



INFOSYS TECHNOLOGIES LIMITED
INFOSYS 3.0 - BUILDING TOMORROW'S ENTERPRISE CALL

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Moderator

Ladies and gentlemen, good day and welcome to the Infosys Conference Call. As a reminder, for the duration of this presentation, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's opening remarks. Should you need assistance during this conference call, please signal an operator by pressing '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Sandeep Mahindroo of Infosys Technologies Limited. Thank you. And over to you, Mahindroo.

Sandeep Mahindroo

Thanks, Rochelle. Hello everyone and welcome to this call to discuss Infosys 3.0 -Building Tomorrow's Enterprise'. I am Sandeep from the Investor Relations team in New York. Joining us today on this conference call is CEO and M.D, Kris Gopalakrishnan, COO, S.D. Shibulal and CFO, V. Balakrishnan along with heads of the four large industry verticals created recently. This is the first of the 2 calls that we have planned to do with you on Infosys 3.0. The next call focused on the various service lines will be done next Monday at the same time. We would send you an invite for that call later today.

We will start today's call with a brief statement by Kris, Shibu and Bala followed by an overview on each of the four industry verticals. Subsequently, we will open up the call for questions. I would like to request you to restrict your questions to Infosys 3.0 or the recent changes in the management team announced over the weekend. Before I pass it on to the management team, I would also like to remind you that anything that we say which refers to our outlook for the future is a forward-looking statement which must be read in conjunction with the risks that the company faces. A full statement and explanation of these risks is available in our filings with the SEC which can be found on www.sec.gov.

I will now like to pass it on to S. Gopalakrishnan.

Kris Gopalakrishnan

Thank you Sandeep and good morning, good afternoon, good evening to everyone. We are very happy that you are participating on this call and thank you again. I am excited with what we have announced in the last week. I will broadly talk about the leadership announcements, the genesis and the strategy behind the transformation and the changes that are happening, some of the new engines of growth etc. Shibu will follow me with more details and you will also hear from all the industry group heads.

The Board on April 30th announced that K.V. Kamath will take over as the Board Chairman on August 21st when Narayana Murthy retires as the Chairman. Murthy has been recognized as Chairman Emeritus for his services to Infosys, the IT industry and India. I will take over as the Executive Co-Chairman with primary responsibilities around client, employees, especially leadership development and investors. S.D. Shibulal will take over as CEO and Managing Director on August 21st. With this, we have announced the changes well in time for August 21st, we have 3.5 months. We are confident that this leadership will serve Infosys well in the future. We are also confident that these changes will happen smoothly as we have been doing in the past.

Now, about the transformation that is going on. Our primary go-to-market is by industry. This is a decision that was taken 8 years back when we created the retail business unit as a pilot. Subsequently, we created all the other industry units. The units have actually done extremely well.

This focus allows us to understand our clients businesses very well, specialize in these and serve them better by adding more and more value over time. We are now consolidating these into 4 industry business groups. Shibu will explain this in a little bit more detail.

When we start a new engine of growth it has started as a separate standalone unit. This engine of growth, this unit maybe incubated within an existing unit that can give it operational support required for a start-up. This is true for a new service, new geography or new industry. Europe also started as an independent unit and was verticalized in November 2007.

Currently, Consulting and Enterprise Solutions, Infrastructure Management, Independent Validation Services and System Integration have all achieved critical mass of revenues around \$ 300 mn or more. They are being verticalized along the four industry groups.

From an HR point of view, the horizontal identity will be maintained. This includes recruitment, education and training, engineering processes, tools used at work and career progression. Rest of the world also has reached a critical mass and hence is being verticalized. We will continue to have specially focused groups in certain investment countries, for example, in France, Germany, China, Japan, India, etc.

We have been strengthening our go-to-market and value addition to our clients by proactively looking at what currently drives transformation at our clients. These have been articulated as 'Building Tomorrow's Enterprise' themes. All our solutions programs are aligned to these 7 teams. This should enable us to differentiate in the market.

We are also launching several new solutions based on current market needs. These are in the areas of Cloud Computing, Enterprise Mobility and Sustainability. Please remember that we already have groups providing learning solutions and business platform solutions. These along with our country focus teams in France, Germany, China, India, etc. are the main engines of growth for the future.

