

## PRESS CALL Q2 FY 2017 RESULTS

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### CORPORATE PARTICIPANTS

**Vishal Sikka**

Chief Executive Officer & Managing Director

**Pravin Rao**

Chief Operating Officer

**M.D.Ranganath**

Executive Vice President & Chief Financial Officer

**Ravi Kumar S.**

President & Chief Delivery Officer

**Mohit Joshi**

President & Head (Financial Services), Head (Infosys Brazil and Infosys Mexico)

**Rajesh Krishnamurthy**

President, Head of Energy, Utilities, Telecommunications and Services, Head—Infosys Consulting, Head of Europe

### ANALYSTS

**Rahul**

ET NOW

**Frkan**

**Rukmani Rao**

CNBC-TV18

**Ajit**

Bloomberg-Quint

**Adith Charlie**

CNBC-TV18

**Kalyan**

Hindustan Times

**Varun**

Mint

**Sarita Rai**

Bloomberg

**Speaker**

Good Afternoon and thank you for joining us today. We will start off the press conference panel led by Vishal and we will open the floor for questions after that.

**Vishal Sikka**

Thanks,. Welcome Everyone! I am very happy to welcome you here. We just finished Q2, we had a very strong focus in Q2 on execution and I am very happy with the progress that we have made, the results that we have achieved. I do not want to repeat the results, I think you have all seen these. In all the areas that we saw the degrowth and the declines in Q1 as far as Consulting, Finacle, India and our BPO business we have managed to avoid to arrest the degrowth and overcome that. We achieved 3.5% growth in reported terms and little bit less than 4% on constant currency terms. So that is good. We also improved our margins by 80 basis points to 24.9% because of strong focus on operational efficiency and on cost. So all of these have improved. We are very happy about that.

There are obviously quarterly changes and forces that impact our numbers, but when we look beyond those through the longer-term picture that we see emerging around the industry, I think over the last two years or so that I have been here, I have been consistently saying that our industry is going through a very fundamental transformation and we have to evolve from this cost-based people-only model towards a model that is much more based on a combination of automation and innovation...and not just innovation done by a chosen few but grassroots kind of an innovation. So I think on that front we consistently and continue to make good progress and that is what will make a big difference in the long run. So on that front, we have been making significant progress and that continues to be the case and we are quite satisfied with that. So it is a fundamental transformation that we are in the middle of and we continue to make our progress. As we look ahead into the future, there are opportunities to transform our company into a company where every single Infoscion innovates, where everyone brings automation to improve their productivity, is a very exciting journey and that is the one that I am focused on and really excited about. So with that we would love to take some questions.

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**Rahul**

Rahul here from ET NOW. Largely, Q2 is in line with expectations on net profit, revenue. But, what has disappointed the street is the revision of revenue guidance, second time in a row. So could you tell us, is this really conservative estimate guidance in that sense and how confident are you holding this through the next quarter as well?

**Vishal Sikka**

Earlier today, we had an earnings call where one of the analysts referred to the approach for guidance as "Say it like you see it." So, we are simply saying it like we see it. I have said it in a more complex way before that we minimize the asymmetric of information that management has compared to what we share but I think a much better way to quote it is that "We say it like we see it." And This is what we see. In the course of the quarter, we had a 'Financial Analyst Day' in Pune in late August where we shared where we are. Look, in the near-term, there are lots of factors that affect our performance; we had a major client where a large scale program had an abrupt ramp-down which we are in the middle of now, which is RBS and other clients here and there where there are some ramp-downs and things like these that affect our near-term performance and that is what is causing this impact. In addition, internally we have a couple of service lines where we are continuing to see a slower progress along the transformation that we need to achieve, in particular, Consulting and BPO. So these are the things that we have been focusing on and this is the reason that we see the guidance the way it is. If we see the change, we will let you know, etc. But the important thing is that in the two fundamental areas of our transformation which is the renewal of our core services, we have

seen significant progress and in the adoption of the new services we have seen significant progress. So therefore, quarter-after-quarter that continues to be the case, it continues to improve and I am excited about that.

