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CORPORATE PARTICIPANTS

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Chief Executive Officer & Managing Director

Rajiv Bansal
Chief Financial Officer

ANALYSTS

Ashish Chopra
Motilal Oswal

Moderator

Ladies and Gentlemen, Welcoming Infosys first Non-Founder CEO, Dr. Vishal Sikka and also joining us is Mr. Rajiv Bansal – CFO of Infosys. Welcome, Gentlemen.

Vishal Sikka

Thank you so much. It is a great pleasure for me to join you from here in California. As you can see I am sitting in my office if I zoom out here you can see my office. Here is Ranga. It is late at night here in California, it has been a long week end, it is labor day weekend here. By the way these walls that you see around me, these are all writable. You can write anywhere, if you zoom in there this is glass here but you can actually write on glass as well. So this is why I call office in Palo Alto and it is not like the magnificent campuses that we have in India but it is innovative in its own way. Rajiv, what we have in mind is I give a short opening statement and then we do a Q&A, right?

Rajiv Bansal

Yes Vishal, that will be good.

Vishal Sikka

So we are living in an extremely exciting time. I realize that there are a lot of macroeconomics forces that are at play and there is a lot going on all around us. But the way that we see the road in front of us is one which is full of excitement where we see that the business of our clients is going through a dramatic transformation and that transformation is one that we at Infosys can create a tremendous value for, whether it is in the renewal of their existing business and saving cost, optimizing cost from that or whether it is in the new area where they have opportunities to transform the business, the business model and so on. So we see a great set of opportunities there. We had a good Q1. Our guidance of 10%-12% constant currency growth for this financial year continues. We feel confident about that and we are embarking on our journey to 2020 where we have laid out aspirational goal of $20 bn in revenue, 30% operating margins and $80,000 revenue per employee. So this is the situation that we see.

The paths that we are executing on, we have laid out as a strategy is quite straightforward. We call it on the one hand 'Renew' which is about renewal of the clients business, about deriving value from their existing systems, their existing processes, existing landscapes, simplifying that and so forth and in parallel to that doing new things, new business models, new areas where they have an opportunity to get into digital and so on. Similarly this duality of 'Renew and New' works for Infosys as well where we renew our own existing services, all our service lines from ADM to IVS; Infrastructure Management to Package Systems, everything is renewed through the power of automation, through the power of innovation coming in at the grass roots and we complement that with new services that we have been working on. But in our and I think also in the clients' case, this duality of Renew and New sits on the foundation of culture, of education. That is where it always started, Murthy always believed in that. He used to call it "Learnability" and I am very proud to say that day before yesterday was "Teachers Day" and we had a great celebration on Teachers Day in Infosys. We actually asked all of our leaders to become teachers and to teach something, I have also been teaching. I have created a small class on AI which the first session of that went live today, Monday; actually yesterday for you. Our renewal is driven by bringing automation to all our service clients and also by creating a culture where our employees can innovate in all of their ongoing projects. That is something that I feel extremely inspired about. Since the January of this year, we have started an initiative called "Zero Distance" where we have been bringing innovation into every ongoing projects into all the delivery teams, not hiring some smart people in some

innovation center, but this is about our 105,000 people in delivery doing 33,000 projects and we have asked every project to do something that is innovative.

In parallel, we have launched three new services a couple of weeks ago, we call this 'Ai', 'Ki 'and 'Do'. 'Ai' is about platform - our platforms are software platform with Open Source components for Automation, for Big Data as well as the software that we have acquired from Panaya and Skava and our own software with the Edge product line. Then the 'Ki' service for capturing the knowledge in our clients and renewing the landscape and 'Do' service for Design Thinking with clients to help them evaluate their strategy for new levels.

So ladies and gentlemen, Infosys itself is on a path to renew ourselves non-disruptively, improve our operational excellence in sales, delivery and in parallel do the next generation of things like in order for us to transform into a new next-generation services company that is true to its original values but once again become bell weather and a competitive force in our industry. That is the path that we are on and it is still very early on this journey. This is going to be a long journey but so far so good.

