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## CORPORATE PARTICIPANTS

**Dr. Vishal Sikka**  
CEO & MD

**M.D. Ranganath**  
Chief Financial Officer

## ANALYSTS

**Bhuvnesh Singh**  
Barclays

**Bhuvnesh:**

Vishal, Ranga, thanks a lot for being here. Really appreciate your time today. Vishal, you joined Infosys slightly more than a year back. Now, many things have happened since then, but before I start asking more questions which investors are interested in, could you tell us broad idea on what you found in Infosys and what exactly met your expectations and what didn't?

**Vishal:**

It's been about 15 months and when I started there was a sense of anxiety. There was, the attrition was quite high. And when I would go to meetings, town hall meetings, see employees, there was a sense of loss of confidence. And I mean we used to be a very, very proud company of innovators. And so that was one sense.

And the other one was the feedback from clients was that IT services companies including Infosys, don't innovate. They don't speak up, don't proactively talk about what they could be doing, what the clients could be doing. And this used to really bother me that wow, we don't speak up. And client after client would tell me that Vishal, you guys do a great job, we would look at surveys and stuff that you do a great job on quality, on delivery excellence, on project management, on things of this nature, but the low scores were always on being proactive, suggesting innovations and things like that. And this was generally the case. So that was the negative surprise.

And the positive surprise, one was the incredible foundation of learning that Mr. Murthy had established. He used to always talk about the value of learnability, the ability to learn. And I found, I mean Infosys has probably the world's most advanced infrastructure for training people, by far. Not only in our industry, but in any industry. We have the most, I mean the university campus in Mysore that we have, you have to see it to get a feeling. I mean even now, it's been 16 months, every time I go there, it is difficult to describe. It is just an unbelievable place. We can teach 15,000 people at the same time. We can teach them anything.

So my confidence about the future of Infosys is that no matter what happens in the times ahead of us, we will be relevant, we will be innovative. Stems simply primarily from the ability to educate. We can teach 15,000 people at the same time in Mysore anything, and we have our own learning platform. I was just talking to our team about it this morning. A completely new real time learning platform that we have built that has been rolled out since April of this year. It was built together with some of the faculty from Stanford and other people. And we are now teaching new classes using this. And real time feedback, you know real time responsiveness. Some new ideas in learning itself that came from Professor Sudhish at Stanford and other people that improve our ability to learn. And the second standard deviation of the students who are in the university has gone up. It used to be 2% of the kids were in that 91% passing rate or higher, now it is 5.5%. Just the same kids learn better because of the new tooling. So that extraordinary ability to teach was the big positive surprise.

And the other one was that as we started to put in new ideas and new initiatives, the willingness of the company to embrace those was extraordinary. I don't know why that is, whether it is because of this culture of learning, whether it is because the average age is, the kids are very

young, we have an average age of 27.5. I don't know what the reason is, but every initiative, whether it is a process simplification or Ranga recently became CFO, has dramatically improved the internal processes, efficiency, in HR, in our order system, and project management, we have simplified our processes. And every time we embrace new things, the company's always willing to embrace new ideas. And that has been a second positive surprise.

So of course in response to the first negative one, we put in many, you know very important initiatives around innovation, both structural innovation as well as bringing innovation into the grassroots of the company, which have produced some, you know, amazing results in the last, especially in the last nine months, which I am very proud of our team. And Ravi is sitting here and he is our head of delivery. So you know that has sort of been what, just in a kind of a nutshell.

**Bhuvnesh:**

Thanks a lot for sharing. And thanks a lot for being so honest, I would say. The other thing that you mentioned in the conversation, that last nine months things have changed, you know significantly. And that is true, and especially for us financial analysts, we see that in your revenue growth figures. So what has led to that? Do you think it's sustainable? Do you think the next three years, what can we expect from you?

**Vishal:**

We expect to get to industry leading growth, as we have said. I mean when Mr. Murthy came back, we talked about a three-year timeframe for that and we are on track to get there. We believe that there is, I mean the world around is being transformed by software. And we believe, I mean we have 140,000 people who can write software. And we believe that we are in an incredibly powerful position to help that transition of the world towards a software driven world. You know, Marc Andreessen talks about software is eating the world and we see that. And we can help the world be eaten by software I guess, if that is a metaphor, that doesn't sound so pleasant.

