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CORPORATE PARTICIPANTS

Pravin Rao
Chief Operating Officer

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Chief Financial Officer

MODERATOR

Parag Gupta
Morgan Stanley

Parag Gupta

Good Afternoon, Everyone. As an introduction, my name is Parag Gupta, and I am the Technology Analyst at Morgan Stanley in India and I am very pleased to have the senior management of Infosys with me here today to share their thoughts on the company and the business. So, a quick introduction, I am sure you guys know them all, they have been veterans at Infy, but nonetheless on my right is Mr. Pravin Rao, who is the Chief Operating Officer of Infosys. He has held that position for over a year now. He is a veteran, 28-years plus experience at Infosys, he has headed a number of senior leadership roles or Head of Infra, Head of Delivery for Europe, Head of a couple of verticals like Consumer, Packaged Goods, Retail, Logistics and so on. Thanks, Pravin. On his right is Mr. Rajiv Bansal who is the Chief Financial Officer, position he has held since November 2012. He rose the ranks; joined as Manager, Finance in 1999, became Vice President, Head of Finance, and now the CFO. So, all the numbers on his fingertips. Thank you, again gentlemen for being here.

Maybe I will start off, we have had a lot of discussions over the last two days about how the technology landscape is evolving, we have seen various waves of technology for the Indian IT Services companies, Mainframe going to Cloud Servers, going to Y2K, now we are talking about digital transformation which is becoming the new buzz word. What I would like to understand from you is how do you see Infosys positioned in that scenario and how are you transforming yourself to take on these new changes or challenges as one might call it?

Pravin Rao

As you rightly said, we are seeing a lot of transformation and this transformation is impacting all the clients. Earlier, we used to say technology is an enabler, but today, technology has come to the center stage and the pace at which technology is changing, obviously, it is becoming much more complex and a lot of transformation is happening. So from our perspective, we see it as an opportunity. Being a technology provider, it is a great opportunity for us to help our clients understand what technology can do, how they can enable technology to transform themselves, bring in best practices and so on, at the same time, we also feel that this impacts us well where we have to look at each of our service lines, we have to renew them, we have to make them bring in more operational efficiency, we have to introduce Automation, we have to enable the services for SMAC, Analytics and so on, at the same time, we also have to look at new ways of doing things. Our belief is with the pace at which technology is changing it will be difficult for a single provider to provide what all clients is looking at. So there is an opportunity to partner and there are a lot of small companies with lot of interesting ideas, so there is an opportunity for us to engage them better, partner with them and take solutions to our clients and so on. So, net-net, a great time to be in this space, great opportunity, but at the same time, important for us to also transform ourselves, renew ourselves and at the same time do things differently to take advantage of this opportunity.

Parag Gupta

Rajiv, taking on from there, Pravin was talking about you got to invest in some of these initiatives. So how do you see the investments playing out for Infosys, we have seen a couple of changes happening on the employee front, reskilling, promotions, etc., so if you could give us a sense of what are some of the key investments you will have to make in this journey and how does that impact growth margins over that time period?

Rajiv Bansal

With the business changing as Pravin was saying, this is a very dynamic world and technology is going to change the way this whole world work. And with that we also have to change. We have to continuously keep investing in reskilling people, hiring new talent, investing in new geographies, new technology, investing in sales engine. So there is a lot of investment needs as we speak about. At the same time, we have to continue to renew our own existing business right now, which also requires a lot of automation, a lot of investments in retraining our existing people on new technology and new domain. So, what we have done now, which is unlike the past, is we are working towards a margin band. So we have clearly articulated that our aspiration for the near future is to be in our margin band between 24-25% (+/-1%) depending on the rupee where it is. That gives us enough elbow room to be able to make investment as and when it is required, at the same time we will always have certain margin levers which we can use to be able to ensure that we are in that band. Having said that, I think today, the need of the hour is to make investments to accelerate our growth and though we have indicated a margin band, we would still want to put a caveat saying that if there is a need to make investment and there is a urgent need to make investments, we would not shy away from making that investment even if it requires the margins to fall a little bit. We will come back and reinstate, but at this point of time, I believe considering what we are seeing, considering the investment needs, considering the levers that we have, 25% (+/-1%) is achievable.

