The Power of E-Commerce

Only those who dare to fail greatly can ever achieve greatly.

Robert Francis Kennedy
(1925–1968)

At the turn of the last millennium, e-commerce created excitement in the hallowed corridors of Harvard Business School as well as the poorest lanes of Hoshiarpur, Punjab, India. The reasons for this are not far to seek. The two powerful paradigms of *anytime-anywhere* and *virtualization of the corporation* have demonstrated their tremendous potential to improve business reach, to reduce costs and cycle times, and to enhance productivity in organizations across the globe. Consequently, consumers can hope for better comfort and greater value-for-money. We, at Infosys, believe that technology has the potential to bring as much value to the poor of India as to the rich of the United States. However, the task of e-enabling corporations to take advantage of this seminal phenomenon requires deep thought and quick action on the part of business leaders and IT professionals. This year, Infosys brings you an abridged version of a very informative panel discussion on the challenges faced by corporations in harnessing The Power of E-Commerce.

Contents

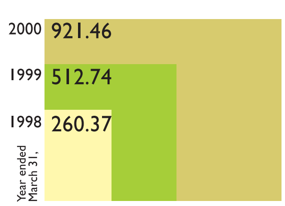
The year at a glance

in Rs. crore, except per share data

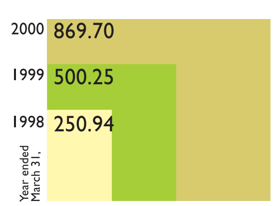
	March 31, 2000	March 31, 1999	Growth %
For the year			
Total revenues	921.46	512.74	80
Export revenues	869.70	500.25	74
Operating profit (PBIDT)	378.88	191.75	98
Profit after tax (PAT) from ordinary activities	285.95	132.92	115
Profit after tax and extraordinary items	293.52	135.26	117
PBIDT as a percentage of total revenues	41.12%	37.40%	
PAT from ordinary activities			
as a percentage of total revenues	31.03%	25.92%	
Earnings per share (from ordinary activities) *			
Basic	43.23	20.10	115
Diluted	42.15	19.93	112
Dividend per share	4.50	3.75	20
Dividend amount	29.76	12.11	146
Capital investment	159.87	71.68	123
PAT as a percentage of average net worth	40.63%	54.16%	
At the end of the year			
Total assets	833.30	574.43	45
Fixed assets - net	207.34	100.72	106
Cash and equivalents	508.37	416.66	22
Working capital	612.13	472.96	29
Total debt	–	–	–
Net worth	833.30	574.43	45
Equity	33.08	33.07	–
Market capitalization	59,338.17	9,672.80	513

Market capitalization is calculated by considering the Indian market price for shares outstanding at year-end.

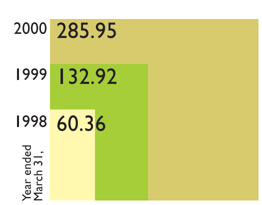
* Basic and diluted EPS are calculated on profit after tax before considering extraordinary income and effect of extraordinary item – provision no longer required. The basic and diluted EPS for the year ended March 31, 1999 has been restated for a stock split of 2 for 1 (subdivision of 1 share of Rs. 10 par value into 2 shares of Rs. 5 par value) effected during the year.



Total revenues
in Rs. crore



Exports
in Rs. crore



PAT from ordinary activities
in Rs. crore

from top to bottom

❷ Comfactory

Nagaraj N. S.
Srinivas T.

Awards for excellence
1999-2000

from top to bottom

❷ CMM Level 5 team

Raghavan S.
Bhashyam M. R.
Ramakrishnan M.
Lakshmi S. Kumar
Senthil Nathan M.
Ravikrishnan K.
Ravindra Karanam
Mohan Ram B. R.
Kiran M. Potdar

from top to bottom

❶ The ADR team

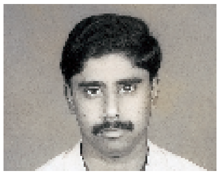
Mohandas Pai T. V.
Phaneesh Murthy
Balakrishnan V.
Ramadas Kamath U.
Ganapathy P. R.
Vinayak Pai V.

from top to bottom

❷ Sainsbury's

Srinjay Sengupta
Krishnamoorthy A. S.

Awards for excellence
1999-2000


from top to bottom

❸ Kansas City Southern Railways project

Sajan Verghis Mathew
Muthuvel G.
Sanjay Surendranath
Venkatnarayan S.
Prasad T. P.






from top to bottom

❸ Spurt

Srivathsa P. S.
Srirangan Rajagopal
Srikanth N. R.
Suma Subramanian
Sangeetha Pradeep
Lakshmi Sujayananda





from top to bottom

❸ Aetna

Bart Higgins
Priti Rao
Jayaraman Nair
Shinju Damodaran
Madhav Kulkarni






from top to bottom

❸ E&R team 1

Yegneshwar S., Dr.
Kochikar V. P.
Nandakumar N.
Prashant V. Mahajan
Samuelraj S.
Rakesh Agarwal

Adieu, NSR

Nadathur Sarangapani Raghavan or NSR, as he is affectionately called, has several rare distinctions. He was employee Number One at Infosys. He is the oldest amongst the founders. He is the only passable singer and restaurant quality cook among the gang of founders! I can go on and on because NSR has an inexhaustible set of endearing qualities.

NSR worked with me when I was head of the software division at Patni Computer Systems (PCS). He was the first person I spoke to about founding Infosys. When, on a cloudy winter morning in Mumbai, I told him that I was going to leave PCS and that I would recommend that he take over from me, his reaction was incredulous – he just wanted to be with me! He had a wife and two teenage sons to support, and here I was – with no concrete idea as to what I was going to do! But, just the comfort that a valued colleague of mine was ready to stake his rosy future at a well-established corporation in favor of an adventurous and somewhat reckless maverick was a great morale booster for me. Thus, Infosys was born with NSR's house in Matunga as its registered office.

In his nineteen years at Infosys, NSR has taken up a variety of responsibilities. He has probably had the most eclectic career profile in this organization. He has handled HRD, Delivery, Education and Research, Planning and Finance, all with distinction. He designed the first revenue tracking system for Infosys, *The Billing Performance Report (BPR)* – still a widely used application despite our becoming an SAP shop. He was even the first ever chauffeur of an Infosys vehicle – a rented Vespa scooter – ferrying me, the eternal pillion rider, across the streets of Bangalore during 1983!

The most striking quality of NSR is his pleasantness. I have rarely seen him get upset about anything. He is best known at Infosys for his saying: *You can disagree with me as long as you are not disagreeable.* He is also, probably, the most enthusiastic window-shopper in the world!

NSR continues to be a Trustee of the Infosys Foundation. He will be dearly missed at Infosys. I hope that NSR and his family are blessed with the best of everything in the future.

N. R. Narayana Murthy
Chairman and Chief Executive Officer

Bangalore
April 11, 2000

Board of directors

N. R. Narayana Murthy
Chairman and Chief Executive Officer

Nandan M. Nilekani
Managing Director, President and Chief Operating Officer

Susim M. Datta
Director

Deepak M. Satwalekar
Director

Ramesh Vangal
Director

Prof. Marti G. Subrahmanyam
Director

Philip Yeo
Director

Gopalakrishnan S.
Deputy Managing Director

Dinesh K.
Director

Shibulal S. D.
Director

Dear shareholders:

Infosys has had yet another good year. As in the past, we worked very hard to design, develop and deploy high quality solutions for our clients, and thereby further strengthened our partnerships with them. Under Indian GAAP, total revenues grew by 80% while profits after taxes from ordinary activities witnessed an increase of 115% over fiscal 1999. As intended, revenues from the e-business space grew faster than our other revenue streams. We are delighted to report on the year gone by and invite you to review our performance and also to learn more about the trajectory that Infosys intends to take in the future.

From the very beginning, our approach to doing business has entailed a client-focussed work ethic. To this end, we have laid great emphasis on harnessing the talents of best-in-class people and on implementing our engagements using world-class quality processes. This, in turn, has brought about a consistent increase in revenues and net income from operations 28 quarters in a row, since we went public in India in 1993.

We would like to share with you our thoughts on the drivers for our past successes and on the role that our strategic assets will play in accomplishing our vision for your company's future. While change is the only constant in the world of technology, we firmly believe that our uniquely implemented business strategies, outlined below, will continue to be the cornerstones of our success in the years to come.

1. Aim to be a global corporation – and fully exploit the resultant benefits

   The essence of Infosys' business model is to access pools of high-quality talent wherever they are available at competitive costs and use them to deliver value to target markets that are at the forefront of using leading-edge technology in business. Further, operating from facilities across the globe enables us to leverage time zone differences to facilitate 24 x 7 partnering with our clients. This approach – perfected over the years through our Global Delivery Model – has not only resulted in consistently high profitability levels, but has also assured the stability and scalability of our business model.