But I mean the point is that in every industry and every walk of life, we see a tremendous transformation happening driven by software and computing technology. And we are in a unique position to help that. And that transformation takes two primary dimensions. The renewal of the existing landscape to cloud enabled. Yesterday we were talking to our partners about cloud transformation - Microsoft, Amazon, companies like this and the great cloud transformation of the legacy systems, of the mainframe systems, the cloud enablement, the mobile enablement, the enablement for sensors of all these legacy systems, the simplification of the systems to modern infrastructure, that renewal of the processes, the operations, is one big priority. And the other priority is to build the new kinds of applications, the new systems that are necessary for the times that are in front of us. So that renew plus new is the main driver.

And we are doing our own renewal and our own new things. The big thing that we have done over the last year or so, is to bring that culture of innovation into our delivery organization in a very massive way. We unified delivery and Ravi took responsibility for that. And back in March, around that time, I mean one of the things that I found, that I should have said in the answer to your first question, the company does astonishing projects. We, you know, more than one-fifth of humanity banks on Infosys systems. Every

airplane that you have ever flown in has had parts designed by Infosys. You know, every payment that happens in the world, Nams told me that Mohit, the day before yesterday, that all major payment processors have had some role of Infosys or the other. So we do all these incredible projects, and people don't know about them. And there is so much to be learned from these by the other teams. Three-fourth of the retailers, e-commerce systems, have some role from Infosys or the other, this type of thing.

So, what we have created is a culture where in every single project that we have going on in the company, we bring some innovation or the other. And that is not to say that there is some small lab that we set up in Silicon Valley and this is our innovation center. This is to establish the entire company as a company of innovators. We call this zero distance. And the idea was to inspire every single project team to do something innovative. And in the last six months or so, Ravi, what is the number? Eight-five percent? Seven thousand of the 8,500 master projects that we have going on in the company now, have done something innovative, something to go beyond what the statement of work said, to innovate, to bring that innovation to our clients. And that is a massive number. That is more than 85% of our delivery organization, this is like 85,000, 86,000 people that have done something innovative.

I was in India last week. You see this extraordinary sense of inspiration in the people. I have never, I mean just in the last 15 months, I mean Ranga has been here a lot longer, Ranga can talk about it. There is a tremendous sense of confidence, the creative confidence and inspiration in the people when we walk around there. I mean that's very, very empowering.

So anyway, based on all of that, we see a good future ahead of us. We see a future ahead of us where it is largely in our hands. It depends on our ability to succeed. It depends on our ability to execute, the strategies is the right one which is now clear. I would say the last two quarters of very positive results that we have had are due to this strategy obviously and the sense of inspiration that the employees feel.

But it is also because of frankly, you know, such near term results happen because of operational improvements that we have made. Obviously we unified the delivery organization. We have focused our sales leadership. Mohit is here, he leads our largest vertical, the financial services vertical. And so we have created four units like that are vertically focused, global in nature. That has had a very positive, in fact we unified our consulting organization into in one leadership, and we have focused the senior management of the consulting organization to also become much more involved in the company's growth.

We have put a singular focus on the large deals. So as a result our win rate in the large deals has increased significantly. We have brought in design thinking as a discipline with our clients in a new way. I mean I mentioned earlier, the education that we do in the company. We felt that it was extremely important for the company to learn about artificial intelligence and automation and at the same time to learn about design thinking and creativity and innovation. So we established a design thinking training class last year, and by now 62,000 people have been trained on design thinking. I mean other companies, there was a New York Times article recently talking

about one of the large IT services companies has 1,000 people on design thinking, we have trained 62,000 people. This is a class that was also formulated by the Stanford D-school faculty.

So, the near term results have been largely driven by operational improvement, and to a smaller degree by the strategy and early signs of the success of the strategy. But as we go forward into the future, this will be largely driven by the new things that we are doing, the zero distance and initiatives like that, the massive embrace of automation that we are making, as well as the new services that we have launched, what we call AiKiDo. The 'Ai' platform, which is an open platform, the 'Ki' renewal and knowledge capture service as well as 'Do' which is our design service. So this will drive the growth as we go forward.