Before I hand over to Shibu I also want to say that we are planning to change the name of the parent corporation from Infosys Technologies Limited to Infosys Limited. Today, we are providing business solutions over and above technology solutions. We have a broad range of services from Consulting to BPO, we have subsidiaries around the world. The brand Infosys is very strong and we are planning this name change also.

Shibu will now introduce the four industry groups and heads of these industry groups. Afterwards, each one of them will speak about their group strategies for the current fiscal and the future. In a week's time, we will also have a similar session with the key leaders of our services groups as Sandeep already mentioned. Shibu, over to you.

S.D. Shibulal

Thank you, Kris. Before I introduce the 4 industry verticals and their leaders, I just want to touch upon the 'Building Tomorrow's Enterprise' theme or the strategy. In my mind, it is all about being relevant to the clients. We have about 620 clients and when we talk to them, we are constantly seeing that priorities for all of them are same. All of them are looking for revenue growth, they are looking for profitability and they are looking for asset efficiency or return on investment.

About a year back, we asked ourselves this key question. If this is what our clients are looking for, what are the global phenomenas? What are the global trends which will allow them to do this in the 21st century? That led us to these 7 themes which we have identified. We have identified it after a lot of research, lot of conversations with clients, industry experts, academicians, analysts

and our own people. These themes are Digital Consumers, Emerging Economies, Sustainable Tomorrow, New Commerce, Healthcare Economy, Smarter Organizations and Pervasive Computing. Once we identify these themes, we have set up research groups which will focus on each of these themes. We have also aligned all our investments in solutions, products and what we call accelerators around these themes.

For example, our platform, Flypp is in the area of Digital Commerce. Our product iTransform is in the area of Healthcare Economy. HRO platform is about Smarter Organization. Finacle is about Emerging Economies. Majority of the investments or almost all of them are aligned towards these global trends which we have identified. Then, we have gone ahead and aligned our structure to this strategy. That is what Kris talked about.

In a broad sense, we have consolidated all our verticals into four. The first one is Financial Service and Insurance which is headed by Ashok Vemuri. The next one is Manufacturing, which is headed by BG Srinivas. The third is Energy, Utilities, Communications and Services, that is headed by Prasad Thrikutam. The fourth one is Retail, CPG, Logistics, and Life Sciences which is headed by U.B. Pravin Rao. These are our primary go-to-market verticals. We have one additional vertical which is IPS - Infosys Public Service subsidiary, which will be the go-to-market in US for the US government public service work. We have also integrated a portion of the healthcare work which we do into this subsidiary. So there are four verticals plus this one subsidiary which will be our go-to-market.

We have grouped our offerings into 3 major groups. First one is the **Business Transformation** work which we do. That will consist of the business consulting work, system integration, enterprise solutions and in effect, some part of application development. The next piece is **Business Operations** which consist of application development and maintenance, independent validation, infrastructure management. Our business process management also comes under this grouping. The last one is what we call **Business Innovation**. That is about products, platform, and solutions. So by doing this, our goal is to be in relevant to our clients in all the facets of their business. We are seeing that our clients are driving efficiency in their operations, they are transforming for creating growth, they are innovating, they are doing business innovation to differentiate in the marketplace. We clearly believe that with this strategy and with this structure in place, we will be relevant to our clients in all facets of their enterprise. These verticals are global which means that we will be able to participate with the clients in every part of the world. We have as Kris said, investing more into certain countries. That is also about being relevant to our clients because our clients are expecting that we will operate with them in South Africa, in Brazil, in Australia etc. So we need to build those capabilities.

So that in a nutshell is about 'Building Tomorrow's Enterprise' and the structural alignments we have done. With this now let me hand it over to Ashok Vemuri who heads Financial Services and Insurance. Over to Ashok.

Ashok Vemuri

Thanks, Shibu and good morning to everybody. Let me once again outline the 7 strategic themes which Shibu just talked about and then from that give you a sense of where from a financial services and insurance perspective, we are focusing on. The themes are Digital Consumers, New Commerce, Healthcare Economy, Sustainable Tomorrow, Smarter Organization, Emerging Economies and Pervasive Computing.