   As part of our continuing efforts at globalization, we set up a Global Development Centre at Toronto, Canada in January 2000. In October 1999, we established two Proximity Development Centres (PDCs) at Fremont, California and Boston, Massachusetts. Plans are also underway to set up a PDC in the U.K. shortly. Further, we recently established sales offices in Australia, Belgium and Sweden.

2. Build long-term relationships with clients

   A strong focus on satisfying customer needs has enabled us to build long-term partnerships with our clients. Our record of delivering superior solutions to clients is manifested in the high level of repeat business year after year – accounting for 87% of fiscal 2000 revenue.

3. Recruit, enable and retain high-quality people

   The success of our business model hinges on attracting the best and the brightest. Today, Infosys has become the employer of choice in India – we had approximately 184,000 job applicants in fiscal 2000, and, from them, hired approximately 2,050 new Infoscions.

   Intensive entry-level training, amounting to nearly 100,000 person-days in fiscal 2000, helps us equip new recruits with the skills required to mature into world-class software professionals. And with nearly 14,500 person-days of total internet-related training this year, our employees continue to be well equipped to capitalize on the opportunities thrown up by the explosive growth of the internet.

   Our stock offer plan, driven by a desire to share wealth with our highly driven workforce, was and continues to be a huge success – we have around 270 dollar-equivalent millionaires in our workforce today and our attrition rate, at 9.2% for fiscal 2000, is among the lowest in the industry.

4. Be exceptional change managers – maintain a prudent business mix while proactively seeking out new growth opportunities

   Over the years, we have evolved a portfolio approach to our basket of service offerings, technologies and clients. Prudent risk management norms, as outlined elsewhere in this annual report, have helped us avoid excessive dependence on any one service offering or client – without compromising on our agility in tapping new opportunities that the IT services space continues to throw up. This ability to quickly respond to changes in the marketplace and to effectuate smooth transitions in business mix is a key strength of Infosys. For instance, we successfully managed the transition of our Year 2000 related engagements – down from contributing 24.0% to our Q1FY1999 revenues to 0.9% of our Q4FY2000 revenues. This was accompanied by a sharp rise in revenues from the internet space – up from 1.3% of Q1FY1999 revenues to 18.8% of Q4FY2000 revenues. The enabling factors for this performance included the delivery of internet-focussed training at all levels of the organization, a special initiative for e-inventing the company, and a concerted effort to adapt existing methodologies to the needs of the e-solutions space.

5. Maintain an unwavering focus on quality

   After fully leveraging the value of Level 4 implementation of the Capability Maturity Model (CMM) of the Software Engineering Institute at Carnegie Mellon University, USA, we obtained accreditation to Level 5 of the CMM. Further, in keeping with our philosophy of sharing our best practices with the industry, we accepted the request of Prof. Pankaj Jalote of the Indian Institute of Technology, Kanpur, India to publish a book entitled "CMM in Practice: Processes for Executing Software Projects at Infosys (The SEI series in Software Engineering)". Incidentally, this is the first book ever to be published on CMM Level 4 implementation.

6. Seek out innovative avenues for growth

   Having grown organically to over $ 200 million in revenues, we decided this year to accelerate our initiatives to tap alternative means for continued growth. Towards this end, we decided to begin exploring acquisition opportunities, to make selective strategic investments, and to encourage budding entrepreneurs within our highly competent and ambitious family of Infoscions by incubating their ventures.

   We emphasize that, given the tremendous management attention required in order to unlock value from an acquisition, we will opt for this step if and only if it brings in significant strategic benefits along with revenue and net income enhancement commensurate with such effort.

   We intend to make select investments in leading-edge companies that have the potential to yield substantial business benefits. These benefits would primarily be in the form of opportunities for revenue and net income growth and access to the very latest technological developments. We made our first investment this year in Massachusetts-based EC Cubed, Inc., a dynamic application provider for B2B e-commerce, granting it $ 3 million in funding.

   Further, we have provided an incubation mechanism for our existing employees to launch their own ventures while continuing to derive benefits from a close association with Infosys. Having launched Yantra in 1996, we recently piloted *Onscan* – a web-focussed wireless-enabled notification service.

7. Maintain disciplined financial management practices and tap high-quality sources of capital

   Conservative financial management policies have enabled us to maintain high and stable profitability levels in the past. We continue to be debt-free, to have conservative budgeting and cost management processes, and to have a strong and healthy balance sheet.

March 11, 2000 was the first anniversary of our listing on the NASDAQ. Apart from meeting our requirement for high-quality capital and enabling us to attract high-quality employees across the globe through the ADS-linked ESOP, the listing has yielded the expected spin-off brand equity benefits.

8. Build world-class physical and technological infrastructure

We continue to provide world-class infrastructure for our client engagements and for our employees. In addition to our new overseas development centres, we expanded our operations in India to three new cities and continued to invest in cutting-edge technological infrastructure.

9. Maintain a firm commitment to our core values

The strength of our business, in the ultimate analysis, lies in the supreme commitment, strong customer focus and impeccable integrity of our workforce. Further, as an organization, we continue our quest for increased transparency and openness in every transaction.

Infosys continues to be a pioneer in adhering to global best practices in corporate governance. During the year, the company won the prestigious National Award for Excellence in Corporate Governance instituted by the Ministry of Finance, Government of India and sponsored by the UTI Institute of Capital Markets. This year, we are happy to provide reports on our compliance with the recommendations of the Shri Kumar Mangalam Birla Committee on Corporate Governance (constituted by the Securities and Exchange Board of India) and the Blue Ribbon Committee (constituted by the Securities and Exchange Commission, USA).


Nandan M. Nilekani
Managing Director, President and Chief Operating Officer

N. R. Narayana Murthy
Chairman and Chief Executive Officer

This year, Infosys was voted India's Most Admired Company by *The Economic Times* – India's leading business daily. Moving forward, we are more enthused than ever about steering Infosys to greater heights and look forward to your continued encouragement.

As in the past, our success depends strongly on the commitment of our fellow Infoscions. We salute them on yet another year of sterling achievements and appreciate their unwavering trust and support.

Nandan M. Nilekani
Managing Director, President and Chief Operating Officer

N. R. Narayana Murthy
Chairman and Chief Executive Officer

Bangalore
April 11, 2000

Forward-looking statements in the letter to the shareholders should be read in conjunction with the following cautionary statements. Certain expectations and projections regarding future performance of the company referenced in this Annual Report are forward-looking statements. These expectations and projections are based on currently available competitive, financial, and economic data along with the company's operating plans and are subject to certain future events and uncertainties, that could cause actual results to differ materially from those that may be indicated by such statements.

The Power of E-Commerce

The turn of the last millennium saw the emergence of what is, probably, the most powerful paradigm that the world has witnessed in recent years – e-commerce. Advances in communications and computing, and the realization of the power of the internet have made e-commerce the most revolutionary instrument for improving the productivity of both corporations and individuals. In the last twenty years, Information Technology (IT) has influenced our lives and the way we do business like no other technology has. Change, speed of change, and adaptability to change have become the key concerns of every Chief Information Officer. To understand the challenges involved in harnessing the power of e-commerce, Infosys invited several well-known thinkers and practitioners of IT from across the globe for a panel discussion on this topic at Minneapolis, USA on September 23, 1999.

Gopalakrishnan S., Founder, Deputy Managing Director – Customer Service and Technology, Infosys, moderated the discussion. The participants were:

HARSHA KUMAR
Co-founder and Director – Product Strategy, EC Cubed

JOE PROCHASKA
CFO & Executive Vice-President, Aon Group

IVO COOLS
CIO, Belgacom Mobile

CRAIG PAGE
Managing Director – Technology Services, First Data Resources

BERNADETTE KIRBY
Managing Director – IT & Product Development, NCH Marketing Services

ARTUR URBANSKI
Chief Technology Officer, NetProspect

JIM BRACKEN
Vice-President – Engineering and Operations, CBS Sportsline

BOB AUSTRIAN
Managing Director, Bank of America Securities

GOPALAKRISHNAN S.
Founder, Deputy Managing Director – Customer Service and Technology, Infosys

The editors of this annual report provide below an abridged version of the panel discussion. Infosys accepts full responsibility for any possible errors in abridging the views of the panelists. However, Infosys is not responsible for the views expressed by the panelists.

Gopalakrishnan S. (Kris)

Welcome to this panel discussion on the Power of E-Commerce. I am excited about this opportunity to learn from the scholarship and wisdom of our eminent panelists. Thanks to the anytime-anywhere paradigm and to the virtualization of corporations around the world that the internet has brought about, it is well accepted by now that every corporation should embrace this channel for survival and success. Who do you think should drive e-commerce initiatives? The technologists or the business leaders?