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## **Furkan**

Vishal, **Furkan** this side. I have three queries here. So basically we recently had a rate cut. With MCLR putting stress to the banking revenues and your major revenue is coming from BFSI sector. So how do you see it impacting your business? Second thing which I focus from your business statement, \$75 mn plus, there has been reduction of one client, while there has been increase of one client in \$100 mn client. So is it the \$75 mn plus client that has moved into say \$100 mn plus client? Second, from the same statement, if we see the top-5 clients and top-10 clients, all three have been reduced both sequentially as well as quarter-on-quarter basis. So what is the reason behind that? Continuing on that, if we look at your income statement, there have been a negative growth in the sales and marketing expenses. So do we attribute it to the reduction in the marketing expenses in the company?

## **M.D.Ranganath**

Let me answer the last one first; No, certainly not, for example, we know that we have to invest in sales and marketing and certainly whatever we need to do, we have to do and consistently over the years we have been saying that and as a percentage of revenue, sales and marketing expenses have been stable and quarter-to-quarter there will be variation, for example, in a particular quarter, we certainly have some huge once a year event that happens, we tend to spend more expenses on such an event, for example, every year first quarter we have our event. So this quarter that event was not there, right, the customer event and things like that. There is nothing that we have cut, focus on sales and marketing expenses. There are always quarter-to-quarter changes because of certain big event happening in a quarter, next quarter it may not happen and things like that.

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## **Vishal Sikka**

Let me address the top clients; we have had a continued focus on top clients, in the last few quarters because of that strong focus on the top clients, actually the performance in the top clients have far exceeded the company performance which when we think about it, while it is good that the focus has produced those results, you want to make sure that the growth in the top accounts is commensurate with the growth of the company and so it is not one area that is much worse compared to the other. So in this particular case, what happened in the top accounts is that there are a couple of accounts and you know some of these that we have mentioned because of certain pressures at a moment in time had declines in our business, ramp-downs have an immediate impact on our revenue and ramp-ups take a while. So this is just the nature of the business and that is why the top-5 and 10-accounts both declined in that manner. Top-25 did grow and if you look at the year-on-year performance of top-25 which is actually quite good even though Q2 of last year was a very strong quarter; we had 7% growth last to last year in Q2. So I am happy with the way we have performed at the aggregate level in top-25 and it will come back to performance that is more commensurate with the performance of the company, a healthy situation to be in is one where the top accounts are growing at or a little bit ahead of the company but it is not that it is happening because of neglect of the smaller accounts. So on that front, we have grown. In terms of the number, 50, 75 and 100, I would not read too much into that, maybe Pravin you can address that. On the rate cut impacting the business, I think that we make too much out of these kinds of things, my personal sense is that there is no impact of this but perhaps Pravin or Mohit you can add more.

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**Pravin Rao**

We have always said that we are focusing on increasing the number of \$100 mn account, that is something we have been working on in the last few quarters. As compared to same time last year we have increased from 14 to 18, it became 14 to 17 and now 18. Other than that, I think there will always be movement from one segment to the other. So I do not think as Vishal said, we should read much into that. You should keep looking at how we are doing well on the number of \$100 mn account because that is our stated focus in the near-term.

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**Rukmini Rao**

Rukmini Rao from CNBC-TV18. A little bit of clarification on the revised guidance that has been mentioned here? Also, if you can give us a sense of why now the entire restructuring of remuneration, why now given the kind of business Infosys is doing currently?