Parag Gupta

If I just look at the growth rates and the way business is moving, we have recently seen some of the multinational vendors coming out with some good numbers, good commentary, and to some extent, they kind of said that it is happening because clients are spending more, the discretionary budgets are coming through and that is helping. Infosys has a good exposure coming in from discretionary spend. Consulting and Systems Integration is 30%+ of revenues for you, but we have still not seen that translating into revenue growth for you on the whole. So is there a disconnect or what is different between what they are doing and what we are doing and do you see us moving in that same direction?

Pravin Rao

Overall, I agree, we are not seeing any increase in the spend, it is just the repurpose of spend, so there is a tremendous cutting cost in some part of the business and reinvesting back on the discretionary side. So that is what we are seeing. And that is something which we have seen in the recent past because if you look back even a few quarters back I think clients were much more cautious about the investment and they were much more given the volatility, macroeconomics and so on. The trend that we are seeing, the shift that we are seeing is what we are seeing probably in the last one or two quarters. So it looks like the clients are more comfortable with the macro situation, they have learned to deal with the volatility and so on, and while we are not seeing any increase in absolute spend on IT side but they are now willing to manage within their IT cost and try to focus on incremental thing. So some of those spends we will start seeing a play on Infosys going forward. But having said that while 30-32% of our revenues are on some of the discretionary side, still 60-62% of the thing is still on the business and IT operations side. So unless we continue to grow that piece, it will be a big percentage of the piece, you will always find this disparity. And even if you look at our own performance over the last 2-years, we have always grown well on the Consulting, Systems Integration side but our challenge has been on the business and IT operations side, which is a big percentage of it. So that is an area where we are continuing to invest, continuing to be much more innovative, continuing to be more aggressive in that space and trying to price to win and doing multiple things, so that we get much more uniform rounded growth rather than growth in one part of the business.

Parag Gupta

Pravin, just on the same thing for your ace business, which is around 60% of revenue, that obviously an important part of you, you need to see that growing, you have been sharing numbers on large deal wins, could you give us a sense of how are you trying to improve your sales effectiveness to deliver on that? Is it going to be a much tougher game to win new business because that part of the business from a budget perspective may not be growing as much, so you have to basically then start gaining market share from the others. So how do you think on that part of the business?

Pravin Rao

I think we are doing multiple things on the sales effectiveness side and this is something we have started about a year back. One of the first things we recognize was while we were winning a lot of new logos; we were not doing an effective job in mining the existing account base. So in order to improve the mining, we added more sales people on the ground, more hands-on-feet on the ground, last year we increased our sales force by 20%, we added more bandwidth there. Having done that now this year we are focusing on many three or four different things, one is we recognize that it is important to grow your top accounts, otherwise it will become a challenge, so we have identified top three accounts in each of the verticals and now there is a lot more governance, lot more oversight and in fact the CEO himself is very actively involved in reviewing the pipeline, talking to the customers, trying to proactively go after new opportunities and so on. So that is one thing that we have started doing this quarter.

The second thing is we again formed the central team looking at all large deals greater than $50 mn and there we have done reasonably well in the past in terms of pricing, competitiveness, in terms of solution, but our quality of our presentation or packaging the proposal, articulating the value we are delivering the differentiators and all, we have not done in a very consistent way, sometimes we have done well, many times we have got feedback where we have lost that we did not do a good job in terms of articulating ourselves in the value proposition. So there again we have found a common team where we are looking at each and every proposal more than $50 mn making sure that best of Infosys and we are looking at not only from a pricing commercial term, but also in terms of presentation, articulation and so on. So that is the other thing we have done.

The third thing we have done is historically, Consulting has been focusing a lot more on driving Consulting revenues and they have been actively involved more on the Consulting and Systems Integration piece, on the Package Implementation piece, but they have hardly been involved on the 60% of your business. So now, we have identified 100 consulting partners, we have assigned two accounts to each of the partners and we are incentivizing them for driving growth across Infosys, across service line. So we are trying to push a lot more of Consulting-led growth.