So thank you so much and with that I would like to open it to some questions.

Moderator

Ladies and Gentlemen, we open the floor to questions.

Ashish

Hi Dr. Sikka, this is Ashish from Motilal Oswal. Sir my question to you was that as far as Indian IT and Infosys goes, in the last decade we had an inherent advantage of the Global Delivery Network model which was superimposed by excellent delivery processes by various companies to ward the competition off. In this new era of Digital, in this new era of Renew and New, do you think that the Indian companies or India as a market enjoys really a particular edge and if yes, then what would that be?

Vishal Sikka

I think that first of all the Global Delivery Model, it is not going to go away overnight. It is going to continue to be relevant for a while. However, there is no doubt that the overarching force in the industry is one that is towards commoditization of the traditional model and towards automation as a new way of innovation. That does more and more of the mechanizable mundane things that people do today with automation. So there is no doubt that this automation will become a large force in the coming years. Just as a Global Delivery Model was, automation will become an extremely important piece of the puzzle. We can view that as an augmentation for the Global Delivery Model or we can view that as a replacement of the part of the Global Delivery Model, whichever way the effect is the same, that automation takes more and more piece of this. So obviously in this situation, I still believe that India has a huge advantage because of our ability to educate. I think that even in the regular education framework of India, there is a tremendous opportunity for us to teach our children the new technology that are emerging, the new skills that are emerging, as well as the innovation and the entrepreneurship adopting new areas. Especially when I look at Infosys, from Murthy downwards there was a tremendous focus on education. I have just finished 13-months as the CEO here and I have to say that by far of any company in the world that I know about, not only in IT services but in any industry, Infosys has an exceptional ability to educate people. As I sit here talking to you, Saturday was Teacher's Day and our team crossed 50,000 people who have been taught Design Thinking. Nobody knew this Design, maybe some pockets of a few people here and there knew about it, but it was a completely new discipline

to Infosys when I joined. In October last year we started to teach our trainers Design Thinking. In late October, I remember it was the day after Diwali when I addressed the first 5,000 students who were taking the class on Design Thinking. Between then and now, it is an extraordinary achievement that we have trained 50,000 people on Design Thinking. This is not that they watch the video on YouTube or something like that. These 50,000 people have taken an immersive day long class, few hundreds of our consultants have actually taken a 3-day long on Design Thinking Seminar and some of the sales people have taken a 2-day long class, but vast majority of that Infoscions have taken full day long class. It is an extraordinary example of our ability to teach. And as long as we have the ability to teach, as long as we have the willingness to learn, then I think that Indian IT is going to be okay.

Ashish

And just secondly sir you have been trying to put right multiple problems at Infosys starting from growth to attrition at the senior level as well. 13-months down the line, what would you sitting today be considering the single most important challenge that you are actually trying to address at the earliest?

Vishal Sikka

I think that is a good question. Steve Jobs used to say, you can always connect the dots looking backwards. May be the answer that comes to my mind is a non-traditional answer. That would be creative confidence, due to the confidence in the team. When I go to clients, when I saw the surveys that were done, when I talked to the employees; inevitably, the feedback was always that we lack confidence, the confidence to speak up, the confidence to innovate, the confidence to become a strategic partner of our clients that we could tell them that there was something that they were doing that was wrong or that could be improved without fear of being viewed as arrogant or anything like that. So I think that instilling that sense of confidence that.., Steve Jobs used to have been saying that "The important thing in life is to realize that everything around us was built by people who are no superior to us and therefore we can do the same thing. Back in July, I remember, Rajiv and I once went to Frankfurt to meet with a bank there. I remember since that time I was thinking about this and this confidence was something not arrogance, not humorous, not to become full of ourselves; to continue to be humble, to continue to be true to our values, but to become confident that we are as good and innovative as anybody else. I think that to me was something that we had to do. And I am very happy to say that even though it is still very early and it is only 13-months, I see that sense of confidence in our delivery team. I see that swagger in the way that they walk that it is something that they feel like when you talk to them every time I meet them, I see that sense that they feel more and more confident about their ability to innovate. We still have to bring this also in our sales team, in our consulting team, so that this translates into value. I will give you one concrete example: This program that we started called 'Zero Distance' - Zero Distance was this desire to bring innovation to every ongoing projects and that is something that I started back in January. We worked with several projects, looked at how these projects could be improved and if there is a general pattern there, especially the pattern on confidence, on Design Thinking, the pattern on being able to share between projects and open on the projects to each other. Then we rolled it out to 1,000 project managers in early March and then about 6-weeks later when we saw the success of that, we rolled it out to the entire company. I am very proud to say that more than 75,000 people have done something in their projects that is innovative. This is not some small team sitting in California or Israel or somewhere, this is the actual delivery organization of more than 100,000 people where the teams that are delivering value into them. Clients come to me and they tell me that "Wow! There is something that is going on here."

