



Michael Dell
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MICHAEL DELL: It's great to be back in India. I'm very excited to be back as CEO again. I just got this job, but it's a job I've had before, and I know a little bit about it. I did the job for about 20 years. And it's an exciting time in our company. I'm very energized by the opportunities that I see in our business.

Now, this country has leveraged technology in some really amazing ways to fuel some tremendous growth, and there are many great companies in India that are now really operating on the global stage. I truly admire the leadership of those companies and what they've been able to achieve.

India is a very exciting place to be right now. Your technology industry is booming, the economy is growing at about 9 percent per year, and the future will be one of innovation and positive change in the world of technology. And we're very proud to be joining you on this important journey.

But we're about to see an evolution in technology like the world has never seen. Right now there are roughly 1 billion people that are connected online today with PCs, but that's only about 16 percent of the world's population. And we believe that's going to quickly become about 2 billion, so we're in search of those next billion customers.

India is going to be a key driver of that growth in this next age. India has about 50 million people online today, which is less than 5 percent of the population. But it's growing very quickly. Internet use in the country has increased 700 percent since 2000, and the notebook business has grown well more than 100 percent during this past year. The growth here has been amazing.

And every day about 500,000 new people are coming online, and that growth is occurring all over the world in fast growing markets, emerging markets like China, Russia, Eastern Europe, Brazil, and, of course, obviously right here in India.

There's a huge appetite for technology in these countries, and to support that, we're expanding our infrastructure pretty dramatically, including opening new factories.

So, we're making technology more affordable for customers all over the world. That's always been a big part of what Dell has brought to the industry. But governments also play a very important role in making technology accessible. If you're in India, for example, the tariffs on a PC make up anywhere from 20 to 25 percent of the cost of the PC. This is very different from other countries. And it represents I believe a significant barrier, or you could also see it as an opportunity to change and to evolve. But today it's kind of a barrier to the full development and full potential of using these tools



inside India. So, by reducing these taxes on progress, as we think about it, more people can benefit from the productivity and the advancement that comes with this technology.

I come to you today representing 86 of our component suppliers who have endorsed this idea of taking this tariff to zero. I think India has a major opportunity to do what it's done in cell phones with computers and computer technology.

So, let's talk a little bit about what Dell is doing in India. Right now, Dell is roughly a half a billion dollar enterprise in India, and I think rapidly heading to about a billion dollars. Last year, the unit growth for our business was about 70 percent from the prior year, so really tremendous growth.

And we are the number one provider of desktops and notebooks to large corporations, the kind with more than 1,000 employees.

We have rapidly growing research and development centers here in India, and research and development capability, which is really a systems capability to develop complete computer systems for not only our global business, but we're also beginning to work on products tailored to specific markets, including, of course, India.

One of the big areas of growth for us has been in the enterprise, specifically the datacenter. In fact, just in the last year, our business in India, we increased our share of the server market from 9 percent to 19 percent, just in four quarters' time. So, we're very happy with the growth we're seeing in that business. We're making significant investments in the datacenter.

And if you manage a datacenter, I suspect many of you do, you're probably seeing that it's increasing in size. If you think about the number of people coming online, whether you're in a commercial enterprise or an enterprise where you're serving consumers, the demands for those datacenters are huge, the demand for energy is increasing dramatically, the complexity of managing and balancing the loads inside these datacenters are ever more daunting. And we are spending a lot of time at Dell on building products and solutions that really optimize the low cost datacenter of the future.

We're also expanding the services capability within Dell. We have about a \$6 billion services business now. It's growing significantly faster than the product business, and especially so in the area of infrastructure services, helping customers to migrate from old legacy systems onto new more modern environments, optimizing and consolidating datacenters, moving onto the latest technology, implementing virtualization, those kinds of things.

I think there's also another very important capability that Dell has to offer our customers in India, and that is that we are truly a global enterprise. We operate all over the world. And as India's companies are going global, Dell is a company that can be your IT partner wherever you land in the world.

So, again thank you very much for coming today. I think I'm going to join you here, and we'll engage in some good healthy discussion.



MODERATOR: Michael, a question that is plaguing everybody across the globe at this point in time, not just CIOs and CEOs, but policymakers... We've heard Ben Bernanke speak, we've heard Alan Greenspan talk about the U.S. economy heading into recession. Let's hear it from Michael Dell. Consumer spending, technology spending, the U.S. recession, your thoughts. Are we heading towards that?

MICHAEL DELL: Yeah, I think there are certainly some ripples around the edges in the mortgage market that have some people concerned, but if you look at it in aggregate, I think the U.S. economy is still pretty healthy.