From a financial services perspective, Digital Consumers and New Commerce are the two themes that have a fairly high degree of co-relation and have been analyzed together. The second one is Smarter Organization. In that we look at factors like operational efficiency. More importantly,

adherence to regulatory requirement and reporting and leveraging such activities whether it is from an analytics perspective or a business intelligence perspective, as competitive differentiator for our clients. Pervasive Computing - essentially helping clients accelerate time to market using cloud-based services. Emerging Economies is about supporting our client initiative seamlessly as they expand into emerging economies or into economies outside their home borders.

If we look at the first one, Digital Consumers and New Commerce, this is prompted to a great extent by the expectations that Gen-Y or the digitally network consumers have whether it is a fact that they want to be in direct control of their finances, they demand a rich contextual and real-time data and analysis to make decisions, sometimes self-service data and analysis, depend heavily on the wisdom if you can call it that, of social network, instant gratification etc. Therefore, the imperatives arising out of that for financial services firm are that if you look at the wealth management space which is getting highly crowded, traditional wealth managers are being forced to be innovative to keep the competitive edge, there is a pressure to increase share of customer wallet, as well as retaining high performance channels, for the kind of work we are doing for advisors or distributors, etc., There is a higher degree of investments in client-facing technologies, whether it is rich interactive online experience or more importantly, mobile access.

The focus essentially is on empowering customers in terms of better and self-service capabilities in micro segmentation for increased personalization, greater emphasis on analytics and also in activities like channel-effectiveness or marketing campaign effectiveness, etc. I do not think enough can be said about the whole area of mobility, empowerment of financial advisors. For example, you are working on creating trader desktops or creation of advisor desktops. Information visualization combined with real-time business intelligence tools, whether it is a real-time dashboards that can be personalized. From our experience, digital and new commerce areas have found great resonance with financial services clients not only in the US but also increasingly in Europe. I will give a couple of examples. We have helped transform online client experience for a leading private bank. Essentially what we have built is user-interface and process enhancement across various asset class that retail customers are using. We have created a transformation for retail trading platform for a leading brokerage and wealth management company. This is an investing example of something which we have done in conjunction with our clients, we have co-created a multi asset class trading platform where the IP is shared with the bank and this is essentially to improve their online and mobile capabilities.

I will move to the second topic in the "Building Tomorrow's Enterprise" for Infosys 3.0, where we are finding significant traction that would be in the area of Smarter Organization. As I said earlier, it is about operational efficiency. It is about improving the return on the dollar spent, not just about cutting costs. It is about increasing efficiency and deriving a benefit as a consequence of that improved efficiency. This involves things like creation of utilities or shared services which is again a very interesting aspect of where our financial services clients are going. 2 years ago you would be hard pressed to get them to use shared services within the bank. Now they are doing that in a much more aggressive fashion across lines of business, moving from product silos to a product agnostic infrastructure, moving from platforms with markets or regional specific capabilities to global platforms so those that can be used in Singapore, in Hong Kong, can be used in the US and Europe. For example, in terms of these utilities we have created a multi-asset class trading front-end. We are working on clearing and settlement factories, we are actually creating utility which allows for this.

Information management is also an extremely important component of enterprise transformation efforts. We are looking at legal entity identifiers which is a huge initiative from a compliance perspective. In the area of single counterparty views, post the crisis, we have industry level efforts like legal entity identifier which are gaining momentum to reduce systemic risks where we are heavily engaged both from a client as well as from a regulatory perspective.

What I am going to do now is hand it over to Prasad and maybe some of the issues I can address during the course of the Q&A.

Prasad Thrikutam

Thank you Ashok. Good morning, good evening and good afternoon to everyone on the call. I will be talking about what we are doing in the energy, utilities, communications and services space in line with the strategy that Shibu laid out upfront. We are seeing that there are 4 areas that we are currently doing a lot of work and we continue to see continuing spending. Those are in the areas of Digital Commerce, Sustainability, Smarter Organizations and Pervasive Computing. If you see each of these verticals - energy, utilities, and communications and services, each one has a different emphasis on each of these aspects. I will talk about a few examples each to give you a sense of the kind of work we are doing in this area.

