INVESTOR CALL

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2

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Moderator

Ladies and Gentlemen, Good evening and welcome to the Investor Call organized by Infosys. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference call over to Mr. Sandeep Mahindroo. Thank you and over to you sir.

Sandeep Mahindroo

Hello everyone, welcome to Infosys call to discuss acquisition of Panaya. I am Sandeep from the Investor Relations team. Joining us on this call is CEO and MD Dr. Vishal Sikka, COO – Mr. Pravin Rao, CFO – Mr. Rajiv Bansal along with other members of the senior management team.

We will start the call with some remarks on the acquisition by Dr. Sikka after which we will open up the call for questions. Please note that we will talk only about this acquisition in this call and don't plan to take other questions on business.

Before I hand it over to the management team I would like to remind that you that anything which we say which refers to our outlook for the future is a forward-looking statements which must be read in conjunction with the risk that the company faces. A full statement and explanation of these risks is available in our filings with the SEC which can be found on www.sec.gov. I would now like to pass it on to Dr. Vishal Sikka

Vishal Sikka

Thank you Sandeep. Good day everyone, it is early morning here in California, night time in India and other time zones around the world. We are very excited today. As I have maintained, Enterprises today are battling a disruption in a world that is becoming increasingly digital, there is a tremendous need to improve the business and rethink the way all aspects of the businesses are run and also at the same time finding innovative ways to get things done, improving both the why and the how. And therein lies a great opportunity of our times. To best serve this opportunity through a dual strategy for our business: renew their existing systems and landscapes and enter into new business areas, new business models and build new solutions for these areas. So this renew and new duality equally applies to us at Infosys as well. There is a great opportunity for Infosys to leverage our technology, to amplify the capability of our people and to also innovate together with our clients and develop unprecedented new solutions that solve all the strategic challenges they face.

We have made a great stride in this direction today with the announcement of the acquisition of Panaya. Panaya is a leading provider of automation technology for managing large scale Enterprise software landscapes and its acquisition fully aligns with our renew and new strategy to renew our service lines with the power of Automation, Artificial Intelligence and Innovation thereby freeing us to focus on areas of importance to our clients. Panaya's CloudQuality suite help enterprises automate the management, maintenance, upgrades and other elements of the lifecycle of complex Enterprise Systems made by package software vendors such as SAP, Oracle, Salesforce, and others. It uses state of the art software configuration and source code analysis techniques to deeply understand the behavior and the implementation of these systems so as to help automate much of the complexity associated with managing these. And in doing so it leads to a dramatic simplification in the cost and the complexities of such landscapes which is a key need for Enterprises today.

Panaya software is built using agile techniques, it is delivered using the SaaS, the software as a service, model and it serves hundreds of the greatest businesses around the world. And beyond this particular application, the underlining technology has utility in several other areas across our service lines including verification, maintenance, administration as well as application development and many other aspects of our core business activity which is to develop and manage Enterprise Software Systems.

Another reason that this acquisition is so exciting for us is that its home base is in Israel. I have long been a student and an admirer of this amazing country. Israel is now known as a key hub of innovation, startup and venture activity as well as an entrepreneurial culture and work ethic which are all great endeavors for us to embrace. We have valued Panaya at an Enterprise value of $200 mn and the deal will help us add a customer base of over 400 active accounts. We expect the deal to close by the 31st of March.

I am excited perhaps more than anything else because events and stuffs like today's give us the power and the freedom to truly change our circumstances and that of our clients, it is a way in which we will help catalyze what I have referred to as a great human revolution where technology will help us to be as we can imagine, to grow in our freedom and truly realize the potential that we have to create a better future for all of us. I look forward to all of us at Infosys embracing Panaya, the team, the software and the methodologies behind it and this amazing team then now joins our family and help take this, as well as us, to new heights by bringing the best of both to each other.

I would now hand it back to Sandeep for some additional Q&A.

Sandeep Mahindroo

Operator, you can now open up the call for questions.

