INFOSYS WEBCAST

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CORPORATE PARTICIPANTS

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ANALYSTS

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Surendra Goyal

We are very pleased to have the Infosys Management Team with us here today. Infosys is represented by Mr. Pravin Rao to my left, who is the Chief Operating Officer of the company and also Member of the Board; and then we also have Mr. Jayesh Sanghrajka, who is the Deputy CFO of the company; and we have Sandeep Mahindroo, who is the Financial Controller of the company and whom many of you will know. So, Pravin has been with the company for 30-years now; he is an Infosys veteran and he has handled multiple responsibilities from IMS to delivery in Europe to Head of Retail, CPG, Life Sciences etc.,

The format we have here today is maybe I will start with a few initial questions and then we will be very happy to make it interactive and take questions from the audience.

So Pravin, first of all, thanks a lot for taking time out and sharing your thoughts here. To begin with maybe a very broad question in terms of demand trends and whichever way you want to kind of slice and dice geographies, vertical, so maybe we can begin with that and then take it forward from there.

Pravin Rao

Overall demand environment continues to be volatile. When we look at our performance last year, we had a good year; we ended up with 13.3% growth on constant currency, in Q4 we had a growth of 1.9% on constant currency and at the beginning of the year, we guided for 11.5% to 13.5% growth for this coming year. The guidance was based on obviously our own reality looking at a bottom-up number of accounts on how the growth is happening and so on, but at the same time, one of the things that gave us comfort was our performance in the last year; there were two or three reasons which gave us the confidence and which we believe will give us the momentum going forward in this coming year - One was of course our large deal wins; in FY'16 we won about close to $2.9 bn TCV of large deal wins which is 45% more than what we did in FY'15 and some of that large deal wins obviously TCV will start realizing this year as well. Secondly, when we look at our top-10 accounts in FY'16 it grew 12.3% almost close to company growth, whereas in FY'15 top-10 accounts grew less than 2%. So for the company of our size it is very critical for some of your large accounts to grow, otherwise you will have a challenge. So we have got that positivity getting into this quarter. Lastly, in the last few years Q4 has been a challenging quarter for us, so we always entered a new year with a very weak Q4, but this year we had a 1.9% growth, so we expect that momentum to continue. So that is the confidence with which we have set out this guidance. Today, things have not really dramatically changed from what we had when we set the guidance. We still remain confident about 11.5% to 13.5%, but at the same time, given the volatile nature of the business, given the propensity of our clients to react immediately to some of the volatility, we will expect some short-terms or quarterly bumps up and down but for the year we remain confident.

Now, to give you a flavor from industry perspective, we have a good pipeline in Financial Services. Last year barring Insurance, Financial Services grew close to 15%, so we expect that momentum to continue, in fact, a good percentage of large deal wins last year was from FS space, so we expect that to continue. From Manufacturing again, we continue to see good traction, particularly in the Auto space, through Aerospace is a little bit challenge.

Retail in general our expectation has been fairly good for the year. Having said that in the last couple of weeks we have seen results from Retailers both in US and Europe and the results have not been good; it has been probably one of the poorest results seen in recent times. At this stage, we do not know how retailers will react, so that is something we have to wait and watch, but in the beginning of this quarter when we gave the guidance we were optimistic but now we are a little bit watchful on the Retail space.

Insurance, we continue to see some challenges. Our presence in Insurance is limited but we were hoping for some recovery now, but we continue to see some challenges in the short term. Energy continues to be a challenge. Even though we have seen recovery in oil prices, we expect recovery not to have too much impact on spending this year because we continue to see demands for cuts and slowdown in projects and so on. So any recovery in Energy will happen only in 2017, we do not expect too much change.

On the Telecom side, we started some recovery in Q4 and we expect to see that hold good in the coming year.

The only other little bit of surprise when compared with what we said in the beginning of the quarter is in the Healthcare and Life Sciences space. There we are slowly starting seeing some headwinds because there is suddenly a great deal of pressure on cutting cost, primarily because of patent expiry and weak pipeline, and in addition, we have seen some M&A activities which is also resulting in some deferment. So that is probably something which we did not anticipate in the beginning of the quarter. But barring that I think things have not really changed. So as I said, we remain confident about the yearly guidance though quarterly we expect to see some bumps.

