V. Balakrishnan

Good morning everyone. Indian IT Industry is facing through 2 challenges. The first one is Commoditization and second is the scalability. Commoditization is real because we have seen that happening in BPO business and we have seen that happening some of the traditional ADM business. If we look at the ADM billing rates, what we got in 2002 is what we're getting now while our cost base has gone up by about 70%. We are able to maintain our revenue productivity as a portfolio it is mainly because we invested in consulting. In 2002 we started that practice, today we get around 31% of revenues from consulting and System Integration and when we get that traditional ADM work through consulting our price points are higher. So if we had not made that investment in 2002, we would have built a high degree of commoditized business, it would have hurt us. Second, the scalability, India produces around 0.5 mn engineering graduates hardly 25% to 30% of them are employable. Earlier we used to train the fresher's for 3 months now we have extended the training for 6 months. Even after 6 months training there are 5% dropouts. So the quality of people coming out of colleges is coming down, the industry employs around 150,000 to 200,000 employees engineers every year and the scalability is going to be a bigger challenge when we go forward as the quality comes down. So if we have to address both these issues. What are the things that we have to do? We said we have to change the portfolio of our business, today 31% of our revenue comes from consulting and System integration. We get around 6.5% of our revenues from products, platforms and solutions which includes 4.5% from Finacle product and the rest of it is from other regular traditional service. Unless we change the mix of business we will get into more and more commoditized business it will hurt us because our stated objective is to build a high quality revenue base, high-quality in the sense best revenue productivity in the industry, higher degree of growth and best margins in the industry.

So when we looked at that and we said we have to change our strategy, focus more on products, platforms and solutions kind of a business. Today we have the Finacle product which contributes around 4.5% of our revenues, we have to build on top of it and second we also have to invest a lot of money in creating the intellectual property within the company. There are three ways of doing it, one we do it internally, today we have around 3500 people working for solutions platform kind of business they develop the intellectual property, we do file close to 140-150 patents every year, those could be commercialized, some of the patents could be defensive because the we are operating in a global market and you have to have defensive patents and some of it can be commercialized. we have to invest in both.

Second option is to co-create with the clients. We work with the global clients all over the world and we can work with some of the clients and co-create an IP which can be commercialized. The classic example is the Money Wallet what we have with Airtel. When we spoke to the government and the government talks about the inclusivity in India. Inclusivity cannot happen with the traditional banking system. Today, 70% of the banks in India run our product called Finacle and when you look at the market there are some 900 mn customers who have mobile phones. So unless we integrate both you cannot bring inclusivity in this country. So we created this IP Airtel Money Wallet which allows citizens to do small value financial transactions over mobile. It is a great transformational things in this country we announced this hardly 1 month back. We have more than 1 mn consumers using that, it is a non-linear business because you get paid per transaction. Of course, some of it we may co-create with the client's.

Third will be the acquisition because we have a greater focus on acquisition. Everybody keeps asking us what are we going to do with the $4 bn of cash, the cash we are keeping because we want to do some sizeable acquisitions on the products platforms side to enhance our portfolio there because if we have to get to 1/3rd of our revenues from products platforms and solutions in the near future, acquisition is going to play a larger role so we will do all these 3 to get our strategy of getting to 1/3rd of the revenues from products, platforms and solutions and when we get more

and more into this business our competition will not be the traditional IT services players. For example, if we take the Airtel Money Wallet the competition could be Visa or MasterCard or even maybe Google it is not the traditional players what we see in the market, so some extent we are breaking away from the traditional IT service industry and focusing on a different kind of business which are non-linear. There are several challenges in this business, there are opportunities in this business, there are advantages in the business and the challenges you have to keep investing, you have to a hire different profile of people, both on the marketing side and also on the development side, we have to keep scanning the industry, make investments, probably our R&D investment would go up and some of it could be successful, some of it could be failures. So we should have the ability to absorb those. The advantages in a traditional IT service business we do not have a visibility of the business beyond a year. In this kind of a model you have a book business concept. For example we already said that they have $ 350 mn of book business from our platform solution business. So it gives you a much greater visibility into the future and you have booked business which gives you longevity. So there are advantages, there are challenges we believe that the advantages are much higher than challenges and the whole concept of focusing on high-quality growth is to enable you to get the best revenue productivity, best margin again which gives you flexibility to invest and create the stream of revenues that is what we are focusing on. I think if we get our strategy right we will be a totally different company focusing on non-linear growth, addressing some of the challenges the industry could face in the next few years and try to build a new model where the competition could be totally different from what we are seeing today, so we believe this is a right strategy. We are making those investments, short-term we may not see much benefit of this side, but if you take a medium to long-term view this is a game changer in this industry and it will position us differently in this industry and if we actually make this strategy work, we would have fulfilled our objective of building a high quality company getting the best revenue growth, best revenue productivity and best margins.