**Bhuvnesh:** Ranga this question is for you.

**Ranga:** Yes.

**Bhuvnesh:** See, Vishal has got big dreams for the company over the next five years. What will it cost us? Do you think in short term we will sacrifice margins for the longer term ambition?

**Ranga:** So I think, I mean if we look the strategy itself, we have clearly said consistent profitable growth. I mean that's the core element of our strategy. And before I answer that question, let me slightly step back on the strategy execution that Vishal talked about. See internally we kind of clearly focusing on broadly five parameters to ensure that the strategy, and to check ourselves whether the strategy execution is in the right trajectory

First of all, the large deal wins, are we winning enough number of deals so that gives us some kind of an annuity revenue, ability to absorb any quarterly..... So if we look at, you know until last year on an average, used to be about \$450 to \$550 mn TCV per quarter. Now last two quarters about \$800 mn+. So the trajectory is in the right direction.

The second piece is top account growth, right, top 10 accounts, top 15 accounts. In Q4 there was a negative sequential growth, but in the first two quarters they have grown 4% to 5%.

**Vishal:** Faster than the company.

**Ranga:** Faster than the company. And our ability to mine our clients. We invested in sales, even our organizational structure has helped in some way. So that is a second point.

Third, is also we're watching the attrition itself. Even if we look at the attrition trajectory, it is in the right trajectory from the height of 20% it's stabilizing around 14%. I'm sure it could further improve and some of the engagement like Zero Distance that Vishal talked about has improved the employee engagement. So you have to remember that attrition is not about hiring cost, it's about submitting projects, stability and continuity in projects. So that is the third one.

The fourth one, the key indicator that we watch for a smooth strategy execution is really overall operational efficiency bucket which Vishal touched upon. So look at utilization for example, that used to be mid-70% to late-70%. Now we are in early 80%, still of course we have to improve, but the trajectory is there.

The last one of course is on the per capita revenue, which we have talked about. Per capita revenue improvement by definition will take time. And there are multiple levers there too from easiest to hardest. The easiest being utilization, if you grew utilization then by not doing anything, per capita will go up. Then productivity assumptions, then automation, then the business mix. So these are the five. The last one will show results, as Vishal was saying, a bit later but the first four levers I think in terms of trajectory, we are there.

Coming back to your question on margins, we have always said that we have to be in 25% (+/- 1%). That's the medium term goal. We want to be there. And we have levers. There could be quarterly, you know, variations, but by and large that is the trajectory that we're looking at, 25% plus or minus 1%. And of course Vishal has set an ambitious target of 30% and we all working towards that.

Margin, if you look at still, apart from the utilization is one lever that we have. Onsite effort mix is at 29.2% today. Now clearly post our organizing our businesses on the service line, one can always argue, look should it be same for all service line. For example in Infrastructure Management, there is certainly scope for reducing the onsite effort mix, can it go to 20%, 15%, we have to see that. But there is certainly.....

Likewise we are looking at the productivity assumption. You need to look at the service lines. Today the ownership is very singular earlier it was highly fragmented. Today, for example, if Ravi, as head of delivery, wants to improve utilization or productivity in a service line, there's a clear ownership. There is one person you can talk to and get it done. I'll say we have levers. For us, cost optimization is not about improving margins. That's not the only objective. It's about being more competitive in the marketplace, the ability to price deals profitably. That's our endeavors.

**Participant:** .....so within the large deals, can you talk maybe about the profitability initially on day one with the large deals that you're winning today versus maybe a year or two years ago? And then what kind of assumptions, if it's different, on the automation side does it take to get to where it was, assuming that it's a little bit lower.

**Vishal:** So on the large deals, we do see still continuously an influx of large deals. Every situation is somewhat different. So if it is infrastructure heavy, we are not thinking through those in some different ways than in other deals, which are, if there is more application maintenance or development or verification driven or customer application driven deals and so forth.