Let me start with energy. There are two areas that are of prime importance in the energy industry. This is the oil and gas industry in total that includes Oil Field Services, integrated oil companies, etc. There are two broad focus areas. One is on the Smarter Organizations. If you have noted some of the recent M&A activity in the Oil Field Services segment, there are a number of organizations that have gotten together and they are now realizing that there is a lot of opportunity in simplifying the organization and making it more agile. This basically means that you take business processes, redefine them, you compress or eliminate certain processes and systems that go with it. One of the examples of this is or one of the well-known oil field services company where we have taken their entire quote-to-cash process, we have redefined the process, we have introduced SAP as the basis for the technology and we are now implementing this worldwide. That is an example of where the smarter organization theme is basically increasing asset efficiencies, increasing collaboration, increasing simplification and adaptability, that is an example in the energy space.

The other space that we are seeing in energy is again an example of Smarter Organization but slightly different example. This is in the integrated oil companies where there is a need for digitizing information about the assets, about the well details, the production details, etc. and overlay that with the GIS information and then all the other macro information like weather patterns. We are working with a large integrated oil company where this whole space is called data management and we are building both process changes as well as technology that is needed to create a seamless exchange of information across all these different assets, digitize them and take highly disintegrated piece of information, unstructured information and making it online. If you noted a large oil company had a recent problem in the Gulf of Mexico, how do you assess what are all the assets that play, what is the risk, etc. This is a piece of work that will enable almost on a real-time basis to take stock of every asset in the field. That is the second example.

The third example is in the services space which is on the Digital Consumer area where we are helping one of the largest vertical information service leaders to transform their business complete from a campaign to cash, the entire process and to adapt the move from a print media to an online media. It is a fundamental change in their business model including selling information on a micro basis. Shibu was talking about New Commerce where micro transactions is in vogue and here is an example where this organization wanted to sell a piece of information all by itself. It's like selling one song compared to a whole CD which we are all familiar with, the iTunes model. That is the kind of transformation that we have undertaken for a large information service provider.

The fourth example is in the airline industry where we have built a system for a large airline which is one of the well-known airline where we have taken our mobility practice and capabilities and created what is called a YARDA which is Your Agent Anywhere. It's basically when you enter an airport, if you want to check in, if you want to get status of your baggage, or if you want to make

any changes to your seating, etc., all that is enabled with a freely mobile agent that actually carries any device. It could be a PDA or it could be an iPad kind of a device and that whole transformation integrating with the backend is another example where we have used mobility to transform an organization.

The last example is in the communications industry where they are undergoing a transformation from the wireline to wireless. A lot of companies have already done that but the content that they need to generate and get social networking kind of concepts included needs a complete transformation or complete rehash of their online properties and we are helping one of the largest wireless carriers in Europe to do this transformation. This is an example of Digital Consumers.

These are some of the examples and these are the areas that we will continue to invest as we go forward in my vertical. Thank you very much. Over to you BG.

BG Srinivas

Thanks Prasad. Good morning to all of you. I will be talking about the manufacturing sector. Very briefly, as we saw last year, the manufacturing sector has returned to stability in a fair manner, coming out of a recession. In dialogue with our clients we have observed certain general trends within the manufacturing sectors. This cuts across various sub-sectors within manufacturing, be it automotive, aerospace, discrete manufacturing, hi-tech sector as well as process manufacturing. When the business demand fell during the recessionary years, almost all of them were not able to take cost out simultaneously at the same pace at which the business demand fell. When they have been looking at their business strategies in the last year, they are obviously looking at doing things in a different way so that they do not have to get stuck with their mistakes of past. In discussions with our clients, both in the U.S. and also in Europe, there are some clear patterns emerging where our clients are looking at on one hand trying to improve their revenue profile, they are looking at emerging markets to expand their business, they are looking at new products and services and launching them innovatively in order to make that happen. At the same time, they continue to be under cost pressure, so there is a continuous investment going into improving their operational efficiency and becoming smarter. In the good years when the sector expanded rapidly by acquisitions, most of the sectors continue to reel under the challenges of multiple systems and processes because they had to grow through acquisitions and they have landed up with the disparate systems. During the last 15-18 months, we are seeing the sector invest significantly in rationalizing their internal systems, harmonizing their process and in some cases also setting up shared services where it did not exist. In fact, we have participated in several of the key initiatives both in the process sector and discrete manufacturing, in helping clients retransform their internal processes, and harmonize through a global template approach which Infosys has patented. This is something which we believe is making an impact on our clients and helping them making sure that when they harmonize processes and when they roll out new systems, they are always measuring the business value which is being delivered because of these changes.

