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Surendra Goyal:

I'm Surendra Goyal, and I cover Indian IT services for Citigroup. We're really pleased to have the Infosys management team with us here today. On stage I have Mr. Pravin Rao, on the extreme left. He's the interim CEO and Managing Director of Infosys. We have M. D. Ranganath from Infosys, who is the CFO and whom many of you know. So, the format we have here is I'll start with a few questions, and then we'll open it up. We want to make it as interactive as possible. So, please raise your hand if you have any questions.

So, to start with, Pravin, the first question which I'll ask is what most investors have been asking us, on the recent events and the risks that you see. What have you been doing to mitigate that in terms of reaching out to customers, to employees and to all stakeholders? So, that's a very common question. Will Infosys lose some kind of market share? And I have seen people in two camps. On one hand, there are a set of investors who are very worried about it. And the second camp is where people believe that these are companies which have had relationships for decades and decades now. So, there are multiple points of connect. To that extent, one person going may not necessarily set back the company in any meaningful manner.

So, where do you stand? And again, you will have spoken to a lot of clients over the last couple of weeks. So, your thoughts on that

Pravin Rao:

Thanks, Surendra. As you're aware, Vishal quit on August 18, and within a week's time Nandan came back on the board as Non-Executive Chairman. And for people who are not familiar with Nandan, he was one of the co-founders of Infosys. He was the CEO between 2002 to 2007. But more importantly, he's an iconic figure in his own right. He's the architect for one of the largest technology programs in the world, the Aadhaar program in India for unique identification. He's also very pivotal in India's transformation into a digital economy.

It was good to have Nandan back on board. He has brought in a sense of calmness and stability at the board level. Nandan's primary focus as the Non-Executive Chairman is more on the board governance and board oversight, but at the same time he will also be tasked with CEO succession planning.

So, since Vishal left and Nandan come on board, we have had a massive outreach. We have talked to all the stakeholders, with our clients, with the employees. We have had a lot of conversations with investors. We have had conversations with the industry consultants, and so on.

More or less, the feedback has been extremely positive and reassuring. Many of the clients are saying that they are sad to see Vishal leave. They enjoyed all the interactions they had with him. But at the same time, they have also talked about the fact that the relationship between both the organizations lasts beyond individuals. In many cases we have had relationships spanning over a decade, and so on.

Once we gave them a reassurance of continuity in strategy and stability, they were fairly comfortable. So, they just advised us to just focus on executing the strategy and delivering on that commitment. They were extremely comfortable about the future of the relationship. So, we are extremely heartened by that.

Likewise, we talked with the employees, as well. Barring their initial surprise, by and large people have moved on. They have accepted this as a reality.

So, again, everyone is focusing. So, from our perspective, all this has happened in the last two to three weeks, but we are not seeing anything unusual in the environment, be it from a demand environment or be it from a client relationship perspective. As a team, we are really focused on execution. The team is still very strong. It comes with a lot of years of experience. The management team has more than 15 years of experience within Infosys. We have been part of the strategy. So, for us, the strategy execution continues. There's no change in that, and we are just focusing on executing on the quarter, securing the quarter and securing the rest of the year. So, that's where our focus is.

Surendra Goyal:

Sure. Thanks, Pravin. Maybe kind of going back to the more regular question around demand. So, start of the year there was expectation that we would see some kind of a pickup, led by the U.S. For most companies, we have not really seen that play through, at least on the IT services side. So, your thoughts on where we are? Also, you could break it out by verticals, geographies, whichever way you want to look at it.

Pravin Rao:

As I said earlier, we have not seen any major changes in the comment we gave at the beginning of the quarter. We had an expectation, particularly from a financial services perspective, that in U.S. some amount of demand may pick up and we may see more spending. But that we have not seen materializing. The demand in FS continues to be moderate. In the last few quarters, we have done extremely well in financial services. We are extremely confident about our presence and competitive positioning there. We are very confident that as and when demand picks up, we should be able to get a large share of it.

Some other verticals industries which are doing well for us, the utility segment is doing extremely well. We have had good success over the last few quarters. There is a lot of investment in customer experience. There are some regulatory changes in Europe where they are separating wholesale and retail, and we have got some good wins through that. So, utilities continues to do well.