In innovative projects, we see smaller projects, but with higher margins and more innovation quotient in that. So there is a diversity there. So there isn't any particular profitability pattern that you could point out. In fixed price projects, generally there is a cost pressure that you see, and certainly in the

infrastructure oriented ones. But in the fixed price project there is also a tremendous opportunity to bring automation in. In fact in every project there is a tremendous opportunity to bring automation in. So in the last two quarters, and our fiscal Q2 and Q1, we showed a collective savings of about 1,000 FTE, right Ravi?

**Ravi:** Yeah.

**Vishal:** Roughly 1,000.

**Ravi:** More than 1,000.

**Vishal:** Yeah. And mostly in infrastructure management, but also in other areas in verification and application maintenance and in BPO where we saved an actual effort, actual FTEs about 1,000 through the power of automation. So using our own automation platform and bringing the more repetitive, mechanizable things and having those be done by the software instead of the people. That number will continue to increase as we go forward. I was very heartened to see, Ravi and I had a discussion with our infrastructure team last week, the extent to which we are embracing automation as well as in other areas, in particular in verification and in BPO, the way that they're embracing automation is extraordinary. This is not like a small center on excellence on automation, this is thousands and thousands of people, tens of thousands of people working on automation as well as innovation happening in the automation platform itself. And that is something that is very encouraging.

The result of that is easier to measure in fixed price project where you could say that the number of employees per project becomes less, plus the software gets added into that. And that has a direct impact on the per capita revenue as well as on the margin. So the formula that we are working to repeat over and over again is to take a people-only project and replace that with a people plus software project where the cost to the customer can come down, the margin can increase because the software is higher margin and you have less number of people in the project, and our bandwidth increases because we can now do more projects with the same number of people. So if we can constantly, and we are seeing this in Panaya in the upgrade and package systems projects. We are seeing that with our automation platform, in infrastructure management and BPO, and to some degree also in application maintenance. We are seeing that with our information big data platform and AI platform in analytical work and things of this nature where we instead of doing pure people only work, with software ends up helping the customer as well as our own costs and so on. So more and more that we transform the people only projects to a software plus people projects we are going to see the results of this.

**Participant:** Is it mostly going to be a ground up where you're building out the automation yourself or is there M&A going to be involved? And how do you decide, you know.....

**Vishal:** Of the three acquisitions that we have done so far in my time here, two have been examples like this. Panaya and Skava are both examples of the unique software that we have brought in to help amplify the people. Panaya, in the case of Panaya, it is around package system upgrades and

things like that, but also in verification. And Panaya is a very classic example of the software plus people, instead let's say a 40% upgrade project, you do now 20 people plus Panaya software. It ends up lowering the cost to the customer, increases our margin, and still improves our bandwidth.

Skava is like that for mobilization of e-commerce platforms. We were just looking at the numbers on Black Friday. I forgot the numbers but it was extraordinary, the amount of volume that flow through the Skava platform is amazing. And that is a classic example. In the past we would have done a custom mobile enablement project for e-commerce, now we use the Skava platform and a small number of people to do the same thing. So that is the idea, is to do more with less for more, like a famous Indian professor used to say, that's the idea.

**Participant:**

You know, this question has been asked on and off through the years. And I've heard Infosys different management answer differently. But in your mind, what would you say is the actual differentiation of Infy versus some of the other large names that you compete with? And obviously that question is coming from the fact that we consistently have this question of whether one name is going to continue to outperform or the gap's just going to narrow. And then you have other multinational names, whether it's Accenture or others that continue to do pretty well. I just wonder what you perceive as the differentiation you offer to a corporate, either versus the other Indian names or even the multinationals.

**Vishal:**

I've been thinking a lot about that. I talked to Mr. Murthy about that, what was his dream. And really, in a nutshell, it would be that we can do software projects that nobody else in the world can. And you know he told me about how he worked on the Paris Metro in the 1970s and autonomous driving metros, right. They actually put people in there for labor reasons, not because of technology. That was in the '70s and you talk about autonomous vehicles today.