Surendra Goyal

Thanks, Pravin. So on Financial Services, we keep hearing about vendor consolidation and increasing share of captives. Are these trends that you are also seeing on the ground and how do you think that impacts the business?

Pravin Rao

No, we are definitely seeing this trend, vendor consolidation, outsourcing, larger dependence on outsourcing and so on and even the setup of captive. At least last year we have been the beneficiary of it because many of the wins in Financial Services have been net new for us, we were not incumbents or we had a very small presence. So some of momentum we see this year is as a result of some of the wins we had last year. So we have done reasonably well in what has happened in the FS space, so we remain confident. Captive also is a reality of business, it is a cyclical thing, there are times when you see more captives coming in play and times when you see people exiting captive. So now this is a cycle where we are seeing more and more captives coming in. Our approach has always been to work with captives and help them successful; we have helped them right from recruitment for captives to training their people and so on and partnering with them. That has helped us in the long run. So, we believe that if we are able to partner with captives, our book of business also will improve in the long run. So, we are okay with results. So right now, given what we have seen and achieved in last quarter, we remain confident about the sector.

Surendra Goyal

From a service line perspective, which are the areas where you are seeing the strongest traction and which are the areas which are relatively lagging?

Pravin Rao

So obviously, a big part of our large deal wins has an infrastructure component, so IMS we are seeing good traction, our growth in IMS is higher than company average. So that is one sector which is doing well. Analytics and digital space again where we are seeing lot of traction. Quality Assurance is other one where we are seeing good growth. Core Engineering Services as well we are seeing good growth. Probably a couple of areas where we are having some headwinds – One is on the ERP space in the Package Implementation space, we are seeing some slowdown, the growth is tempered down. The other area is BPO. BPO again at least for us it has been fairly flat in the last two-three years. But barring BPO and barring the Enterprise space, in rest of the service lines, we are seeing good traction.

Surendra Goyal

Could you comment on the pricing environment or realizations whichever way you want to talk about it because when we talk to people across the industry we keep hearing about significant price pressure in any of the traditional parts of the business. So what are the trends that you see on the ground?

Pravin Rao

Yes, pricing, one part of the business definitely in the 'run the business' side of the business, there is tremendous pricing pressure, this is something which we have seen in the last couple of years and it will not go away. This pricing pressure is only when a deal comes up for renewal or during a vendor consolidation, it is less to do with rate cuts but more to do with a deal specific thing. Whenever a deal come for renewal, a typical expectation from the client is, depending on the client own context, you can expect anywhere from 20% to 40% saving expectation and that is the reality and that is something we are also factoring in, because one of the critical factors in selection of a vendor is pricing and that is in some sense a hygiene thing. So, our belief is this commoditization is inevitable because when you look at all businesses, there are a lot of disruptions happening, a lot of new business models, so clients have to invest in newer technologies, newer business models, at the same time, their businesses cannot afford increase in IT spend. The only way they can afford to do to remain competitive and remain relevant is to repurpose the spend, cut cost in one part and reinvest back in other areas. So that is the reality of business.

In fact, many times we proactively go to our clients with ideas on where they can cut cost and how we can help them transform by repurposing some of the spend. So that is one thing. To counter that we do continue to have some of the traditional levers in the short to medium term, levers like onsite-offshore ratio, levers like role ratio and so on. In some cases they are already maxed out, because particularly when you are dealing with second, third generation outsourcing, many of these parameters are maxed out, but we still believe that there is some avenue to squeeze. But in the medium to long-term automation, improving productivity through tools and automation is going to be the critical differentiator and that is where not only us, most of the people in the industry have started focusing on automation in a big way and that is probably the only way you can counter the commoditization that we see.

Surendra Goyal

So maybe we will come back to Automation. But before that we get a lot of questions from investors on the impact of Cloud on the Services business. So from your perspective, what are the kind of opportunities you are seeing and where is it leading to deflation and on a net basis, how would you really summarize it – it is a net accretive at this point and then how do you think that changes over a two-three-year timeframe?

Pravin Rao

In some sense, particularly if you look at 'run the business' side, it is difficult to separate out what is happening on the Cloud versus the kind of savings clients are expecting. So when clients are talking about 30% - 40% savings, part of it you can achieve by migrating to Cloud, Virtualization, migration to Cloud and all. That is already baked in expectation. Cloud is one technology which is helping you in that sense. So while you may view it as decretive, but at the same time it is also an expectation from the clients that they need that kind of saving from migration to Cloud. So that is one part of it where we definitely help our clients in migrating workloads to Cloud so that they can bring down their own infrastructure cost.