Our clients in manufacturing sectors continue to spend. Some of their discretionary spend is clearly client centric. For example, in the hi-tech industries there is a focus on creating new channels for their revenue, including on-line channels. In the automotive sector the investments are going more towards the dealer management systems. Because of the discrete application and systems which continue to exist in the sector, they are also looking for solutions which can give them visibility across multiple clients and geographies across multiple divisions. Here again, we have a supply-chain visibility solution which actually plugs into their problem statement and gives them visibility across their supply-chain.

In the recent past, we have also seen that when the clients are looking at innovating on their products, they are looking at leaner means of innovation. In other words with the new normal setting in, the expectation that products cannot be sold necessarily at a premium, is impacting everyone of them and in that context we have an approach to our client in the product lifecycle management which helps them develop products which actually goes into their R&D, product development spend, helping them look at leaner processes for product development.

So on all these 3 aspects of revenue growth, expansion into new markets, internal operational efficiencies and becoming smarter, or looking at product innovation and leaner means of product development, we have positioned ourselves well in supporting our clients' initiatives because we have something very solution-centric, IP to offer to our clients and in that context we have been able to make headway into getting business from our clients.

I would like pause here and hand over to Pravin and we can open up for questions very soon.

U.B. Pravin Rao

Thanks BG and good morning, I will now talk about Retail CPG, logistics, and life sciences. The themes which are relevant to this vertical are Digital Consumer, New Commerce, Pervasive Computing, Smarter Organizations and Emerging Economies. In addition for life sciences, Healthcare economy is a big area of focus.

When we look at Digital Consumers, our clients are continuing to invest in retail commerce, retail marketing, mobile and social technologies. In some sense, we feel that there is a technology inflection point in terms of increase usage of technology by consumers as well as clients. In the Digital Commerce space, we are seeing online and in-store shopping convergence finally becoming a reality. We are now seeing a next wave of Digital Commerce investment as clients try to provide true multi-channel experience. We are also seeing in-store technology garner increased focus, consumers are being targeted with location based apps and offers. The Shopping Trip 360 solutions we have, we are seeing good traction in this space. Mobile marketing, mobile commerce is also picking up. Using technology ahead of the point of sale with mobile hand-held devices is also on the rise. We have a solution called mobile___, which we are co-creating with a fashion retailer. We in fact had our first licensed sale of this solution and we are seeing tremendous amount of traction in this space. We have had about 25 plus workshops with our clients on mobile strategy. We are doing about half-a-dozen mobile strategy engagements. We have also completed and entered an engagement to build the first CPG mobile e-commerce application on the Apple App Store. Mobility is definitely an area where our clients are willing to co-invest with Infosys and create IP and solutions.

In social media also, we have seen increased traction where clients are trying to leverage the social media to understand what the consumers are talking about and how they are making their decisions. Our iEngage solution is finding increased traction in this space.

In life sciences, erstwhile digital consumer is playing a key role. Patients and physicians are better informed and more empowered due to internet and social media and are taking control of their own health, treatment as well as how they interact with the pharma companies. A lot of life sciences companies are also diversifying into over-the-counter and health wellness kind of segments which align more with the retail CPG world in which retail consumers plays greater key role.

The second area where we are seeing lot of investments by CPG, logistics companies as well as with grocery and value retailers is in the area of modernization of their legacy systems and

eliminating cost through standardization using packages, getting into main stream, etc. We are seeing a lot of traction in this space.

The third area of focus for this industry is emerging economies. Both retail and CPG companies as well as life sciences companies are working on their international growth and emerging markets are becoming an important strategy. We have couple of solutions like iConnect and Retail connect which are seeing good sale.

Apart from this we continue to see a lot of traction around analytics, shared services, business intelligence, both in Retail CPG as well as in life sciences areas. Lastly in life sciences, we are focusing on the healthcare economy. Obviously this has been central to life sciences vertical and it is there from the inter-connectedness of the pharma and life sciences segment with providers as well as the payers. The health care law as well other changes are bringing a value chains even closer and we are having some fair amount of focus in this particular area, mainly in the areas of electronics medical records, remote help monitoring and so on.

