CONFERENCE CALL

March 3, 2015

CORPORATE PARTICIPANTS

Pravin Rao
Chief Operating Officer

ANALYSTS

Surendra Goyal
Citi Group

Surendra Goyal

Good Afternoon, everyone. My name is Surendra Goyal and I cover IT Services for Citi Group in India. We are very pleased to have the Infosys Management team with us here today. Infosys is represented by Mr. Pravin Rao who is the Chief Operating Officer of the company. Pravin is the industry and Infosys veteran having been with Infosys for over 28-years now. He is the Chief Operating Officer currently, and he has handled multiple functions, multiple roles over the last 28-years at Infosys. We also have Sandeep Mahindroo from Infosys here, who is the Assistant Financial Controller and Niraj from the Investor Relations team.

Format we have here today will be question-and-answers, Q&A. So maybe I will just start the session with a couple of questions and then open it up for the audience. Pravin, thanks for coming here. So maybe we will just start with the most common question - the outlook on demand, the budgets for this year, you could break it up into geographies, verticals, and service lines with a broad overview and then we can go into specific questions.

Pravin Rao

The outlook for, overall budget seems to be flat. North America I think there has been some budget cuts in some of the Financial Services company, but at the same time in Europe we are seeing some uptick in budget. Then when you look at Manufacturing we are seeing some uptick positivity in Hi-Tech and in Auto space but at the same time we find Aerospace challenged. When you look at Energy, I think energy is in a bit of a turmoil at this stage with oil prices being where it is. So there is a significant amount of budget cuts, project cancellations, and deferments going on in the Energy space. And when you look at Telecom, they continue to be challenged both on the top line and bottom line. So budgets are fairly flat to downward trend. There are also some M&A's happening in the Telecom space that is also impacting spends. When you come back to Retail and CPG, they have been laggards for the last few quarters, but there is expectation with oil prices going down that there will be increased disposable income available in the hands of consumers. So there is an expectation that spend will come back in Retail. Early days we have not seen signs of it, but there is some amount of positivity in the Retail and CPG. Life Sciences and Healthcare flat to marginally upward. I think I have probably covered broadly most of it. So it is a mixed bag I would say, more positive outlook in North America, Europe seems to be a little bit down and across verticals, I think Financial Services at least we see a lot more opportunities there and some pockets of Manufacturing but Retail there is a hope, but Telecom, Energy are all negatively impacted at this stage.

Surendra Goyal

And could you talk through on the key service lines as well. the kind of trends there?

Pravin Rao

I think of course at least in the foreseeable future for this industry, a big percentage of growth will come from large deal; this could be Infrastructure, this could be large ADM, this could be vendor consolidation and so on, and amongst the large deals, big percentage of it about 40% or so still continues to have Infrastructure flavor. So that is one area where we are seeing continued propensity to outsource. So Infrastructure is one area where I would say. BPO continues to be another strong area where we see continued outsourcing propensity. So from a big ticket items these are probably the two large areas where we are seeing, Infrastructure and BPO. At the same time we see continued investments in service lines, like some of the newer areas like Digital, Big Data, Analytics, and so on. There the ticket sizes are small, but nevertheless the number we are seeing, increase in the amount of spend in those areas as well. So across the industry, across the customers, we are seeing tremendous propensity to cut cost and reinvest back in some of this. The budgets are remaining constant as a percentage of revenue at average level, we are seeing some amount of repurposing happening; people are cutting costs in one part of the business, and then they are redeploying it in other part of businesses in some of the newer areas like Analytics, Big Data, Digital, and so on.

Surendra Goyal

Just following up on what you earlier said on BFSI seems to be different from rest of the business where North America is seeing some pressure, while European clients are doing well. So just wanted to understand what is happening in the North American BFSI client, is it because of the pressures that they are seeing on their businesses or it is because of captives or what exactly are you seeing?