Joe Prochaska

Survival and success in any technology-driven business initiative requires both the business and the IT people to jointly drive strategic decisions. The objectives of these two groups have to be aligned in order to leverage the much-needed mutually exclusive but collectively exhaustive experience and expertise to harness the power of the web. In my own organization, I have found greater success in e-commerce initiatives implemented in areas where both the IT and the business people worked together as a well-knit team.

Kris

In the future, will you look for business people with technical skills or technical people with business skills?

Joe

We will look for both types of people. Growth in revenue and in profitability will come only if our business people appreciate the role of IT in creating a competitive advantage for the corporation. Resistance to embracing new technologies is the weakest link in any corporation. We have to create an environment where the technologists and business people are not afraid to interact closely with each other. In fact, this is one of the fundamental responsibilities of a CIO. This is particularly true in an organization that has grown rapidly through acquisitions, and is trying to erect a common information infrastructure.

Ivo Cools

I agree that e-commerce mandates a joint effort from both the technologists and the business people. However, I believe that business people need not be concerned about the trench-level details of technology. They have to look at how technology can bring better business benefits to the corporation. The e-commerce paradigm is a great opportunity for the business people to generate new ideas on how their company's business should be run. They should resist going beyond intelligent users of technology. This is especially true in a hi-tech corporation like ours. Thus, technology knowledge should lie with technologists and business knowledge with business people. We have to create suitable interfaces for dialogue between these two groups.

Kris

But, everybody today has to become more IT-savvy. For example, the use of tools is increasing personal productivity. Perhaps, being a hi-tech company, your company is an exception.

Ivo

If being IT-savvy is to know how to use IT products, I agree with you. Let us remember that, in general, the most successful products are those that bring great benefits to the users and are also the easiest to use. For example, users of high quality headsets must have an appreciation not for the technology that goes into the product but for the quality of music that it produces.

Joe Prochaska
CFO & Executive Vice-President,
Aon Group

Harsha Kumar

Because internet applications are becoming ubiquitous and are accessible from anywhere, it is now possible for a business person from one company to visit the website of a competitor and to evaluate how that competitor leverages technology for the benefit of the stakeholders of the company. This was not possible within the client/server environment. Thus, business people need increased awareness and appreciation of technological developments if the organization is to retain its competitive advantage. The converse is also true. Thus, I agree with Joe that business people need more technology awareness and that technology people need more business awareness. More often than not, it is the business people who lead the strategic thrust for leveraging a new technology paradigm. However, I have seen exceptions. In one of my implementations for a large credit card company, it was actually the IT people who drove the whole initiative without even taking permission of the business folks. That doesn't happen too often, though.

Kris

And, what if that initiative succeeds?

Harsha

This particular initiative will succeed. The system has gone live and is performing well. The technology people wanted to prove a point to their business colleagues and worked smart and hard. What was thought to be impossible even in six to eight months by business people was completed in six weeks! The technologists got the attention and admiration of the business folks only because they did something radical. We have to see such radical steps from both sides. Businessmen have to demonstrate their appreciation for the complexities of IT. And the IT folks have to be more responsive.

Jim Bracken

Technology is changing rapidly and there is a plethora of tools available in the market today. Every day, we get hundreds of calls from vendors who tell us how good their tools are. In such an environment, it is easy for technologists to lose the business perspective and to get carried away. Thus, potentially, huge amounts of money and time can be wasted. The need of the day is to look at the business benefits from these technologies and to estimate the return on investment that they can offer. Thus, unless we can have an educated dialogue between the technologists and the business people with each group bringing their expertise to the table, we may not get the desired returns.

Kris

Let me turn to another important question. Are traditional companies, including technology-driven firms, run differently from dot-com companies?

Bob Austrian

I believe that every aspiring company – traditional or dot-com – will have to look at innovation, at using that innovation to create a strategy, and at ensuring a high velocity of decision making in implementing that strategy. Whoever does all these things well will be a good bet for the future. There is a lot to be said, and, we all have a lot of affection for the latest in the *'shopping cart', 'personalized news', 'send the quotes to my pager or phone'* kind of technology; but, at the same time, we are entering a level of e-business and a time in the development of e-business where success is not really about technology features and functions. Success is about business strategy. It is about how technology and a business mindset support that strategy. That level of abstract business thinking is probably not going to come from the IT people unless they wear their *'What is our business strategy?'* hat.

Ivo Cools
CIO, Belgacom Mobile

Kris

Bernadette, do you consider your company closer to the dot-com companies?

Bernadette Kirby

No, I do not think that we are very similar to a dot-com. Our transformation has not been as much due to a dot-com mindset as due to asking fundamental questions about our business strategy, our focus, and our processes. As a result, we did a lot of re-engineering. In the process, we discovered that what we had traditionally been selling was not what our customers actually wanted to buy. We were selling paper, process, and handling, when what our customers wanted was information.

Coming back to the question of who should drive strategy – business people or technologists – I agree with Joe that business people and technologists should work together for a successful solution. I have found that, often, business people do not adapt to new paradigms as quickly as technologists do. For example, it took us a longer time to revamp our pricing strategy than it did to develop a re-engineering solution. The business people could not adapt because we changed so quickly from being a paper-handling house into being an information provider. Thus, while re-engineering an application, we actually discovered a new product, and maybe even part of a new business model.

Kris

Craig, any thoughts on re-inventing the business?

Craig Page

We believe that the marketplace should drive our business strategy. We want our business folks to be out in the field talking to our customers and coming up with new and intelligent business ideas. They then bring those ideas to us in the IT function and challenge us to help them thrive in the marketplace. Thus, we minimize our interaction with the business folks, often restricting communication to e-mail since writing improves clarity of one's ideas.

On the IT front, we must become more open-minded and solution-oriented. In our company, the role of IT is to re-engineer and re-architect our business processes and the underlying technology platforms.

Kris

Thanks to the internet, Harsha can now look at what the competition is doing. Do you feel uncomfortable putting up your critical IT applications on the internet or do you see your competitors differently today? We have heard Prof. Prahalad talk about competitors as being possible partners.

Artur Urbanski

In the realm of dot-com companies, competition is heavy and the first-mover advantage is a big leverage. Hence, unless you are fully ready and have some lead over your competitors, you have to be very careful in deciding what can be seen on your website. If you go to our website, you will see only one page and no information!

Kris

Under construction, right?

Artur

In some sense, yes. But that is not the key reason. There are many reasons why we do not disclose too much on our website. Let me just give you two of them. First, we do not use our website to attract prospective employees because describing critical job profiles may disclose a lot about our idea. Second, with a rapidly and dynamically changing marketplace, we may have to change our direction based on where our current and potential competitors are.

Kris

Any other views on the marketplace and on competition?

Joe

We face several challenges in leveraging the power of the web in the marketplace. First, we bring the best product and price value to the consumer. The net offers a good opportunity there. We have already leveraged the web for this purpose in some of our smaller products. Second, we have focused on individual cities. But, the web allows us to go much beyond this. However, we have to remain both hi-tech and hi-touch because our customers want a comfortable relationship with us.

HARSHA KUMAR
Co-founder and Director – Product Strategy, EC Cubed

Harsha

Coming back to the issue of the visibility of your prime applications to your competitors, my view is that we should not worry about it. You have to do something unique to stay ahead of the competition. That will come from the intrinsic worth of your business model. I would argue that this is actually embedded in your legacy applications. That is where I completely disagree with Prof. Prahalad. Legacy systems have value and you may have to bring about a gradual replacement of these systems.

Kris

Any other views on this issue?

Jim

Let me bring another dimension to our discussion. The life span of any new competitive advantage is fast reducing. We used to talk of a competitive advantage of six months, in fact, a year plus during the last decade. The internet has brought down that period from several months to just a few weeks. We see it all the time in our business. We launched a new, completely re-designed store in October last year. It took only two and half months before all our key competitors completely copied our user interface. So, you are constantly working on your next competitive advantage, not just sitting there and following what other people are doing. You have to be at the cutting edge and keep pushing those new ideas that are going to be beneficial to your business.

Kris

Are current structures of traditional organizations hindrances to agility, adaptability and innovation required for thriving in these times?

Craig

Yes, I think so. The tendency to build organizational silos has slowed down communication and decision-making in traditional companies. The successful ones focus on teamwork and ensure open lines of communication. That is what I have observed in my company too. Initiatives based on teamwork and shared objectives have succeeded while those that shunned these have failed to take off.

Kris

What are the issues you faced when implementing e-commerce solutions? How did you solve them?