So with this I will take a pause and hand it over to Sandeep.

Moderator

Sure, thank you very much. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Balaji Prasad of Goldman Sachs. Please go ahead.

Balaji Prasad

Thank you. Congratulations to the management on the new responsibilities and wish you the best. One of the key things that we wanted to understand is the entire organization's philosophy of approaching growth and margins. In the past you maintained that your industry base margins are a reflection of what clients are thinking about Infosys. So under Infosys 3.0, is there any change in that approach and in that business philosophy?

Kris Gopalakrishnan

We go for profitable growth, it is a balance between profit and growth. If you look at last year, we have grown 25.8% for the full financial year. This year we have given a guidance of 18% - 20%. We have been able to sustain our margins over the last several years within a narrow band. There may be a slight variation year on year but within a narrow band we have been able to sustain our margins. That philosophy will continue. Our goal is to go for above-average industry growth. NASSCOM projects that industry growth last year as 18% and we did 25.8% and to have one of the highest margins in the industry. That philosophy has not changed.

Balaji Prasad

Could you also probably help us understand how your 3.0 vision translates to in terms of competing versus peers? Would we see a higher aggressiveness in approaching growth? I mean your entire focus of being much more relevant for clients, would this translate to a greater growth than your peers, or be in line with the industry?

Kris Gopalakrishnan

As I said, the goal is to go for above average growth. We believe that we are aggressive. You have to look at it in a broad perspective. We are aggressive in going up the value chain. Clearly, we have demonstrated that in the way we have grown our consulting business, the way we had pushed our thought leadership around 'Building Tomorrow's Enterprise'. We are going for growth. We started last year with 16% - 18% guidance and ended the year with 26%. So we have taken advantage of the market opportunities. We started the year with 30,000 as the recruitment gross number. We ended the year with 43,000 as recruits. We really ramped up recruitment. For FY 12, we have guided for recruiting about 45,000 people. We are aggressive from a growth perspective. We are investing, for example in building a Delivery Center in Shanghai. We will be investing about \$130 mn over the years to build this. We will be one of the first Indian companies, may be first global company to build a Delivery Center in Shanghai in China. So we do many things which we believe is very unique, very "aggressive" and it comes from a certain strategy and philosophy the company has. For example, we train our entry level employees for almost 29 weeks in our center in Mysore. This is one of the highest because we strongly believe that we have to put the best people in front of our clients and that is part of our value addition to our clients, part of our philosophy and strategy. You have to look at it from a broad perspective and of course growth is also there. This is not to take away anything from the growth. We believe that we have to increase the value addition in everything that we do because clients are demanding more and for doing that, we have to look at a broad set of initiatives and we are active in many fronts. We are also active in adding new services and growing these services. Around 60% of our revenues come from non-application development and maintenance. Business has changed quite a bit in the last 5-6 years. I am just giving you multiple data points to show that we are aggressive in the broad sense.

Balaji Prasad

Sure Kris, thank you for your thoughts. Shibu, will you be handling any clients directly or will you be having only an oversight function of the clients?

S. D. Shibulal

We have an allocation of clients to the senior executives including myself, Kris, and many other senior executives in the organization. We call it strategic sponsorship of those clients. Some of us have 3 or 4 clients, some have 4 or 5 and we do handle them directly in the sense that we build those relationships. We do not negotiate with them. There are enough client-facing people on the ground who will do all those aspects but we are very much part of building those relationships. In my role, I meet at least 50 clients a year at least and I am sure everyone of us meet that same number of clients every year.

Prasad

Wonderful, thank you and wish you the best again.

Moderator

Thank you Mr. Prasad. Our next question is from the line of Edward Caso of Wells Fargo. Please go ahead.

Edward Caso

Thank you for taking my call and Shibu congratulations. Can you talk about the missing pieces of your strategy as you set this out and look at this big matrix, what pieces are missing? I guess I am sort of asking what acquisitions or areas of acquisitions that you might need and what road blocks or US visas that you might see that you need to work around? Thank you.