We have done reasonably well, in telecom in the last few quarters. So, we continue to be optimistic about telecom.

Manufacturing is moderate. In some sectors, like discrete manufacturing and industrials, we have seen good uptick. We are seeing good demand for engineering services across all manufacturing sub-verticals.

Auto, we have had good success in the recent past, but there is a view that auto sales has peaked now and it may see some sense of a slowdown. We have to wait and see. Aerospace continues to be soft. Energy, obviously, continues to be soft, and we don't see too much changes in the rest of the year.

Retail is another vertical which we had called out as being very volatile and challenged. That continues to be the case. We have seen record store closings and layoffs in 2017. So, retailers are really struggling. Most of the consumption is happening online, and likes of Amazon is capturing majority of the share. So, retailers are struggling with changing both their business model and their operating model, because it's a low-margin business and the top line is also challenged. So, they are going through that phase. It can take a few quarters for them to come out of it. So, retail is really a challenge.

So, it's a mixed bag, actually, in some sense a similar commentary what we gave at the beginning of the quarter.

Surendra Goyal:

And between U.S., U.K., and continental Europe, do you see any meaningful differences?

Pravin Rao:
There are a few things here and there, depending on our own client concentration and all, but we are not seeing any secular trend.

Surendra Goyal:

Okay. And moving on to the new services, you guys started calling it out, and that's been a big driver of growth. So, I think it would be good if you can kind of go through what all are included in new services and what is the kind of outlook, going forward?

Pravin Rao:

Our definition of new services is these are a set of services which were practically non-existent about two years back. Since then, it has ramped up extremely well. So, between new services and software, about roughly 10% of our revenues come from this. I think new services is 8.3%.

And more importantly, if you look at the incremental revenue in the last two years, we did about $2 billion incremental revenue. The new services and software contributes more than $1 billion of it. So, a big percentage of our growth we have seen in the last two years has come from these new services.

These are broadly around six themes: digital is obviously out there, there is the Cloud economy, Cloud migration, there is the VPN world and the API economy, then there is the cybersecurity, and then there is advanced next-generation analytics, data analytics, and so on. These are broadly five or six themes where we are seeing a lot of traction. We are building a lot of capabilities in these areas, and we are very optimistic about it. We have started publishing it, and every quarter you will probably see traction and how we trend, going forward, in these areas.

Surendra Goyal:

Ranga, coming to you, there are obviously a lot of areas of investments which you are making on the new services. At the same time, utilization we have seen very smartly recovering from 78% to almost at 84% now. So, a lot of investors are kind of concerned that you guys are maxing out on the margin levers that you had. To that extent, managing while maintaining margins may be a challenge, going forward. So, how do you really look at it? I know you will not share numbers beyond this year, but at least how do you really look at it? Are there enough levers in the business? Or, do you see at least direct spending margins trending down?

M. D. Ranganath:

If you look at the last two years, while we had industry-leading growth in both the years, our laser-sharp focus on operational efficiency helped us in maintaining the margins in a very narrow range. It is between 24% to 25%. Last year, we executed 24.7%, and this year guidance is 23% to 25%. In the first quarter, we had 24.1%.

This was possible because we fundamentally believe that in our renewal part of the business in the existing services we have to be competitive in the market. To be competitive in the market, we have to look at our cost structures, especially in the traditional services. So, we zeroed in on, as you said, four or five indicators. One certainly was utilization, which used to be in late 70%'s as recent as two years ago. We are consistently above 80%; now, at 84%.

There are a couple of other levers which we are focusing on. One is the onsite employee cost as a percentage of revenue. It had touched about 43% a couple of years ago. We have consistently worked on it and brought it down to 38.5%.

So, that was possible due to various factors. So, onsite mix is one, which is currently hovering at 30%. We are focusing on that. The second part we are focusing on is really to look at the onsite role mix and so on and so forth.

But mind you, all these cost optimization measures that we deployed in the last two years was not at the cost of growth. We are very focused on growth. We don't want these things to be hindrance to our growth. It never diluted any of our investments in new services. For example, this year we are making investments in the U.S. talent market. We want to ensure that all the capital requirements, the operational cost requirements that are required to propagate growth and sustain growth is not diluted. While we keep that focus, we do believe that our focus on these operational efficiencies beyond utilization is something that we will work on.