So I think that confidence was probably one of the biggest ones and then beyond that then there are smaller things like operational excellence that have to be instilled. Even though we are a company getting into $9 bn run rate, $40 bn market-cap, the operational rigor of how a big company like ours should behave, whether it is sales or marketing or in other functions, this is something also that has to be done and we are doing that. We are incrementally bringing these changes to life. If you talk to a CEO sitting in the middle of transformation and say what is the biggest challenge, they would always say "Oh! Culture and they will say things like mid-management." Somehow the middle management is always a villain, this poor middle management has somehow always earned everybody's share of their wrath. But my feeling is that when I look at Infosys I do not know why I think maybe it is because we are a young company average age is 28, may be it is because of the value of learnability, of education that Mr. Murthy instilled into the company, but I see a company that is totally willing to learn, I see a company that is willing to adapt and adopt new practices, and as long as that is the case, I do not feel that there is any structural issue holding us back.

Participant

As I look at how the business model of IT Services evolved, you would have to say that the likes of Accenture and IBM have moved to the Global Delivery Model very-very quickly. Even as regards how they are adopting to the new wave of technologies that are coming in, I read somewhere that Accenture has done 40+ acquisitions in the last 4 or 5-years to develop new capabilities which means that they are really moving very fast, do you think Infosys culturally has the risk taking ability at the top management and the middle management to transform that fast, given the speed that is required in today's environment?

Vishal Sikka

I think that is a great question. I think that when we look at the pace of innovation, because of our ability to train I do not see a structural reason why Infosys cannot innovate. We did a Hackathlon in the company and more than 12,000 people from Infosys participated in these at 20 different centers around the world. They use all kinds of amazing technologies and all the latest areas on innovation. I do not see any structural issue there. However, as you correctly said, if you look at the number of the companies that Accenture has bought or even Cognizant, there is obviously a very systematic and highly efficient way in which they execute all these things. I think that we need to do something like this as well, not to copy them but I think that the rate at which interesting innovation is built on the outside is something that has to be adopted and has to be embraced. So our aspiration when I talk about the $20 bn by 2020 and 30% margin and $80,000 revenue per employee, the way we break down the $20 bn top line is we would like to see $1.5 bn out of that through acquisition, meaning the acquisitions that we make between now and then we would like to have $1.5 bn of the $20 bn in revenue. I do not believe in making big acquisitions as multibillion dollar acquisitions of companies that were interesting in the past. Rajiv has done the math on this. Rajiv this adds up to, $1.5 bn in 2020 adds upto $4-$5 bn of spending between now and then?

Rajiv Bansal

Yes, around $4 bn of cash outflow between now and then.

Vishal Sikka

So that would mean that you would be looking at, I do not know whether there is 10 or 20 or 30 or 40 acquisitions, but it is not a small number. There would be small companies like. Like that company Panaya we bought for over $200 mn, Skava that we bought and so on. So we will need to do similar execution as well and then we are gearing up to do something well, things in this

nature. But again true to our values we do not want to buy revenue, we do not want to buy market share. We want to buy small innovative niche companies that bring a uniquely differentiated capability like Panaya has done, like Skava has done that we have showed already. Our goal would be to not to do something radical, but to do small acquisitions to the tune of getting between now and 2020 $1.5 bn in revenue through acquisition. This would be the idea.