**Vishal Sikka**

Rukmini, if you look at the last two years, we have added little bit more than \$2 bn in revenue on a yearly basis to the company, so the company has grown significantly. The growth increasingly is of a different kind. So the transformation that we have embarked on is quite a fundamental transformation where on the one hand we are renewing our existing core business, on the other hand we are bringing into the company completely new kinds of things that we never did before and bringing those to scale and on the other hand also, certain areas of the business which need more attention which we need to address and so on. So it is a massive multi-pronged transformation that we are in the middle of and we need a leadership structure and leadership capabilities that are necessary for this kind of transformation and that is what we have been focusing on. You see our management team here, it is an extraordinary management team, very cohesive management team that we are really proud of and I am very happy with that. Little bit more than 18-months ago, we took a big step to organize delivery in a horizontal way by defragmenting it and by organizing it along service lines and under Ravi's leadership and Ravi has done an extraordinary job in the last 18-months bringing the economy of scale and a massive amount of opening up of bandwidth together to carry out this huge grass-roots revival while bringing in the innovation, then accelerating the growth in all the service lines have grown over the last many quarters and so on. When you look at the sales organization, it is the same idea and over the last couple of years, we are organized vertically because clients in different verticals have different kinds of needs and so forth. So when we think about how do we bring our solutions across the company, the renewed existing services, the new services as well as some of the more specialized things like Consulting and Design Thinking, how do we bring this to scale in a very focused and agile way under the leadership of our three presidents who are also here – Sandeep, Mohit and Rajesh. There is a very clear need for a structure where we have more bandwidth, more agility, more focus, more accountability and the competence in being able to bring this new approach of the existing services, the power of innovation, the power of automation and then the new software oriented services, all these to bear. So that is why we have set up this new structure. I already mentioned Ravi, but if you look at the responsibilities of Sandeep, Mohit and Rajesh, in addition to their own verticals they carry global responsibilities, Mohit is responsible for all the sales operations across the company, across all the service lines and divisions, Sandeep similarly brings in this incredible responsibility of this massive transformation along the new services and software which is a very new area for us and Rajesh on a global basis beyond his ECS responsibility, he is bringing in Consulting and the idea of tip of the spear and Design Thinking to scale at a global basis. So with this structure, we will open up the bandwidth for them to be able to supervise and continue to have the CXO level relationship and to govern this and guide these themes and yet have very agile, sharply focused, sharply accountable, smaller teams of 15, so 13 we have announced, there are 2 more industry heads work that we are going to do... and of course there are other leaders

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who are not industry heads who will carry out this mission. So this is how we are sort of going about this.

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**Rukmini Rao**

In the remuneration that has been decided by the board is justified in the new role that all these executives are in?

**Vishal Sikka**

We do not see that as a hike, we have done a RSUs and stock option plan at a company level and the cash parts of the compensation are by and large the same and the RSUs and SOPs we all believe that yes, there is a substantial number of that but it is totally aligned to the interest of the company, to the interest of the shareholders so that the performance of the company and a purposeful performance of the company ends up in a large reward for everyone. I think that is actually a fantastic model. It is a meritocracy-based model and we have done that across the company, we are starting to do that at every level in the company of course starting with the presidents.

**Pravin Rao**

Vishal, I just wanted to add that, if individuals are promoted as presidents in the sales, so there is no compensation saying that I have been paying this. So compensation paying as Vishal said we are bringing significant amount of variability in line with the industry standard and it was due in April but we are doing it now.

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**Participant**

I have one question on the strategic front. Recently, it was reported that you would be setting up facilities in North India and the Central India. Can we have an update on the progress of that, so when is it going to roll out?

**M.D.Ranganath**

We already have, as you know, in Chandigarh, we have a facility, in Jaipur we have a facility, even in Gurgaon, we have a facility and we continue to look at building in the north NCR region because that is one large talent pool, we will continue to look for opportunities but we already have, it is not that we do not have.

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**Ajit**

Ajit here from Bloomberg-Quint. You spoke about a lot of headwind coming in there. What is the downside bias to the guidance which you came out with today?

**Vishal Sikka**

Yes. We did not talk about any headwinds beyond what I have already talked about, RBS and so forth, there is no downward bias. Right now what we see is that the performance that we currently foresee in Q3 and Q4 gets us to 8% to 9% in constant currency, there is no upward or downward bias in this. I mean, at the same time while there is a significant revenue impact because of that one particular client situation, there are also a lots of large deals that we have won in the last few quarters which are ramping up. So, obviously Ravi is working heavily on that to ensure that the employees are

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redeployed to other accounts and so forth, including many in Financial Services and Banking. So, we will obviously do that. The utilization is a complex bias to ensure that the right talent is available in the right position at the right time and so we have to constantly optimize on that. I am quite proud of the way our team has delivered on that, Ravi and his team and Binod and the team have worked together and obviously the three presidents to ensure that we have the demand and we operate in a very complex and a very fine tuned way, the machines will hire employees in a great way and to place them.