Pravin Rao

To some extent this is a function of our portfolio of clients in the BFSI space in North America as well. So clearly, in a couple of clients we are seeing, they are being under pressure, there are severe budget cuts because of their own issues around regulatory compliance and so on. So that is impacting not only us, but other players as well who are providing services to those clients. So that by and large I would say that is probably the thing, it is less to do with North America versus Europe; it is more to do with some specific client context in North America.

Surendra Goyal

And when you say Europe you are talking more of Continental Europe, is that, both?

Pravin Rao

Covering both UK as well as Continental Europe.

Surendra Goyal

Moving forward you spoke about Energy vertical as an area of concern given what is happening globally. So how big is the exposure and the kind of work you do there, is it more short cycle, discretionary, how would you really?

Pravin Rao

Roughly about 5% of our revenue comes from Energy, this is across upstream/downstream, oil field services and so on. We have a strong presence in the upstream space, and it is a mix of both discretionary projects as well as non-discretionary projects. The impact is uniform. On the discretionary projects it has been easy for them to stop the projects or cancel the projects, but on the non-discretionary side they are coming back and saying that we want 20-30% reduction in cost, kind of thing. So that is the kind of thing. Given where they are, I think all of them had probably planned for $100 to $80 oil price, no one anticipated $50 oil price. So they are under severe to cut cost and directly being passed on to service provider.

Surendra Goyal

And you have been at Infosys almost two decades, so just a lot of people are questioning that what are the changes after Dr. Sikka has come in. Any thoughts on that - that is the way you look at it having been around in the company for a long period of time?

Pravin Rao

I think at the highest level it is probably renewed focus on technology because Dr. Vishal comes with tremendous background in technology, and he is seen as a tech visionary, so there is probably lot more focus on technology. That is one thing which we are seeing dramatically different. The second one is of course articulating the strategy I would say. Because in the past we had a Infosys 3.0 strategy, we perhaps did not do a good job of articulating it and also probably distilling it down to the next level, and in some sense probably there was something we started talking about it 3-years back and maybe little bit ahead of time, but now when we talk about our 'Renew and New' strategy, we are very clear about what it is and we are also very clear about focusing on all aspects of the business. The strategy not only focus on new ways of doing things, but it also focuses on the existing services, how important it is critical for us to renew our existing services, bring in more innovation, bring in more automation to our existing services, enable them for Big Data, Mobility Analytics and so on, at the same time looking at new ways of doing things. So there is very clear articulation of strategy which applies to all aspects of our business. And then we have now got drilled down into the next level, so what does renew means for each service lines, what does new means, how do we engage with ecosystem, what are the new platforms or new things we need to do, what are the new methodologies like we have embraced the methodology of design thinking so what does it do for us and so on. So there is probably much more detailed enunciation and alignment of strategy with execution as well. So that is something we are seeing different. Then I think more than anything else I think in the last 2 or 3-years, as a company we have gone through a variety of challenges; we have had challenges with growth, we had challenges over visa issues and so on. We went through our own thing and in the last 6 to 8-months before the new leadership came on, Vishal came on board, there was a lot of distractions around succession planning, attrition and so on. So I think as a company we went through a very tough phase over the last 2-3-years, so from that perspective I think with Vishal coming in, new leadership stability and the new leadership and so on. So now the past is behind us, there is lot more positivity, there is lot of excitement about the new strategy and new possibilities, and potential of what is happening around us. That I think is a tremendous amount of difference. More so looking at where we were 3-years back to where we are today, I think that is a significant change that has happened in the last 6 to 8-months.

Surendra Goyal

Moving on to execution and delivery, I read some comments in the press that you are talking of hiring 30,000 people next year, I do not know if that number is correct or not, it maybe only campus, but just what I wanted was to understand your thought process on two things; firstly on utilization, do you think you have kind of hit a level which is the comfort zone or do you think there is significant room to move up? And secondly, obviously, you are talking a lot of about Automation with recent acquisition also. So does the non-linearity kick in next year or is it still something which will play out over a period of time?