MODERATOR: Okay, let's talk about places like India. There are concerns on the infrastructure front. That's been a perennial problem as far as the Indian market is concerned. But to your mind what are the other regulatory issues maybe? We've had problems on the land acquisition policy front. To your mind, what's holding back foreign investment into India? And I'm going to try and elicit a headline from you: incremental investments from Dell into India?

MICHAEL DELL: I think the tariff issue is really the principal issue. You know, these 86 suppliers of ours that have signed this declaration all would invest fairly substantial sums. And the thing that's interesting about our factories, if you go to Ireland or Malaysia or China, is if you look in a five or 10 mile radius of our factories, you see a lot of other suppliers who have come to support. The kind of follow-on impacts of fully developing -- and also it's really an export opportunity. This is the primary issue that I think is the opportunity India has.

MODERATOR: How strong is the India story looking to you at this point in time? We're seeing inflation at over 6 percent, interest rates are climbing up. Everybody was talking about India being everywhere last year, but do you think the story continues to be as robust and strong at this point in time? Would you regard it as possibly your best performing emerging market?

MICHAEL DELL: It continues to be a great story. We didn't have a lot of countries that grew at 70 percent last year in units. So, India is definitely emerging, and I think the fact that we are putting a factory here shows a lot of commitment.

But how big that factory becomes is really back to this whole tariff issue. It can be a sort of moderately sized factory, or it could be a ginormous one.

MODERATOR: Okay, let's talk about Dell 2.0. You're back hopefully as the turnaround man at this point in time. But take us through what's been the lesson learned really. What is the big lesson learned over the past two years?

MICHAEL DELL: If you look at Dell's fairly recent history, let's say the last five or six years, the company actually almost doubled in size, where most of our competitors in the last five or six years really didn't double in size at all. In fact, they might be about the same size.



So, we've had some challenges certainly in the most recent period, and even in that, in our fourth quarter our cash flow from operations was almost \$1.2 billion; pretty good, you don't find a lot of companies with that much --

MODERATOR: But you aren't particularly happy with the results, are you? You've said that pretty much in a letter to the employees. (Laughter.)

MICHAEL DELL: I was getting to that. Yeah, I think we could do quite a bit better. So, what we're doing is to focus on some things that we think can dramatically help the performance of the company in the near term, and we believe we know what those are. Shortening our product cycle times, improving the focus and clarity in the organization. I think we've dramatically simplified the organizational mission inside the company. We've added some new fresh talent to take a completely objective look at a number of the things that we're doing. We've formed a new global consumer business. We have a new services business that we're creating. We're making these investments in the emerging markets. I think you'll see us do some acquisitions as we're focused on these new areas. So, we have an agenda of transforming the company.

MODERATOR: One of the issues that you talked about was the Direct2Dell initiative, the blog site that you've actually started. And customers have spoken about the quality of the Indian service centers on that particular Web site. I know there's been an outsourcing backlash for quite a while now. But how are you dealing with all of that, and have you been able to sell the outsourcing argument a lot better now?

MICHAEL DELL: You know, the focus that we have in our services activities is how do we dramatically improve the skills of our people. You know, we have sites all over the world, certainly a number of them here in India, but we have them in the U.S., we have them in Malaysia, we have them in Morocco, and in Costa Rica and Panama, in El Salvador, Slovakia; we have sites everywhere, Canada.

All of our team members are challenged to dramatically improve the skills and capabilities that they have. And we're also working to make their jobs quite a bit easier, with better tools, giving them more authority to solve problems right when they find them.

And the results are pretty encouraging. We're making nice progress. And I think we're putting much more emphasis on training and capability, which is really going to make the difference.

MODERATOR: So, if you were to put a headline number in terms of the investment coming into India at this point in time from Dell, what would it be?

MICHAEL DELL: You know, I don't think we disclose the --

MODERATOR: Give us a ballpark figure; we can try it.



MICHAEL DELL: It's a lot.

MODERATOR: Okay, it's a lot.

MICHAEL DELL: It's a lot.

MODERATOR: All right. (Laughter.)

On that note, I'm going to throw it open to the house. Anybody who has any questions, could you please raise your hand?

QUESTION: The biggest worry is the hardware dumping. What's Dell doing about that?

MICHAEL DELL: You know, Dell is the only computer company in the world to offer free recycling for all of its products. And I will reissue my challenge officially here today in Delhi to all other computer manufacturers to match Dell's commitment to free recycling for all of their products. We've taken on the task of recycling, and in some cases reusing, but in a very environmentally friendly way recycling these products, and also dramatically changing the type of materials that we put in our products to be the most environmentally friendly company in the world.