S. D. Shibulal

If you look at the broad sense of offerings and that is where I will start. In Business Operations, we are extremely strong. Our application development and maintenance revenue is 40%. Our revenue from independent validation is \$450 mn. Our infrastructure management is close to \$400 mn. So in the business operations side, we are very strong, we have more than enough depth and we have an ability to drive the efficiency through tools we use and other process improvement continuously. I do not see any reason for acquisition in that space. In the Business Transformation space, in the last 5 years we have built an excellent consulting capability. Today IC plus ITL together should have close to at least 2000 consultants. I would say it is more than 2000 at this point. Of course our aspiration is to take this number much higher and acquisition is an option there but it is not a 'must option' because we have built it ourselves over the last 5-6 years. There you can either choose to continue on your organic growth path or if you find the right candidate, you can acquire. The third offering space is the Business Innovation space. Here we are looking for products, platforms, and accelerators and co-creations. If you look at products and platforms, of course we have Finacle, we have other products in the market today and they are around these themes which I talked about. That is a good area for us to look and I think that is where we will continue to look. Platform, we just did one - McCamish, it is an insurance policy management platform. We will continue to look for platform possibilities. It also gives us an opportunity to build non-linearity in our business because the number of people versus the revenue is not linearly linked when you are dealing with platforms and products. I also talked about accelerators. I gave some examples of Flypp or iTransform. We will continue to build them ourselves. The last piece is also equally important, the co-creation piece. Here it is not an acquisition approach but we are working with our clients to jointly create the piece of intellectual property which they will have but we will have the right to use. We are seeing good traction of this in the market. To summarize, possibilities in consulting, possibilities in platforms and some possibility in products. There is one more area where we will look at. That will be smaller verticals, for example verticals where we are seeing good traction but we are comparatively smaller or country penetration strategy. For example what we did in Australia, we acquired Expert Systems and we grew that business to a very substantial business over the last 4-5 years. So acquisition is also an option for country penetration strategy. Thank you.

Edward Caso

Last question is are you articulating Infosys 3.0 as an evolution or revolution? How much management or organizational change is going on here? I am trying to understand the risk profile here

Kris Gopalakrishnan

It is a significant change but the strategic direction of go-to-market using industry verticals has not changed in the last 8 years. As I said in my opening remarks, it started 8 years back when we created the Retail unit. It is a large organization with 130,000 employees. Whenever there is a change like this, there is some risk but it is a tried and tested strategy and we are pushing ahead in the same direction.

Edward Caso

Thank you.

Moderator

Thank you Mr. Caso. Our next question is from the line of Viju George of JP Morgan. Please go ahead.

Viju George

Congratulations to Shibu and the new management on their roles. I just wanted to understand when you identify these themes, are the source of these themes residing within horizontal units or you have development teams within each of these verticals looking at these themes?

S. D. Shibulal

These themes are in cross-industries because many of these themes are relevant to multiple industries. The center of excellence, the thought leadership and the research themes are actually central. Now the go-to-market groups, choose which of those themes they want to then focus on and they take it to market but when they take it to market, they take it as accelerators, they take it as intellectual property. The thought leadership is what is presented but what eventually gets to the market, to the client, are these accelerators or products or platforms. Under Smarter Organizations, somebody will take our HRO platform; under Digital Consumers, they will take our Flypp platform. That is how it gets done. Now the Product Engineering piece is kept separate because of Chinese wall requirements because when you do product engineering, we need to create traceability on where the ideas came from and how it is done. Because of that, that is kept separate.

Viju George

One more question if I may. Have you given us any release or are you telling us who is heading your horizontal units within each of your sub-segments of transformation, operation and innovation? Thank you.

S. D. Shibulal

We have announced the person who will head the horizontal for Business Innovation that is Subhash Dhar. Subhash Dhar is an Executive Council member, he is the one who is going to head this. He will be equally responsible for the entire business innovation space along with the 4 vertical heads. The others are on the way. We have not announced.

Viju George

Alright, thank you and all the best.

Moderator

Thank you Mr. George. Our next question is from the line of Anthony Miller of Tech Market View. Please go ahead.