The other part of Cloud is more in terms of, we are also living in as-a-service kind of economy, so we have offerings, we develop IP or we build IPO on top of existing products and take these offerings to clients in a SaaS model and we host this offering on a Cloud and the clients pay as you go kind of thing, it is the SaaS economy that we are talking about. So there also Cloud has a role to play, because most of these are deployed on a Cloud, anyway that is the new reality. So, in that sense, at one level you can look at Cloud as decretive kind of thing, but at the other level, it helps in partly, the technology use to partly address the commoditization that is happening and it is also a technology which will help you in driving new streams of revenue.

Surendra Goyal

Moving on to some of the new technologies or Digital, whatever you want to call it, so one of the challenges which investors face is all the companies sound quite similar when they comment on Digital and it is quite difficult to really differentiate. So from your perspective what is the kind of work you are doing on Digital, what are the kinds of deal sizes, whom do you see as competition, if you could really elaborate on that, I think it would really help investors?

Pravin Rao

I think when you look at what is happening on the Digital side, the challenge with Digital is there is no clear definition of Digital whereas Digital involves anything you do in the Mobility side, anything you do on the Social side, anything you do on Cloud, part of the Cloud is also on the Infrastructure side, but you also talk about Cloud in conjunction with Digital and so on. So, apart from that, when you look at it from a client perspective and when they talk about Digital, they are really looking at two-three elements – one is user experience because what is happening in today's world is we are seeing consumerization of the enterprise, earlier, innovation used to happen in the enterprise and it used to flow to the consumer, but in today's world, lot of innovation is happening in the consumer world and the same consumer is demanding similar kind of innovation, whether it is an internal customer or an external customer, everyone is developing the same kind of innovations and ease of use and flexibility and personalization from the corporate. So one part of what is happening on the Digital World is the consumerization of this one.

The second thing is obviously clients having invested a lot in their legacy infrastructure, it is difficult for them to migrate or adopt new systems entirely, and it is a very mind-boggling exercise. So the approach majority of the corporations have taken is try to do the transformation in an non-disruptive way, in the sense that they are using their existing systems as systems of record and they are trying to invest only in systems of experience from user-experience perspective. So, there is an opportunity for system integrators to help in this transformation, help to connect the user experience with the back-end system of record through API economies and so on. So there is other opportunity that is there in Digital.

The third thing where we are seeing is the Digitization of the Enterprise. Almost everything in the value chain is getting digitized, that is a huge opportunity; it cuts across both the front end and the back end kind of a thing, the entire end-to-end thing.

The fourth area is with the coming together of Internet of Things and explosion of data, there is a lot of opportunities for Data Science, Insights, Predictive Analytics, combining Machine Learning with analytics to come up with predictive maintenance and so on. So there are a lot of things going on and that also can be called as Digital. So we are seeing many-many opportunities. Apart from the core areas of Digital Marketing, e-Commerce and other things.

Surendra Goyal

Now, coming back to Automation, I just had a few questions; firstly, Automation in itself is not new, the scripting has been happening in the industry for a long period of time and some of the new things that we hear about Artificial Intelligence, etc., are all those production ready or those being deployed in large scale projects. That is the first question. Secondly, in terms of the savings from Automation, so far from whatever we see a bulk of the savings have actually been passed back to the customers. Is that right from your perspective, one, and secondly, why do you expect that is going to change going forward?

Pravin Rao

On the first question, I agree with you. What we have done today is mostly Automation though people conceive Automation with Artificial Intelligence, but most of the stuff we have done today is Automation, not necessarily Artificial Intelligence. Now, almost all of us have started working in the areas of Artificial Intelligence, building in Machine Learning, natural language sourcing into this world to drive more efficiency, for instance, from Infosys perspective itself, if you look at it, we have recently announced the launch of new platform called “Mana”, it is basically a knowledge-based Artificial Intelligence platform. Earlier, we had invested in some platforms; we are bringing together capabilities of all our platforms and coming up with this new platform called “Mana”. When I am talking about other platforms, I am talking about Infosys Knowledge Engineering Platform, Infosys Automation Platform and Infosys Information Platform.