Joe

Decentralization of IT, with each of our divisions having its own IT staff, was a big problem. Given the acquisitions that Aon has been through, that was inevitable. Thus, there was a *not-yet-invented* syndrome leading to a lot of duplication of effort and not too much focus on improving upon somebody else's existing work. We are now focusing on using the best practices across all these groups. We have fostered the concept of interdependency in Aon. Our objective is to bring all the products and services of Aon to every individual client. This requires all our business units to interact to enhance their collective response to each client. Technology brings the information about all our products and services, as well as about the client to the desktop, and helps our people identify the best way to serve the client in an integrated value addition framework.

Artur Urbanski
Chief Technology Officer,
NetProspect

Bob

The number one impediment, in my opinion, is the fear of cannibalization of an existing business model or pricing structure. As we heard, it is difficult not to feel that some of the new e-commerce products, strategies, services, pricing models and disintermediation effects are a real fear-point. This can happen all the way up to the executive level, to the point where, as we have all read, you get companies like Merrill Lynch on the internet, trying to figure out what to do with their entire brokerage structure and all of its professionals. They have spent so many years building this stuff up; and then they move to an e-commerce strategy, where all of us in this room can login and, sort of, go around our brokers. That is a terrifying scenario, and that is also probably the biggest impediment to effectively implementing an e-business strategy. This stands out when you read about why someone like Wal-Mart, for instance, takes a long time to engage in a straight-to-the-consumer-over-the-net strategy. Or when you see that Borders or Barnes & Noble are slow in responding to the e-business imperative.

Ivo

The first major issue we face when we engage in e-commerce is the near-zero tolerance that the customer has towards errors and delays in transacting business via the internet. The second is the reaction time of the competition, which is now a matter of days in this intensely competitive environment.

Kris

Let me now come to the technology issues in adopting an e-commerce solution. There have been some concerns about security, reliability, performance, and maturity of various platforms for an e-commerce solution. Do you see these as key issues and what, in your opinion, are the solutions?

Craig

Distrust arising from skepticism about security is certainly an issue in our industry – the financial data processing industry. It is a huge issue because there are lots of folks out there who do not trust the internet at all with their credit card numbers. My 70-year old father still does not use an ATM machine because he swears somebody in that box is going to take his money and not give it back to him. So, it is a very serious issue from our perspective. This can be effectively tackled if we use instruments like certificates, packaging, and various processes that are available to us today. It is a solvable issue and I am confident that we will overcome it. In fact, we have overcome a number of these issues already.

Kris

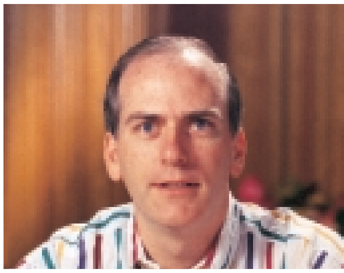
What about the maturity of the platform? Traditionally, the mainframe has been in use for over 20 to 30 years. We knew that the system was going to work 24 hours a day and 7 days a week without any problem; but, today's software products are very complex and have still not reached that level of stability.

Craig

Well, stability has certainly a lot to do maturity. I remember the day when it was okay to have 85% availability; and, then it went to 90% availability, and, today, it is 99.9% availability, especially on the mainframes. Our clients are demanding similar levels of stability as we get on to the internet. We do a lot of bill presentment and bill payment through the internet. Our clients can look at their statements and can review their balances. Their expectations have been raised to very high levels. They are very unforgiving of response time delays, let alone security lapses. They have multiple choices and loyalties can shift quickly. That is why maturity and stability are of paramount importance.

Joe

I guess I have to confess that I am a CFO and not a CIO. I am really concerned about availability, reliability, maintainability, performance and security from the business angle. Customer confidence in us depends on these factors. Business growth comes if we can implement customer-friendly processes on IT platforms with these attributes. That is where I depend heavily on our IT people.



Jim Bracken
Vice-President – Engineering and Operations, CBS Sportsline

Ivo

Recovery from failure of internet systems requires agile responses from the organization. News of such failures spreads like wild fire and corporate reputations can easily be destroyed, thanks to mechanisms like chat, news channels and radio on the internet.

Harsha

Being a software vendor operating at the leading edge of technology, we ask these questions very often. We aim to bring the benefits of such technology to our customers. Given the rapidity of change in technology, it is unlikely that we will see maturity of platforms like in the past. However, the security issue is pretty much solved. I think people are much more confident now about internet transactions than they were before. Web-based transactions are probably more secure than paper-based transactions. As far as maturity goes, models like EJB and CORBA have vendors who specialize in them. So, the IT departments can focus on their application layer and not have to focus on the security level or distributed component models or applications server infrastructure.

Bernadette

I tend to agree that security issues are reasonably well-solved in today's environment. The IT people have to remain very close to the business and to the development of new products and services. I cannot expect them to be all things to all people in a very fast moving environment. Thus, we do use a couple of companies to manage security for our website.

Artur

I would like to comment on the pain of being a first mover. If you are at the leading edge, the marketplace shows tolerance for errors and delays. People understand the negatives of beta versions and put up with them. We have seen many examples of that. You can keep working on your product till you get it right. Of course, once competition comes into play, you do not have this luxury. However, I am not sure if the marketplace will ever show such tolerance if the security of your product or service is not within acceptable levels.

Jim

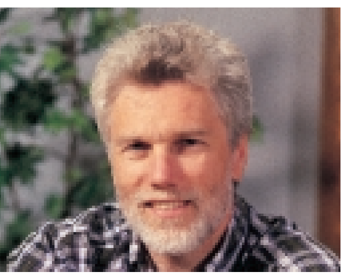
Security is critical for us because we cannot lose the trust of our consumers. In my opinion, security cannot be just left to the software developers. We also need the services of security architecture experts.

Bob

In the current context, it will be unacceptable for a company to fall behind in performance on any front – whether it is in e-commerce functionality, in security, in response times, or in building new competencies. If you are a bank and you do not have the latest features in internet banking, you will see a huge customer defection rate. For instance, in the cellular business, *churn* is the number one enemy. The cost, to the consumer, of defecting to a competitor is falling rapidly because companies are willing to spend a lot to acquire new customers – *'Will you provide the instrument?' 'Will you give three months free?' 'Will you give me free nights and weekends for rest of my life?'* Probably, there is still a group of loyal consumers because our parents and grandparents are not going to change their consumer behavior that rapidly. The problem will become acute in a few years when your son is going to be amongst the mainstream consumers of P&G or Bell Atlantic. Then, performance is going to have to be top class or companies are going to be out of the marketplace.

Kris

Now, let me come to the funding for all these new initiatives. Is the budget for IT increasing because of the e-business phenomenon? Is IT being funded differently? I know that the VCs look at dot-com companies in a different way from the funding of start-ups in traditional sectors. Near-term profitability does not seem to be a criterion for funding dot-coms today.



Craig Page
Managing Director – Technology Services, First Data Resources

Craig

Well, I think part of the issue within our company is that there is no in-depth understanding among the financial folks of the funding needs of these initiatives. They do not always appreciate the medium-term nature of benefits to the corporation from e-commerce initiatives. The ROI models for e-commerce initiatives are not yet fully developed. However, things are changing.

Kris

Joe, do you want to respond to this?

Joe

There is some skepticism about funding e-commerce initiatives since several of them have gone bust in the past. However, we have to recognize that this phenomenon is not unique to e-commerce. Further, at Aon, IT budgeting has traditionally been decentralized and it was done bottom up. Now, we have moved to a model where standards for hardware and software are set centrally. Thus, the amount of money available for non-standard initiatives has come down. Further, we compute overhead charges for any new common initiative and allocate it to individual businesses. The idea is to fund the pilots for these initiatives, to prove them to be useful and then to deploy them across the entire organization.

Ivo

Funding is hardly a problem in our company due to the highly competitive marketplace we operate in. Revenues are very important to us. Thus, if we make a business case based on revenues, we will get funding. The real problem is to find people to execute the projects since we have a centralized IT department, and there is considerable demand for their expertise.

Bernadette

A lot of e-commerce development takes place under the badge of IT funding. Most of the funding requests for such projects come from individual departments – sales, marketing, etc. Thus, IT builds the application but the motivation and justification has to be from a particular function. For example, we asked our CFO to reserve 10% of the sales revenue from the new channel towards R&D initiatives to fight the competition in the future. The other concern is the declining marginal benefit from improving e-commerce applications. The customers perceive the first wave as new but subsequent improvements will not generate similar excitement and marginal revenue.

