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CORPORATE PARTICIPANTS

Dr. Vishal Sikka
CEO & MD

Rajiv Bansal
Chief Financial Officer

ANALYSTS

Viju George
J.P Morgan

Hello, everybody. Welcome. I'm Viju George. I look at the Indian IT services, Telco space. It gives me great pleasure to welcome Infosys to this conference. Infosys is represented by the CEO & MD, Dr. Vishal Sikka, and the CFO, Rajiv Bansal.

Vishal, has completed exactly 13 months on the job. Its been eventful, so congratulations on lasting 13 months, at a time when Infosys was in a flux, and we're going to discuss a lot of that. Prior to this, he was with SAP, where he was the CTO. Rajiv has been with Infosys for well over a decade, and a CFO for close to three years now. Thank you both for coming here.

Vishal, so if I may start and kick off. If I look at Infosys today, relative to 13 months back, a lot of things seem to have happened for the good, for the better. Attrition is down significantly. In fact, the attrition is now caught up with TCS in that sense. TCS has been managing that very well. The morale seems to be good. For the first time in at least two or three years, when we've done the campus visits, Infosys is now seen as a company whose stock is rising and also at the campuses, not just at the exchanges. I think you have articulated a good vision for Infosys in terms of the narrative that you're telling us. Maybe, you can step back and tell us that when you saw Infosys the first time you came in, took your time to settle down and study the tech landscape around yourself, and you saw Infosys positioned there. What are the things you felt that you needed to do to get Infosys to compete over the next three to five years?

Dr. Sikka: I think when we started, I mean I had to look at the positive in things. The company has always been a truly iconic company. Our founders, they were typical and classic entrepreneurial success story of people who had a dream and wanted to make a difference. They were not some billionaire, multi-generational conglomerate that said, "Hey, let's go into IT because IT is cool." These are people who were really motivated. They had a dream. Mr. Murthy is the son of a teacher and so am I. That iconic nature of the company was always something powerful that we always had and we kept that. The other thing that I noticed was the tremendous focus on education. That also came from our founders that Mr. Murthy used to call this learnability. Even to this day, now it is 13 months in to this job, I am astounded by the unbelievable ability that Infosys has to teach people. Yesterday, we crossed 48,000 people who have taken our Design Thinking class in the company. This is by far the world's largest. There was an HBR article on design thinking. I was reading that, and I was thinking, "My God, do you guys have any idea of what we have done? We have 48,000 people in the company who have taken a day-long design thinking class. So more than anything else, it is about going back to the roots, going back to the focus on education, going back to the focus on innovation.

Today, there is a lot of talk about the Internet of Things, and one of the earliest projects that Infosys ever did that Mr. Murthy used to tell me about and Kris, who was also our co-founder and was a CEO for a while -- he was the Vice Chair when I took over. He did that project in the 1980s around an automation system for the Rourkela steel plant in India, where they had done digital to analog converters for the steel furnaces and stuff like that. Today we would call this Internet of Things. This was back in 1983 or something that they did that. So the company always had this, a vision of innovation. My sense was that we have to bolster that, get everybody reconnected at the roots and get the employees engaged again. I think with all the technology that we have now, it is possible to engage 180,000 employees in a dialog. It is possible to engage people in a common, shared purpose, and when I go to India, when I go to our different DCs -- like here in New York, we have 1,500 people, it is always very inspiring to hang out with them and see all the work that they are doing. It's been about creating this kind of a sense of bringing innovation into everything that we do, of bringing a sense of purpose into everything that we do, and more than anything else, I think that has led to the resurgence.

Viju: Thanks. I think you recently caused a flutter with saying that the industry's going down a dying path, whether you refer to pricing, whether you refer to volumes, or whether you just refer to the business model, that this needs an overhaul. If you can clarify for us, what is it that you really refer to, and insofar as the change that needs to be done, how is Infosys really actioning that change away from this dying model?

Dr. Sikka: I think the time it takes an organism to die depends on the size while it is alive, right? So dying is a term that is relative to the size of the system at play.