The whole idea behind this platform is we are looking at application, we are looking at all insights about the application, capturing these insights, creating a model using our Knowledge Engineering platform and these insights could reside in core, it could reside in logs, it could reside in incidents or tickets and so on. So once we have discovered the information about the application and codified and convert it into a model, it is possible for you to analyze, to look at intelligence behind this application, to predict when an application is likely to fail, to come up with potential solution to the application, to automate the solution itself and over a period of time if the solution is different, build that engine back to the platform and so on. So this is fundamentally different from what we have done in the past. Just as an example, one of the things we are looking at is what we call “L3 Automation”. So today, when you look at a large enterprise, typically on an annual basis they deal with about 150,000 to 200,000 incidents or tickets, out of which about 25% of these incidents are solved by what we call as at the L3 level. So in a maintenance world, there are three levels – L1, L2, L3. But typically when you have a problem, you pick up the phone and call, that is an L1 engineer picks up the phone and if the solution is simple like password reset and other things, the L1 engineer will be able to solve himself, otherwise if it is a little bit more complicated, he passes around to an L2 engineer and here again they have got some standard operating procedure for various issue and if you are able to solve using the standard operating procedure L2 level gets solved. If it does not get solved at L2 level, it goes to L3 level and at this level, it is more about SMEs who knows about the application architecture and today on an average about 25% of the tickets gets down to the L3 level and when you look at the L3 engineer himself solving the problem, 60% to 80% of the effort goes in terms of doing impact analysis, analyzing the root cause and then actual fix is only about 20% of the effort.

So if you are able to codify the knowledge of the application and if you are able to use Machine Learning, Automation, Artificial Intelligence to solve the problem or in some sense even predict and prevent the problem from itself occurring, then you are really amplifying the ability of that L3 engineer to solve the problem in a much more quicker manner, much more agile manner and with that you can redeploy the engineer elsewhere or he or she can do some work in a different way. So these are the kind of benefits we expect to see from the kind of investments we are doing in Artificial Intelligence…I am just giving that as an example. So, our expectation is that if you are able to do this, it can bring in tremendous amount of efficiencies and that is probably the only way in the medium to long term where we can counter the effects of commoditization that we are seeing.

Now, coming back to your other question, to some extent, yes, in the sense today when we bid for a deal, we typically promise 30%-40% saving over three to five years, some of it you can accrue through traditional levers, but some of it you may not be able to accrue through traditional levers, so there you are really dependent on some of your Automation benefits kicking in. So, over a period of time, the hope is that with all the investments and other things we are doing, we will be able to figure out and we will be able to get the benefit which will ensure that while we are able to meet the customer demand on cost saving, at the same time we are also able to keep our margin aspirations and continue to reinvest back in business and people. So that is the expectation and the belief. If we are able to do that, in that sense, it is a win-win, because customer gets the benefit, we also get the benefit of doing things in a much efficient manner and retaining our margin so that we can invest back in business and so on.

Surendra Goyal

Maybe Jayesh, one question for you and then we will open it up for the audience. So, as Pravin was mentioning that medium-term Automation is possibly the way to counter the commoditization in the business as far as margins are concerned. But in the near-term, possibly the pace of commoditization is faster than the pace at which you can automate. So in that backdrop, could you just talk about the margin trends that you expect puts and takes and what can you really do to keep margins at say last year’s levels or whichever way you look at it?

Jayesh Sanghrajka

So at the beginning of the year we have given margin expectations to be in the range of 25% (+/-1%), right. We expect the margin to be in the same range. If you look at the levers that we have today, we have onsite mix which has been around 29%, it has gone down to 27% in the recent past and we have that as a lever that we can leverage to. We have been operating at utilization of around 80% in last few quarters, but at the best we have also seen 83%, right. The other lever is the role mix. Over the period of time, our role mix has been richer and we can bring that down. So these are the levers that we can operate and that will bring up the margin.

Surendra Goyal

One of the schools of thought is that with the kind of growth that we are seeing in some of the newer technologies, possibly onsite as well as the role ratios will not be as favorable as they were say five years back. Is that something that you guys would agree to or …?