Pravin Rao

On the utilization last quarter we ended with 82.7% which was probably highest in several years together. Earlier we used to budget for 78%, now we are budgeting for about 80%. Roughly about 10% of people are not available because of training, leave, and other reasons. So the play we have is between 80 and 90%. So between 80% to 85%, we are still comfortable because that is the flat we need for any sudden ramp ups and other things, anything beyond 85% sometimes becomes challenging. So where we were last quarter 82.7% and where we are planning around 80% to 82% is where our comfort zone is. So beyond that we have some stretch but anything over 85% sometimes becomes a huge challenge because resources can never be as fungible as you would like them to be and sometimes if you do not have people, your ability to ramp up quickly can become a challenge. So that is on the utilization perspective. Then the other question on Automation. We have been working on Automation for quite some time. And as with other players I think most of us are doing some level of Automation but the level of Automation that we are seeing in the industry today is the basic level of Automation what we call “Rule-based Automation.” So if we have a problem if we know a known solution then it is easy to write a script to do it or to automate the solution for a particular problem, but that is only a small percentage of what you see when you look at tickets and other thing for instance in Infrastructure space or Maintenance space. The real benefit would potentially come if you are able to solve problems where there is no clear single solution kind of thing. So we have to bring in Cognitive Intelligence, we have to bring in machine-learning aspects and so on. So that also takes time. We have to build the application; the application has to learn. The more and more it uses, it learns better, and it becomes much more efficient and so on. So it takes a period of time before you are able to do it. So that is an effort where not only us but all our competitors are also putting in efforts in each of the service lines, be it IMS, be it Application Management, be it Quality Assurance or be it BPO and so on. So that is where the significant benefit can accrue. So today on the other hand when you also look at the market, a big percentage of our business in the business and IT services is getting commoditized, there is tremendous pressure on pricing, tremendous pressure on cost. Unless we are able to figure out a way to improve our productivity dramatically through Automation and intelligent technologies, it will be very difficult to sustain the margins at today’s level. So in my mind I think it is very important for us to focus on it, otherwise you will have a huge challenge in maintaining your margins and that is where most of our efforts are.

Surendra Goyal

Just to understand it better is at industry level, is Automation response to the price pressure which is based on certain kind of deals, or is it already being offered very proactively to customers?

Pravin Rao

I think in some sense it is a response to the commoditization, it is not that there has been suddenly advance in technologies which makes automation more feasible, because AI as we know, or Cognitive Intelligence has been in existence. There has been some efforts in some sense, like if you look at Quality Assurance space, today people pretty much have automated their regression testing suites and so on kind of thing. So there is some level of Automation happening but people have not gone into the Cognitive aspect of it, but the tremendous pressure on the pricing and the commoditization is forcing people to start thinking differently.

Surendra Goyal

Now when we meet investors and talk to investors, one of the common points we hear is that US is definitely doing better and Europe is maybe not as bad as it was 12 to 18-months back, although again in the last couple of months it has been a little weak, so IT Services growth should accelerate, and on the other hand when we talk to a lot of companies the feeling we get is clients are asking for more work to be done for less in certain areas, then you have the whole software-as-a-service impact on ERP kind of work, so there are multiple things and in automation which in some ways is deflationary as well. So when you look at all these changes, the economics look like they are better, but then again there are certain pressures on the business, do you think you see the industry growth accelerating beyond the say 12% odd growth that we have seen in the last couple of years, do you think that it accelerates in the next year, a couple of years, any thoughts on that?