One particular part of utilization that I would like to take this opportunity to talk about is the impact that Zero Distance and Zero Bench have had on utilization. Both of these programs, the grass root programs that we have launched have now reached quite a significant scale. Obviously for the last few quarters close to 100% of our projects have Zero Distance plan but the nature of the plan is now continuing to improve, the number of client conversations based on Zero Distance has improved significantly. And several hundred of those have already started to produce revenue, even though the purpose of Zero Distance is not per say revenue generation, it is to ensure a culture of innovation and creativity across the organization. But what has happened is in Zero Bench for example, which has just crossed 26,000 jobs on our Zero Bench market place and 12,000 of those have already been finished and a lot of the kids who work on these jobs are kids who are freshers, who are on the bench. And as they get experience on the Zero Bench jobs they come into the productive deployments. And so one of the things that Ravi told me that Ravi has been executing on is that we are really proud of is more than a thousand freshers compared to the previous half of last year came into the workforce and that has contributed to the improved offshore utilization rates that you see as well as the improved freshers utilization rates that you see. And off those freshers, Ravi, about 450 or so...

#### **Ravi Kumar S.**

470 of them moved into production on the Zero Distance projects which they worked on as a part of the initiative of Zero Bench.

#### **Vishal Sikka**

Right. So, that is a great example of how we are making utilization independent of the company's operations. And so that the bench continues to be engaged with this Zero Bench initiative, 99% or so percentage of the bench is now engaged on projects that are on Zero Bench. And so ultimately in order to be an efficient services company we want to be in a situation where we have both kinds of efforts constantly going on and there will always be lots of things that we do inside the company like software development and our own IP development, Zero Distance development and so forth that the utilization itself may not be dependent on that but the people are constantly engaged.

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#### **Participant**

Why have you revised your margin guidance a bit lower for FY17? That is one. The other thing is, of your total bids for the last quarter how much is rebid and how much is in...?

#### **M.D.Ranganath**

Let me answer the margin question. See, we have always said that in the medium-term we expect our margins to 24% to 26%, last two years we have been very consistently reiterating that. Now, if you look at fiscal 2016, our operating margin was 25%, exactly at 24.9%. Now, if you look at first half of this year we have had 24.5%. If you look at margin, margin in the short-term is a product of three things, one is category growth, the second one is the pricing and the third one is the operational efficiency improvements that we could do to offset impact of prices. Now, if you look at this quarter,

for example, we have had all the operating efficiency levers improving like utilization went up from 80% to 82.5% and even if you look at the onsite effort mix reduced from 29.9% to 29.7%. Both together instantly gave us a 100 basis points i.e. full 1% improvement on margins because of these two factors. Likewise, we have onset employee cost as a percentage of revenue, subcontractor cost which is 6.3% we brought it down to 5.4%. So, these are all the levers which we had utilized consistently over the last couple of quarters and even in this quarter 80 basis points i.e. 0.8% improvement in margins have helped us to replenish, though we had a compensation increase and also we paid a very good variable pay this quarter.

So, if you look at the revenue trajectory, we have given a guidance for the balance of the year and look, given the trajectory of guidance, while we continue to kind of emphasize on all the operating parameters so we expect 24% to 25%, does not mean that it is because of price cutting in the projects or not because we are under cutting in the contracts and so on, it is primarily a result of it.

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### **Pravin Rao**

We normally talk about bits which are total TCV and how much of it is framework, so we had over \$1.2 bn of TCV deals to committed ones, more were famous ones. We do not talk about rebids and new because there will always be quarter-to-quarter variations and it also depends on when contracts come up for renewal so there is some seasonality to it as well.

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### **Adith Charlie**

Adith Charlie from CNBC TV18. Vishal, if you could throw some light on the sluggishness in the Financial Services space, are these structural issues, cyclical issues? I mean, if they are cyclical then when do you expect the cycle to really return and if you could give us an update on the deal pipeline for the next quarter or so?

### **Vishal Sikka**

There is no sluggishness, there are a couple of clients and we see these clients in a significant way. However, if you look at Mohit's performance in the last many quarters, including in Q2 with the (+5%) growth that has been a significant driver of growth for us. So, there is no such structural slowdown. Mohit, perhaps you can add.