Surendra Goyal:

So, from a near-term perspective two things which you are clearly working on is one is the onsite mix, because that I think would be something which you would be really working on from a near-term perspective. That should help margins.

M. D. Ranganath:

I don't want to pinpoint on one indicator and one lever. There are multiple combination of levers. For example, though we exited the last year at 24.7%, we gave a 23% to 25% guidance this year because we knew there's a rupee appreciation. And also, we said we are going to make this investment in U.S. talent model. So, there will be some headwind on that. That is already taken into account in our range of 23% to 25%.

We have a laser-sharp focus on all the operational efficiency levers beyond utilization. We'll continue to work on that.

Surendra Goyal:

Pravin, before I go into further business-related questions, one of the things which quite a few investors have asked is, will there be a change in the guidance philosophy? And I think the question is coming from the fact that in the past the guidance philosophy, at least people believe we used to be quite conservative, and in the last couple of years, at least, you have tended to be more realistic or you call it out as you see it. And because of this, last year we did have a few disappointments, as well, along the way. So, is there any kind of thinking around that? Should we expect to see a change there?

Pravin Rao:

To be honest, right now we are focusing on executing the strategy. We have really not given much thought to any of this aspect. At least we have three more weeks this quarter. So, we really want to focus on strategy.

Surendra Goyal:

So, we have to wait until October.

One of the things which again, Pravin, you started calling out maybe a couple of years back is the way clients are expecting higher productivity benefits and more upfront. Have you seen any kind of a change in that? Are clients asking for more than what they used to ask, say, a year back or two years back? Or, in other words, from a pricing and productivity perspective are you seeing any changes in the market?

Pravin Rao:

Whatever we have seen in the last two years remains consistent. What we are seeing, broadly, is clients are trying to reduce spend. They are trying to repurpose this spend in newer areas. This trend started two years back. So, whenever any deal comes for renewal, clients clearly are expecting 30%, 40% reduction over the lifetime of the deal. And at the same time, they want to repurpose that savings into newer areas. So, that trend continues.

And we have also internally been investing in tools, technologies, and trying to meet the client expectation without compromising on the kind of margin expectations we have. This is a trend we saw two years back and that continues. We are not seeing anything significantly different.

Surendra Goyal:

So, it's not really worsening or anything like that?

Pravin Rao:

We're not seeing any worsening.

Surendra Goyal:

Going back to the commentary which you made on demand, a couple of verticals which I wanted to follow up on where it seems like your commentary is a bit different to peers. Firstly, on energy, there are a few peers who are talking of some stability and some sense of recovery, now that atleast there is some kind of stability on oil prices, etc., while what you are suggesting it's still going to be challenged. So, is it more a client mix issue? And similarly, on telecom, again there are quite a few people who are still cautious, while you guys have done well and you said your expectation is that that should continue to deliver. So, just trying to understand, is it more client specific? What is driving the strength in telecom and the challenges on energy?

Pravin Rao:

In Energy, I'm not saying we are not talking about worsening expectations. What we are saying is we don't expect spend to come back this year. So, it will continue to remain soft. That's what we are saying. We're not talking about worsening or anything. While oil prices may have stabilized, but it's not at the level where it should be. Definitely, there is a much larger inventory of oil. There have been some new oil findings in Mexico, and so on. We are not seeing OPEC's ability to control oil prices, and so on.

Those factors still remain, and we are not seeing increase in oil prices as such. While we are not seeing any worsening expectation, what we are seeing is the softness that has existed which still continue. Clients continue to be cautious in spending, and so on. That's what we have seen.

On the telecom side, there is a lot of competition in telecom players, both on top line and bottom line. Earlier, on the consumer side, there were a lot of OTT players who were taking away that share, and so on. Now, they are refocusing their efforts on the enterprise side. We are seeing a lot of merger acquisition divestiture and so on. Whenever these things happen, sometimes there are opportunities and sometimes you are on the wrong end of the stick.

We have been able to get the benefit of some of the changes that have happened in the recent past. So, on that basis, it's based on our own portfolio, we say we continue to be optimistic on the telecom.