And the fourth thing is we are also focusing on design thinking as a new methodology, so that is a fantastic tool where we can proactively engage with clients and unearth new opportunities which are not very visible both to us and to the clients, so that is a methodology we have trained almost 70% of our sales force in the methodology. We have had close to some 20-30 workshops with our clients with very interesting result. So that is something we will start doing in a much bigger way so that we are much more proactive taking ideas to the clients and doing it. So there are multiple things happening on the sales front, making sure that we are much more efficient, we are much more consultative, we are much more proactive in bringing ideas, at the same time, we are also good in terms of articulating value so that we can increase the conversion rate, we can mine the accounts better and so on.

Parag Gupta

Rajiv, based on whatever we are doing right now, there was a plan that Infosys will come back to growth rates in line or better than industry over a 3-year period, this was something communicated in early 2013. How do you think we are stacking up on that given all these initiatives that we are taking?

Rajiv Bansal

When Mr. Murthy came back, we clearly said that we will take about 3-years to get industry growth rate and that will be FY17. If you look at last year we grew about 5.6%, this year we have given a guidance of between 10-12% on a constant currency basis and we feel pretty confident about our guidance. So, I think it is a step in the right direction. So if 5.6% reach to 10-12% and then I think next year we should see the industry growth. So I think considering all the things that Pravin was talking about the changes that we have done, a lot of interventions that we have made, a lot of investments that we have made I think we are on the right trajectory. There would be definitely one-off quarter which go bad. I think one of the concerns that we have internally is the predictability and we have two good quarters followed by one bad quarter usually, but I think that is something that we are working on addressing. This year's guidance is clearly a test for us because most of the analysts and investors who are skeptical about our guidance when we gave our guidance in April, but we have done our homework, we have looked at the numbers, we have looked at our pipeline, we have looked at the order backlog, order booking, what we need to do to make this number happen, and I just want to finally feel pretty confident about what we have said and we have a plan of how to go about reaching it. Once we reach that, I think that will give us a lot of confidence to target the industry growth rate for next year.

Parag Gupta

We have seen Infosys hiring a lot of people, so your net hiring has gone up significantly in the last couple of quarters and yes, your guidance does talk about an acceleration, so your CQGR I think in Fiscal '14 was about 1.9% which was 2.4% in Fiscal '15 and we are now talking about anything between 2.8% to 3.5% for your guidance for Fiscal '16, so we are seeing an acceleration in growth as well. So do we connect the toss share that the employee hiring is a precursor to growth or was the hiring more to do to cool down some of the utilization rates, how should we look at the hiring trends?

Rajiv Bansal

It is a mix of both and many more things if I can say that, because the fact is that we are targeting a growth which is a sequential growth rate of 2.8%-3.5% for the next 4-quarters, we cannot hope to achieve that without investing in strategic bench, without getting the people on time, training them and keeping them ready to be deployed on project in time. So we have to invest. It is like a chicken-and-egg, we cannot wait for the projects to come to hire people, because then we would not be able to start the project, but we cannot hire people and not look at the pipeline. So I think it is a very fine balance that we do. If you look at last year we have done excellent job in ensuring that while we were growing, at the same time, we increased our utilization from 74% to 80%, we increased our margins while investing back in the business in many-many ways. So I think it is a fine balance between many-many moving parts right now. And that is what we need to continue doing for this year. So there would definitely be a hiring going up, we will continue to make quarterly promotions, we also have to make certain course corrections with wages wherever it is lagging behind and at the same time be conscious about the margin that we have given and the growth that we have given.

Parag Gupta

Pravin, how do you think about your various verticals and service lines, is there any particular thing that you would like to talk about or anything that is turning out to be a big growth driver or something that is going to be a little bit tepid for the next 12-months?