QUESTION: You mentioned that India has about 50 million connected users, and most of those I would assume are in metropolitan markets. So, assuming that most of the growth is supposed to come from non-metropolitan markets, what are the values and characteristics of logistical partners that Dell would seek in those markets?

MICHAEL DELL: You know, we're not thinking about just serving the urban markets; we want to serve the entire market. And I think certainly when you think about getting out into the vast opportunities in India, one of the big things that is a precursor to that, of course, is telecommunications. We need broadband communications, we need big fiber lines going across the nation, we need wireless networks, many different forms of communications to kind of open up those communication channels.

But we'll want to make our products available to all types of customers. And as we build our factory here, increasingly create products that are tailored to the unique needs of the consumer and business market here.

MODERATOR: You keep talking about India being this opportunity area and opportunity market for you. You've also talked about China, you've talked about Brazil, Poland, Vietnam. In terms if you were to rank it in terms of an investment destination, would India be your preferred investment destination at this point in time, would it be in the top three?

MICHAEL DELL: You know, I think certainly if you look at Asia, China and India are the big areas of focus. And they're a little different, each one is a little different. Dell has many more people in India



today than we have in China, but China is a much larger market. I think it has to do again with this tariff issue.

How big will the market in India be in five or 10 years? I think again it goes back to the tariff issue.

Every country is in this race to see who can have the higher standard of living, who can create the greater future for its people, who can attract the investment in the capital. And everyone has got to balance a multitude of issues. So, we are going where the talent is, we're going where the opportunity is, and certainly India has an enormous focus within Dell.

MODERATOR: General Mehta, I know you've been interacting with the government in all of these matters. Now, do you actually think that we're going to see more money coming in from Dell, given the conversations you've had from the government in terms of the issues he's brought up here today?

SS MEHTA (Director General, CII): Well, he had a point to say actually before we came here, Gopal was talking about it, that pluralism in a democracy, and the various challenges that India is required to face to prevent it from doing everything at the same time. So, there are these challenges which are required to be addressed, and therefore from his perspective I think he makes a great point. Unless tariffs come down, investments will not come in a big way. But when you look at inclusive growth, there are some things that need to be done a little faster, a little better. And hopefully over time it will happen, but India will remain exciting.

MODERATOR: All right, India will remain exciting.

QUESTION: India had a slow start in broadband. Now we have over 2 million broadband connections; we expect 10 million more to be added this year. We think it's terrific this growth. And yet I heard you say somewhere that anything less than 100 megabits per second will not be considered broadband. I was puzzled. Help us understand what; should we do something differently?

MICHAEL DELL: If you take the big urban centers where you have incredible density, it's a perfect opportunity for fiber. And fiber is really the way to do this. I mean, Singapore is wiring up fiber in a big way, you see fiber going in heavily in Korea and Japan. And so you should be careful not to make the mistake to wire up the wrong technology, right? So, you wire up all this stuff with 1, 5, 10 megabits, and then five years from now, 10 years from now, you look up and say, uh-oh, we've got the wrong stuff, now we've got to go change everything. So, I think fiber is definitely the way to go.

QUESTION: Do you have plans of diversifying from being manufacturing only into the services sector? And a good example is Sony. Ten years ago, it started thinking about this, so instead of just manufacturing and selling products, it started buying software, media, publishing, so it did that organically and inorganically. So, is there a vision for Dell over the next 10 years perhaps?



MICHAEL DELL: Yeah, I mentioned earlier the services business that we have, which is about a \$6 billion business now. And it's growing both organically and with partners, and also we've started to do some small acquisitions.

What we see there is an opportunity to transform many of our customer relationships. For example, one large customer we have came to us and said, "You know, we've been doing business with you for 10 years, and you're doing more and more things for us; we'd actually like you to manage the entire lifecycle of the product, the software, the help desk, moving the machines around, for our entire environment, the workstations, the notebooks, the PCs... you just take over the whole thing. You deliver them to the users. You service them, you take them away when they're done, recycle them." And so we signed a six-year contract, close to a billion and a half dollars with this customer.

And so we've transformed that into a managed services relationship. We're seeing many more opportunities like that, not only in the client world but in the datacenter world.

We acquired a company recently, which was doing work for one of the large global banks. And what they had was a set of tools to aid in the transition of applications from one operating system to another. So, if you're going to go from Windows XP to Windows Vista, we can help you do that, and we have some resources as part of that company in India to help us do that.

We also have software tools to maintain a consistent image inside the environment of large corporations.

So moving the business to services and software is going to be a big part of Dell's growth in the next three to five years.

MODERATOR: Thank you very much, Michael.

Thank you, ladies and gentlemen.

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