What I mean is that just as companies like Infosys are a result of a shift towards the better economics that would be offered though a Global Delivery Model, we are now on the verge of a similar shift towards automation. Certainly, a large percentage of the jobs that we have, like in infrastructure management, or many commoditizing services like that, are heavily dependent and are ready to be fundamentally displaced using automation. In infrastructure management, our team did an estimation and Ravi who heads our delivery, is sitting back there. His team did this estimation, that as much 70 percent of the work that is done in infrastructure could be automated. When you look at that kind of a reality, there are only two alternatives. You keep going down the path that is a spiraling downwards path, where you are progressively lowering the costs, you are hiring cheaper and cheaper people, you are moving them into projects faster and faster, and things of this nature. That is kind of a vicious cycle, that's a downward spiral. There's a better idea, which is that people become more and more innovative, people become more and more creative, people are amplified by software, people are amplified by innovation and by technology and you start to charge for people plus software. Instead of a larger number of people only, you go to a smaller number of people plus software. The software helps you lower the number of people. Therefore you can lower the cost to the customer. You can lower the cost of your offering. The software also helps you increase your margins, because the software works at a much higher margin than the people. That creates a virtuous cycle where you have less number of people per project, more software per project, the software is at a higher margin, so your margins are getting better. The cost to the customer is lower so you get better win rates and you increase your bandwidth because with the saved people you can do more projects. I believe that the prior model is dying. It is inevitable that it has to be replaced by a new model like this one.

This is the path that we are on. It is still very, very early. I think that it is not like this thing is going to happen overnight. It's going to take time and there is still a tremendous growth that still remains. But there is no doubt in my mind that the longer term direction of the industry is this one. We have started working on this. We have offered that through own homegrown work with the Infosys Automation platform. We've brought that to a dozen or so clients in the previous quarter. We are now working with three dozen clients on automation this quarter on just infrastructure management. In terms of bringing automation to the way that we work, we already have thousands of projects where we are bringing automation-based innovation to our projects. We are embracing automation in a massive way. The acquisitions that we have made – 2 of them, Panaya and Skava, both helped with this same model, with people plus software. We are embracing this thing everywhere in our company, but it is still very, very early.

Viju: When you look at the metrics of the projects where we have been able to bring automation and use this mix of people plus software as opposed to largely people. Can you just take us through the improvement in economics that you broadly observed just as on an average basis? What might be the margins? What might be the per capita revenues? What are the other metrics that improve from here?

Dr. Sikka: When you look at Panaya, the Israeli company that we acquired, which helps us improve our productivity and upgrade projects, or in change management enterprise projects around SAP landscapes or Oracle landscapes. This helps us improve productivity by 30%, 40%, we even have customers where their upgrade project time and cost had improved by 50 percent. There are testimonials on our website and on Panaya's website which show this.

If you look at automation where we did our homegrown work, Ravi's team last quarter did this with 11 clients where we rolled this out to projects affecting 1,080 people. We were able to remove 187 people out of this 1,080 or 17 percent reduction in the number of people.

What Ravi did was he put the people in a different project code so there was no doubt that these people were saved from these efforts. It was actually very encouraging. It is not as big as it can get but it was very encouraging that we have, in fact, demonstrated in practice that these people can be saved, and they can do more projects as a result. This quarter, now we have already three times as many projects, about 32 projects that are already underway. In one of them, the team was telling me that they have seen more than 40% reduction in the effort because of automation in one project. This is still about 45 projects out of 8,000 projects that are going on in the company, so we should keep this in prospective. Nonetheless, it is not something that is an academic concept or some Center of Excellence sitting somewhere and experimenting with automation. This is happening in practice at clients already.

The other thing I wanted to mention with regard to automation is bringing automation into how we work, especially in services like Verification. That is something that is happening at several thousand projects already inside the company. That is a very large scale embrace of whether it is Devops or bringing automation to testing and things like that. There we are doing projects affecting more than 25,000 people, we already have done some embrace of automation or the other. This is sort of the state of it right now.