Pravin Rao

I think by and large barring Energy and Telecom we are fairly comfortable with all the other verticals. We are seeing good traction in Financial Services, spend is primarily in the areas of Regulation, Legacy Modernization and Digital. In Healthcare and Life Sciences we see continued good traction and spend. Manufacturing particularly Hi-Tech and Auto we are seeing good traction. Retail continues to be a little bit challenged but we expect that with consumer confidence picking up, it is a matter of time before spend comes back to Retail. So Energy and Telecom are two things and in Energy, our sense is probably this year it will be challenged but end of this year it will play out because people will become comfortable with the new prices. So they had a shock with the oil price drop but I think now the oil price has stabilized and it has started ticking up upwards. So people are now comfortable and they have already cut cost and other things. Telecom on the other hand is probably a little bit more fundamental, so that may take a little bit more time to recover because there is a lot of challenge from the top-line as well for the telecom company.

Parag Gupta

And then anything on the service lines?

Pravin Rao

On the service lines, Infrastructure obviously is a big thing, we see continued spend on Infrastructure and migration to Cloud. Big data, Analytics is another area where we are seeing fair amount of spend. Digital, of course is another big area of spend. So these are probably three big ones we are seeing. We continue to see spend on ERP but there because of classification and other things, overall while volumes you may see more but it may not translate into much higher from a revenue perspective.

Parag Gupta

Okay. And maybe a question for both of you. In your call obviously I think one interesting thing that you laid out was your Vision 2020 which I think obviously is slightly early to talk about it today from our perspective, but from your perspective it lays out on how you are thinking about this business from a slightly longer-term perspective. So if you can just talk about how do you see the IT Services Business Model evolving going forward which is the basis on which you would have thought about your 2020 Vision and what does it take to achieve that, what are some of the key differences that will have to be built into the business going forward which is different from what it used to be in the past?

Pravin Rao

Okay. So as you rightly said, it is more a vision aspiration than a regular guidance kind of thing, so that is the first point I just wanted to make it clear. So when we breakdown, when we look at $20 bn and try to breakdown, we believe that maybe about $1.5 bn will come through merger and acquisitions and over a period of time between now and next five years, whatever M&A we do that will contribute to about incremental revenue of around $1.5 bn and 10% would come from new areas. So today when we talk about revenue, I just wanted to clarify, for us Renew means all service lines including SMAC and Digital because that is also a part of Renew because while Digital is a big thing today, it is something that has evolved over last few years. So for us it is a mature service line and it is part of our existing thing. So many things we are doing on the Renew side such as the Digital, Mobility and other types. When we talk about New it is more about the Platform, Infosys Information Platform, Panaya, Automation, it is about Finacle, it is about Edge products, it is about revenues coming from new things like Design Thinking, revenues coming from working with start-ups and so on kind of thing. So that is the new part of the business which his very small today. So that we believe about 10% of revenue will come from that, so that will be about another $1 bn or so, then the remaining $16.5 bn will come from the Renew piece. So there when we look at fast forward and look at three to five years down the line, we will see many of the current service lines continue to be there but we will see lot more technology at play, we will see lot more efficiency at play, we will also see people empowered much more and people's capability amplified more by technology. So many things we are doing today, probably some of the things we will continue to do but in a much more productive way backed with technology and so on, so that spot we will see in the next three to five years horizon

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Parag Gupta

And I think one part of that Vision 2020 builds in, a revenue per employee is about $80000 which basically means employees which are committed about (+160) will potentially be 250,000 at that point in time which potentially should lead to better margins as well and you did talk about a 30% margin is what ideally a next generation company should be earning. So how confident you feel on this model in terms of where pricing is, in terms of your conversations with clients and is this something that is difficult to achieve or it is the way the business is progressing?