Artur

Let me put on my old corporate hat for a while and talk about my experience at Bell Atlantic. When I started there, IT was a background activity with hardly any visibility. There was a strong emphasis on R&D but not on IT. By the time I left, forty to fifty thousand out of a total of one hundred and forty thousand employees were on-line. They could send a message to the chairman and get a direct response. So, there has been a tremendous change in funding for IT.

Jim

In obtaining funding, we have to answer two key questions. First, are we doing this just to be quick to market? Second, are we doing this because this is going to be scalable and will support our business over the next 2 or 3 years? Users do not want to pay incrementally every six months for the next improvement.

Kris

Bob, you cover several companies. Do you see a trend of increased IT spending in companies because of e-commerce?

Bob

In general, funding for IT has been increasing. E-commerce and internet initiatives seem to be behind this increase. In the final analysis, IT has definitely become more popular. Whether it is due to the cultural shift that you have mentioned or due to the fact that there is better appreciation of the Chief Information Officer, it is not easy to say.

Bernadette Kirby
Managing Director – IT & Product Development, NCH Marketing Services

Kris

Is the shift in spending dramatic? You say it is increasing; is it increasing by 1-2%, 5-10% or 15-20%?

Bob

It is pretty dramatic if you look at the revenues of companies that sell internet commerce enabling technologies because they have gone from zero to a couple of billions in one to two years. That is not just a one or two percent shift in corporate budgets. However, it is still a small number in the global IT budget which is a big percentage of total revenue.

Kris

Jim talked about getting resources to do e-commerce and other technology work on the internet. Do you see that as an issue? And, again, probably, there may be some differences between the companies that are going for their IPOs – they can attract anybody they want – and the companies that do not have that flexibility. Can you throw some light on resources and some innovative ways to cut costs?

Jim

In the past, you had access to a large talent pool if you wanted to get a client/server or mainframe application. Today, it is extremely difficult to find talent well-versed in internet and web technologies. Thus, today, we do not look for these skills while recruiting. We just look for people with some generic skills in programming and design. Then, we get these people well trained in internet and web technologies in-house, and deploy them.

Kris

So, are you able to find the resources you need?

Jim

I am not going to say that it is easy. We certainly have an advantage of being a dot-com company that is among the Top 50. It is still not easy finding qualified resources that are really skilled and have the background to make the transition to working in this fast-paced environment.

Bernadette

In the UK, we have used outsourcing for the last four years. Since we have long-term relationships with outsourcers, the internet-driven demand for resources has not made any difference to us. We have had to take some of our existing IT people and convert them into business analysts or project managers. I am not terribly sure that all of them were happy in their new role. So we let them off – back to coding – now and again. However, I must say outsourcing has been very popular in the UK for a long time.

Harsha

The human resource crunch is a big issue. Since we are a software company, the kinds of people we need are different from what an IT shop would need. But, it is such a big issue in Connecticut that we are moving our entire office to Boston. You know how painful this is if you have been through a company move. So, the human resource issue is huge. The Boston market has a lot of talent; but there is also a lot of competition. Silicon Valley is probably another place with a lot of talent.

Bob Austrian
Managing Director,
Bank of America Securities

Ivo

In Belgium, the situation is same as in the UK. It has become increasingly difficult to find people in the last four years. We have resorted to a lot of outsourcing.

Joe

I agree with what Bernadette said. We too have taken out some of our in-house people and put them into project management and business analysis. They weren't really comfortable there to start with; so, we invested lots of time and resources in training them in new systems, codes, new programming languages. We then made them a part of the team in some of the development work we were doing. And so, we kept that embedded knowledge in our company. Thus, we made proactive investments in training. This has helped us in making some transitions. But, clearly, we have to do a lot of outsourcing to be able to get the skill-sets we need to move forward.

Craig

I agree that the difficulty in getting good resources has not just begun this year. I do not think that it is a result of e-commerce. It is just a result of emphasis on data and information processing. Three or four years ago, we actually took a group of folks and began to train them on distributed technology and tried to move them from COBOL and Assembler to C++ and Java. And, they did not make the transition well. Now, we find the situation to be totally different. We have internal people just knocking on our doors asking: *When are you going to teach me these new technologies?* So, there are a lot of opportunities in-house, but there is also a lot of brand new technology out there. This requires us to go to outsourcing companies with the required skills. If we do not do this, we will spend six to eight months trying to learn these new technologies ourselves; and, by then, we would have already missed the opportunity.

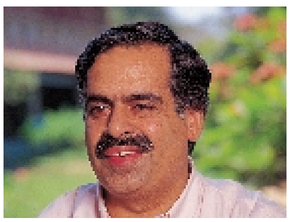
Kris

With that, we conclude the discussion. I am sure that everybody is excited about e-commerce and about the large opportunities it offers. Today, people are keenly aware of the challenges involved in e-enabling their organizations and are working towards addressing them effectively.

I would like to thank all the panelists for sharing their wealth of knowledge and insights with all of us. Let us give them a big hand. Thank you.

Management council



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Nandan M. Nilekani
Managing Director, President &
Chief Operating Officer;
Chairman – Management Council

Mohandas Pai T. V.
Senior Vice President – CFO,
Administration & Facilities;
Secretary - Management Council

Ajay Dubey
Vice President – Delivery – Europe

Balasubramanian P., Dr.
Senior Vice President –
Domain Competency Group


from top to bottom

Balakrishnan V.
Associate Vice President – Finance

Basab Pradhan
Regional Manager and
Vice President – Sales
West North America


from top to bottom

Deepak Sinha, Gp.Capt.
Senior Manager –
Computers & Communications Division

Dinesh K.
Director – Human Resources
Development, Information Systems,
Quality & Productivity and
Communication Design Group



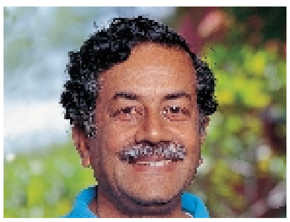
from top to bottom

Girish G. Vaidya
Senior Vice President –
Banking Business Unit

Gopalakrishnan S.
Deputy Managing Director –
Customer Service & Technology

Hema Ravichandar
Senior Vice President –
Human Resources Development

Management council



from top to bottom

Jan DeSmet
Vice President –
Infosys Business Consulting Services

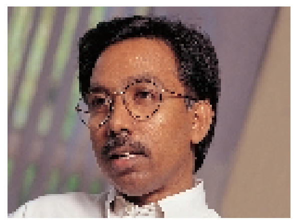
Phaneesh Murthy
Senior Vice President –
Sales & Marketing and
Communication & Product Services

Prabhu M. S. S., Dr.
Senior Vice President –
Engineering Services and
Consultancy Practice

from top to bottom

Raghavan S.
Associate Vice President –
Quality & Productivity

Raghupathi G. Bhandi
Senior Vice President –
Delivery – Enterprise Solutions



from top to bottom

Rajiv Kuchhal
Associate Vice President –
Communication & Product Services –
Nortel and PCC,
Development Center – Mohali

Shibulal S. D.
Director – Customer Delivery

from top to bottom

Sobha Meera P. R.
Regional Manager and
Vice President – Sales
Canada & East North America

Srinath Batni
Senior Vice President –
Delivery – West North America

Vasudeva Rao L.
Senior Vice President –
Delivery – Canada & East North
America

Yegneshwar S., Dr.
Vice President – Education & Research

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N. R. Narayana Murthy
Chairman and Chief Executive Officer

Nandan M. Nilekani
Managing Director, President and Chief Operating Officer

Susim M. Datta
Director

Deepak M. Satwalekar
Director

Ramesh Vangal
Director

Prof. Marti G. Subrahmanyam
Director

Philip Yeo
Director

Gopalakrishnan S.
Deputy Managing Director

Dinesh K.
Director

Shibulal S. D.
Director

Audit committee

Deepak M. Satwalekar, *Chairman*
Susim M. Datta
Ramesh Vangal
Prof. Marti G. Subrahmanyam

Compensation committee

Prof. Marti G. Subrahmanyam, *Chairman*
Susim M. Datta
Deepak M. Satwalekar
Ramesh Vangal

Nominations committee

Susim M. Datta, *Chairman*
Ramesh Vangal
Prof. Marti G. Subrahmanyam
Philip Yeo

Investor grievance committee

Nandan M. Nilekani, *Chairman*
Dinesh K.
Shibulal S. D.