Surendra Goyal:

Right. On the large bank side, we keep hearing about captives a lot more. In fact, last couple of years we have heard about it. Do you think in some ways it is impacting the growth of the IT players because people are doing a lot more in captives?

Pravin Rao:

Captives is always a cycle. There are times when you see a lot more of captives and insourcing. Whenever we have seen increases, the same questions have been asked.

By and large, when people set up captives it is not for scale or anything. They're set up for doing some specific work which they don't want to outsource, which is strategic to them, and so on. So, to that extent, we have hardly seen any business taken away from us because of these captives set up. But we don't see that as anything. In fact, in many cases we actively participate in helping our clients set up their captives, as well, in terms of helping them in terms of recruiting the right people, setting up training infrastructure, and so on. We don't see any challenges or issues there, because we co-exist very happy.

Surendra Goyal:

So, now that we are nearing the midpoints, maybe one question?

Participant:

I know you're fairly new to this role, but I'd love to get your thoughts on the longer-term trajectory for Infosys. Clearly, the industry and Infosys is facing a lot of headwinds in terms of commoditization of basic services like application maintenance, infrastructure, plus all the robotic process automation vendors. Generally speaking, there is still a lot more outsourcing, and penetration of outsourcing has gone up. What things do you think Infosys needs to do to adapt its business model to change, to become less dependent on just linear growth and hiring more employees to grow?

Pravin Rao:

When we look at what's happening today, as you rightly said, there is a lot of disruptions happening across the industries and these are all technology-led disruptions. So, this is impacting all of our clients, and there is a lot of changes in the business model in their own operating model. While it's an opportunity for us to take advantage of it and help our clients in transition, we are able to do that only if we are also able to transform ourselves, and so on. And that is the journey we have been in the last two to three years.

Fundamentally when we look at what we are doing, there are three or four things we are trying to do. One is we are moving away from a people-only to a people-plus software paradigm. That means for each of our offerings, we are trying to make them more differentiated by bringing in technologies. Some of the technologies could be our own IPs, some of it could be third-party IPs. We are making them much more productive and differentiated. So, that's one thing we have started doing in the last two to three years. That's what we call as people-plus software.

Then, the second element we are trying to do is the whole cultural transformation within the organization, trying to embrace design thinking as a methodology, trying to get people to become more innovative, challenge the status quo, and so on. We have a lot many initiatives like design thinking, and so on, where we have been able to come up with a lot of ideas, and many of these ideas have been monetized in a client context kind of thing. So, there is a cultural transformation which is very relevant in today's time, and that continues.

The third thing we are trying to do is an ecosystem play where we are partnering with ecosystems. Today our belief is none of the enterprises have all the capabilities, they will look for service providers like us. Similarly, service providers like us will not have all the capabilities. We have to partner with the ecosystem to bring in whatever solutions to our clients. So, that's something we are doing. These ecosystems are not only with product vendors, it is with startup communities, it is with academics, and so on. So, that journey continues.

And lastly, we are also internally, given all the geopolitical and other situations, we are also looking at much more localization of the workforce. In U.S., we talked about recruiting about 10,000 people, setting up development and innovation apps over the next couple of years. We have already started that process. If at all anything, it will only accelerate.

This is something we have embarked on in the last two to three years, and we have seen us get back to industry-leading growth without compromising on margins, both industry-leading growth and margins. So, it has worked well for us.

We believe that this strategy continues to be relevant in the next three to five years. Obviously, a strategy is not static. It will evolve. We will have to fine tune some elements of the strategy. We have to look at what is not working, what is working, and so on. But the overall premise of what we are trying to do still remains constant, and our belief is as long as we continue to focus on executing we believe that we will be able to navigate through these changes.

And then your question about now that we are using more and more technologies to drive more differentiated experiences and amplify people's capability, our productivity also improved. So, for instance, this year our net addition has been about 30% lower than what we did in the previous year for similar kind of growth. So, increasingly we will see our ability to do more with less, with more of automation and some of the other productivity things kicking in. What we have seen is the early stage results and I think some of the potentials we'll start seeing much more amplification and much more benefits accruing over the years.