If you ask me, is there a reference point for this have we done it somewhere else, take our BPO business, when we started our BPO we said our choice was getting into call centers or getting into transaction process because the call centers were highly commoditized that time. So we said that we will get into transaction processing that is less commoditized and when we went through 4-5 years down the line, we figured out that even transaction processing will get commoditized. So how do we get out of it? So we moved into platform based BPO. Today 35% of revenues of our BPO business comes from platform-based BPO. The revenue productivity on an average is $38,000 and the net margins is around 22%, they are growing at 25% even with 35% attrition they are adding lesser and lesser number of people every year. So that is a classic case where when you move up the value chain, when you get more into transaction based pricing your ability to get better revenue productivity and better margins is very high. I have not seen any company in the BPO space which gets more than 20% margin, or even more than 10% margins. So we have built a high quality BPO company because we moved up the value chain, we invested in platforms. Of course, some of the platforms came through acquisition like the Portland or McCamish but we have seamlessly integrated that and made the platform slowly work . So I think similarly, even in the parent company we want to focus more and more on IT and build a story so that we can create a good non-linear business.

So over the day I think Sanjay is the Head of Products, platforms and solutions division, he will take you through some of the IP's they have built and some of the IPs we acquired and integrated and we will also see a live demo when you look at the income tax office here because we are processing the income tax returns in India. Last year we processed around 1.5 crores returns, this year probably it will cross 2 crores. It is a non-linear business it works on a platform. Today the citizen gets refund much quickly, it has never happened in this country this is transformational on a large scale so you will see a live demo of it which will give you an idea of what we are doing and hopefully over the day you will see the other IPs what we have created just to give you a sense of what we are doing in this space. It may not give you kicker in this year or next year. But over a

medium term it will be a big game changer in the industry and is going to be a large part of our revenue. Thank you.

Sanjay Purohit

Products, Platforms and Solutions are extremely relevant to achieve high quality growth envisaged in our Infosys 3.0 strategy. Through this innovative suite of offerings, we participate proactively suite of offerings, we participate proactively in our clients innovation spend by reducing time to market while accelerating growth.

Our Products deliver business capabilities and differentiated functionalities. We invest in both industry specific and cross industry products offerings. Products is an important component of this portfolio as license revenue plus an implementation revenue plus an annual maintenance and upgradation contract over multiple years.

Second component is portfolio of platforms. So today we have 12 platforms active in the market and they are all called Edge Platforms. We have branded them as Edge and you will see all series of platforms today with about 34 clients active on different platforms. These clients essentially work with us in an outcome mode, for example, what Bala is playing for Airtel Money, which is based on transactional outcomes or what we do in the context of digital marketing with the BrandEdge Platform or what we do in the context of distributed trade management in emerging markets, in the context of TradeEdge Platform. You will see many of these active and live today as we go through the rest of the day because we have created this day as a Show and Tell day rather than a Concept Day out here in a room. Platforms essentially are intellectual assets which are hosted. They are hosted either on our cloud or some times on the client cloud if the regulation requires it or sometime on a hybrid and they are always offered bundled with services. So we bring in our different services ranging from BPO services and other services together because that is how you create a real value for your clients because when you operate the processes that is when the real value is realized. So there are these 12 platforms out in the market and when Bala spoke about $350 mn of contract value that has been secured till the end of the last quarter this is on top of these 12 platforms.

When we talk of solutions, it is important from a client's prospective for us to take a view of large solutions which are enterprise class and so we have picked up 3 big areas, one is the area of cloud. So how do you help clients adopt manage and transition to the cloud because that is where the entire industry is moving towards so we have a cloud business about 3000 cloud experts we have invested in. We work with over 140 clients and at the heart of the cloud business there are 2 central products, there is a cloud hub which you will see today, and also in the big data space we have an extreme data hub which also has product at the center of it. So it is again an Intellectual property based along with a suite of services around it.

Then a second big solution area is mobility because enterprise mobility as you all know is a significant growth area as we look at our space and in the enterprise mobility space we are focused on again a central set of solutions which are industry specific and you will see some of those as we go into the demo sessions today but around them is a series of services which are around those intellectual assets for example when we do a mobile point of sale or we do E-detailing in the Pharma industry which are all mobility solutions for example how would doctors know how to prescribe and how to keep up with the progress in different kinds of drugs in the Pharma industry and mobility it is a great way to do it vis-à-vis the MR based industry that we have been following historically in the past. So there is a lot of disruption that is happening in the organizations interaction because of mobility and thats where we are focused on our mobility practice.