Viju: Can't help but switch gears to Digital. It's a much banded about term and I guess there are as many definitions of Digital as there are firms out there. More precisely, how would Infosys define Digital and how would you specifically play in this because it just seems an ocean. I would like to know exactly how would you sort of define your positioning here?

Dr. Sikka: I don't know if we have talked about this before Viju, but people have asked me about Digital. My view is that last I looked, everything that we do is Digital. 100% of revenue is Digital. We write software for Digital computers and they used to be analog computers back in the '60s and they are not around anymore and last I looked, all of our software was running on Digital computers. The whole point of this exercise about Digital, and I just don't understand. Maybe there are companies out there writing software for non-digital computers. We are not interested in that.

I think what people mean by it is bringing digitization to the undigitized areas like manual efforts or going into the data belonging to the clients or customers and things of this nature or connecting more and more physical parts of the world with digital infrastructure. In a sense, everything that we do is about that but if you define Digital as the conversion of the heretofore physical artifacts or connection into now the sensor-based or digital connections or mobility or connecting consumer sentiments and all that,that is clearly a big area of growth. That is something that we are heavily interested in whether it is in the marketing aspects of a business or in customer access, customer segmentation, customer understanding or in digitization of the previously physical parts of the world like in the manufacturing world or Internet of things or wherever sensors connect into software systems and things like that.

We see a great opportunity for growth there. We believe, in fact, that we can outperform the company growth by 3-4 times in these new areas whether it is in use of big data based applications or creating new experiences and things of that nature. We see tremendous growth there organically. We have also done some acquisitions there. We have bought the company, Skava for creating mobile experiences and so forth. We just launched the partnership, the Industrial Internet consortium, the whole asset efficiency, I mean asset efficiency can be revolutionalized because of this type of work. We are the lead sponsor of the asset efficiency test bed within the industrial Internet consortium. We are a part of the industry ___ that is happening in Germany. We are in the senate of that with Henning and so forth. We think that there is a tremendous opportunity in that area of digitizing the currently physical ecosystem that is around us.

Viju: You see this play coming across industries or do you think some of these industries lend themselves to digitizing the physical assets a little bit better than the others?

Dr. Sikka: So in areas where there is physical customer contact involved, so that would be in retail or in retail stores where the experience of being inside a retail environment, the physical environment can be redesigned, that would also be inside hospitals, inside the universities or branches of banks, things like that; wherever there is consumer contact involved and measurement and understanding of customer behavior, of their feedback coming from them and so on. So some industries lend themselves better to it than others. Similarly in the world of the physical world, integrating into the digital work, there again, certain industries have better proclivity to it like manufacturing oriented industries, resource industries. We see a world where the oil well of the future is a completely instrumented oil well, railroads and airplanes, even people in the healthcare world.

There is some asymmetry, lack of evenness in the distribution in certain industries. I would say that manufacturing industries more will be an early adopter in this area and some of the resources industries, and so forth. Ultimately, it will affect customer orientation, customer touch points in every industry.

Viju: I wanted to discuss Aikido in detail. I hope I got the pronunciation right. Tell us exactly a little bit about how Aikido plays in the business model? Is it meant to augment the existing service lines or does it create a new path of its own? It will be interesting to hear what you think about it?

Dr. Sikka: It is about augmenting the existing service lines. All our efforts so far have been focused on this dual strategy of renew which is the renewal of our existing service lines, and the renewal happens through the power of automation and through the power of innovation and then complementing that with some new things. The new things are not in isolation and the new things are not like out there doing something different from what we do traditionally. It is all about complementing what we do already. Aikido is in that sense a renewal of our existing lines and augmentation of that.

Before I talk about Aikido, let me quickly give the background that when we talk about renewal, I mentioned already automation and so on. This is changing from a people only model to a people plus software model. The big part of our renewal is based on bringing innovation into every ongoing project. Right now we have in our delivery organization more than 8,500 master projects going on. We have a very ambitious, and very frankly a very inspiring initiative going on - to bring innovation into every ongoing project.