Moderator

Thank you very much. We will now begin the question-and-answer session. Our first question is from the line of Joseph Foresi from Janney Montgomery Scott. Please go ahead.

Joseph Foresi

Hi. I was wondering could you give us a little bit more color around the revenue and margin impact from Panaya?

Vishal Sikka

Rajiv are you there, Rajiv perhaps you can answer this.

Rajiv Bansal

Yes. So this is a multiple of about 6 times the revenue so the impact on the revenue as Vishal was saying will probably close by the end of this financial year, so in this quarter we don't expect any revenue to come from this acquisition. On the margin front, this is a capability building as you are seeing that we are going to look at our M&A strategy to build capability and we believe that's a huge opportunity in front of us with this acquisition. So I think we would see it to be EPS accretive in 12 to 18 months.

Joseph Foresi

Okay. And just the technology itself cannibalize any of the package implementation that you are currently doing?

Vishal Sikka

No, we do not see that, it is a software as a service revenue. We see that largely as an opportunity to make ourselves more productive, to do more with the people that we have and to improve their productivity basically. And so we have to think about it as many of the manual steps involved in the implementation, the upgrades, the change management, the lifecycle management on an ongoing basis are now replaced by software so that people can therefore be free to do more, that is basically the idea.

Joseph Foresi

Okay. And then last question from me, could you give us an update on sort of your penchant for more acquisitions similar to this and what the pipeline looks like there? Thank you.

Vishal Sikka

As I have maintained, we wish to acquire companies with unique technologies such as this one, things that can help us, on the one hand renew ourselves which means that we improve the productivity of our service lines, which means to bring more automation, more AI or Artificial Intelligence capabilities to our existing services. So if you look at Panaya, the ability to automatically manage software and software related changes is a great ability and today Panaya's core technology applies to Enterprise Package Systems Management and upgrades on maintenance and so forth and it improves the productivity of that activity. But in principle a lot of the things that we are excited about is that the same capability can apply to for example our verification service, for example the ways and work that we do Application Maintenance, now a lot of work will have to be done to bring this technology to those areas but we do a lot of work in application development and application maintenance, in software verification and also just in software development and product engineering and things like that. And we expect that overtime this technology will also benefit those areas.

Similarly in many others areas in BPO, in infrastructure management, we will be looking for automation and artificial intelligence type capabilities that can help improve our productivity. So in terms of the pipeline, there is not anything concrete that we can say other than that at any given point in time we are looking at couple, dozen acquisitions but there is perhaps Pravin or Rajiv or I also want to say Ritika Suri is here, she is the head of our Corporate Development, our M&A activity and perhaps they can add something more to that but that is as far as I would go.

Rajiv Bansal

I think as Vishal said at any point of time we look at many-many opportunities, we have been clearly saying that M&A is an integral part of our strategy. As we look at the new and renew strategy, there are gaps in the capabilities which we need to build, which we need to acquire and we are actively pursuing on a strategy and looking at opportunities and the companies that will help us in accelerating our journey towards getting back our industry leading growth and margins. So this is an ongoing process, at this point of time as Vishal said there is nothing more to say about opportunities and pipeline but I will only say that M&A is an integral part of our strategy.

Moderator

Thank you. Our next question is from the line of Yogesh Agarwal from HSBC Securities. Please go ahead.

Yogesh Agarwal

Hi, just before I ask the question, Vishal just for clarification, Panaya is totally cloud based solution, is it or there is an on-premise element as well?

Vishal Sikka

Yes, it is. The current product and the future direction is entirely 100% cloud based, they had some older legacy products that were not, but perhaps Ritika can elaborate on this.

Ritika Suri

Yes sir. In their existing business they already have some accounts where it's more on premise however the go forward is all CloudQuality suite which is all software as a service model.

Yogesh Agarwal

Okay. So just a naïve question, how would it have been different if we just buy the license from Panaya and then use it for your Enterprise customers for ERP or something like that?