Anthony Miller

Good evening gentlemen. I am not quite sure I understand the implications of the geography level, particularly for us in Europe. Could you help me understand which markets within Europe will have country managers with P&L responsibility for their country market and who those country managers will report in to?

B. G. Srinivas

This is BG. Our strategy for Europe will continue to be very focused on the key markets in Europe. That includes UK, Germany, France, the Benelux region, the Nordics and Switzerland. What we have done apart from the 3 major countries UK, Germany and France as each individual country, there is a clear focus and there is a matrix reporting structure from the verticals standpoint and the country management. We already have country managers in France and Germany. They report to me and in UK, I am based in UK. I am overseeing the UK operations myself. In the other regions, Benelux, Switzerland and Nordics, we have regional leadership in Europe. This cuts across all verticals and service lines. Regional leadership is focused on driving revenue growth for all of these focused countries in Europe cutting across service lines and verticals. What we are bringing to bear in the Europe region is our focus on key countries where we are developing local leadership, local capability and local solutions but bringing the vertical expertise which are global and thereby we are able to address those specific needs of individual countries as well as bringing our key focus and solutions for the key verticals as well.

Anthony Miller

Just to clarify for particularly UK, France, and Germany which I understand correctly report in to you B. G., do those country heads, it sounds like you for the UK, have P&L responsibility for those country markets?

B. G. Srinivas

That is right. The primary P&L will continue to be verticals, but for country specific, the country revenues and the country costs and the country investment, will be specifically driven by the country heads.

Anthony Miller

And is there a concept of the European P&L?

B. G. Srinivas

There is more a regional P&L rather than Europe. Europe of course I am overseeing all of European operations. From that perspective, we are driving investments and growth for all of Europe which I continue to hold that responsibility.

Anthony Miller**Kris Gopalakrishnan**

Let me clarify. As usual, we disclosed the numbers for Europe from a growth perspective, etc., so that we can track by region etc. The P&L is the vertical P&L, industry P&L.

Anthony Miller

I will follow up with other questions offline. Thanks very much indeed.

Moderator

Thank you Mr. Miller. Our next question is from the line of Pankaj Kapoor of Standard Chartered Securities. Please go ahead.

Pankaj Kapoor

Just wanted to understand, I believe the client ownership will now be residing with the verticals. Wanted to understand from the execution perspective across the three service lines that you broadly spoke of, how does the ownership get disseminated across these? The second question is that will now this lead to a higher fungibility of resources who are part of similar horizontal track across different vertical and related to that, will that lead to a higher than what we have the current utilization level in times to come? Thanks.

S. D. Shibulal

In our system, the client ownership has always been with the verticals. Other than for the new markets in Asia Pacific or the emerging markets and some specific countries, The client ownership has always been with the verticals and that is what is going to continue. Now by combining the horizontals into the verticals, we are trying to achieve a single unified face in front of the client much more elegantly. Regarding fungibility of resources, at least for the time being, we are not planning to fungible the resources because each of the service lines are very important and there are specialized skills in each one of them. For example if you take infrastructure management, you may find that the software engineer trainee or software engineer is fungible but at senior levels, they are not really fungible; they are network engineers, database administrators, there are various other kinds of people. There is some commonalty between the independent validation and the application development work. While in the long run, there are some opportunities to increase fungibility across these units, in the short-term, we need to make sure that all of those service lines are growing. It will be very limited ability to fungible resources.

Pankaj Kapoor

Just one small bit on this whole reorganization. Are there any significant charges related to that and is that already factored in? Thank you.

Kris Gopalakrishnan

There are no charges related to these.

Pankaj Kapoor

Thank you. My question is over.

Moderator

Thank you Mr. Kapoor. Ladies and gentlemen due to time constraints that was the last question and I now hand the conference over to the management to add closing comments.

Kris Gopalakrishnan

Thank you everyone. We wanted this to be an introduction to Infosys 3.0. We will have a session next Monday also where the focus will primarily be on the horizontal service groups but we will handle questions which are broader. During the quarter if there are further interactions required, as usual you can connect with our investor relations manager and we are available for any call with you. Thank you all very much.

Moderator

Thank you very much members of the management team. Ladies and gentlemen on behalf of Infosys that concludes this conference call. Thank you for joining us and you may now disconnect your lines.