Participant

My question, Dr. Sikka, is on micro-financing and on community banking financing. How are you set up for this kind of software for core banking compared to Temenos or other companies?

Vishal Sikka

We are working on both our Financial Services practice as well as in our Finacle product, on the ability to do micro-financing, the ability to get into new kinds of currencies. As you know India Post is a huge client of ours and India Post is now in the process of becoming a massive network of small banks. So micro-financing, the ability to commoditize and decentralize the payment infrastructure is inevitable that is going to happen. That is required beyond the basic micro-financing capability itself. It will involve the payment infrastructure ability, it will involve integration of all of this to the core systems, it will involve new kind of currencies and the digital currencies, especially the broad chain infrastructure for authentication. We are working on all of these both in our Finacle practice as well as in Financial Services. In fact we already have clients where we are implementing projects in this area. Wherever necessary we will also acquire small unique niche technologies in this area, but we feel like this can be a huge source of growth for us going forward.

Ashish

So Infosys actually went through this phase of lower growth, lower than industry growth compared to peers you were actually losing share in the market and now this year you are guiding at 10% to 12% which is almost closer to the industry average growth and by next year you plan to be ahead of the industry. So just wanted to know that from your perspective where was it that Infosys was losing on the competitive edge, whether it could be delivery, would it be sales or which elements of operational rigor as you called out and which are the ones which are now being put right in your opinion which brought you up to 10% to 12% and what additional inputs from the organization and changes would actually drive it further than this metric in the next year as well?

Vishal Sikka

I have not done a thorough analysis of what was wrong and things like this. You just see the situation and just see what is happening inside and in particular what is the need outside and then you take corrective action as necessary. If you look at how some of the actions that Mr. Murthy took when he came back especially around costs, that really set us up in a great situation to be able to do the kinds of things that we have done, to establish our margin discipline, the investment that he helped in the sales and marketing area as well as a lot of the cleanup that was done. He and his team had already worked on that in the year or year and a half prior to my starting. So it helped me quite a bit in getting our agenda done. More than anything else again it comes back to the question that you asked earlier, it is a sense of confidence. The biggest thing that I saw when I started beyond this lack of proactivity and the lack of speaking up, was this idea that because of sort of all these factors come in together, attrition was extremely high. There are a lot of different metrics, there is this LTM voodoo and there is some other quarterly voodoo and some yearly

voodoo. If you look at the actual number of people leaving, the month before I was announced 2,850 people had left Infosys, in the month of May of 2014 and it is a huge number. By March of this year we brought that down to something like 1,300 people and it has been stable roughly in that ballpark since then and sometimes because of education, the number was up a little bit, sometimes it goes down a little bit. But it is basically in that area and it is actually pretty much at par from the industry or ahead of the industry even though historically we have always been a little bit worse than the industry in attrition because of our training program and because our people are generally valued more and priced more by competitors, so they are picked off more frequently. So this attrition was one of these kinds of example which manifests because of a bunch of factors - operational excellence, innovation, confidence, morale in the employees, a sense of purpose and direction. So all of these things work together and then it creates a positive atmosphere and then the things starts to take off. Which one was more or less than the other? I think it is not particularly interesting or productive to look back or to think about.