Vishal Sikka

Then we would not get the ability to bring the product to other Packaged Applications, there are many others beyond SAP and Oracle and the ones that they service today. There is also the more fundamental application of the technology to other service lines like verification and Application Maintenance and so forth that I said. As well as the additional thing that we looked at was the opportunity to establish our presence in Israel. Ironically it was something that when I had a meeting with our Prime Minister he had mentioned this as well about the opportunity to partner with more with Israeli innovation. So those are all things that you cannot do if you simply license the technology.

Ritika Suri

And in fact just to add on to that, we just hosted an Israeli delegation at Infosys this last week.

Yogesh Agarwal

Right. So it is more to do with one presence in Israel and then using the technology behind Panaya in ADM custom Apps I would sum it up, is that right?

Vishal Sikka

It is three dimensions, first and foremost it is to bring this to every one of our customers and to additional package vendors. Second one is to bring it to additional service lines and the third one is the presence in Israel.

Yogesh Agarwal

Okay. And then just lastly, Vishal if you can talk a little bit or Rajiv maybe, last few years performance of Panaya and then if there was any kind of restructuring at the company in the past few years? That's it.

Rajiv Bansal

No, see this is a company that we are looking for capability building, so we would not at this stage want to share the financials of the company because we are looking at purely from capability building and investment, this company has done well in the last few years and we see a huge synergy benefit and the multiplier impact on our revenues and growth. So at this point of time I think you should look at it as an acquisition towards capability building, towards moving in our strategic direction and not in terms of the revenues it generates and in terms of the margin profile and all the stuff. We have already said that this equation is about six time the multiple of revenue so that gives you an idea about the revenue profile of the company.

Moderator

Thank you. The next question is from the line of Ashwin Mehta of Nomura. Please go ahead.

Ashwin Mehta

Yes. Just wanted to get a sense in terms of Panaya had a lot of system integration partners, players like CSE, CJI, etc., what happens to the relationships with these IT players and how much of the revenues were actually coming in through partnerships form some of these system integrators?

Vishal Sikka

So a small portion of revenue going from other system integrators, Ritika…

Ritika Suri

Yes. Just to give some color on that, there is about 12% of the business that came from system integrators and OEMs, resellers, etc. We feel pretty confident given our open environment and environment to coexist that these relationships will continue and in fact grow, this will be part of our growth strategy to grow these accounts even more.

Vishal Sikka

And we will continue to be open to other system integrators who can bring the capability to life at Enterprises, that is why we have decided to organizationally put this company under the leadership of Abdul Razack who is the head of our platforms area so that our services teams as well as services teams of other companies can all have equal access to this technology and a complete openness on that ecosystem is something that is fundamental to our desire to bring this capability there. And I would also like to add that other areas within Infosys have had other ecosystem partners, for example Finacle has had many ecosystem partners whom we traditionally compete with on the service areas and who have helped bring Finacle to life, so this is not something that is new to us parse.

Ashwin Mehta

Okay. Just one more question, I wanted your comments on news item which is there in an Israeli newspaper called Globes which is talking about the fact that Panaya was on the verge of closure and had layoffs recently. How true is that?

Ritika Suri

So that is not true. They did have a change in the CEO back in April or May of last year but we feel pretty confident with the existing management team and their ability to deliver. We have seen the unaudited results for their FY14 which we cannot share at this point but that was one of the factors in the uptake that we saw that really attracted us towards the business.

Vishal Sikka

And the founder and the key members of the management team have been there since the beginning and so we are not concerned about employee's instability there.

Ashwin Mehta

And justly lastly, if you can share how much of premium have we paid on valuations versus the 20 mn round that happened in January there?

Vishal Sikka

Maybe I can make a broad comment on the valuation, we looked at the valuation from multiple different perspectives and in all perspectives, the valuations comes within the correct band, we had an independent group, bankers from Deutsche Bank look at the valuation of Panaya and we feel very comfortable with the valuation, indeed we are very happy with the valuation that we have assigned on the company.

Moderator

Thank you. Our next question is from the line of Moshe Katri of Cowen. Please go ahead.