One of the things that the services industry has sort of been suffering from, is this kind of a disease of doing exactly what you are told. My view is that if we are slaves to the SOW, then it is only a matter of time before well-defined machines can take over very precisely articulated specifications and do these things automatically. So people have to innovate, people have to bring their creativity to a project. We have launched this amazing initiative in our delivery organization, in Ravi's organization, of bringing innovation into all our ongoing projects. That thing has been picking up momentum massively. We started this five, six months ago, and by now 75 percent of our delivery is working on at least one innovation in their ongoing project. By the way 40 percent of those are about automation. This is what I meant by the 25,000 people working on automation. That thing is going really well. But to really focus the effort of renewal, we launched these three additional services, we call them "Ai," "Ki," and "Do."

The idea is the 'Ai' service is around the platform work we have been doing. We have been building our own platform with open source technology, so we built up our platform that we call IIP. It is an assembly of open source components for information processing for big data, for doing complex machine learning types of projects. We have a little bit more than 100 projects going on using our Information Platform. Then I mentioned earlier the automation platform, which is a part of the same platform. The platform services, or the platform as a service from us, we have combined those into this service that we call 'Ai', AI. So all our artificial intelligence work, machine learning, big data work, it happens on this 'Ai' platform. We want this to be the basis for our people plus software strategy. Everywhere where we go, where our previous service or people only service is replaced by a people plus software service, that software is on the 'Ai' platform. Whether it is IIP or the automation platform, whether it is Panaya, Skava, or even our own software in Finacle and Edge, is all built on the same platform from us. The platform is based on open source technology, so we are not so interested in selling platform as yet another proprietary software platform, there are enough of them out there, we want this to become the platform that makes its way inside the enterprise. We charge for it as maintenance, and as a service, and that helps amplify the people aspect of the service. That is 'Ai'.

The 'Ki' server, K-I, that word is a beautiful word. It means the energy in a system, the knowledge, the inherent energy that is morale in an organization or in an institution. The big economic driver of our times is the move to the cloud, is the simplification of the existing landscape. When you talk to a bank or a healthcare company, they all talk about run the bank, or run part of the IT business, or the evolution of the existing IT landscape. That evolution of the existing landscape is all about moving systems to the cloud, instrumenting them for mobility, saving costs, taking costs out of the ongoing operations, automating the maintenance of the system, and things like that. Inevitably that work requires capturing the know-how that sits inside of these systems. It requires capturing the know-how in the minds of people. We've all heard about the proverbial 65-year-old engineer who had to be called out of retirement because there was a bug that showed up that nobody knew how to solve, and this person had to be brought back from retirement, and this type of a thing. We've been doing a lot of work in this area. Of course all of our application maintenance is about this, verification is about capturing know-how from other teams. Whenever we do a transition we involve the knowledge transfer, we have actually done a lot of work with companies in the mechanical world, in the aerospace world, around capturing know-how.

The ‘Ki’ service is a service that we offer from our consulting team that helps to create a common framework around the evolution of the IT landscape for our clients. In a sense you could say that ‘Ki’ is the concentrator of all of our renewal work, all of our run-oriented work where we can in a piece-wise way, help renew the landscape of our clients and help them lower their dependence on particular packages, lower their dependence on individual people and systems, and lower the cost of managing their landscape on an ongoing basis. So ‘Ki’ is offered from our consulting team. It acts as a great unifier for our existing services like application maintenance, like verification, like package services work, and things like that.

Finally ‘Do’, the Do part of it is about design. This is our offering also from consulting, where we work with clients to work on the most strategic, most important problems that they face, helping them identify. You know one of the great myths of strategy consulting is that it is about best practices, but best practices can never be innovative. Best practices are fundamentally about practices that are not only not innovative, they are so common that you already know which one is the best one out of all of them. Enough people have tried these practices, and we already know what the best one is, so why don't you do that as well. How can one innovate based on something like that? Innovation is fundamentally about something that is unique to us, that is specific to our path forward. Actually the word ‘Do’ in Japanese means path, the path forward. That is what the ‘Do’ services is about. We have done 53 of these design sessions with our clients already so far, so we have now called this ‘Do’. It is about engaging with a client and helping identify what is the most important service, what's most important problem facing them, and helping solve those problems.