Pravin Rao

It is difficult to predict the industry growth rate going forward. There are multiple forces at play. So on the one hand there is advancement in technologies with the emergence of Cloud and other things, you are able to do things much more productively. So service that used to take so much of effort today you can do it with 10%, 20% less effort and with more and more automation and other things you can do it much more productively. So one part of the business is undergoing those kinds of changes. On one hand we are seeing some amount of cannibalization there, but at the same time technology is also providing opportunities in entirely different place, so for instance today the kind of traction we have in Big Data, Analytics and all, we did not see 2-3-years back, that is an entirely new stream of revenues that was not available 2-3-years back, maybe 3-years down the line the Internet of Things could be a big revenue stream. So it is very difficult to predict looking at it. On one hand technology will help you do things much more efficiently on one part of the business, at the same time it will also help in amplifying and providing new areas of opportunity. So it is difficult to figure out whether it cancels out or whether it will have increasing trajectory or so on. Secondly, if you look at from a client budget perspective, I do not think client budgets are increasing, budget by and large are staying flat, as a percentage of spend is staying flat, but if the clients is growing probably from absolute thing you may be seeing some increase. So from that perspective as well we are not seeing too much of additional investments in technology. The Third thing is in some sense in this space at least there has been consolidation, where 8 to 10 major players and most of the companies are of large sizes already. So given all this, I think the kind of growth rate we are seeing is probably the optimal one. So my expectation is it will be all on similar lines in the thing. There may be a few companies who do well, who may be growing 3-4-5% higher than the industry average growth rate, but it is difficult for me to imagine at this stage 20%+ growth that you used to see a few years in the past.

Surendra Goyal

We can take questions.

Participant

At the end of the day your business is all about managing people and talent. So when you look at your business over the last 7-8-years, your employee cost has gone up partly to do with more salaries and so on and partly to do with more training and so on. I hear from some industry players that the cost of training for employees has come down in the last 5-years because more graduates are now more technology-savvy than what they were earlier. What is your sense about the next 5 years. What is the realistic way of looking at the employee cost structures and the training costs associated with that? In annexure to that what will be average annual cost on your Mysore University campus, if you could share that number please?

Pravin Rao

On the first part of it, I think given the supply/demand dynamics, the salary inflation will still continue even though the industry growth may fluctuate. The kind of salary inflation that we are looking at 8-10% or 6-8%, it varies from year-to-year, so that will likely to continue in the foreseeable future, we do not see that moving away from that piece anyway. Second one from a training perspective, while today people coming out are much more technology-savvy. I still believe that we need to continue to impart training for them in multiple ways - one is there is an element of soft skill training we need to do, then you need to train people on the methodologies, and in many cases companies like Infosys, we take engineering graduates not necessarily from computer science, majority of them are from non-computer science graduates. So many of them may know some programming languages but they may not know the full life cycle of software. So I do not see the need for training going away, and at least for a company like Infosys, training is our biggest differentiator and that is one of the things that has helped us where we are and more importantly with the shifts in technology happening and the pace at which technologies are changing, it is all the more important that a company which has the ability to re-skill and employ much faster and with much more agility will probably stand a better chance in terms of capturing the benefits of technology shifts than other companies which are not investing in training. So I do not see the need for training go away. The last question I do not have really the data at this stage for me to comment on that.

Surendra Goyal

So just a couple of points on profitability. So you spoke about wage inflation in the last answer. So what we are seeing across the large companies is that all of them are now operating at utilization level which are either close to all-time high or multi-year high? In the last couple of quarters we are seeing that hiring is now starting to pick up, right. So do you think that there is a possibility that wage inflation is higher than what we have seen in the last couple of years given that most companies seem to be increasing hiring almost at the same time because of where utilization levels are?

Pravin Rao

I do not necessarily agree with that thing, where the increased hiring could be because given the commoditization happening, volume growth is much higher than the revenue growth. So to that extent I think till we are able to crack the automation and be able to do things more productively, in the short-term, you may need to hire more people to do the same level of work so that could be one of the reasons why you are seeing probably increased hiring, but other than that I do not see the wage dramatically increasing because of the supply/demand thing, because there are enough talent available there. Most companies are looking at a pyramid kind of thing where they are recruiting at senior level as well, but a large percentage of their hiring comes from people out of colleges; there are enough number of people coming out of colleges. So there is no scarcity of supply for you to look at increased thing. Obviously, people who have expertise in niche skills and all at a lateral level obviously will come with higher salary expectations and so on. So there may be some wage pressure there, but broad masses of people coming out of colleges and all we do not anticipate dramatic, there is enough talent out there.