Moshe Katri

You mentioned a number of existing customers, can we get some more details in terms of maybe client profile by verticals, regions. I also looked at the website and they seem to have some pretty marquee names as clients - Coke, Bosch, GM, Volvo, Toyota, Verizon, Wall Mart etc. Is there a lot of overlap just in general with the existing customer base and I guess we are trying to get a grasp on potential cross selling opportunities here. Thanks.

Vishal Sikka

So Moshe we are very excited about the marquee list of customers that Panaya has. They are extraordinary companies, the General Electric, Apple in addition to Johnson & Johnson, in addition to the ones that you have mentioned, so we are super excited about this dimension of it. There are approximately more than 400 active recurring accounts. They are pretty evenly distributed across geographies, more than 60 countries where the company operates and I think that from a customer perspective maybe Ritika can add to the distribution, I think about 40% are in the America?

Ritika Suri

Yes. I think 40% of the business is in Americas, another 40% in EMEA and then 20% in the rest of the world. They do not really split the revenues by verticals to answer your questions so it is across the packets of the industry and like you mentioned again to reiterate they do have a lot of the marquee customers and a pretty large recurring customer base of 400 plus customers.

Vishal Sikka

And there is some overlap but it is not a significant overlap.

Moshe Khatri

Okay. So hypothetically there should be some pretty significant cross selling opportunities here, right?

Vishal Sikka

Correct.

Moderator

Thank you. Our next question is from the line of Ankur Rudra from CLSA. Please go ahead.

Ankur Rudra

Apologies for repeating this question but I am still trying to understand your comment that if you use their suite of products how won't it potentially cannibalize your existing maintenance and upgrades business in your package implementation practice?

Vishal Sikka

So Ankur if you look at large scale implementations of Oracle or SAP, JD Edwards and things like this, today the manual repetitive task associated with upgrading or implementing or managing these systems or the change management, adding removing modules, adding removing users, these things are largely manual and people build ad hoc tooling to help improve their productivity and so forth but it is nowhere close to the kind of productivity that you can get by basically building this layer around the existing implementations that deeply understands the underlying implementation. So now if you look at some of the larger companies like the names that were mentioned in the previous question that I was asked, they have hundreds of systems across the landscape and unless you put in armies of thousands of people, which nobody can afford to do, there is no way you get the ability to basically bring that benefit of simplification to these landscapes. And the nature of the packaged systems over the last 15-20 years that has evolved in the industry is such that on the one hand the packaged systems have brought a rigor and a discipline of packaging standardization across industries and so forth but on the other hand they have brought tremendous complexity around these implementations, management, administration and things of this nature. So tooling like this is absolutely necessary in order to do that.

Now if you look at one particular portion of let us say one instance upgrade and implementation, then one can argue that the work that was being done by a team of people there to a certain degree is overlapped and in fact what we did as a part of the due diligence form this acquisition was we actually had our Oracle and SAP teams themselves work with the software to see what

happens with that. The pretty much only effect that it has is it frees people to manage larger number of instances, larger portions of the landscape and do more in the Enterprise landscape that they do. So the cannibalization question I would see that as more a conceptual question, it is not something that shows up in reality, in reality what it shows up is that with the same number of people plus this software which also costs money you are able to do much more than you are able to do before which is exactly what I have talked about this famous quote from Professor Mashelkar, "To be able to do more with less for more."

Ankur Rudra

Thanks sir. So just on a follow-up Vishal, are there any projects that Infosys worked with Panaya in the past with any of your existing customers?

Ritika Suri

Yes, we do have a couple of projects where we worked with them very closely. In fact teams were looking to work with them right now as we speak on a couple of projects as well, so we are familiar with the technology, our teams have been excited about the technology and have used it previously.

Vishal Sikka

I got several mail from our, Pravin and I send an employee mailer overnight and we got several responses to that from employees around the world where they have worked on particular accounts with this technology and are super excited about it and so on.

Moderator

Thank you. Our next question is from the line of Keith Bachman of Bank of Montreal. Please go ahead.