Management council invitees

Bhashyam M. R.
Associate Vice President – Software Engineering Process Group

Bhaskar Ghosh
Associate Vice President – Development Center – Bhubaneswar

Binod H. R.
Associate Vice President – Commercial & Facilities

Dheeshjith V. G.
Associate Vice President – Delivery – Asia Pacific

Hariharan S. Murthy
Regional Manager and Associate Vice President – Sales – Communication & Product Services

Ashwani K. Khurana
Senior Vice President – National and International Sales & Support – Banking Business Unit

Nandita Gurjar
Senior Manager – Learning & Development – HRD

Narendran K.
Senior Project Manager – Development Center – Mangalore

Parameswar Y.
Associate Vice President – Communication & Product Services – Other Telecom Business

Prasad T. P.
Regional Manager and Associate Vice President – Sales – South North America

Pravin Rao U. B.
Vice President – Delivery – South North America

Priti Jay Rao
Associate Vice President – Development Center – Pune

Ramadas Kamath U.
Associate Vice President – Accounts & Administration

Shiv Shankar N.
Senior Project Manager – Development Center – Chennai

Sivashankar J.
Senior Manager – Information Systems

Srinivasan V.
Associate Vice President – Delivery – eBusiness Practice

Srinjay Sengupta
Regional Manager and Associate Vice President – Sales – Europe

Sriram V.
Regional Manager and Associate Vice President – Sales – Asia Pacific

Srivathsa P. S.
Senior Manager – Recruitment – Human Resources Development

Subhash Dhar
Regional Manager and Associate Vice President – Sales – eBusiness Practice

Subramanyam G. V.
Senior Project Manager – Software Engineering & Technology Labs

Sukumar S.
Assistant Manager – Corporate Planning

Sudha Kumar
Senior Manager – Corporate Marketing

Venkataramanan T. S.
Senior Project Manager – Banking Business Unit

Vijay Kumar C.
Associate Vice President – Infrastructure Development

Vivekanand P. Kochikar
Senior Project Manager – Education & Research

Management council invitees – Voice of the Youth

Bhaskar Chakravarthy
Eshan Joshi
Indranil M.
Meera Rajeevan
Nagaraj N. S.
Sajan V. Mathew
Srinivas V.
Smitha Murthy
Vinayak Pai V.

Directors' report

To the members,

Your directors are pleased to present their report on the business and operations of your company for the year ended March 31, 2000.

Financial results

*in Rs. crore **

Year ended March 31	2000	1999
Total revenues	921.46	512.74
Total expenditure	542.58	320.99
Operating profit (PBIDT)	378.88	191.75
Interest	–	–
Depreciation	53.23	35.89
Profit before tax and extraordinary items	325.65	155.86
Provision for tax	39.70	22.94
Profit after tax before extraordinary items	285.95	132.92
Effect of extraordinary item – provision no longer required	7.57	–
Extraordinary income, net of tax	–	2.34
Net profit after tax and extraordinary items	293.52	135.26
Appropriation		
Interim dividend paid	9.92	4.00
Dividend recommended – final	19.84	8.11
Total dividend	29.76	12.11
Dividend tax	3.27	1.21
Transferred to – capital reserve	–	2.34
– general reserve	260.49	119.60

* 1 crore equals 10 million.

Results of operations

Your company experienced rapid growth this year as well. Total revenues grew to Rs. 921.46 crore during the year from Rs. 512.74 crore last year, a growth rate of 79.71%. Operating profit grew to Rs. 378.88 crore (41.12% of total revenues) from Rs. 191.75 crore (37.40% of total revenues), a growth rate of 97.59%. Operating profit margins increased due to enhanced revenue productivity, lower growth in administrative expenses, a broadening of the business mix, and an increase in other income. Profit after tax, from ordinary activities, increased to Rs. 285.95 crore (31.03% of total revenue) from Rs. 132.92 crore (25.92% of total revenue), an increase of 115.12%.

Your company had instituted a contingency plan effective October 1, 1998 to meet any possible disruption in client support due to the Year 2000 impact on the technology and communication infrastructure provided to the company by its vendors. The contingency plan called for the creation of a total provision of Rs. 20.00 crore based on an initial estimate. This provision was required to be made over six quarters starting October 1998. Accordingly, your company had made a total provision of Rs. 9.99 crore up to the quarter ended June 30, 1999. At this time, your company was led to believe that all its telecommunication service providers were Year 2000 ready, and therefore did not expect significant disruption of these facilities. During the second quarter of this remaining year, your company made an appraisal and re-estimated the provision required for meeting such contingencies over the next two quarters of fiscal 2000 and was of the opinion that the provision already made was adequate for the purpose and that, henceforth no further provisions were required.

During the year, an amount of Rs. 2.42 crore was spent towards support for the Year 2000 transition activities and the same was set-off against the provision made earlier. After such set-off, a balance of Rs. 7.57 crore remained in the provision account, which was written back as it was no longer required.

Your company has been preparing to leverage the opportunities offered by the e-business paradigm, and has taken necessary steps to do so. This required that your company incur business restructuring costs for creating a knowledge infrastructure, acquiring people with technical skills in the e-commerce area and for e-inventing the company. Accordingly, your company made a provision of Rs. 3.50 crore during the quarter ended September 30, 1999. An amount of Rs. 3.11 crore was incurred towards e-inventing the company and was set-off against this provision. After this set-off, a balance of Rs. 0.39 crore remains as a provision for e-inventing the company as on March 31, 2000.

Dividend

An interim dividend of Rs. 1.50 per share (30% on par value of Rs. 5) was paid in November 1999. Your directors now recommend a final dividend of Rs. 3.00 per share (60% on par value of Rs. 5) making, in all, a total dividend of Rs. 4.50 per share (90% on par value of Rs. 5), for the current year. The total amount of dividend is Rs. 29.76 crore as against Rs. 12.11 crore for the previous year. Dividend (including dividend tax), as a percentage of net profit after tax from ordinary activities, is 11.55% as compared to 10.02% in the previous year. The final dividend is, however, payable pro rata on the equity shares issued upon the exercise of ADS-linked stock options. Under the Indian Income Tax Act 1961, the receipt of dividend is tax-free in the hands of the shareholders. The tax on distributed profits, payable by the company, increased to Rs. 3.27 crore from Rs. 1.21 crore.

Increase in share capital

During the year, upon your approval, a stock split of 2-for-1 (a subdivision of every equity share from the par value of Rs. 10 each into two equity shares of par value of Rs. 5 each) was effected. Your company also issued 11,900 shares (equivalent to 23,800 ADS) on the exercise of ADS-linked stock options issued under the 1998 Employee Stock Option Plan. Due to this, the outstanding issued, subscribed and paid-up equity share capital increased from 3,30,69,400 shares of par value of Rs. 10 each during the previous year to 6,61,50,700 shares of par value of Rs. 5 each.

Business

The Indian software exports industry demonstrated healthy growth during the year. The year saw your company winding down its Year 2000 related engagements, in line with its risk management strategy. Your company has successfully managed the transition of its Year 2000 related work. While Year 2000 engagements contributed to 0.90% of revenues in Q4 of this year, down from 24.00% in Q1 of fiscal 1999, internet and e-commerce related work grew to 18.80% of revenues in Q4 of this year, up from 3.70% during Q4 of fiscal 1999. Your company's software export revenues grew by 73.85% to Rs. 869.70 crore from Rs. 500.25 crore, and 99 new clients were added during the year. Your company continues to focus on offshore software development, re-engineering, maintenance and products. The share of the fixed-price component of the business was 31.50%, as compared to 36.70% during the previous year. Revenue productivity in dollar terms, grew by 19.80% during the year.

Domestic market

The domestic market witnessed improved performance over the previous year. With the release of the New Generation Core Banking Solution, the successor to Bancs2000, the banking sector in India now has a leading-edge web-enabled product. This solution incorporates the latest technology and business trends including internet-based interfaces and an integrated banking business platform. Further, with banks actively pursuing an e-commerce strategy, your company's pioneering efforts in this area have paid off. BankAway – a powerful e-commerce platform, and PayAway – the universal bill payment and presentment engine, have emerged as winners in the marketplace. Four out of the six banks in India offering internet banking services are now powered by BankAway. Further, BankAway was included in the report 'Ranking International internet Banking Solutions' by Meridien Research, US, a global strategic and technology research company focussing on the financial services industry. BankAway is the only internet banking solution from Asia to be covered in the report, and according to Meridien Research, "Infosys is poised to become a leading player in the Asian market". The Banking Business Unit acquired 4 new clients – UTI Bank, IDBI Bank, Karnataka Bank and Federal Bank, increasing its client base to 22 banks in India. The revenue from domestic sales during the year increased by 46% over the previous year. Your directors hope that this trend will continue to accelerate in the future.

Global Development Centers

Last year, as part of its globalization program, your company had stated its intention to start development centers outside India. Based on the recommendations of an internal committee, your company set up a Global Development Center at Toronto, Canada in January 2000. This initiative will help accelerate your company's responses to North American client requirements. In October 1999, your company opened two Proximity Development Centers in the U.S. – one each at Fremont, California, and Boston, Massachusetts. These centers will further help your company address the requirements of its clients with increased alacrity.