Rajiv Bansal

No, see when we spoke about the way we see business changing in the next five years, very clearly the traditional business model are breaking down, the traditional services are becoming more commoditized, and there is a need to innovate in each of these service lines. Now, if we do not do that then you would see revenue per FTE continues to drop. So that's what Pravin was referring to. So we have to continuously innovate in each of the services that we talk about. If that happens you would see a lot of these benefits staying back. Some of that you have to pass it up to the client but some of it would stay back with you and that is inherent to this revenue per FTE going up. So now today we are running initiatives where we are challenging our employees to become more productive. We are looking at ways and means of how to enable them to think further line, what tools are required, or where investment to make it more productive? What can be automated, what can be done through design? There are many-many things are being done. If the revenue per FTE goes up to $80,000 I think 30% operating margin is not an issue because today we are running at about $53000, if it goes up to $80,000, I think 30% operating margin is easily achievable. But I think it is not about the 30% is not that important, 80,000 is not that important, what is important is that this is what this industry is going to become by 2020, what are we doing, are we doing the right things and are we on the right trajectory, I think that what matters. We have put a goal post for ourselves which is definitely what we aspire to be and we would do everything to reach that but I think we have to look at how to go about the journey, do course correction as and when it is required. It is not like it is casting stone and we just have to follow that. This is a very dynamic world. As and when we see opportunity, as and when we need to make goal session we would do that. But this is primary to drive the organization and the clients and investors to think on these lines.

Parag Gupta

So Pravin you talked about acquisitions, $1.5 bn of your Vision 2020 potentially coming from M&A, so how do you look at your M&A strategy? Are you looking at geographies, service lines, are you looking at working more with the disruptive technologies that start-ups bring with? And how are you positioning yourself, I mean is there a dedicated team that is going to be doing this full time and how do you pull the plug in terms of deal sizes, in terms of how quickly you can actually ramp this M&A strategy?

Pravin Rao

So M&A is definitely an integral part of our strategy. We are looking at two types of M&A, a big part of it will be M&A in the technology space. The couple of acquisitions we have done in the recent past Panaya and we just closed Skava recently, those are in the technology space. So we will continue to look for opportunities where there are companies with interesting technologies in the Automation, Collaboration, Design Space, or Digital, they will be very attractive for us. A big chunk of smaller acquisitions will be technology driven. At the same time we will also proactively look at either geographies or industries where our presence is limited. If you look at industry for instance, Healthcare is an area where when compared with some of the competition, our presence is limited. So if there are opportunities to acquire a company to increase work presence we will be open to do that. So it is a mix of both and from a team perspective we have created a separate team looking at it. A corporate development team which is looking at M&A piece. The other thing which we are also doing related to M&As, we are also working with start-ups. We have created a $500 mn fund to invest in start-ups, we have already done couple of investments. So there again there is a separate team looking at it. So apart from investing in start-ups we are also looking at working with them in terms of helping them scale up on their offering, embed their technology into our offerings and take to market and so on. So that is the other parallel initiative and some of these also could be potential candidates for acquisition as well.

Parag Gupta

So Rajiv, on the acquisitions that have already been done Panaya, Skava as an example, we understand that not much of it is built into your guidance per se from a revenue perspective. How do you see these acquisitions hence playing out in let's say the next couple of quarters, revenue or in terms of cost effectiveness or in terms of just synergizing with them from their client base, how should one think about that?

Rajiv Bansal

I think if you look at these are very small acquisitions on a standalone basis, I think the whole business case is around synergy benefit, how it can change the way we do our business today. Like if you look at Panaya, the way we do our package implementation or SAP implementation or machine changes, how we can automate, how we can get productivity improvement, or how we can bring better value to the client. So if you look at on a standalone basis this will not add really much to the revenue, so these are strategic buys. These are buys on a technology side which will help reenergize a larger part of our business. So as Pravin was saying some of the M&As are very-very strategic on technology side. The M&A which we do to get a foothold into a geography or into a particular domain or a vertical would probably be looked at from a revenue perspective how it grows over a period of time. So these are strategy wise, I think the success of these buys would be measured from how it helps us to improve our revenue productivity on some of the services where we get synergy benefit.

Parag Gupta

Got it, great. Any questions within the audience?

Participant

Hi. Pravin you talked about Digital being one of the key drivers even for the existing business. Could you please elaborate a bit more on how big are the projects, what are the project sizes, and how is the competitive intensity? And is it true that scale is not a big advantage for the existing large vendors and even the smaller players who have built capabilities in Digital have a level playing field and hence the benefit of larger vendors over the small vendors in many of those projects is not as high as it used to be for the traditional service lines?

