA of the organization for the better in the medium to long term timeframe. I believe each one of these initiatives will change not just Infosys but ultimately the IT industry as well.

First, I have always believed that in any industry where work is streamlined we must be able to measure the productivity of each individual. The manufacturing industry has done this a long time ago. However, the software industry has not embraced this idea as yet. Therefore, nearly 11 months ago we started an initiative to measure the productivity of our engineers across various service lines. Productivity, as you know, is output produced per unit cost incurred. But, measuring this metric in the context of a software engineer is a non-trivial effort.

Imagine, if an engineer could see, on a daily basis, how productive he or she is with respect to the rest of the team. This would empower him/her to improve his or her work habits and reduce wasted effort. This will help the project manager better allocate work and manage resources. To achieve this goal we used a big-data approach i.e. we built instrumentation to systematically collect data at various points of the software development life cycle and then used this data to build sophisticated models, and we will ultimately measure people against these models.

Yes, team work is important but it is also important to measure and recognize the performance of an individual. Today, after several pilots, we have begun rolling this out across the company. This is extremely valuable feedback to individuals as it gives them an additional dimension to improve their use of time and work. We believe this culture of individuals being aware of their productivity has the potential to improve how appraisals are done, how wasted effort is reduced in projects, how we deliver software to our clients, and ultimately how we sell services to our clients. Folks, let me tell you, in my forty years of experience in this industry, this individual productivity initiative is non-trivial and very unique. I believe Infosys will be the first company in the software industry to do this right and at scale. I firmly believe it has the potential to transform our organization at a fundamental level.

Second, we started initiatives to introduce automation in software development in the company. When we talk of automation, we do not mean reducing effort by a few simple percentage points. Our goal has been to drastically reduce effort and substitute it with software systems and machine learning algorithms, wherever possible. I am happy to report to you that our initial results have been very promising and they have excited me so much that I have begun reading my books on machine learning again!

When we live in a world where we have software that powers self-driving cars or robotic telescopes that automatically discover supernovae, we still have human effort for executing simple, nearly deterministic, and finite steps to solve problems for our enterprise clients. Why are these not done by machines instead? I believe the state of our industry today has not kept up with the state of the art in computer science. Computer science has progressed to such an extent that we must stop and ask ourselves whether we can indeed gain efficiencies by using intelligent software to do a lot of our work today. This improves productivity and lowers cost for our clients. Furthermore, as the commoditization of our core business increases, the primary differentiating factor in the marketplace will almost entirely be determined by technological advances. One such advance is in finding extreme efficiencies in improving productivity in our software delivery for our clients. Therefore, I believe the silver bullet for this company and this industry in the medium to long term will be in how much of what we do today can be done faster and cheaper by employing intelligent software. I am truly excited by this future and I believe

it is no longer an option but it is critical for the survival of this company and this industry.

Some people have misunderstood my emphasis on the need to focus on the traditional bread and butter business i.e. to win large deals in commoditized business. This is necessary since, as of today, this is where the scale and core business lies. But I firmly believe that, with the approaches I have outlined thus far, we can deliver these services at significant efficiencies. Therefore, we can dramatically improve our competitiveness in winning such deals. In the last couple of years it has but been evident that the market determines the price and we determine the cost.

Third, Infosys has always been, is, and will helpfully continue to be a technology company. Be it by colleagues in 1981 or today, we all believe that it is technology that will drive the core of this company and that its employees must engage in and celebrate a culture of technology. This is what will ultimately create sustainable differentiation in the marketplace. Hence, we have started a range of initiatives in the company to reinforce and encourage technical competence and the culture of respecting this competence — from creating a separate stream for excellent code writers (whom we call 'code poets'), to revising the career path for excellent technology architects, and to introducing various new mechanisms to better ascertain the technical competence of our people.

Fourth, I have always believed in the importance of energetic and passionate people. Therefore, I have operated on a simple principle – learnability of an individual is more important than so-called experience. I am amazed that Hindustan Lever, with its excellent "listers" program, identified, mentored, and eventually promoted a then young Vindi Banga to its CEO's post in his early forties! The history of Infosys itself is replete with such similar examples from the day it was founded in 1981. Kris built a distributed process control system in 1982, Nithya barely out of NLS spearheaded the NASDAQ ADR listing, and so on. Hence, to discover such energy and passion on a wider scale, we have started a program to identify a small set of individuals at the junior most levels who we will mentor and fast track through the company.

Fifth, the bedrock of this company is a firm belief in education. We believe that it is through education that we renew ourselves and we adapt to the ever-changing world of technology. For example, it may be the case that Java is one among the popular enterprise languages today but tomorrow it could be applications built in the cloud using Ruby on Rails or Python! Hence, it is vital for our engineers to constantly learn and adapt to the changing needs of the technological world else they will slip into obsolescence. Similarly, in the 70s, I decided that we would hire non-computer

science graduates and train them in computer science concepts and programming. Therefore, we started early efforts to experiment with leading online education forums to quickly re-train our people in order to reduce cycle time in our supply chain. We believe this is an inevitable future and it will change how our supply chain works.

Finally, we have several new initiatives that are on the drawing board. These range from bringing in a new culture of innovation into the company via various means, connecting better with the ecosystem of innovative startups in the US and India, expanding our research program to include the best talent across the globe, and identifying niche areas of technology where we believe opportunities for the future exist and the kinds of skillset we should start building now.

The common threads across all these initiatives is meritocracy and technology. Since I have already focused on meritocracy I will tell you why technology is important. I have always envisioned Infosys to be a place where the most intelligent and articulate technologists gathered to solve problems for the world by making life better for our customers. I have always maintained that our customers, like us, are also a technology company. Hence, we must stay ahead of the curve in our technical culture, thought, and competence. It is in this context the several initiatives I have outlined are strategic to the future of the company. If continued in the right spirit I expect them to yield tangible results in the medium to long term. This is not a fetish about technology. Rather, this is the critical need we have today to reinvent and differentiate ourselves in the market place. Folks, this, is core to the strategy of the company.

Let me now tell you what is common to all these initiatives. Each and every one of them has been conceived, implemented, and pushed forward by Rohan. Some of you have questioned why I asked Rohan to put his life on hold and come add value to Infosys. I wanted Infosys to think differently and invest in some bold initiatives that would yield results in the medium to long term. Therefore, last year, when the Board requested me to come back, I knew I needed somebody by my side who is intelligent, smart, and is new to the industry to the point where he / she would not accept status quo. This was my charge to Rohan — to bring fresh new perspectives from his world, to think from the left field, to not accept status quo, and ultimately only focus on how Infosys can use technology to differentiate in the marketplace.

I thank the members of the board, Infoscions and Ex-Infoscions for their kindness, generosity, commitment and team work in making my stay very enjoyable and productive. Thanks again for your kindness, encouragement and support. I wish Infosys the best

Thank you,



Narayana Murthy
Executive Chairman of the Board

Bangalore
June 14, 2014