Participant:

Just one follow-up on that. Do you think the industry, particularly in India, is overstaffed, that there is too much capacity in the industry?

Pravin Rao:

I don't think it is overstaffed or anything, because when we look at our own cases we continue to recruit. This concluded year we had net addition of 6,000 people. We expect similar kind of additions over the next one or two years, obviously depending on the kind of growth you see in the market.

So, I don't see the industry as overstaffed. There are more than one million graduates being produced in India. From a quantity perspective, it looks a lot. But when you look at quality, may be 20%, 30% are of good quality and which is where most of ours and competitors target is on. So, it's not a question of industry being overstaffed, it is more a question of how well you are able to do more with less, how we can be more productive using more and more tools, and so on.

Surendra Goyal:

Okay. So, Pravin, coming back, I think one of the points you've just mentioned was you hired only 30% of the headcount that you hired in the prior year.

M. D. Ranganath:

It's the net addition.

Surendra Goyal:

Net addition, yes. So, again, this was when utilization kind of went up significantly, and then again you were able to release a number of people through your automation initiatives. So, going forward, now with utilization already at 84% levels, and maybe, Ranga, you can chip in here, do you think that we see the headcount increase, the net headcount addition, being significantly more for the same level of growth? Or, do you think that the automation thing starts becoming much bigger, and so you should be able to deliver a similar level of growth with more or less a similar kind of net headcount addition?

Pravin Rao:

I think both factors are at play. On one hand, part of the headcount is also impacted because of higher utilization. So, that's one part of it.

But the other side of the equation is the automation. We believe that there is still much more we can do from the automation perspective, both in terms of depth and breadth of where we are. So, if you look at some of the services which are more amenable to automation, right now we are focused mainly on fixed-price products. Now, we are looking at converting T&M to fixed price and then bringing in automation there. So, there is a lot of headroom there. It will happen over a period of time.

And similarly, there are many service lines where we have not really deployed automation in a more meaningful way. So, there is opportunities there, as well.

Our belief is over a period of time we will probably be much more productive than what we are at. There are technologies out there, and many of them are maturing. So, if we are able to leverage those technologies, then the belief is that we'll probably be able to do more with less number of people. Difficult to quantify because there are multiple moving parts.

Surendra Goyal:

Right now, I'm sure you get this question from employees, because people obviously get worried that they may lose their jobs, etc. And again, kind of pushing automation through is as much cultural as it is technology related. So how are you really going about it at a project level? Are there certain kind of targets? Or, how exactly are you kind of trying to ensure that over a period you are able to do a lot more on automation?

Pravin Rao:

I don't think people are hesitant in embracing automation, because if some of the repetitive work that you are doing can be automated, then that frees up bandwidth to do much more creative, much more exiting work, and so on. So, people do get it.

Sometimes the challenge is, they are skeptical or cynical about whether automations can really do what they are doing. So, the challenge is to make sure that we are able to work with them and show them use cases where things have been done in the past. And once people go beyond that, once they have the belief, I think their ability to embrace is much better.

I think people are less worried about impact on them because they are much more confident about the fact that some of the repetitive stuff will go away. They get opportunities to work on different things which will call for more creative use of their capabilities, and so on. It's more a question of convincing them about the usage of tools and the benefits that can come. And once people see that, we believe they will embrace it in a much more successful way.

M. D. Ranganath:

Also, just to add on, I think it's not a uniform progress. Some of the services are more amenable for automation, like testing or infrastructure management and maintenance. So, I think the focus would really be on the projects in those areas, much more than in other service lines.

Surendra Goyal:

Pravin, moving on to the service lines, while obviously new services and digital, as you said, that they have provided a huge percentage of incremental growth, but if I go back to the traditional, or the legacy services whatever you want to call it, are there still significant pockets of growth out there? Or, generally across the board you are seeing kind of things slowing down and from a growth perspective it's largely up to the digital or new services to drive growth?

Pravin Rao:

Sometimes that's where the definition of digital becomes more key. Part of digital we talk about Cloud, but Cloud is also a significant part of your infrastructure management. So, today we are doing much better than ever before on the infrastructure management services. It's one of our faster growing service lines. A big part of it is about that, migrating more work to Cloud, and so on. So, that's one element which we are doing.