Together ‘Ai’, ‘Ki’, and ‘Do’, are these three services that help us renew our existing service lines, and help sort of concentrate and unify the existing services. All 3 are available now, we have starter packs for ‘Ki’ and ‘Do’ already from our consulting team, and starting now we had our sales team gathering last week. We are basically challenged our sales team to bring each one of ‘Ai’, ‘Ki’, and ‘Do’ to every single client before the end of this year.

Viju: That's nice to hear. Talking of sales, take us through some of the sales and delivery initiatives that you are doing to get market share back with say your top 50 clients. Because that's been something that's pulled your down, your anchor clients have not really spent as much as they should have with you. What's the result of your engagement at top clients, and what are the things you must do to make sure that your market share keeps moving up?

Dr. Sikka: Our growth and our top line stagnated to some degree, and we have brought some really intense focus on that. Some of it has been just about better discipline in pipeline construction, the way we write proposals, the way we empower our teams to sell.

We have been working with a new team that we have formed to work on better proposals. Our win rate in large deals has increased dramatically since the formation of this team, almost doubled compared to one year ago, so that has been quite amazing. I met this client of ours last night and this team prepared a beautiful box. Instead of a PowerPoint presentation, slamming these slides on the table in front of them, they actually made an unbelievable, beautiful, wooden box for them with some beautifully crafted messages inside that. It's a completely new way to engage with clients and things like that. That has been one thing, the second thing is, we took our top clients. We have five segments and top three clients from each of the segment are directly managed from the office of the CEO. Ranga who is here, manages that and the top clients actually grew faster than the company for the first time in many years last quarter as a result of this interventions. We grew by 5.7% quarter on quarter in our top clients last quarter when the company grew 4.5%.

Finally, we have completely transformed our consulting team. In the past we had these consulting organizations. We had MCS which was a consulting team based in the US for the American clients and we had Lodestone, SAP-oriented consulting that we had acquired a few years ago. Not only were these two disconnected from each other, they were also disconnected from the rest of the company. What we have done is we have integrated them into one team that is led by our former head of strategy, Sanjay Purohit. We have not only established them as one integrated, global consulting organization, we have also established that as the front-line for the entire company. The top 100 partners from the consulting organization act as the also the account leader for about 200 clients. In addition to the sales, they co-lead the account with whoever was doing the account from sales already. We have incentivized them to also help bring the entire power of Infosys to the client.

The consultants are not only selling consulting, they're also bringing Infosys to the client. All these moves and then beyond that, focus on the large deals, focus on mining, focus on the pipeline, these kinds of operational measures have helped us bring a renewed focus on the top clients. I expect better performance from our top clients going forward than we have had in the past.

Viju: Sure, thanks. I'll throw it open to the audience, any questions from you?

Participant: You made some interesting points about how combining software with people, it sounds like you could ………., at least stable and not ……….. Perhaps just ……..model where people do more. When you think about where the industry is today, what is your overall thought on pricing………?

Dr. Sikka: I think so. I think the ongoing pricing pressure will continue and my sense of it is that it certainly can best be addressed by augmenting people with software.

The reason for the pricing pressure are multi-fold - state of the industry, the increasing pressure on IT departments, the better competitiveness, more automation, all these kinds of things are putting downward pressure on the basic pricing of the 'people only' model. Therefore the key equation, if you look at from a mathematical perspective, is to outperform the downward slope of the pricing pressure by lowering the number of people per project faster than the downward pricing pressure, replacing that with more software, and having the software be at a much higher margin. Therefore you are turning that downward pricing pressure into a friend of yours and translating that into a more competitive advantage and better margins at the same time, while also increasing the throughput of the overall machine, because we are augmenting the people with more software.