### **Mohit Joshi**

We had 2.2% growth quarter-on-quarter. We are at 13 new clients. Growth in insurance was also very strong, we had about very large (+600) mn in terms of large TCV wins. And if you see how the competition is performing, clearly we are gaining market share, clearly our story of New and Renew is resonating very well, and we are working with Ravi on existing delivery services and with Sandeep also. So, this is I think it is really getting traction in the market place. So, I would not say that we had a sluggish quarter, obviously looking forward we have spoken about the challenge on account of the ramp down for the one large program and the fact that with very low interest rates or the negative interest rates there is a degree of volatility or visibility is a bit clouded. But none of them should determine the fact that we had a really good set of quarters, really I think industry-leading performance in Financial Services. And this reflects a very strong competitive position that we have built in the industry, both on our existing service lines as well as the new services.

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**Kalyan**

Kalyan from Hindustan Times. I have two questions. Is there any update on Rajeev Bansal's compensation that was terminated? The statement given by the Infosys is not exactly here or there. And the second question is, bringing D N Prahlad as Independent Director, I believe he is also related to NRN, can you explain more on why he was brought in?

**Vishal Sikka**

These are both board questions, but let me address. I think Shesh has already talked about what we have to say on that. With regards to Mr. Prahlad, I had an opportunity to talk to him in the last quarter a couple of times and it has been amazing, he is a really gifted technologist who deeply understands what we are trying to do, in fact it has been quite an amazing experience to see how his perspective is so deeply aligned to what we are talking about and what we have been endeavoring to do in the company. And yet he brings a very deep understanding, I mean, only Pravin out of all of us has actually worked with him and remembers that. He was here until the late 90s and he saw the company from the very beginning up until the late 90s, so that was obviously a very unique time in the company's history. So, beyond the software and technical expertise and the product expertise, he also brings that deep understanding and relevance to the roots of the company. So, this has been, I am extremely proud that he has joined us on our board and I am really looking forward to working with him.

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**Participant**

I am from Reuters News. I just had a couple of questions. One is, you said that you are operating in an uncertain external environment, I wanted to know exactly what you meant by uncertain? And the second part is, did you see any softness from Brexit or are you going to see any impact from US elections coming up?

**Vishal Sikka**

Well, we have already talked about RBS. Generally, as Mohit already talked about from a banking perspective we are not particularly affected by Brexit profile beyond the couple of isolated cases generally, even though largely because of Brexit but also because of other factors we have seen and couple of a few clients decline on the BFSI and in Europe. There are also several, including in Europe that are growing significantly for us and similarly in North America we have clients that are growing even though there are couple of clients that have a decline. So, I do not see any particular external impact. I mean, in our industry we tend to over emphasize this whole idea of the impact on these big macro factors like Brexit and oil price and all that. Generally, when you look at all of us in the industry and the percentage of the IP revenue that we actually go after, it is extremely small. So therefore, this is an overemphasize. What does happen is whenever you have a particular situation in a client where due to some certain circumstances there might be a sudden ramp down but that has a negative impact on revenue and ramp ups take a while to compensate for that and this kind of a thing happens. But by and large I think what we see is that if our offerings have value and if that resonates with the client then there is no shortage of opportunity and consistently we continue to see that, I mean, we just added \$88 mn of additional revenue compared to \$87 mn of revenue compared to Q1. And so there is plenty of opportunity out there. My more thoughtful response on the US elections is that, is it November 8th yet?

**Participant**

Just to get a sense, are clients waiting for the elections to end before they take any decision?

**Vishal Sikka**

No.

**Participant**

And what would the best-case scenario be for you?

**Vishal Sikka**

If you could find a way to get to November 8<sup>th</sup> tomorrow that would be good.

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**Swati**

I just want to understand, you had spoken about the headwinds in digital services on consultancy side. Can you please throw some light on that.