Development centers in India

Construction of the software development center at *Infosys Park I* - adjoining your company's existing facility at Electronics City, Bangalore - is progressing well. One more block with a total built-up area of 29,600 sq. ft. and a capacity to accommodate up to 225 employees was made operational during this year, as also a food court with a total area of 42,205 sq. ft. *Infosys Park I* now has the capacity to accommodate up to 1,440 employees on a total built-up area of 2,46,400 sq. ft. Construction of a Customer Care Center of 77,000 sq. ft at *Infosys Park I* is in progress. During the year, the construction of *Infosys Park II* began on a plot of 14.06 acres, adjacent to your company's headquarters in Electronics City, Bangalore. This facility, when completed, will comprise around 290,000 sq. ft. of built-up area. Two software development blocks of 70,000 sq. ft. each, with a total capacity to accommodate 1,200 employees, were completed in March 2000. Your company's software development facility, with a capacity to accommodate 1,200 employees at the Pune Infotech Park, Hinjewadi, Pune, was completed this year. Phase I of a new development facility to accommodate 100 employees at Mangalore was inaugurated in February 2000. When completed, this facility will accommodate up to 1,200 employees. Construction of software development centers at Chennai and Bhubaneswar commenced during Q4 this year. When completed, each of these facilities will accommodate up to 2,400 employees.

In addition, your company set up software development centers in Hyderabad, Mohali and Mysore. These cities have excellent pools of trained personnel as well as good infrastructure and will complement existing development centers located across the country at Bangalore, Bhubaneswar, Chennai, Mangalore, and Pune.

Overseas branches

To accelerate the sales effort in overseas markets, sales offices were opened in Australia, Belgium and Sweden. During the coming year, additional sales offices are expected to be opened in North America and Europe. Expansion of the overseas sales network will help your company access new markets and broaden its client base. As at the year-end, your company had 16 sales offices overseas.

Yantra Corporation

The sales effort at Yantra was further intensified. Your directors are informed that Yantra has installed a high quality management team to implement its aggressive growth plans. Such accelerated effort requires funds as well as close links with prospective-client and prospective-employee networks. Recently, Yantra closed a $ 15 million venture funding round led by RHO Management and included new investors like Boston Millenia. Existing investors of Yantra – Charles River Ventures, One Liberty Ventures, Hambrecht & Quist and Draper International also co-invested. With this round of financing, Infosys' economic interest in Yantra has come down to 25.10% (on a fully diluted basis), even though Yantra continues to be a subsidiary under the Companies Act, 1956 as the entire common stock is held by your company. The Board of Yantra were of the opinion that its financial information is of a private and confidential nature, and its publishing may be detrimental to Yantra's growth plans. Therefore, given your company's economic interest in Yantra is below 50%, your company requested the Government of India for an exemption from providing details required under Section 212 of the Companies Act, 1956 and also from attaching the financial statements of Yantra to your company's balance sheet. The government has granted an exemption, and hence such information is not disclosed.

JASDIC

JASDIC Park Company is an Indo-Japanese consortium founded by Mr. Kenichi Ohmae, a well-known management strategist, along with a few Japanese companies and three Indian companies including your company. The aim of JASDIC is to provide high-quality software services from India to the Japanese market. This is in line with your company's strategy to diversify its geographic client base. This investment is yielding positive results and your company sees further growth in revenues from Japan through this venture.

Incubator funding

Your company is in an industry with great opportunity for highly competent and entrepreneurial professionals, who have high aspirations. In keeping with your company's philosophy of encouraging budding entrepreneurs within the organization, your company has provided an incubation mechanism for them to launch their own ventures while continuing to derive benefits from a close association with Infosys. Having launched Yantra in 1996, your company recently piloted another idea *Onscan* - a web-focussed wireless-enabled comprehensive notification service. Your company has put in place a management team and is in the process of transferring the intellectual property related to the product to Onscan, Inc. The Onscan management team is in the process of raising venture capital to fund the company's growth plans.

Strategic investments

Your company had earlier announced its intention to make selective investments in leading-edge companies that have the potential to yield substantial business benefits. Such investments are also envisaged in select venture capital funds. Benefits from these investments would primarily be in the form of revenue and net income enhancements, through technology partnerships and access to the latest technological developments. Your company made its first investment this year in Massachusetts-based EC Cubed, Inc., a dynamic application provider for B2B e-commerce, granting it Rs. 13.08 crore ($ 3 million) in capital. EC Cubed, Inc., is an existing client of your company and this business relationship has witnessed high growth in the recent past.

Acquisitions

Your company has articulated that acquisitions are one of the key instruments of its growth strategy. Accordingly, your company has initiated discussions with the Government of India for a blanket approval for such acquisitions. Benefits from such acquisitions, as envisaged, include access to new clients, new geographical areas and new service offerings as well as an increase in per-capita revenue productivity. Further, the ability to leverage your company's Global Delivery Model to improve the margins of the acquired business is an important means for unlocking value from the transaction. Availability of proven methodologies, tools and other intellectual property (IP) would be a key criterion since the IP would be scalable across a large group of people in your company and will help enhance skill levels and productivity. The government has recently liberalized acquisition guidelines to permit software companies to freely make acquisitions up to ten times their export revenues in the preceding year.

Quality

After fully leveraging the value of Level 4 implementation of the Capability Maturity Model (CMM) of the Software Engineering Institute at Carnegie Mellon University, USA, your company obtained the CMM Level 5 accreditation during the year. In keeping with its philosophy of openness and sharing its best practices with the industry, your company accepted the request of Prof. Pankaj Jalote of Indian Institute of Technology, Kanpur, India to publish a book entitled "CMM in Practice: Processes for Executing Software Projects at Infosys (The SEI series in Software Engineering)". Incidentally, this is the first book ever to be published on CMM Level 4 implementation.

The new information infrastructure

Your company firmly believes that cutting-edge information infrastructure is a strategic asset for its business. The factors that have driven your company to implement world-class internal systems are:

- the challenge of managing consistently high growth,
- the strong focus on quality and the resultant dependence on systems and processes,
- the criticality of having timely information in the dynamic and knowledge-intensive IT industry, and
- the need to provide 24 x 7 information availability to a workforce, mobile across various time zones.

In the early- and mid-1990s, your company had put in place several homegrown applications which were far from being seamlessly integrated. However, as your company's scale of operations increased and the information requirements of its workforce became more sophisticated, your company decided to adopt a standardized platform that would be the cornerstone of its internal information architecture.

The implementation of SAP R/3 in all the core areas of your company's business was a landmark event in its quest to make IS a strategic partner to the line function. Today, this core platform is supplemented by select inhouse web-based applications that are seamlessly integrated into it.

Going ahead, your company's objective is to focus on state-of-the-art applications with web-based interfaces. Among the projects in the pipeline is the implementation of a system for Customer Relationship Management that will further strengthen client partnerships.

Additional information to shareholders

In earlier years, your company provided additional information in the form of an intangible assets scoresheet, human resources accounting, value-added analysis, brand accounting, economic value-added analysis, and financial statements in substantial compliance with the GAAP of six countries in addition to the U.S. and India. Such information is provided in this year's annual report also.

Corporate governance

With increasing globalization, there has been a renewed thrust on corporate governance in India. Your company continues to be a pioneer in benchmarking its corporate governance policies with the best in the world and its efforts are widely recognized by investors in India and abroad. Your company won the first National Award for Excellence in Corporate Governance, 1999 instituted by the Ministry of Finance, Government of India and sponsored by the UTI Institute of Capital Markets. Your company was selected from an initial short-list of approximately 60 companies by a panel headed by the former Chief Justice of India, Mr. P. N. Bhagwati. Further, the Stock Exchange, Mumbai chose your company as the first winner of their Award for Excellence in Corporate Governance.

The Shri Kumar Mangalam Birla Committee on Corporate Governance constituted by the Securities and Exchange Board of India (SEBI) submitted its report in November 1999, which was accepted by SEBI in December 1999. The recommendations of the committee are mandatory for certain classes of companies effective fiscal 2001. Your company has complied with most of the recommendations in fiscal 2000 itself. The compliance report on various recommendations made by the committee is provided elsewhere in this report. In addition, your directors have documented your company's internal policies on corporate governance. The increasing diversity of the investing community and the integration of global capital markets make corporate governance a key issue in the investment decisions of investors. In line with the committee's recommendations, the management discussion and analysis of the financial position of the company is provided elsewhere in this annual report and is incorporated here by reference.