Pravin Rao

See, when you look at Digital, there are two aspects to it. One is the front-end user experience piece of it. So there probably any niche vendor, any ad-agency who have experience in that particular thing could be your potential competitor but that is only one part of Digital when you talk about it because user experience by itself does not mean anything unless you are able to enable the back-end. Back-end is still your core system so there is this integration technology, then there is interfacing with your backend technologies. So there again, the understanding of the domain, understanding of the existing landscape and other thing and from a volume perspective a significant percentage of volume on mutual projects also is towards integration and interface with your legacy thing. So I do not see that it is only a niche player play or anything, I mean there is a play for traditional players as well who have Digital capabilities kind of thing, so that is the way we see it. And from a size perspective, obviously it varies, in a Retail world which have been very mature in the Digital side, it has evolved, I mean earlier I mean if you look at few years back, Retailers used to form a separate company entity to focus on online kind of thing. Then it translated, then later on over a period of time they felt that consumers wanted a similar experience whether it is online or this one and they started talking about multi-channel, then now it is calling about omni-channel, 360 Degree View and so on. So there it has probably evolved a bit further and there in any implementations you have seen anywhere depending on the size of the client, nature of the client, initial implementations could be $3 mn to $5 mn but there is an ongoing this one. Because in a Digital world the implementation is not a big bang, it is an iterative thing. Clients keep on adding features over a period of time. So most of the other verticals are also going through a similar journey, so when you start the first one, the size was maybe large but over a period of time it will be more incremental and iterative kind of stuff.

Participant

Just wanted to get a whiff of your recent customer interactions with the macro situation coming in, are you seeing anything in your order books also which is reflecting it for the negative or for the positive?

Pravin Rao

No, I mean as I responded to one of the earlier questions, the pipeline is decent, we see fair amount of confidence in the clients. There may be a one-off based on a client situation, but it is not a secular trend in that particular industry. When you talk to an energy client, obviously most of the conversation is around cutting cost and driving efficiencies and so on. Similarly in a telecom company if you, I mean they are always open to ideas where they can come up with ideas where they can drive revenues because today their big challenge is driving top-line. So if they have any innovative ideas, so it is less about cost saving but more about driving top-line, they are much more open about it. But by and large I think today clients have learnt to deal with the macro situation, I mean there is much more comfort and there is much more urgency and recognition of the need that they have to invest in technology otherwise they will lag behind. So it is more a question of where do you cut cost, how do you repurpose your spend and so on. So at least in the last few quarters we have not seen any concern or cautiousness. Obviously we are not seeing any increase in IT spend and we do not anticipate that but within the given IT spend there is much more comfort in terms of investment even in discretion spend.

Participant

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Pravin Rao

I think energy is about 4% of our revenues.

Rajiv Bansal

Put together we are about 8% to 9%.

Participant

I thank you for your insights. Are you seeing any changes in terms of onsite-offsite mix? So which vertical especially, given your focus on newer areas?

Pravin Rao

Overall, I think I mean if you look at last year we actually improved on our offshore thing, we brought down the onsite from 30% odd to 28%. So about 200 basis points our ratio actually improved. So in any of the services and even in newer areas it is similar to what we see in other service lines. The initial part, the part where you need lot more interactions you will see lot more onsite intensive. At some point in time when you start developing, getting beyond the designing to development stage, then lot of offshore comes into play. And by and large more and more service lines today are adopting Agile method of working. It’s no longer the traditional waterfall. But even in Agile we have a methodology called Global Agile where we can do in an onsite-offshore model, we can execute Agile projects in efficient way. So I don’t think we see at least we are not seeing any significant impact on your Global Delivery model or anything because of the fact that we are investing in new technology. Initially the new technology is small. It’s more onsite intensive, once it matures, once it becomes a large thing it’s very easy to GDMise it.