Speaking on behalf of the industry for a second, I think that companies that don't do that will inevitably suffer. At a time when automobiles are coming, you cannot make the horses faster, and faster, and faster, right? Or cheaper, and cheaper.

Participant: How far ahead of your competitors in terms of ……..people with software strategy ………..?

Dr. Sikka: I have no idea. I think that we are ahead, but this is something that you can never rest on. I am impatient to see this happen, to see this people plus software be brought to all of our clients as quickly as possible. We've laid out a very clear goal to our sales team last week that we have to bring this people plus software model to every client before the end of this year, and we're going to track that goal aggressively going forward.

We already have several dozen cases where we have already done that, but the key is how quickly can we bring this to a larger scale.

Participant: Following that, I know that you talked about this a little bit briefly when you were discussion automation and the productivity gains you've seen ……..some cases, but if you could just talk about the impact on ……the numbers, what increase in automation do the revenue associated with certain project or the margins associated with that project, so we can understand how that's going to manifest itself in the numbers.?

Dr. Sikka: We don't yet have enough data points. The thing is, inherently if you do this in the wrong way, then this can cannibalize your business. This is part of the reason why companies have been reluctant or have been slow to embrace and adopt these ideas. What we have been doing is we have been bringing this in the early days to the new projects that we go into. As far as existing clients are concerned, we bring it to the fixed price projects where you can keep the value at the same level, and then improve the margin or improve the efficiency through automation and so forth. Slowly we'll start to bring it into the Time & Materials projects, and transform the Time & Materials projects towards outcome-based and Fixed-Price oriented projects and things of this nature. In terms of the amounts, like I mentioned, the Q1 experiment in the area of infrastructure and automation in infrastructure led to a 17% improvement. One cannot read much into that, except that was a non-trivial improvement. We believe that 30 to 40% improvement will be possible because of automation going forward. Some of the examples of that nature are becoming available. I mentioned this quarter we did in one of the cases a large project in the infrastructure area where we were able to save a little bit more than 40% of effort through automation and so forth. I cannot yet give you. We are probably 3-4 quarters away from being able to make more generalizable statements about the kinds of efficiency improvements that are possible.

Participant: You talked about improved margin profile………software plus people, what happens …………., what software has increasingly become ………offerings similar ………..

Dr. Sikka: Maybe Rajiv you can answer, today's margin situation, then I'll answer the future oriented part.

Rajiv: Today if you look at it where we are coming from, there is a lot of pent up demand for investments in the business, which we have been making over the last couple of quarters. That is the reason we have given a margin band for the first time in which we'd be very comfortable operating in for the next couple of quarters. Our aspiration still remains the same, that we want the industry leading margins. So it's kind of a catch-22 where pricing is coming down, the customers are demanding more value for the dollars they spend with us, at the same time we have to improve our margins from where we are today. That's where this whole people plus software becomes very, very critical to our strategy. Now as Vishal was saying, if we do it right, then there's a huge upside. But we have to do it in a manner that it doesn't cannibalize our revenue growth, because at the moment it start cannibalizing your revenue growth, our margins get impacted in the short term. We have to do it in a very, very strategic, slow manner where we see the impact of this accelerating our revenue growth and at the same time improving our margins. Now today where we stand, again, there's a long way to go. As Vishal said, probably four to six quarters where we would be able to see the benefit of some of this coming into our operating and the financial model but I think the start has been very, very encouraging. We have seen good traction of the strategy. We have seen good output of the strategy. We have seen this in the numbers if you look at the last couple of quarters of performance. We have been able to invest in the business, at the same time we've been able to improve our margins, improve our win rates, improve our sales productivity, and many, many other things. I think in the next couple of quarters it's about striking a fine balance between the investments we need to make and the margin profile that we need to have

Dr. Sikka: When you look at a longer term beyond what Rajiv talked about, my sense is that this people plus software formula, is continually possible. It will continually give, at least for the next 5-6 years, as far as I can see, an advantage in terms of improving our margins on an ongoing basis. As long as we can develop competitive world-class software, and use that to amplify the people, we will be able to continually address the margin matter. That is why we have certain aspirational target of 30% margin by 2020 which is ahead of where we are. Today we are like Rajiv said in the 25-26% range. We aspire to get to 30% by 2020, and we believe it will be a direct result of being able to continually innovate using automation and software to help amplify the people's ability. I think for at least the next five years, probably longer than that, that the opportunity to do that, is going to be there. This is sort of my sense.