Jayesh Sanghrajka

I think it depends on the service lines that you are looking at, for instance, Consulting will definitely have a higher role mix, if you are looking at more of products or platforms, it does not really need a higher onsite role mix. So depends on which services will grow and depending on that the role mix will change. I do not think we can look at role mix or onsite mix at an overall level, we will have to look at it from service lines.

Surendra Goyal

On the wage hikes, could you just comment on what was the quantum and when is it effective?

Jayesh Sanghrajka

So we have given wage hike offshore around 6% to 12%, for the lower levels it is towards the 12% and for the middle and senior management level it is towards the lower end of the wage hike which is 6%. Most of the junior folks have got wage hike from 1st April whereas the senior or middle level management will get it from 1st of July because it is tied in with the RSUs which will also start getting deployed from 1st of July. Onsite, the wage hike is in the range of 1% to 1.5%.

Surendra Goyal

Is it possible to break out from a cost base perspective, what percentage of the cost base gets a hike in July or …?

Jayesh Sanghrajka

That is little difficult to do that and that is something that we have not really spoken about, but significant part of the wage hike would happen from 1st of April, because the larger base of the population will get the wage hike from 1st of April.

Surendra Goyal

We can have questions from the audience.

Participant

You seem to have done a tremendous job in terms of the deal wins over the course of last year and during the course of last year of course there was some kind of immediate target of reaching say a billion-dollar deal wins on a quarterly base. So if you can give some color because that will give us sense of growth beyond FY’17. What is that you are seeing both in terms of the pipeline as well as your own ability to win and closer to the target?

Pravin Rao

The last quarter when we look at it we had six wins with about $757 million TCV and outside this we had a couple of framework deals, these are deals where we know that otherwise qualify for a large deal criteria, but that customer is not signing about that. The two other deals outside the large deal itself would add up about $450 mn TCV over three to five years. So, from that perspective we have moved away from a quarterly $450-$500 mn to about close to $750 mn range. The intent is to take it to $1 billion plus quarter-on-quarter. So from a pipeline perspective, we believe it is doable, if you look at the kind of wins we have had in the past and if we are able to maintain the same kind of win rate we think it is doable. The only thing is the very nature of large deals is there is lack of predictability in the closure of large deals. Sometimes, the pipeline is there, sometimes large deal closes in three months, sometimes it takes six months to close, sometimes large deal morphs into some other thing and so on. So, there is some amount of dependency on it, but I think if things pan out what we saw in the last year, on an average probably we could still move towards $1 billion per quarter but it may not necessarily be every quarter, because there is less dependency on when the deal will close and so on.

Participant

I have two questions: One is what percentage of your revenue is from US and with a possible change in president election, do you think any serious effect will happen with either Trump coming in or Hillary coming in? But a more important question to me is I understand Infosys has signed up for 'Clean Energy Focused" and I understand Infosys has signed up for getting 100% renewable I believe by 2025 or something like that. Can you express a little bit on what you are doing to get there? Secondly, connected with that question is, do you see Smart Cities, can you do what you are doing for Infosys, can that be an advisory services that you can do for other companies and even Smart City projects?

Pravin Rao

First question about 60% to 63% of our revenue comes from North America and its always stayed in that band of 60% to 65%. At this stage we do not anticipate any impact irrespective of how the president election is because in the past also in the run up to a election we have seen lot of rhetoric but end of the day we have not seen any dramatic impact and partly because end of the day it is not only about cost, it is also about capability and skills and so on and I believe with continued investment in technologies, lot of disruptions driven by technologies, India will continue to play a very big role in the space and we do not see too much of impact. We have to wait and watch but at this stage we do not anticipate anything.

On the Green Energy front, we have committed to get 100% of our energies from renewables by 2018 if I remember right. Today, about roughly 40%-45% of the energy come from renewable. In fact, recently in one of our campuses in Hyderabad, we have created a solar grid where we get 100% energy sourced through that solar and we already have in most of our other campuses some percentage of energy coming through that and we will strengthen that. So that is one thing we are doing. We did a base line in 2008 and if you look at that base line and if you look at our per capita energy consumption while our manpower has doubled from 2008 to today, our per capita energy consumption has increased only by 1.3%. So it is not only about renewable, but we are also focusing a lot on reducing the per capita energy consumption, we are doing a lot of retrofits to our existing thing and so on.