Surendra Goyal

And a question on profitability. Mr. Murthy had articulated certain cost optimization measures roughly around 18-months back and obviously a lot of it has already happened and is visible in the margins. So are those optimization measures largely done or the benefits of those are yet to kick in from a profitability stand?

Pravin Rao

I think we have seen the benefit of those optimization measures this year so I think it is fully leveraged, right now. We are at an optimum level and actually next year we have to look at additional levers, we have to look at improved productivity, because it is not only the cost structures that are now back in where we want to be, earlier we had lower utilization, we saw uptick in utilization and so on. So that also benefited and helped us in our margins endeavors this year, but going forward next year I think already cost structures are in place, they are highly optimized, many of the levers are highly optimized. So we have to really focus on our productivity as far as to sustain the margin at the current levels.

Surendra Goyal

Talking of productivity, I look at even say your numbers versus 5-years back, generally the industry has found it difficult to raise productivity significantly partly because of commoditization in a significant part of the business which you spoke about. So in that backdrop, is it really easy to take productivity up which can really help you offset the wage pressures and other pressures that you may have warmed up to?

Pravin Rao

I think so. It may take some time but if you are able to bring in as I talked about earlier Cognitive Intelligence and other things in the Automation space, it is possible to reduce efforts by 30% to 40% because if I look at Panaya, the kind of benefits that the clients who were using Panaya I have talked about, they have seen clearly 30% to 40% reduction in efforts in a typical ERP upgrade program as compared to doing without Panaya kind of thing. So that is a possibility. So I am sure if we are able to focus on building those kinds of platforms, it is possible to do 30% to 40% cheaper than what we were doing in some parts of the business. This applies to Infrastructure Management, this applies to BPO, and this applies to Application Development and Maintenance as well. When you look at Quality Assurance today, most of the Automation efforts has been in terms of test execution. But, test execution is really about 30% of the test life cycle. So the opportunity there in is trying to automate test case creation, test data generation and so on. If you are able to do that again we can bring in as 10-20% improvement in test efficiency as well in the Quality Assurance space. So I think there are enough opportunities out there. History has shown us that when there is pressure due to some reasons, then I think we will find ways and means to counter that and I think the time has come where it is inevitable for this industry to figure out a way to improve productivity through use of technology, it may take a year or two to reach there but I think it is possible.

Surendra Goyal

And based on your experience so far do customers allow you to retain the gains because of Automation?

Pravin Rao

So far for what we are doing it is at a very low level of Automation, by and large we are passing on the benefit to the customer, because in today’s world given its commoditization, clients upfront expect 20-30% saving in cost, so they do not care whether you do through Automation or any other mechanisms. But over a period of time if you are able to reach automation to the level of 30-40% improvement and all, it is possible for us to retain some and pass some back to the customer.

Participant

Just on the cost structure you said that most of the cost structure is optimized. I was just thinking in terms of employee pyramid, is there a margin lever going forward and what do you think that where it can change going forward, and how much can it contribute to the margins?

Pravin Rao

I think we are already deploying a pyramid. So beyond that it may be difficult to optimize further, because one cost lever is if we are able to do more work with more junior profile of people then obviously it is less cost for you and more margin-accretive, but we already have a pyramid we have already optimized on the pyramid. There may be some play here and there in some service lines, it may be more than the other. But by and large when we compare with where Infosys was about 12-18-months back, our pyramid was little bit out of shape, then we had lot more expensive resources onsite and so on. So there are four or five different things we did over the last 18 to 24-month to bring the cost structures back to where we want to be. So from that perspective I said we are fairly optimized today. We have to now look at new levers if you want to get further squeeze out of the margin out of the cost and improve our margins. Automation is one lever, but other than that the traditional lever of offshoring, the roll ratios or doing work with different kind of profiles of resources, those are all fairly in play, utilization and all. There may be times you may have some levers less optimized than the other, but by and large they are fairly optimized. It is difficult to squeeze much more out of it.