Viju: Switching to growth, I think given the guidance of 10-12% constant currency this year, we just need to figure out where industry eventually lands at, but assuming industry does better than this, then it would move the fourth straight year perhaps, where Infosys is ending up below industry growth. Clearly you're much more confident about FY 17, because that's the time also you sort of sought for yourself to get back to at least industry level growth. Are you then suggesting right now that you may be ahead on that, and maybe we should be able to see that in the middle of FY 17 instead of early FY 17?

Dr. Sikka: I think our goal has always been around FY 17 to get to that point, and we are still confident that we'll get there. In terms of this year, 10-12% constant currency growth will be very good for us to get. That has been our goal, and we are so far so good. We feel confident that we'll get to that. Given where we're coming from, 10-12% constant currency growth this year would be a good outcome, and so far based on what we have seen, what we see in the pipeline, and with the Q1 performance and so forth, we feel confident that we'll get to that.

Rajiv: I'll just add to that, 10-12% annual growth also requires a certain sequential growth rate quarter on quarter. If you look at our quarterly growth rate, sequentially we're talking about is comparable to the industry average. The annual numbers don't add up because of the exit rate that we had in the last year. We get confidence from the fact that our quarterly sequential growth rate is in line with industry now, and it's almost there. We have been not very consistent with our performance quarter on quarter for many quarters, but if we see two or three good quarters, I think we are there. That gives us the confidence as to how early we can reach the industry growth rate. Vishal said FY 17 but we've already seen if you look at last quarter, our growth rate is in line with industry. So I'm not going to place so much importance on the annual growth rates compared to the industry, compared to the competition, because it all depends on the exit rate, but I think we're on the right track, that is what matters.

Viju: Rajiv you always mentioned that you need some threshold goal to manage margins, because that's when the pyramid benefits kick in. On the other hand, we are saying that the pyramid may not be as relevant a parameter as it used to be in the past. How does this tie up, and what would be the threshold goal that you need to manage your margins, especially when you have so much of pricing pressure out there?

Rajiv: Till the point, the software starts playing a much larger role in our revenues, I think pyramid one is going to be very, very critical. With the pricing pressure that we are seeing on the traditional business, the only way to sustain margins beyond a point would be the pyramid model. So software has to play a larger role and that's the reason why this strategy and the execution we're talking about. At least for the next four to six quarters, as we were talking about, you need 12-15% growth to be able to get a certain margin that we're talking about. We have put together a margin aspiration of 30% that Vishal was talking about and that will happen only when you see the 'new and the renew' strategy and the software plays a much larger role. The new services playing a much larger role, otherwise you would require 12-15% growth to be able to sustain a certain margin.

Participant: Two macro-economic questions on currency…………..

Dr. Sikka: We are watching this whole stock market situation, it is a little bit depressing these days. I can imagine what you guys go through. Yet, every time I talk to clients, I met my client this morning, I met a client last night, I see opportunities everywhere. On the 'renew' side of the business, there is tremendous opportunity to move these legacy systems to the cloud and renew and capture the know-how that is locked in there and all of that. On the 'new' side we have barely just begun, and there is all this completely unprecedented software area that need to be brought to life. I don't really worry about all the drama going on in the markets, except insofar as certain industries are more vulnerable to that than others, like in energy and today again there was this morning, there was a bigger drop in the crude oil price. So in energy there is a sort of issue, short-term issue. I think is in telecoms, certain geographies, but by and large every business in the world needs to get better at operating their existing landscapes and needs to get into new areas, otherwise they are in a fight for their survival. I believe that we have a unique and distinguished opportunity to serve those needs, and that we are barely scratching at the surface of that. That is sort of how I keep myself sane in the middle of all the drama.