Participant

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Pravin Rao

We are very actively participating with many leading R&D and institutes focusing on this space. We are more than happy to be guinea pigs in terms of piloting any new technology. At any point in time, we have seen many new technologies coming up. We have actively participated in many of the seminars talking about our experience. We are more than happy to share that experience as well. Our Mysore Campus is we believe is probably one of the "Smart City" already in that sense what government is looking at and we have already talked to government officials about our openness to share our technology and willingness. After this, if you can give me your contact, I can have our facilities team which is focusing on this Green Energy to talk with you to see how we can take it further. We believe we are very serious about it and we are more than happy to collaborate and spread that technology.

Participant

The way Automation is gaining momentum, there is nothing rocket science in that but really it has got momentum in an amazing pace. So do you see for the industry, not for yourself, but for the industry wise, there could be a situation where the revenue keeps on growing but the manpower actually goes down for the industry wide? Second is specifically for you guys, one of your peers is also seeing some large deals momentum, but somehow the revenue growth is pretty sluggish there and they call it the "leaking bucket" industry phenomena. So can that be also situation ever for you guys?

Pravin Rao

Answering the second question first, part of the large deal is also about renewal, because you are re-winning some of the deals where we are already an incumbent, so that to an extent is not a revenue accretive thing. So when you look at large deal wins, part of whether it is revenue accretive or not, depends on what is the percentage of rebid. So for us in the last year, a big percentage of large deal wins have been net new, in that sense, either with existing clients we were a incumbent but we got additional business through winning the large deals, in some cases it has been with new clients where we are not present in that particular area. It depends on that. You are absolutely right, large deal wins alone will not make a difference but also how much is rebid and how much is net new will make a difference. That is the one part of it.

The first question on the Automation, for doing a similar kind of thing you will definitely do with lesser number of people, that is the whole focus of Automation. So from that perspective, you will probably see more and more non-linearity in our mix, because earlier this industry was mostly a linear mix, more revenue means more people, so that will change, but at the same time, we cannot assume that the need for people will dramatically reduce because there may be other newer opportunities. History wide when we look at anything, right from industry revolution, it has helped in augmenting and it has created new streams of opportunities and possibilities. So for doing a similar stuff, obviously with Automation will definitely need less people, but at the same time, who knows, there may be other streams, other newer areas which was not there in the past - Analytics is one area where today everyone is talking about data science and explosion of data and other things. That stream was practically non-existing maybe a few years back, now it is a huge stream. So there are always other areas where you will still need people. So it is difficult to predict what is the extent in which the manpower dependency will go down, but definitely in areas where we are doing which is that by automation, you will need fewer people, but our belief is there will always be other newer areas, newer technologies where you may need more people.

Participant

So in terms of quantifying this productivity gain and that is really across the legacy business which could be either 100% as per your definition or zero, but if you are doing more with less and productivity gains of 20%, 30%, 40% wayward figures from 20% to 70% of productivity gains which is achieve the same output with 20% to 70% lesser people, this number is huge, this Analytics is a new area but Business Intelligence is what we have been hearing for quite a few years now. So my question is really not for the industry per se, but what implications it could have for the Indian economy wherein one of the largest hirer of talent actually stops or in fact can go in the negative space. So do you think that that can be possibility that the net people employed with the industry actually goes down or not at all or hard to say

Pravin Rao

I would say it is hard to say, again, it is difficult to predict what newer opportunities, newer areas will come up, definitely one of the challenge which India will face is from skilling perspective because there maybe newer opportunities, but whether you have people with the right skills and how do you tackle the reskilling of those people and that will be something which fundamentally we have to deal with, because that will definitely be an issue not only for government but for the industry as well. So that is one area where we need to focus on. We need to anticipate from newer streams and make sure that people are adequately skilled to take advantage of it.

Also, when you look at Automation, again, in some service lines you could have a good part of the value chain being impacted by Automation, but in some of the service lines, the impact of Automation could be minimal as well. So you cannot broad brush it, but the only reality is whatever you are doing today manually which is repetitive, that lends itself very easily to Automation over a period of time and that I think we can do with significant lesser effort. So that is the only reality. My guess is we will probably need lesser people but the extent to which you will need lesser it is difficult to quantify.

Participant

So what drove the much better deal win performance last year – was it that you were much more aggressive on pricing or you were willing to be more flexible in terms of structuring large multi-year deals, so what explains this better performance last year?