**Vishal Sikka**

No, I did not speak about headwinds in consultancy or digital. I believe what you are referring to our comments with regards to consulting and Rajesh is here, perhaps he can add. There is a huge opportunity in strategy consulting, digital-oriented consulting and design thinking, working with clients and the particular opportunities that I was referring to was our own internal execution challenges with the consulting part of our business and that is the one that Rajesh has been grappling with, he did a great job in Q2 in ensuring growth and consulting again, but he still has a long way ahead of him to transform this organization into one that is truly the frontline of our company and so on. Rajesh, you want to add anything?

**Rajesh Krishnamurthy**

So, as Vishal pointed out, we had a few challenges in the previous quarters, the good news is that we have stabilized that to a large extent in Q2. The not so good news is that we need a few more quarters before we can say that this is comfortably behind us and that we are on a stable footing in order to accompany the ambitious growth plan of Infosys. From a demand perspective itself, there is no dearth of demand for consulting services and even more so given the focus of Infosys specifically around automation and innovation and transformation, these are clearly areas which a lot of clients are spending a lot of money on. So, there is a lot of demand for these services. In the past we have struggled due to some of our own internal challenges but I do believe that going forward something we will be able to address in a much more positive way.

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**Varun**

Varun from Mint here. A couple of clarifications and questions. Sir, the first clarification I wanted to seek was this, the entire delivery continues under Ravi Kumar, so when you are appointing new client facing heads what is so new, you will still have a head for manufacturing, retail, unless they also take over certain delivery responsibilities are you changing the structure. Will it be still the same working under Ravi Kumar the entire delivery, so what is new about this?

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**Pravin Rao**

See, 18 months back we defragmented the delivery because earlier it was very fragmented and delivery was embedded in each of the industries. And in today's world where all the disruptions are happening through technology, it was getting very difficult to come up with innovations and drive adoption of innovations across each of the industry, so we defragmented the delivery thing and we are seeing the results. If you look at the results of core delivery, we have seen tremendous growth quarter-on-quarter. In sales also, we are trying to do a similar thing, we are trying to defragment, give responsibility for next level of people. While the Presidents will still have oversight, but the actual day-to-day running in terms of strategizing for that sector, driving growth in the sector, working collaboratively with the delivery leadership to bring all innovations into those industries, that will be the responsibility of the next set of leaders. This will in turn give Presidents ample bandwidth to focus on corporate responsibilities which they have been doing in the last one quarter, but we felt that we have to give them more bandwidth so that can also effectively be part of the management and taking holistic look of the strategy execution and ensuring that they have a very rigid focus on that.

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**Participant**

So are you moving back to the vertical structure sir?

**Pravin Rao**

No, the Delivery leadership under Ravi, there are about 13-15 leaders. We rerated about 18 months back and that has bought well for us. In sales also, we are creating next level of 13-15 leaders under the Presidents and we believe that with this 15, about 13 and odd leaders ready to they are better equipped to drive the executive strategy well and fine tune to the industry needs, leveraging technology if it is applicable to the industry.

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**Participant**

Of the 3.5% growth, how much business came from GST which you booked in this quarter sir?

**M.D.Ranganath**

We had an incremental revenue of 87 mn this quarter and we have already disclosed how much is India right, India business units. Roughly if you look at the delta in India business unit, it is less than 20 mn and bulk of our growth look at 87 and if you take out less than 20 mn, almost 67 mn out of 87 mn has happened by and large through our core IT services and as Vishal and Pravin core IT services has robust growth this quarter and volume growth has been 4%. So that is where bulk of the 87 mn incremental revenue came.

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**Participant**

At this guidance of 9.2%, last year you closed 9.1 in dollar terms, now this year again you rework and I heard your answer on the profitability. Now so much of new measures have been spoken over the last 20-22 months, AiKiDo consultancy, now embrace of Automation. Instead of having an upward revision or an improvement on both counts, growth has not come in, you are struggling for growth and at the same time you are also struggling to retain profitability. So my question over here is that is this whole model, traditional people like model is difficult that despite these changes over the last 2 years, you have not been able to create any kind of impact and can this be possible than in the year to 2017-18 or will the management again look to revert the 2021 target?