Similarly, testing is also doing extremely well. The nature of testing has changed. Even when you look at newer technology, testing is a key element of it. So, there is tremendous amount of growth there. What we are seeing shrink is probably the ADM piece of it. That is shrinking in a big way.

BPO, to some extent, is also shrinking because traditional BPO that we sell today will probably get automated significantly over in the course of the next few years. Our opportunity in BPO is more about vertical solutions in BPO or integrated BPO in technology to drive efficiencies, and so on. So, the BPO we know today probably will shrink in a big way.

But again, it's a mixed thing. In some of the service lines, like testing and infrastructure, they straddle between both legacy and new. So, there will always be opportunities, ADM definitely we are seeing slowness. BPO, we are probably seeing slowness.

Surendra Goyal:

And on IT infrastructure, also same. With work shifting to the Cloud, a lot of companies tell us that deal sizes are smaller than what they used to be. From your perspective, because it's a relatively smaller business, you are being able to drive growth because you are getting a lot of new customers and new work. Is that the reason why you are being able to drive growth? For some of the other companies who are fairly big in this space, the challenge that they have is when the contracts are coming up renegotiation, at times, the scale is smaller than what it was and, to that extent, the growth may not be as strong. So, any thoughts around that?

Pravin Rao:

It's a mix of both. If you are an incumbent and if you lose, irrespective of the size, you lose. So, we are able to capture in some sense and we got our act right a few years back. We are probably the new kid on the block. And to some extent, since we are not incumbent, many of the wins that we are seeing today are net new for us. So, that's a positive impact on us.

So, it's less to do with the size of the deal. For instance, if you have a $200 million deal over three to five years, then now the same $200 million deal becomes $100 million or $120 million because of the efficiency demanded by the client. If you lose, you lose the whole thing. So, it doesn't matter whether deal size has shrunk or anything.

We have an advantage there because we were not an incumbent there. But another day, the way we look at it is we still have to go and win it. So, every deal, we have to showcase our capabilities. Every deal, we have to put together the right solutions to win those deals.

M. D. Ranganath:

Just to add on, earlier a couple of years ago, that typically the infrastructure contracts used to be asset heavy, and that used to be a large component. That's where our presence was very little. But over a period of time the asset heaviness has gone away, like you said. A large part of the data center work is kind of either Cloud or the shared data center approach. So, it is becoming less asset heavy. So, that's another key component. It is making it more attractive.

Surendra Goyal:

Sure. Any questions here?

So, let me kind of go into M&A here. And again, there are competitors who are doing a lot more M&A and a lot more tuck-in kind of acquisitions. So, how do you really look at it? And again, we have done a couple of them in the last couple of years. But what should we expect, going forward? Do we think that the pace will increase significantly? Are there are any specific ideas where you are looking at certain assets? How do you think about it?

M. D. Ranganath:

I think on M&A we have always said that, look, whenever we find a strategic fit we are eager to do it. We are not driven by a particular goal. Even if you look at our peers in the last three years, the bulk of the acquisitions by some of our large peers has been in the smaller, tuck-in, niche acquisitions in digital, user experience design areas, which made sense to their strategy. So, I think there are no more big-ticket acquisitions we have seen in the last three years at least.

So, primarily, our focus continues to be as we have done in the last couple of years, is to look at those acquisitions which are strategic fit, which are in niche areas where we need to grow faster, where we need certain competencies externally which is not there in the company, and so on, and some of the geographic footprints that we want to grow, and some of the other technical places where we need some space for growth. I think that will continue. There is no slowdown, nor any particular thing.

We want to make sure that whatever acquisitions that we bring to the table should really help us differentiate our current services, also help us in executing of our strategy

Surendra Goyal:

Pravin, coming to the India business, historically a lot of companies used to kind of shy away from the India business, but you guys have had a series of very good wins on the India business last few years. So, how do you really think about it, firstly, from an opportunity perspective? And historically, margins. When we met most companies, people used to tell us that margins had to change. But at least when I look at the segmental breakup which you guys share on a quarterly basis, India seems to be enjoying very healthy margins. So, how do you really think about it from an opportunity and margin perspective, going forward?