Participant

How much of your work force would be trained to do the breaking technology that you are looking about in this technology which are making the new businesses?

Pravin Rao

We are constantly focusing on retraining our employees, reskilling the employees and we believe that is one of the competitive advantages we have because we have built a very strong foundation of training and learning. The pace at which the technology is changing, it is inevitable that we need to train people. It's very difficult for me to have predictability to say that one year down the line 'x' percent of my business will come from this service line. While we attempt to do that it is practically impossible to get it right, more so in the recent past than the earlier thing. The only way we can react is to retrain people, reskill people and the better ability we have in doing it, then I believe we will be much more successful in meeting the client requirements and delivering on the opportunities that are out there. So it is a continuous process, so it's nothing like only 10% of the people are working on new technologies, 90% are working on old, it's nothing like that. Because even as part of our strategy we talked about renewal of our existing business that means that we are introducing lot of technology in each of our service lines. If you look at BPO, if you look at Infrastructure Management, there is an element of Automation that we are introducing. When you look at Infrastructure Management in addition there is an element of Cloud. So almost every service line, every individual is touched by some new technology that is coming into play. So there is a continuous retraining of people, reskilling of people and learning that's happening.

Participant

Earlier you had spoken about getting new employees, training them, keeping them client ready but you didn't really mention what you would do to retain the current talent that you have and I think this would be a very important point given that the attrition for Infosys has traditionally been a bit on the higher side compared to your peers?

Pravin Rao

I think the attrition issue is a thing of the past. In the last one year we have addressed it very effectively and attrition has dramatically come down. In Quarter 1 of last year on an annualized basis attrition was about 23%. In Quarter 4, it had come down to about 13%+ or so. And even in absolute numbers from about approximately 3,000 people quitting in May of last year when you look at March of this year it's about 1,400 or so quit. So I think attrition is under control. We did many things in the course of last year to arrest attrition and today there is lot more energy in this one, there is lot more confidence in people and there is lot more engagement happening and this is a continuous process. So I don't think at least from our perspective attrition is no longer a big issue, we have brought it under control and periodically, I mean attrition is also a cyclical thing, in Quarter 1 probably attrition will be higher than the average but subsequently it will come down. For us also this quarter probably attrition may be slightly higher than what we saw last quarter. But now it is back to the industry average and we don't expect it to change, it's under control.

Rajiv Bansal

Just to add, attrition is also because of lower growth rates. See when we hire people from campuses, everybody expects a promotion in two to three years' time. And that's how the Indian industry is, that everybody expects promotion every two to three years. So when your growth rate starts coming down your opportunities to promote people to the next level is so much lower and we don't have so many slots available to promote people. So over the last three years when our growth rate started coming down we did not have the ability to promote as many people as we would have liked to or as people were expecting to. So once the growth rate starts coming back and we address the growth issue, automatically the opportunities for employees to grow start coming up. That is one of the very important reasons why attrition went up last year and we started moving to quarterly promotions and we cleared the backlog of promotions which was there in the company. We have also increased variable payout, we also increase the fixed component of wages. We also give them new training, we also engaged with them in many ways, so we have done a lot of interventions. But yes, growth is one of the most critical factors to arrest attrition and to encourage people to look at long term from a career perspective.

Participant

Just a perspective on how do you see the IMS and the ADM business changing color over the next three to five years as Cloud becomes a larger and larger part, that was one question? Second, your perspective on the acquisitions that you have done. Historically, if you look at Indian IT services and the way the industry has developed, it was like whatever technology was available we would train people, they would become proficient in that and the industry moved on. So irrespective of the platform changing, Indian IT services just kept progressing even though the platforms kept changing. So you look back to the 80s and 90s and look back to the languages that started with and how the companies progressed. So when you acquired Panaya, when you did your second acquisition, in a way are you telling the market that look, "we are taking a call on technology, this is the way we think the technology will move ahead in the future and this is why we have done this acquisition, it will give us this core competence", so that perspective if you could give it will be very helpful.