The third important solution area we have set up is in the enterprise sustainability where we also picked up lot of learning we have had in making Infosys sustainable, a lot of the solutions that are actually active on our series of campuses which make us into a very green and highly sustainable corporation and how do we take those out as products and services. Today probably we will not have the time to look into some of the sustainability solutions but maybe at a later date we will do so but today we will spend time on cloud, mobility, a series of platforms and some products. On each of these areas obviously like I said, there are multiple clients who are active in different ways and they are growing at a fairly good speed.

The other important facet that I wanted to highlight is that our products platforms and solutions strategy is based on the ability to create intellectual assets and that starts right from our investments into Infosys Labs and so for example of course Subu is here where understanding what are the future trends and technologies and what kind of capabilities are required? The genesis of that happens in Infosys Labs which then moves into creating of different kinds of prototypes, etc., and then moves into the commercial aspects of how do you commercialize that intellectual asset. So you will also have later in the day a session with Infosys Labs where we will talk about how that part of the overall process fits in because innovation has to start and has to has strong roots in the way we conceptualize and how we spend our research dollars to actually create new ideas that we should be commercializing. So, from labs from a concept to a prototype, prototype to something that we can take to the market and then into commercialization. And the other aspect of this is that each of these things are build with the ecosystems so for example when we take you to the income tax central processing center, you would see that it is not only the technological platform but a series of other things that come around it which makes the whole process work and that is where the ability to bring ecosystem partners together and different kinds of services together makes a lot of sense. When you look at Airtel Money, the Airtel Money today operates with a merchant base of 8,500 merchants who actually collaborate and leverage Airtel Money and the ability to build that ecosystem is a very important facet.

When we did Flypp product which is our application store in the mobility space with Aircel, there again the entire success of the platform depends on our ability to build the ecosystem. So you see a lot of illustrations of ecosystems and partnerships. When we launched the BrandEdge Platform and our largest case on that is GlaxoSmithKline where we are operating with almost 200 brands in 120 countries in helping them managing the marketing, there again it is an ecosystem of partners and different kind of players. So we partnered with WTP of UK which is going to be the most respected marketing agencies in the world to actually create this offering. So when we are stepping into this journey it is one end it is intellectual assets, leveraging our R&D spends, being different players of the ecosystem together and not only treating this as a saver but actually bringing all our services in which is making this a very holistic and a very comprehensive story. So instead of giving you a conceptual construct of these stories, I think the best way is as we keep walking through different kinds of demonstrations we keep on highlighting this, in this instance what is the intellectual assets, what is the ecosystem, how did those come together, what values it is creating for this client so that you get a first-hand real feel of what is happening in products platforms and solutions and why we so strongly believe that this is the way technology would be consumed in the future.

So that is the broad background that we wanted to share because our understanding is very clear. Today everybody is excited about social, mobile, big data cloud, rich media but these are all technologies. The real crux and the test of a strategy would be whether we can put all of this together and create sustainable commercial models to use these technologies. So as we see different products and platforms today, you will see how many of these fundamental technologies are manifested in here, if you take any product and you find that it is socially active, it has got mobility components built-in, it is banking on various product analytical structures, etc., because it should not happen that by the time this model becomes dominant in the marketplace that we are still talking about these things as concepts by then these will be treated like mainframes because these

technologies will become fundamental technology going forward. So there is a solid technology thinking behind this, there is a solid ecosystem and commercial constructing behind this and there is a solid concept to commercialization trajectory of how we take a new innovative idea and actually make a viable innovation which is commercially viable into the marketplace. You will see all of these examples as you go through the day today and I will be with you all through the day so as we go in you can have questions which will give you clear and clear perspective on how do these things actually work because many a times when we see products we start thinking of something in a box which is sweet wrapped and stalled up the shelves but then there are many enterprise class products which are done in a different way.

When you think of a platform then we think of functionality by which you can swipe a card on a website and start using that but there is much more to the evolution of platform besides just functionality on the cloud because that is one of the most basic forms of platform. There are really more sophisticated forms of platforms where you can actually provide the business process as a service rather than only software functionality as a services and that is what we are focused on how we bring business process as a service rather than only bringing the ability to run some algorithms or do some CRM or those kind of things on the cloud. So I thought, I would just give you this broad background and the real fun would be as you go through each of these illustrations. I would be pushing you in time as we go through because we have a really very packed day and even with this packed day probably we will be able to show you about 1/4th of the portfolio of products and platforms that we actually are working on because there are totally like I said 33 products and platforms which are active in the market and given the time that we have today we will be probably able to cover may be about 8 or 10 but I hope it would give you a clear understanding of what it is, what is the commercial model, how does it create future value for the company and for the clients and we will take the questions as we go along.