Participant

How long will we take on the acceleration of growth from the product side, so what is the strategy over there going forward?

Pravin Rao

When you look at products there are two parts - one is we have a Finacle product, which is doing fairly well in the emerging market, it is the dominant banking product in emerging markets, but most of the emerging markets banks have already invested in core products. So the growth that we are seeing in Finacle is mostly in some of the new channels, new products and so on, which from a revenue perspective, it is not as big as a core implementation. The next wave of Finacle can happen only when we are able to penetrate the Europe and US markets. There I think, the propensity of some of the large banks to get rid of their legacy systems and migrate to a core banking product is still very low. So till that transition happens, we may not see dramatic growth in Finacle, we will definitely see increased market share, it is a dominant player, but the next wave of growth in Finacle can happen only when we see larger banks in Europe and western world migrating to core banking product. Now, apart from Finacle, we also have platforms, what we call “Edge Platforms”, we have about 6 or 7 different platforms. So we see a lot of opportunities for growth there, but it is a very small percentage, between both Finacle and Edge together it contributes about 4-4.5% of our revenues today. So while it will grow much faster than the company growth rate, in terms of impact it will take a fair amount of time before it can make a significant impact.

Participant

A question on your organization structure because there has been a couple of changes with yourself made the COO structure and today I was just reading the Economic Times that there is some changes coming up at your labs as well and also on the sales force organization, there was earlier this talk of the account manager or the delivery guys will do sales if I understood that correctly and today I was reading that now the delivery will be not in the P&L of the sales guys, the vertical heads will be responsible just to drive revenue. So just your thoughts on that and when can we see that the structure will be eventually done for next phase of growth?

Pravin Rao

There are two or three things you have talked about – one part of it you talked about delivery people being deployed in accounts as account managers. So that was in respect to our ability to mine accounts better. So, one of our challenges we saw in the last couple of years was our inability to mine accounts better. So we wanted to increase the sale bandwidth. So we did two things – one is we recruited people from business schools into our sales force, we added about close to 200 people in the last nine-months. In addition to that, we also deployed about 150 delivery people with client-savvy skills to accounts to help in mining the account better. So that was more a practical response to improving the efficiency of sales effectiveness and mining the accounts better. In October of this year, we outlined our new strategy of Renew and New. And if you look at our strategy, a lot of it is hinged on what is happening on the technology world and there is a lot of emphasis on technology in our new strategy. We are talking about renewing each of our service lines through innovation, automation and so on and we are also looking at leveraging technology to do new ways of doing business with our consumers and so on. So, when we looked at our current structure we felt that it was not optimal when you look at it from alignment with this strategy. We saw some level of fragmentation, because we had similar kind of expertise resident in different verticals, and that to some extent was putting some kind of friction in terms of our ability to accelerate, innovation and automation in each of these service lines. So to align our structure and enable our strategy we did some minor tweaking, it is not a major rejig. So on the sales side, on the markets side, we continue to be organized on that industry vertical. So there is absolutely no change from a client perspective, they continue to interact with the same set of people who understand the industry, who understand the domain better, but at the back end on the delivery side, we are now organized into horizontal service lines. The idea is now that we are horizontally organized, our ability to innovate on the service line, our ability to introduce automation, and more importantly, our ability to institutionalize across various projects, across industry verticals will be much more dramatic than in our earlier structure. So that is a change we did. In addition, there were a couple of other things; we earlier used to have Lodestone which was focusing on Europe consulting, and we had MCS which was focusing on consulting in America, now we have integrated both together and now we will have a combined consulting organization. We have also folded Lodestone into Infosys Limited, earlier it was a subsidiary. So that is another change we did. Michael Reh was heading Finacle, we have given him additional responsibility of Edge as well because he comes from a Product background and his Product experience will help in accelerating our journey in Edge. So these were some of the changes we did in terms of tweaking the structure. In my mind these are not major changes because we still have the same leadership on both the delivery and the market side. It is just that we have just tweaked it so that it is more aligned to our strategy and our ability to execute on the strategy will improve dramatically with these changes.