Keith Bachman

I had a couple of questions if I could. First, I may have missed this but did you give the headcount associated with the company?

Vishal Sikka

No, but Ritika can maybe

Ritika Suri

They have 156 employees currently and majority of them are based in Israel.

Keith Bachman

Okay, great. And then my second question, a more philosophical question is if you listen to many of the service providers including yourself, Accenture, IBM, TCS, Cognizant, are all focused now on acquisitions as a way to try to extend the reach and capabilities. I was just wondering how you are approaching the fact that were there bidders for this asset or where you guys exclusive bidders

and how do you keep from overpaying if you will, since there seems to be great demand for externally sourced IP?

Vishal Sikka

Keith, we do not believe that we overpaid at all, we believe that we have acquired an amazing piece of technology and there is a tremendous sense of excitement on both sides - Infosys and Panaya in bringing these two teams together. I cannot comment on whether there were other bidders or not, I mean for exciting technologies like these there is always a lot of interest but we just had a great sort of resonance and a good feeling within the company and we are looking forward to bringing the companies together and bringing this to value add our clients. Philosophically, in terms of the acquisitions, I believe we are going to hire more than 30,000 employees this year, we are going to, within our product areas of Finacle and Edge areas, we have several thousand employees working. So these are large investments that we have made and as I always maintained our fundamental focus is on organic growth, on renewing ourselves from within, which we have always done and having innovation be at the core of what Infosys does with every single employee in the company. And that is going to be the key focus of the company. Every once in a while you run in to a technology like this which is just such an awesome piece of technology that you want to augment what you do with this but that does not take away from the fact that our core focus continues to be organic growth and there is absolutely no substitute for that. I cannot on this obviously but for us this is about capability building and about augmenting our capabilities wherever possible in smaller ways, we are not interested in padding ourselves up with this buying revenue and market share and all that.

Keith Bachman

Okay, fair enough. It sounds like this deal itself won't move the needle per say on the revenue line but again a philosophical question, if Infosys is targeting M&A as a key part of a strategy to acquire intellectual property and capabilities, after you perform perhaps a number of these deals like Accenture and like CSE and IBM and other leading services companies, will you be providing on an ongoing basis what your reported revenue growth is as well as your organic revenue growth?

Vishal Sikka

Absolutely.

Moderator

Thank you. Our next question is from the line of Sandeep Muthangi of India Infoline. Please go ahead.

Sandeep Muthangi

I had a question on the current sales strategy of Panaya. You said they have about 150 employees and they also have channel partners, so could you just highlight how much dependent they are on the channel partners for the sales, SI and how big is their sales force?

Ritika Suri

So like I mentioned the SI revenue that comes currently is only around 12%, they are not dependent on the SIs I would say. They like to put it in their words 'cherry on top'. They have a pretty small but robust sales force team both in Americas which is the high growth market as well

Sandeep Muthangi

Okay, right. And Vishal, I wanted to get your thoughts on how unique is Panaya's technology and are there competitors in this space and don't the SAPs and Oracles of the world provide migration tools and stuff like that?

Vishal Sikka

You are absolutely right, they do, but the capabilities that Panaya has had are unique, one of a kind. And there are many other companies in this area, everybody including us builds their own tooling, the package vendors themselves like you mentioned they make their own tooling, but the unique consolation of capabilities and people that are there in Panaya have expertise in building this kind of management capability around existing packaged software and that is something that is quite unique and we are quite excited about that. In general, I mean if you look at the evolution of Enterprise landscapes, what we see is that heterogeneity in the Enterprises is increasing. What we see is that this dual dance of long-lived complex Enterprise systems on the one hand and rapidly built modern agile systems on the other hand is not only continuing, it is actually becoming even more stark – the divide between these. So the need for automated ways to manage these kinds of landscapes is becoming even higher and as companies especially in many industries like in Financial Services, in Energy, in Manufacturing and in Retail especially get under cost pressure, the burden to manage these complex landscapes on which a large portion of their business depends, while at the same time reducing cost drastically, this continues to be the case and so this is something that as time goes on, it becomes more and more critical to the business. That is sort of how we see it, but yeah I mean we believe that it is a pretty unique one of a kind technology otherwise we would not be doing this.