So, you know, yesterday we were meeting a client up north and some of the extraordinary work that we are doing, this was Boeing, and we have been doing this amazing project with them on capturing the knowhow of retiring people into a knowledge-based, into an AI based system, and how that can help them continually lower the cost of maintaining airplanes through their generation, the Boeing 747 has a 100 year long lifecycle.

So that's our vision to be able to do the most extraordinary software projects of our times at a time when the world is being transformed by software. But at a lower level, it boils down to having the best ability to do software projects from the people with the best discipline, like initiatives like zero distance, the culture of sharing and innovation. We are a unique company in that we do both consulting as well as software. We have our own software subsidiary, the EdgeVerve subsidiary where we build Finacle and the Edge products as well as our platform team where we build our own software platforms. And it's all open-source platforms. We contribute back to open source. So that gives us a huge differentiation.

Our consulting gives us a huge differentiation, we have unified consulting into one area. And in fact we believe that consulting itself can be



redesigned, can be rethought around this idea of design thinking, that this idea of strategic consulting being about, you know bringing best practices. Best practice by itself is a very, it's kind of a weak idea. Why would you want a best practice? A best practice means that it is not only a new practice, it is a practice that has been tried so often that we know which one is the best one. So how can there possibly be a good new thing for you to try? Instead, innovation comes from being able to think about the next important problems. What is the most important area for you to go after? And design thinking is a great way to help establish that, so we've been doing that.

But the most important differentiation which I think nobody has in the industry is education. Our ability to educate people, I mean by the end of this financial year we will have trained almost 100% of our delivery organization on design thinking. We will have trained almost 100% of our delivery organization on Devops and agile and we will have trained at least 20% of our delivery organization on artificial intelligence. This is something that, you know unless you have a very deep structural commitment to education and training, you cannot do that. As a result, you know, our competitors hire people from us. We are constantly losing people to competition, but we keep growing more. And these are the things that make us unique in the industry.

**Participant:** Just on that note, real quickly for you. I mean do you see attrition levels, you mentioned earlier coming back to 14% I think you said. But in terms of stability of that we've heard it's gone higher for the industry over the past year or so, do you feel confident that it's now stable?

**Vishal:** We have taken huge structural initiatives to bring this down. We are now already at almost the lowest in the industry.

**Ranga:** Actually, directionally the lowest clearly. And more importantly, I think, as Vishal mentioned earlier, one of the key elements that we watch internally as a trajectory is really the attrition. And it is not just that, you know, salary hikes were higher, that's why attrition came down and things like that. It is a deep employee engagement, for example the Zero Distance project where CEO himself interacts with thousands of project managers. At the project level we keep our basic building blocks. The employees working there feel that what they're doing at the project level is really important for the company and it is so important that at the highest level it gets attention. So I think that employee engagement has been one of the key factors in bringing down the attrition.

**Participant:** Okay. Just last, just do a short term question, if you don't mind. Just comment on Chennai and any implications on your near term financials or fundamental?

**Ranga:** I think Chennai, as you know, was hit by flood and so for three days our business was closed. We have about 17,000 employees there. However, we also have a very strong business continuity management system so we can seamlessly move work into different centers. But we will have some, you know, onsite projects were completely uninterrupted, offshore a couple of projects. But it is not that very huge and very significant.

- Vishal:** It is not a significant thing. But it is, what Chennai demonstrated to me was, it was first of my experiences with a, you know with a disaster like this and it was unbelievable how our teams were actually helping other companies in Chennai, including international companies, manufacturing companies which have production facilities there, get back to normal. So like Ranga said, you know time and materials, 17,000 people so a couple three days, this is, whatever the impact of that is, it was not that big a deal. However, what was exemplary was how the people, I mean, you know Ravi was telling me, Ravi what was it, 60% of the people came back.
- Ravi:** The first day. The second day we had 80%
- Ranga:** I think that the attendance was very sharply up. I think people turned up to work very immediately despite, you know, such a huge calamity that happened there. By and large I think our business continuity management and shipping work to other locations worked well.
- Bhuvnesh:** Thanks for coming. We have nine seconds to go. I don't think we can squeeze in more questions but thanks a lot for your time, Vishal.
- Vishal:** Thank you.
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