Rajiv: From a short-term perspective on the currency, the rupee has seen depreciation of about 3% over the last one month which does help on the bottom line for the quarter. We should see an impact of about 60 basis points on the operating margins. But this is not a sustainable exchange rate, because what you're seeing in the markets for the last one month is something which can't be predicted, which can't be planned against, the kind of benefits you're going to see in the operating margin, you're going to see impact on the forex, the translations, the hedging. It may not show much of an impact on the EPS per se, but operating margins would improve because all of us are completely taken back with the kind of rupee depreciation. It's manageable to see the rupee move about 5% year-on- year, but a 3% volatility in rupee in a month is something that you can't hedge against to a large extent.

On the cross-currencies, you have seen the cross currencies move again very volatile in the last one month. The Australian dollar is really impacting us in a big way, and most of the cross currency losses that we are seeing in the quarter on a quarter-on-quarter basis is primarily because of the Australian dollar now. The euro and the GPP are kind of in the same range as last quarter, so you're not seeing much impact there. The Australian dollar is very, very tied to the Chinese Yuan, and any devaluation in the Chinese currency does impact the Australian dollar to a large extent.

What we have done is we have given the guidance in a constant currency because it's very difficult to predict the way the exchange rates are moving. We'll stick to a constant currency guidance and reporting our numbers in constant currency so it makes it easy for everyone.

Viju: Maybe we'll take the last question.

Participant: What is your outlook for headcount growth……the next …….years, and also what is your optimal utilization rate of the workforce, where are you now ………?

Dr. Sikka: Two very good questions. I would say in terms of the headcount projection, we have established this aspiration of 2020 to be $20 billion in revenue and $80,000 in revenue per employee. That gives us a target of 250,000 employees by that time, give or take. We are sort of on generally in this trajectory. As we get closer to 2020, obviously we will operationalize these goals more precisely and so on.

The way I look at it right now, we are at 179,000-odd people right now and we are slowly heading down in that kind of a direction. From an infrastructure point of view, from a buildings and capacity point of view, this is how Rajiv has been investing in the capital and so forth, in infrastructure with that kind of assumption in mind.

In terms of utilization, one of my interesting experiences in the last 13 months has been around this whole idea of bench and utilization and all this. Where I come from bench used to be things that you sit on, and now there is this notion of a bench. I think the whole bench thing has to go. The right utilization is 100 percent. If you have employees who have been trained and who have been brought into the workforce, they have to do something. One of the great initiatives that we have launched that we are very excited about is this thing that we call 'zero bench'. We have built this internal marketplace. With Infosys everything that we do shows up in the media, so the media also talked about this Uber-like app. Uber is about taxis, and I hope we are not building an uber-like app, its about software jobs. We have a lot of work to be done inside, in our own product teams and our platform teams. The work to be done in helping project teams build tools so they can do their work more efficiently and so on. Ravi's team and our internal IT team has put together a great internal marketplace. Today this is internal, we believe this could also be external at some point, where we publish internal jobs, highly fragmented, small, well-defined jobs that people can come and do who are sitting on the bench. As of today, Ravi, what is the number?

Ravi: We have 5,000 ………..

Dr. Sikka: So by the end of this quarter, by the end of September, we expect to have more jobs on this marketplace than the number of people on the bench. This is not the same as the utilization the way that traditional industry measures utilization, so I have to now put all the disclaimers in, because the billing rates and how many people actually work on the project and how you bill for it, and all of that.

The key is that you want to make sure that there is nobody who is sitting on the bench, who is doing non-purposeful things. Everybody is doing something that is helping move the ball forward, and that we get to basically maximum utilization which ideally is 100%. Having said that, I think we are tracking around 80-81% in that traditional world. We basically want this bench thing to completely go away.

Viju: OK, thank you, we've got to stop it here. Thanks a lot. Thank you Vishal, thank you Rajiv.

Dr. Sikka: Thanks all.