Sandeep Muthangi

Right. Just one bookkeeping question, are there any earn outs on top of this or is $200 mn EV the entire amount that will be paid?

Ritika Suri

That is the entire amount, there are no earn outs.

Moderator

Thank you. Our next question is from the line of Anantha Narayan of Credit Suisse. Please go ahead.

Anantha Narayan

Just one quick question, how much of the ownership lies with the employees of this company and if you could just tell us how they incentivize to stay back?

Ritika Suri

I can start with the employees, we have built in some retention plans obviously because the individuals are key to us and I don't remember the exact on the employee ownership but it is not significant.

Vishal Sikka

It is own by venture capital. There are five major VCs including Benchmark and Battery, HPV and others.

Moderator

Thank you. The next question is from the line of Rishi Jhunjhunwala of Goldman Sachs. Please go ahead.

Rishi Jhunjhunwala

Just trying to understand revenue model for the company in the sense that is it more like subscription based revenues or we do have some headcounts driven revenues as well? Just trying to see how much operational leverage it can potentially have. It seems like a pretty descent 40% margin kind of a business. And secondly on the ticket size of a typical project in these kind of deals that Panaya might be doing with 400 customers and revenues close to around $35-odd mn seems like revenue performance employee is quite low?

Vishal Sikka

Maybe Ritika can answer the question. As far as I know it is pretty much all software revenue.

Ritika Suri

Yes. So the go forward Rishi is all software as a service so you are right at subscription revenue and as we can imagine for any SaaS company, the growth margin on that is pretty high.

Vishal Sikka

So it is all, there is no people revenue in the traditional services segment.

Ritika Suri
Correct. They do not have large, actually they hardly have services arm so to speak.

Rishi Jhunjhunwala
And what about the typical size of a particular project?

Ritika Suri

I think we cannot comment on the actual typical average size of the deal if that's what you are referring to.

Rishi Jhunjhunwala

Okay. And lastly just wanted to understand, are you retaining the top management and if there are any restructuring plans, that is one? And secondly, you mentioned about 6x multiple, is it EV-to-sales multiple of 6?

Vishal Sikka

Rishi, in terms of the key management, yes, we are working to retain the key management. There is tremendous sense of goodwill and people are very happy about this transaction. We have not closed it yet so obviously it will be closed approximately in the next several weeks so we expect it will close by the 31st of March. So we are going to retain the key employees and actually we are going to retain everyone. We are going to have the entire company managed by Doron who is the CEO, work directly in the organization of Abdul Razack so that they can maintain the independence, the ability to work with other partners as well as they can maintain the full flexibility in bringing the capabilities to other parts of Infosys, which therefore the Platforms team which is headed by Abdul is a perfect place for us.

And in terms of multiple, perhaps Rajiv already answered, perhaps Rajiv you can reiterate the answer.

Rajiv Bansal

I already said and I just that it is about 6x revenue multiple that we are talking about. And also if you look at the deal size and revenue profile of the company, this is about capability building. This is in line with our strategic vision of using technology to help clients grow their business in a completely different manner, look at renewing our existing services and this has to be seen from perspective of how this will help us renew and rediscover our existing set of services and create new services. And that is the significant part of it.

Moderator

Thank you. The next question is from the line of Ravi Menon of Elara Securities. Please go ahead.

Ravi Menon

I had a few questions, one is Cast had a similar approach to customer applications that Panaya has for ERP if I know correctly but I think that has met with a limited success. So first of all could you explain how do you see Panaya'a solutions as superior to what Cast had to offer for custom apps?