Participant

Correct me if I am wrong that many years ago the structure was like this only right, sales was vertical, delivery was horizontal and then we moved everything into verticals and now we are coming back. Just correct me if I am wrong please?

Pravin Rao

See, in this industry it is a continuum, I have been in this industry for 28 years, every three four years we keep on tweaking it. So there are three dimensions you can organize – we have the industry dimension, we have the technology dimension, and we have the geography dimension. You will always have one of the primary and the other two are secondary and depending on the strategy of the day and strategy for the next few years we have to tweak it. So earlier we were horizontal but then we felt the next wave of innovation can happen when horizontal by itself did not mean anything but horizontal technology in the context of the domain will add more value, so we try to organize the technology into industry vertical so that we can bring in domain expertise. Now we have sufficient scale and sufficient understanding of the domain and in today's world if we look at it, the pace at which the technology is trending is dramatic and many changes that we are seeing around us, all the disruptions that are happening around us is technology driven. So again technology has gained prominence there. So we felt that at this point in time we have to focus lot more on the technology. Maybe three years down the line when this technology matures maybe the next wave of value could be back on the domain, then we may need to reorganize ourselves. So these are things we typically do every three-four years so nothing out of the ordinary but at any point in time we had to just make sure that the structure is more in tune with your strategy and it helps in enabling your strategy rather than creating road block.

Surendra Goyal

I will just ask one more question here. So in your opening remarks you did mention that Infrastructure Services were doing well and in terms of pipeline, it is 30% to 40% versus revenue contribution of approximately 10% or thereabouts. And that is an area where when we meet investors there are a lot of concerns about Cloud starting to impact that segment sooner than maybe it impacts some of the other parts of the business. So your thoughts there, do you think that there is like a five year runway to growth in that business or it is more like a two year opportunity and before Cloud starts impacting that business significantly?

Pravin Rao

I think to some extent we have already seen impact of cloud. We have already seen emergence of Hybrid Cloud in Enterprises both private and public cloud. So that adoption is already happening and it is probably much more dramatic than what we saw two-three years back. But I think there is still much runway because when we talk to clients, different clients are at different ends of their things. The first thing you have to do is you have to simplify your infrastructure, you have to industrialize it before you migrate to Cloud, you cannot just jump start to cloud from wherever you are. So in many organizations, many enterprises, they are still not fully optimized, their infrastructures are still complex, and they are still working on the early stages of optimization in industrialization. So at least in my opinion there is still some headroom for growth in the Infrastructure before you look at transformation to the Cloud. And again it is not that when you move to the Cloud it is dramatic 100%, so in a Cloud environment probably the cost of infrastructure probably would maybe come down by 30% - 40% or something, you still have that 50% - 60% runway in terms of Cloud systems anyways. And again as I said earlier, while the revenues from Infrastructure may come down because of this development, there are always new streams of revenue coming up, “Internet of Things” could be a big play, analytics and data science could be a big thing. And we have seen the early days of Digital right, we don’t really know how Digital will evolve over a period of time and the disruptive impact it can have and so on. So I think, you will always see some pressure on some side, some revenue decline on some parts of the business but you can always see new areas are coming up and so on. So it is very difficult to, as I said earlier, difficult to say whether each one will net out each other or not, it remains to see how whole thing will play.

Surendra Goyal

And on Infrastructure Services now that you have a fairly sizeable practice and I know that you do not really disclose the exact numbers but in terms of profitability, a well-executed Infrastructure business can it give margins which are similar to the overall business, even a rough idea would be fine.

Pravin Rao

I think at least in our experiences if I look at it from a portfolio perspective, if I look at it from an Infrastructure Management Services I think the margins are comparable to the industry, Infosys average margins. So there is no dilution of margin in this thing.

Surendra Goyal

One last question we can have. So since there are no more questions we will close the session here. Thanks Pravin.