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**Vishal Sikka**

If you look at the adoption of the new initiatives, they have started to make a quite a fundamental impact to the company in a very tangible way. The growth in our core services as I talked about despite the headwinds on pricing and despite the headwinds that we see in the external environment. It speaks to the fact that the initiatives that have been launched in a large number over the last 2 years have started to have quite a significant impact in particular bringing Design Thinking into our engagement, we just crossed the bn dollars in large deals and one of the things that our leaders especially the 3 Presidents here on sales have worked on is how to bring that design thinking in a very fundamental way in our client engagement process and how we bring grass-roots innovation. Earlier today, Rajesh was telling me about a client that we hosted here where we did a Zero Distance Hackathon and demonstrated the results to the client during the course of their visit and this kind of a thing has led to a revival of the core existing business and then in parallel if you look at the adoption of the new areas, whether it is Mana or Skava or the Edge applications, the continued success of these is reflected in the numbers. These are the new things, they are new to the company, but already they are starting to have a quite a significant impact, Mana both in our client, Mana to be renewal of the existing services as well as bringing it into completely new kinds of areas has continued to see strong adoption like us from us. Even though the impact, these are early days and the impact of this is very insignificant in the overall scheme of things from these new areas, the impact that it has on our client engagement and on reviving our existing services as well as opening up the new revenue continues for us and which is we are quite proud of the way that these entire initiatives have taken hold. I mentioned close to 100% adoption of Zero Distance and more than 26,000 jobs on the Zero Bench marketplace. Similarly, we continued to invest in our training. In education, this quarter we have done partnerships with both Udacity and Coursera in bringing new ways of augmenting our existing educational infrastructure with new approaches like Nano degrees and Coursera based classes in specific areas like data science and machine learnings and so forth. I think we have been investing in bringing DeVops and new project methodologies at a massive scale. I have already talked about bringing design thinking. We have crossed 110,000 people on Design Thinking that have been trained and that is the basis of how Zero Distance gets embraced inside the organization. My sense around the industry in general is that if you look at the decline in pricing pressure, the rate at which we rebid and the rate cuts and so forth are taking hold, there is only one direction in my mind for our industry to go forward on and that is based on a duality of Automation to help improve the productivity in our existing services and entire innovation that is software based that is AI based and that is Design Thinking based in bringing new solutions to life in engaging with clients new kinds of bids. We have to become a new company of innovators, not a company that does projects that are cheaper than others, but the company that does projects that nobody else can do and on that, more fundamental front it will take time, this kind of a transformation 200,000 employees is not straight forward, but on that fundamental frontier, we continue to make progress and I am extremely proud of the progress that we have made.

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**Varun**

Just two last questions. Over here that is exactly why I am asking this by March 2017, you will end with perhaps 10.3 bn and less than 25% margin, you are still guiding and now it is the target, it is no longer just an aspiration that by March 2021 you will be having 20 bn and 30% operating margin. So more than 500 basis profitability almost doubling your revenue, can we now say or leave it open that this number will be changed because this does not seem to be happening because of the same reasons what you have mentioned?

**Vishal Sikka**

No, our aspiration continues to be 20 bn in revenue, 30% in operating margin and \$80,000 revenue per employee by calendar 2020.

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**Varun**

So just a last question. On your 11 mn annual compensation, what are the annual markers based on which, will it be as like your title holders or your other employees whose variable pays linked to the overall growth of the company, is your 8 mn of your variable pay also linked to that because it is obviously mentioned to 3 things, revenue, revenue FTE and operating margins.

**Vishal Sikka**

I think that is the question you have to ask the board.

**M.D.Ranganath**

Varun, I think all the questions, most of the things you have asked, I think Chairman has already clarified, but there are two things that we would like to state not just for CEO, but also for a key management personnel that we announced today and for all the senior leadership, the philosophy is very high variability and low fixed. For example for KMP's, as high as only 30% to 40% is only fixed, the rest is all highly variable and all that is linked to the organization performance that the board sets and compensation committee says from time to time. Earlier the variability was low, now in fact with these changes, the variability is very high, significantly high. So I think the whole philosophy is keep the variability high, set targets that the board wants to set for the performance of the company, make sure that the compensation of the senior management is closely aligned with the interest of the shareholder. That is the overall..