Pravin Rao:

There are two parts to India business. One is our Finacle which has a strong presence in India. So, we'll continue to invest in Finacle and related stuff in India.

But more importantly, we continue to be very cautious about the India business. We are very selective in the kind of projects that we take. When we look at the client base, there is the private sector and then there's the government sector. For the private sector, we continue to do what we do with the rest of the world. As long as we go aggressively and as long as it meets our criteria, we go and execute and try to bid for this.

But we are very cautious on the government sector. Most of the large projects are in the government sector. And we are cautious for the same reasons, because there are pricing challenges, there are contractual inflexibilities. Sometimes getting payments is a challenge, and so on.

Over a period of time, I think the government has been trying to address all these issues, and we are encouraged by what we have seen. But we continue to be very selective in what we need to do. Wherever we believe it has an impact, a much larger impact, for the nation and, consequently, it will also help us from a skill level of manpower of getting the entire perspective, we'll do that. So, like the post office modernization, which really has been a huge success. Now, we are in the GST implementation, that's going on.

So, we'll continue to be selective. There are a lot more projects, but we don't bid for everything. So, wherever we believe that we can add value, we can make a difference to the country, and which will help us in building some of the capabilities, we will do. But we are selective.

Surendra Goyal:

And maybe a last chance to ask any questions here?

Let me ask one or two more questions here. So, on the digital piece, when I meet investors there is a perception that maybe Infosys is not doing as much as some of the other peers are doing. And again, it may be totally wrong, but that is what the perception seems to be. So, do you think that maybe you have not really kind of communicated the message as well as it needs to be? What can you do differently to change that perception, going forward?

Pravin Rao:

I think that's a good question. We have not done justice to the kind of stuff we are doing in the digital space, the kind of wins we have had in the digital space. To some extent we started correcting it by the beginning of this year when we starting calling out revenues from new services and new projects and it's a subset of what we are doing in the digital. The digital is a much larger thing.

Again, our challenge in digital has been more in terms of the definition kind of thing. If you look at some of the standard definitions that we have seen used by some of our competitors, not necessarily Accenture, I think last time when we did that, we found somewhere between 22%- 24% of our revenues actually come from digital. So, we have not really done justice in terms of articulating that kind of thing. So, going forward, we will start looking at articulating it much better so that people are aware of the kind of stuff we are doing in digital.

So, broadly, when you look at the digital space, there are three elements to digital. Very few customers are really throwing away their existing stuff and getting into digital. They are doing it in a very systemic manner because they have a lot of burden of legacy which they can't discard overnight. So, there is this notion of system of record, system of insight, and system of experience.

System of record is the legacy system where we have a strong base and we continue to have a role to play. System of insights is also again a data analytics and through platforms, we have a significant play there. System of experience is where there is a lot more creative talent, creative abilities and capabilities, and one where we have historically been challenged in the past.

But off late we have arrested that in a big way. We have a digital practice headed by Scott Sorokin. In the recent year, or so, we have recruited what we call as digital strategists. These are people coming from agencies with a lot of experience in UX, and so on. We are also looking at acquisition in the digital space. We recently acquired Brilliant Basics, a U.K.-based digital studio which brings in that creative kind of capability. We are looking at more acquisition in this space, as well as organic buildup of these capabilities.

So, we are complementing, and at this point we have had good wins. One of the acquisitions we did, Skava, has a play in the digital space. It has moved from a mobile-only platform to a full-fledged ecommerce platform. And today when we look at what is happening in the ecommerce world, people are moving away from on-premise monolithic systems to a much more agile open architecture and multiservices-based architecture, which is what Skava is about. So, we are excited with a lot of traction that we are seeing in Skava. And now we are seeing Skava being applicable even beyond the retail world into other industries, as well.

So, we have done a lot over the last year, or so, in terms of building capabilities. But as you rightly said, we have not done a good job in terms of articulating it. And going forward, you will see us doing a much better job in that space.

Surendra Goyal:

Sure. Thanks, Pravin. We have run out of time here. Thanks a lot, Pravin, Ranga, for doing this. Thank you, everyone.

M. D. Ranganath:

Thanks, Surendra.