Vishal Sikka

No, I have never heard of this company, I assume you are talking about a company but I have seen Panaya before when I was at SAP and this is a very unique capability to deeply understand the implementation of a packaged software system and bring this automation to their management and implementation and upgrades and so forth. So this is something that we think it is unique and in terms of bringing their capability to other areas we have looked at that in quite some detail. See when we build complex application systems and we had differences build in all of these in custom projects as well, in addition to doing verification of other systems and things like that. One of the

things that the people are increasingly starting to focus on is the builds, the configuration, the underlying aspects of the packaged systems, not only the source code that implements the functionality but also the management capability around that and this is becoming more and more prevalent, more and more important for variety of reasons because the lifecycle of these systems is becoming clearer to people, with the cloud you have the integration of development and operations with this methodology called DevOps and so the manageability and the ability to essentially look differently about the outer element of the software as against the inner elements of the software become more and more important. So the focus that Panaya has had on these assets of the software are extremely important going forward and the source code analysis, configuration management, the ability to pass source code and build dependency models around it and these kinds of advance software capabilities, the ability to do change management which is similar to under Artificial Intelligence, these are unique capabilities that the company has. They have several patterns in this area, actually they have several dozen more that are pending which are very unique. So I believe that it is still an individual effort to bring it to any particular area and we don't know yet. It will take us another several months even after closing to get into the details of how we will bring it to additional areas. But having looked at some of the core technical aspects of this, I actually looked at it myself as well as in addition to our teams of experts, we feel confident that we can bring it to other areas and we will be able to share more about, if there are any substantial cost elements because we believe we can of course fund that from the regular operation of the company I mean don't forget we are now approaching about $9 bn run rate something like that. So we believe we can fund that additional development from our existing operations but any details on that, if it is material and worth sharing with the financial community, we will share that over the next several months.

Ravi Menon

Sure. Secondly, like I would have thought but you would use this technology as a key differentiator for your ERP services and use that to increase your win rates and these kind of landscape simplification deals but your statement about how this will be open access, that seems to be at odds to that premise. So why own this asset when if you are letting others also benefit from it?

Vishal Sikka

No, so there are two parts to that – first one is of course growing the business from within and that we are going to be laser focused on. In terms of other areas, so for example Finacle, yes, this technology can help manage Finacle landscapes and that is one area that we are excited about. It can help us manage our Edge products, the Edge products are not nearly as complex, the complex configures that require this kind of capability, but Finacle for sure. And in terms of the other aspect of that which is to have other SIs continue to - look we have a large SAP practice, a large Oracle practice but it is not the case that every SAP customer or every Oracle customer or every Salesforce customer in the world is a customer of Infosys. And so if we can find larger reach for the software with other systems implementers or some integrators doing this at basically 100% margin to us why would we not do that. So instead of looking at it as a zero sum situation we are looking it as something that can continue to bring benefit to us even if it many cases also brings benefit to others.

Ravi Menon

Great, thank you. And the third, this acquisition also seems to be bolstering your technological capabilities, but do you think you will look at acquisitions to deepen your domain expertise in any specific vertical or sub-vertical?

Vishal Sikka

Yes, for sure. There are unique ways in which software is impacting many different industries and so that offers to a large degree that domain capability is something that we have to build from within and we have to harvest through better knowledge management and knowledge capture from within, but for sure we will be looking at that and we are looking at those kinds of capabilities as well. But the primary focus continues to be in unique ways in which automation and AI and technology like this can help improve our future. As well as new emerging areas like design, like collaboration and things of this nature.

Moderator

Thank you. Our next question is from the line of Sandeep Shah of CIMB. Please go ahead.

Sandeep Shah

Just the first question, if you look at this company it seems founded in 2006, so in eight to nine years it looks like impressive in terms of building a base of 400 active clients, but when we look into the revenue per client, it looks like $80,000 to $100,000 per client and so what is the reason why the scale per client has not happened? When we look into the valuations been ascribed to this company it looks like the services of this company is in high demand so why the client mining has not been to an optimal level?