Pravin Rao

So I will answer the second question first. See in the past, the pace of technology changes were much slower, so it was possible for us to reskill, retrain people and build scale organically. Now with the pace that technology change is so dramatic, so you cannot rely only on organic, you still need to do organic because you cannot keep on acquiring to build capability. But the only way to accelerate capability building is that the right acquisition candidate in place there is a fantastic opportunity to accelerate. So that is our thinking why we are very open to acquiring technology companies. But at the same time it is not only through acquisition, we have to continue to focus on building internal capability.

Now on the first part, IMS we have lagged behind the competition in the past but in the recent past in the last couple of years there has been tremendous focus on IMS. Earlier we were shy of being involved in an asset play, today we are actively involved in asset play, we have also like our competition stick together partnerships where we can get involved in asset play without having to take it on our books and we have one few, we have built credibility and so on. But we still have a lag when compared with competition, we do have a lag but it will take a few years for us to really catch up from an absolute perspective. But on a year on basis when you look at new deals coming we stand a very equal chance as compared to competition. Our win rate has improved when compared over the last couple of years and IMS is growing much faster than company. So lot of positive things on IMS and every IMS deal today has an element of Cloud because I don't think anyone, whenever you talk about a large infrastructure deal there is always an element of Cloud, migration to Cloud over the next three to five years and so on. So we have a play there as well.

Similarly on the ADM side when you are talking about large deals, of course, IMS is part of any large deal but on the ADM side as well there is a tremendous commoditization, tremendous pressure on cost so there's a lot of focus internally on automation, internally on using tools technologies so that we can be very aggressive in terms of pricing and at the same time the more we are able to use technologies to become more productive, we can be much more aggressive much more competitive, at the same time we can also do that without having to compromise too much of your margin needs. So that is the play we are seeing on both on the ADM and Infrastructure side, a lot of focus on technology and automation and so on.

Participant

Maybe one question I can ask is, just want to get a sense, we recently saw an acquisition by a large European company, they bought over IGATE as an example. Out of the several reasons for the acquisition one was to build up the capabilities in India as well. Are you seeing that most global companies trying to become a lot more aggressive in building up India capabilities or do you think it is the way it has kind of played out in the past and we are not seeing any massive aggression on that front?

Pravin Rao

Most global companies have a sizeable India presence and even if you look at the recent acquisition I think they have a decent India presence. I think if I remember right they had bought Cambay or something in the past and they do have a decent presence. There are other considerations; I think they were also looking at a US presence from a client acquisition perspective that was one of the considerations. So we may still continue to see some mid-tier player being attractive for some of the global players, but most of them today have a fairly decent presence in India anyway.

Participant

Do you think the way to go forward is platformization of services and do you think it's going to change the revenue model or pricing models compared to what it is currently?

Pravin Rao

There will always be some percentage of business which lends itself to platformization and other things but it will still be a small percentage or a decent percentage, it will not be still a dramatic thing. The way of service delivery and some of those things could potentially change but that may not mean platformization of services. You may see more different kind of models, you may see outcome based models, you may see more of managed services and so on. You will see lot more elements of technology in play, you will see lot more productivity. Many of the service lines that you are doing today you will see us delivering in a much more productive through usage of technology, automation and so on. That may not necessarily mean platformization. So we may use some technology, for instance, we are calling Infosys Automation Platform, so in some sense it's a platform but it's not a platform in the sense from a revenue model perspective, it is not a classification where people are not consuming using that platform. So I will probably try to say that there will be lot more technology at play, not necessarily everything will be in terms of consuming by the end consumer.

Participant

For your clients, particularly like capital markets such as ours there is increasing rigor from our regulators and how they cover risk both in business itself but also through our vendors, is that a concern for Infosys, is that an opportunity or threat for you?

Pravin Rao

I think it's an opportunity for us because if you look at Financial Services, a big percentage of the spend continues to be on Compliance, Risk and Regulatory. So from our perspective it is definitely an opportunity for us.

Moderator

I guess, we have just run out of time, so we will stop there. Thank you very much Pravin, thank you Rajiv for sharing your thoughts and taking out time for us. Thank you.