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**Participant**

Vishal, you guys spoke about focus on \$ (+100) mn clientele but if we look at your numbers, you have estimated around 14 clients for the year ended March 2016 while it was 15 clients in 2015 previous fiscal, so isn't it contradictory to your aspirations if so why?

**Pravin Rao**

As Vishal stated earlier, one of the integral part of our strategy is to how to enhance our client focus and client penetration. Essentially the growth can come either winning more clients or penetrating our existing market segments within the clients and as recently as about 3-4 quarters ago, number of \$100 mn clients that we were having was only 10-11, then it moved to 14, then it moved to 17, now it is 18. It is an important leading indicator but not the only indicator that we want to improve. For example we want in addition to having large number of \$ (+100) mn clients, it gives us some stability and at the same time we want our growth from top 10 clients, top 25 to grow and so on. For example, in the past, consistently the growth of our top clients as compared to our competition used to be below. So I think we made several changes in the sales orientation and both in terms of structure, the quality of proposals, the training and sales effectiveness which Mohit is overseeing. I think we have multiple objectives. It's not that we want only \$100 mn to clients to grow. At the same time, we want a much balanced growth in our basket of clients.

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**M.D.Ranganath**

Sure. That is a very good question. I think we have been saying ourselves in many times. Vishal has said that primarily the Automation of course, there are certain services which are naturally amenable more to Automation than other services like BPO or Testing and Maintenance and so on. Well, initially in the first phase of Automation, the path of lead resistance the junior most folks in India, but that will not really provide significant impact on our profitability unless we reduce across the pyramid, not just across the pyramid, but both onsite and offshore. I think Ravi has the first phase of Automation which is still in progress primarily focuses on the former part. Ravi and organization are really looking at across the pyramid both onsite and offshore and not necessarily just the most obvious Automation, but some of the things which are difficult to do which the competition is finally difficult to replicate.

**Vishal Sikka**

And that is why the significant aspect of Mana is to bring Automation to not just the simpler L1-L2 type are but also especially to the more complex kind of thing in L3 Maintenance, Application Development, Product Engineering and those kind of complex areas and these are the areas in which we have been delivering, we have been focusing and working Mana over the last year or so and delivering the value to our clients and that can have much more meaningful impact in the productivity of the more complex times of work and we have already seen signs of that happening.

**Sarita Rai**

Vishal, Sarita Rai from Bloomberg. So since you took over as CEO, Infosys has added some 35,000 employees and in the previous 3 years with the predecessor was about 10,000 less. You talked a lot about moving from people plus to people plus technology. So do you think this looks very much like traditional people heavy model and the changeover, do you think it is going fast enough for you?

**M.D.Ranganath**

I think in all the noise level of today one factor which got missed out this quarter though we have published is per capita revenue which has been Vishal has been saying. This is the quarter where we have seen per capita revenue increased to 51,000. At the same time if you compare while we do not want to kind of compare quarter-on-quarter, but if you compare this quarter's net addition, net additions really matter as compared to what it was one year ago in the same quarter that has been more than 50% drop in the net addition. So I am not saying that look, this is a trend that you can expect every quarter, but I think this is one thing in the particular quarter.

**Vishal Sikka**

Thanks Ranga and Sarita as Ranga just said in addition to the points that Ranga made, even when you look out at a 20 bn, 30%, \$80,000 revenue per employee that is still 250,000 employees, 50,000 more than we are today. So the vast majority of the revenue in the foreseeable future does continue to come from a revitalized existing services organization and people get amplified by software, but it is still the services are delivered by the people and the new software capabilities and the new capabilities are also built by people who continue to come into the company. So if you look at even though the numbers in this platform teams and the products teams are significantly smaller, nonetheless there are teams there, so it is a good sign that we are growing, by growing in a more purposeful way revenue per employee has started to go up. Over the last couple of years, the pricing declines that I have been talking about has continued to grow really fast, in fact it had accelerated and we have talked about that. So I think that in the phase of that, we need to ensure that the people plus software, the Automation outpaces the decline that we see in the pricing pressure and therefore

delivers not only differentiation but also a better profitability. So this is going to continue to be the case and as Ranga said the rate of increase of the people has slowed down considerably recently.

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