I just feel like in particular of all the initiatives, the one that I keep coming back to is 'Zero Distance'. This idea in every single project team, it could be 4 person project or 12 person project, that they can innovate that they can find something interesting or the other, it is something I find extraordinary. We had this experience, Sandeep Dadlani, who runs our RCL practice and now also our core manufacturing. He was having a dinner with the client the week before last and he told me the story that the one of the teams working for this client, this is a large CPG company in the US, and then some Chinese subsidiary of this or something like that. They found this incredibly interesting example where the invoices are coming from some of the large retailers of this CPG company. Because of the way the data was being extracted were always they had a 1% error rate and everybody would just ignore this 1%, even though 1% adds up to a huge number. So our team did this relatively simple innovation where they would actually look and find that 1% and save that for the client. This was Sandeep was having dinner with the CIO and when the CIO saw this, he could not believe it. He actually said, "I want to take this to my business" and he wants to look like a champion. So there are right now thousands of examples like this. This is of course one of the big examples, but there are thousands of examples where small teams of regular Infoscions have found something innovative or the other in their ongoing project work. When I am in Bangalore or in Pune or Hyderabad, walking in the floor when you see the confidence in the people, that in the end makes it all worthwhile and creates a sort of positive spiral that everything benefits on.

Participant

My question is that today, Digital has been embracing organization into how they engage with their customers and it is more front-ending into the relationship between corporate and customers. If you could explain us a bit that how does it impact the back end for the corporates and how differently you need to deliver services at the back end for the corporates which may include Infrastructure Management Services or any other services which you think are large enough? And what do we have to do differently to deliver this and whether we have built capabilities there, if you could explain?

Vishal Sikka

My view on this of course, Nicholas Negroponte wrote this great book in 1994 called "Being Digital" where he talked about this great transition from the physical world to the digital world that is happening all around us. So, when people ask me, what percentage of the Infosys business is Digital? I thought about it. My sense of it is that 100% of our business is Digital. Everything that we do is Digital, everything that we do is software, that is written on computers, that is something we have always done. In that sense, the terminology is somehow not very accurate. But as you correctly said, when you look at the interactions between the end customers and the business

when the producer, consumer or the behavior of the customers, the touch points, the way to reach them, to observe their preferences, their decision making and to be involved in that, these are physical activities they are now becoming more and more connected, more and more digital. There is a tremendous opportunity there. But I would argue that structurally this is no different than the work that we have always done. If you look at the small companies that we have acquired called Skava; Skava does Mobile eCommerce for many of the major retailers in the US - 18 or something like that out of top 25 are their clients already. So the mobile eCommerce front end is built by Skava. We are working on a partnership with Adobe where we have integration between the Skava and the Adobe marketing solution for observing the behavior of the consumer and things like that. I see there is a great opportunity for us to help business to become more and more interconnected with their consumers, interconnected with the entire value chain, as well as supply chain from front to back and make that more visible, make that more digital. There is no particular skill or need that I can see happening there beyond what we have always done. So putting together more training classes, new web technologies, new marketing technologies that are coming up, in some of the new sensors and variable technologies. Day before yesterday was Teachers Day, we have 700 odd teachers in our training organization and I was telling them you have to constantly find the new technologies and bring those to life to help our colleagues, or help Infoscions to learn those new technologies. Just as there was Java ten years ago or SAP, Oracle and so on, now there are these new technologies with funny names like Angular and Polymer and Bootstrap and things like that. These are the things that we have to learn. I just see it as a regular par for the course.

I do not know if many of you know the story that Murthy told me, In 1983 in the Rourkela Steel Plant, we did a project. This was actually in a very-very-very early days of the company. Kris Gopalakrishnan, one of our founders, he himself did the programming for this particular project. What we did was we built a control system for the Rourkela Steel Plant. This was with A to D, Analog to Digital and Digital to Analog converter, controlling the steel furnace operating at 1500 Degree Celsius temperature. Today we would call it Internet of Things but this was we made a control system of a steel plant digital. So, everything that we have done has always been Digital. As Marc Andreessen says, "Software is eating the world" As more and more of the physical artifacts become digital, this is where we would like the software. Saying that there is somewhat magical thing called Digital is absolute nonsense. Everything we do is Digital.

Moderator

Thank you so much, sir, ladies and gentlemen. That was the closing question. We would like to say a big thank you to you for joining us, we know it is a long weekend and it is an honor. so we really thank you for your presence here today.

Ladies and Gentlemen, Dr. Vishal Sikka. And we would like to say a big thank you to Rajiv Bansal. Thank you very much, sir, for joining us from Bangalore as well.