Vishal Sikka

Look, they could be speculating and I don't want to speculate. I can only say that their capability is clearly world class. We have done our due diligence on that. We have talked to the clients including some of the biggest names in the world and they are all extremely excited about the technology. There are many challenges to bring complex Enterprise software to life, the hurdles and challenges and building great sales forces and things like that. Who knows what the reason is but the bottom line is that it is a great product, a great technology, proven at 100's of marquee customers, we know that it works and if the result of whatever elements of your question are that you are mentioning is that the price is low then that is good for us.

Sandeep Shah

Yes. And just the second question in terms of, it looks like there are some more than one round of funding which has happened so is it fair to say that company on its own is making internal cash accruals and it is above waters, or how should we read this?

Vishal Sikka

We will have more details on that because the year has not closet yet, in their case the auditor closing has not happened yet as Rajiv and Ritika mentioned. We will share more details as they become available to us and certainly I mean it has not closed yet so at the time of closing or after closing we will be able to get into more details on that. Ritika do you want to add anything to that?

Ritika Suri

No, I think that's absolutely true.

Vishal Sikka

Rajiv, anything you want to add to that?

Rajiv Bansal

No, nothing more to add Vishal, I think we have spoken about the company and the capabilities and what the revenue multiple is. I think at this point of time there is nothing more to share.

Sandeep Shah

Just last question, just further to what Ashwin has asked. Have we evaluated why not be a partner of this company rather than acquiring, so what is the strong logic, you already said that you want to bring the synergy by doing the additional packages, doing the additional services, and having a presence in Israel through this acquisition?

Vishal Sikka

Yes, that is the reason actually and those are the things that we cannot do by simply partnering. The company overtime has added additional that it works with for example JD Edwards and looking into Salesfrce.com and other areas. The opportunity to do more packages like that overtime that we will do, there are other package systems out there where we can bring this capability to. So that is one and the second one is to bring it to other unique service lines like Finacle, especially in software verification, IVS, the practice that we have like Application Maintenance as well as Application Development and Management. So these are areas and then of course the added benefit of getting a foothold in Israel with a great entrepreneurial mindset that the company already has and its ecosystem. So these are things that we cannot do simply by partnering and we announced the $500 mn innovation fund, 250 of that is for India but other 250 is for rest of the world and now Israel has emerged as arguably the second most concentrated area of innovation and startups after Silicon Valley and so that is another exciting dimension to that as well. But these are all things that we cannot do if we simply partner.

Sandeep Shah, CIMB

Just last bookkeeping, any cash and debt for the acquired entity in terms of

Vishal Sikka

All that with at the time of the closing we will be able to talk about all that. Ritika is it fair to say it is not significant?

Ritika Suri

Yes, that's fair to say.

Moderator

Thank you. Our next question is from the line of Ashish Aggarwal of Antique Stock Broking. Please go ahead.

Ashish Aggarwal

Just one clarification, so Panaya will operate as a separate subsidiary of the company or it will be a part of a business unit of the company

Vishal Sikka

It will be organizationally a part of Abdul's team which is Infosys Platforms which is within the company. Abdul reports to Pravin and so Doron will report to Abdul and will be responsible for this particular area. In terms of the corporate structure, maybe Ritika you or Rajiv can comment on this.

Rajiv Bansal

We will work on the corporate structure, we have some plans, but it is too early to be really talking about the corporate structures that we are going to put in place. The idea is to get the synergy benefits and to be able to make an impact on our service lines and to be able to get the benefits of the profitability improvement other things that Vishal and Ritika have already spoken about. So we are working on the structure. We have a structure in mind but it is too early to really talk about the structures and all of the things at this point of time.

Vishal Sikka

But it will be IL, Infosys Limited.

Moderator

Thank you. Ladies and Gentlemen, due to time constraints that was the last question. I now hand the floor over to Mr. Sandeep Mahindroo for closing comments.

Sandeep Mahindroo

Thanks everyone for joining us on this call. We look forward to talking to you again. Have a good day.

Moderator

Thank you very much. On behalf of Infosys that concludes this conference. Thank you for joining us and you may now disconnect your lines.