Pravin Rao

Firstly, the pricing and the contract flexibility is a hygiene thing. In the past historically, we have not embraced it in a big way but last year we accepted the reality because it is a hygiene thing and that makes a difference whether you are in the deal or you are out of the deal. So that is something we put behind us, we said that it is important for us price to win and then figuring out how to meet your margin aspiration. So that was one of the principles we agreed in the beginning. But apart from that, I think there has been tremendous amount of focus, we have set up a separate team focusing on large deals. Vishal, our CEO himself is very actively involved in reviewing each deal, our ability to come up with a solution in a better way and more importantly articulate it much more contextualized to the client in a much better manner is something which has gone a long way. But also most importantly, typically when you come with large deals, clients also talk with all proven players, Tier-1 players, so sometimes the difference is more about whom they believe has a future thinking, whom they believe have the vision to take them forward in these disruptive times and so on. So, some of the things that we have been talking about our view of future, how renew and new and kind of the investments we are making on technology and so on, all those and the kind of mind share we have had with clients also, that does also in some sense which is intangible but that we believe is also in some sense given the confidence that we are one of the players for them to bank on, who will not only help them in the current opportunity but we will also help them in their future direction.

Participant

You had called out Package Implementation as sort of sluggish area of growth. Is it because the portfolio of yours factors there is skewed towards some of the older players like Oracle and SAP who have seen their on-premise solutions ramp down and they have been losing share to someone like Salesforce or Workday. In that context, what are you doing with your Package Implementation practice, are you stepping up your partnerships with some of the newer SaaS vendor?

Pravin Rao

Yes, we do have partnerships with newer players as well, we are also practicing, within the package implementation we have SAP practice, we have Salesforce practice, we have Oracle practice and so on. So part of it is that we have started building the practice and other things. But more importantly, while you talk about Salesforce, Workday and so on, still when you look at SAP economy or Oracle economy it is still significant, but the speed at which they are migrating to some of the newer offering is not as much as one would have anticipated. So to that extent that is also reflected in some of the sluggishness in the Package Implementation. But once we see momentum going, we are confident that we should be able to capture that.

Surendra Goyal

Let me just conclude with a last question. So this is the US presidential election year. In the past there has always been a lot of noise around immigration. So, is it impacting client decision-making in any manner or are you seeing any impact of that on the ground, is that something you worry about going forward into the year and are you planning anything differently?

Pravin Rao

We are not seeing any signs or any influence of this on client behavior, whereas in some of the previous elections we have seen that much more closer to the election, but here so far we have not seen anything. Having said that, it is not only US, but across the world we are seeing this protectionist tendency. To some extent it is a reality because if those economies are not doing well, there is always a lot of questions on the need to outsource and so on. So we are trying to deal with it in multiple fronts – One, obviously, we are working closely with the government where it also hinges on the free trade agreement and so on, we are trying to make sure that in the true spirit no country imposes barriers kind of things, so we are working closely through NASSCOM with the government.

So far we have not done a good job in terms of articulating the value done by this industry, so we are trying to do a much better job in terms of articulating the value that we provide to those economies, because it is no longer about cost, it is also about capability and so on. The third thing is obviously we have to do much more in those economies as well we have to scale up our local presence and so on. So that is something we continue to actively look at. So we are really working hard and in fact a big percentage of our local hiring when we hire outside India, it is predominantly skewed to local, sometimes we get challenged with lack of skills, but by and large we try to do. We have also started experimenting with getting people from the universities directly, earlier, we were focusing only on experienced workforce. We are looking at setting up onsite DCs and so on.

So, some of those models we have to start changing so that we have much more local presence and through Infosys Foundation USA, we are also actively involved in terms of uplifting the state of computer education. So we have to be seen as an industry to do multiple things to mitigate this as well. It is a combination of things, you cannot wish it away and it is probably technology today enables you to work remotely in a much more efficient manner than ever before. So technology is not an issue in doing more work offshore, it is more a mindset and culture but that over a period of time with people getting more and more used to the collaborative technologies, then it is possible for us to do with minimal presence onsite. So it is a combination of things, you have to work through government bodies, you have to increase your own local presence, you have to use technology to drive more offshoring and so on to counter this.

Surendra Goyal

With that let me bring the session to a close. Thanks, Pravin, thanks, Jayesh, always a pleasure talking to you. Thank you, Everyone.