Capital market developments

The Securities and Exchange Board of India (SEBI) mandated the trading of Infosys shares only in the dematerialized form, with effect from January 4, 1999. Over 96% of the company's shares are presently held in electronic form and with this your company had become the largest electronically held listed company in India. The market capitalization of your company increased to Rs. 58,887.02 crore as on March 31, 2000 as compared to Rs. 9,672.80 crore as on March 31, 1999, based on the quotations on the Indian stock exchanges. The equity shares listed on the NASDAQ continue to quote at a premium to the Indian price.

Employee Stock Offer Plan (ESOP)

1994 Stock Offer Plan (the 1994 plan)

During the year, your company granted letters of right to acquire 30,000 shares (as adjusted for the 2-for-1 stock split effected in February 2000) originally reserved under the 1994 plan. As of March 31, 2000, letters of right to acquire 341,400 shares (as adjusted for the 2-for-1 stock split effected in February 2000) were in force. The 1994 plan has come to an end and no further options will be issued under this plan, in future. No grants were made to the senior management during the year.

1998 Stock Option Plan (the 1998 plan)

Your company had issued 294,300 ADS-linked stock options to 72 employees during the year under the 1998 plan. Details of the options granted under the 1998 plan during the year are given below.

	Description		Details
1.	Total number of shares		3.20 million ADS (Adjusted for stock split of 2-for-1 announced during the year)
2.	The pricing formula		Not less than 90% of the fair market value as on date of grant
3.	Ratio of ADS to equity shares		One share represents two ADS
4.	Weighted average price per option granted		$ 114.30 (100% of fair market value on the date of grant)
5.	Options granted during the year		294,300 options representing 147,150 equity shares
6.	Options exercised during the year		23,800 options (granted in 1999) representing 11,900 equityshares
7.	Total number of options in force		689,500 options representing 344,750 equity shares
8.	Grant to senior management	*No. of options*	
	Phaneesh Murthy	8,000	
	Sobha Meera	5,000	
	Basab Pradhan	5,000	
	Total	18,000	
9.	Employees holding 5% or more of the total number of options granted during the year: Nil		

1999 Stock Option Plan (the 1999 plan)

Your company had issued 10,14,500 stock options to 1,228 employees during the year under the 1999 plan. The details of the options granted under the 1999 plan during the year are given below.

	Description	Details
1.	Total number of shares	66,00,000 shares (Adjusted for stock split of 2-for-1 announced during the year)
2.	The pricing formula	At the fair market value as on date of grant
3.	Weighted average price per option granted	Rs. 4,267.80 (100% of fair market value on the date of grant)
4.	Options granted during the year	10,14,500 options for 10,14,500 equity shares
5.	Options exercised during the year	Nil
6.	Total number of options in force	10,06,800

7. Grant to senior management

	No. of options		
Deepak Sinha	4,000		
Ajay Dubey	8,000	Raghupathi G. Bhandi	8,000
Balakrishnan V	10,000	Raghavan S.	10,000
Balasubramanian P.	8,000	Srinath Batni	12,000
Hema Ravichandar	8,000	Vasudeva Rao L.	12,000
Mohandas Pai T. V.	14,000	Yegneshwar S.	10,000
Girish Vaidya	8,000		
Prabhu M. S. S.	6,000	Total	1,18,000

8. Employees holding 5% or more of the total number of options granted during the year: Nil

Liquidity

A liquid balance sheet is a key element of the financial strategy of your company. Enhanced liquidity reduces financial risk and allows a rapid shift in direction should the market so demand. During the current year, internal cash accruals have more than adequately covered working capital requirements, capital expenditure and dividend payments, and have resulted in a surplus of Rs. 83.39 crore. As on March 31, 2000, excluding the funds collected under the ADS issue, your company had liquid assets of Rs. 231.19 crore as against Rs. 137.13 crore at the previous year-end. Including the funds collected under the ADS issue, your company had liquid assets of Rs. 508.37 crore. These funds have been invested both in rupee and dollar deposits with banks and financial institutions. A high level of liquidity reduces return on shareholders funds. However, a balance between high returns on funds deployed in the business and the ready availability of cash for strategic decisions on growth will have to be maintained. The creation of physical and technological infrastructure will absorb a significant part of the liquid assets over the next three years.

Year 2000 risks and issues

The Year 2000 transition has been smooth, for both your company as well as its clients. Your directors believe that this has been a result of the preparatory work done for the transition as well as the changes already made to the systems. The company provided 24 x 7 transition support to its users and clients by setting-up a Year 2000 War Room. Very few calls came in and all of them were handled immediately. The financial impact of the transition was insignificant. Your directors are happy to report that the transition was completed smoothly and, going forward, see no material financial impact arising from Year 2000 issues.

Organizational changes

During the year, your company re-organized and aligned its delivery and marketing channels in order to decentralize operations, to ensure better responses to client needs, to focus on developing domain expertise, and to develop the next-generation business leaders. The revised management structure is provided elsewhere in the report.

Research and education initiatives

In fiscal 1999, your company instituted the Infosys Fellowship Program at five Indian Institutes of Technology, the Indian Institute of Science, the National Center for Software Technology, Pune University, three Indian Institutes of Management, the National

Law School of India University and the Institute of Chartered Accountants of India for Ph.D. programs in computer science, management, law and accounting. This was part of your company's initiative to foster excellence in education. During the current year, an amount of Rs. 75 lakhs was allocated by way of a one year grant to these institutions to continue this initiative. In addition, your company has donated Rs. 1.0 crore to the Indian Institute of Information Technology, Bangalore.

Infosys Foundation

Your company is committed to contribute to its social milieu and, in 1998, established Infosys Foundation as a not-for-profit trust to support initiatives that benefit society-at-large. The Foundation supports organizations devoted to the cause of destitutes, the rural poor, spastics, senior citizens and illiterates. It also helps preserve certain arts and cultural activities of India which are under threat of fading out.

A summary of the work done by the Foundation appears elsewhere in this report. On your behalf, your directors express their gratitude to the honorary trustees of the Foundation for sparing their valuable time and energy for the activities of the Foundation.

Community services

Your company continued the three social programs initiated last year - *Catch Them Young*, *Train the Trainer* and *Rural Reach*. The *Catch Them Young* program identified 150 promising students for intensive computer training. The *Rural Reach* program, conducted in four languages, brought elementary computer literacy to over 1500 participants from rural India. The *Train the Trainer* program familiarized 75 faculty members from various universities with the latest developments in the IT industry.

Further, your company launched a new program, *Computers@Classrooms*, jointly with Microsoft Corporation. As part of this initiative, your company committed to donate 282 computers from its purchases in earlier years to over 100 institutions across India. Your directors expect these numbers to increase significantly in the future.

Awards

Your directors are happy to report on some of the awards that your company received during the year.

- For the fifth year in succession, your company received the *Silver Shield* from the Institute of Chartered Accountants of India for the *Best Presented Accounts*, amongst the entries received from non-financial, private sector companies, for the year 1998-99.
- The *Asiamoney* poll of financial analysts voted Infosys the best in management among the listed companies in India for the fourth time in a row.
- Your company was unanimously awarded the first "National Award for Excellence in Corporate Governance" for the year 1999 by a panel of judges chaired by former Chief Justice of India, Mr. P. N. Bhagwati. This award is conferred by the Government of India and is sponsored by the UTI Institute of Capital Markets. Your company also received the first "Award for Excellence in Corporate Governance" instituted by the Stock Exchange, Mumbai.
- In a survey conducted among 1636 senior mangers of the Indian industry by *The Economic Times*, Infosys was voted the Most Admired Company in India.
- The Software Magazine, USA has ranked Infosys as one of the top 100 companies in its Software 500 rankings.

Fixed deposits

Your company has not accepted any fixed deposits and, as such, no amount of principal or interest was outstanding as of the balance sheet date.

Directors

As per Article 122 of the Articles of Association, Mr. Nandan M. Nilekani, Mr. K. Dinesh and Mr. S. M. Datta retire by rotation in the forthcoming Annual General Meeting. Mr. Nandan M. Nilekani and Mr. K. Dinesh being eligible, offer themselves for re-appointment. Mr. S. M. Datta has expressed his intention not to seek re-election. Your directors place on record their deep appreciation of the yeoman service rendered by Mr. S. M. Datta during his tenure on the board. Mr. S. M. Datta participated actively in the deliberations of the board and your company benefited immensely from his insights.

Your directors have expanded the board and co-opted Mr. Philip Yeo, Executive Chairman of the Economic Development Board, Government of Singapore as an additional director. Mr. Yeo's appointment as director requires the approval of the members at the ensuing Annual General Meeting.

As part of the globalization process, your directors consider it necessary to increase the size of the board upto 18 members. The necessary resolutions for obtaining the approval of the members are incorporated in the notice for the ensuing Annual General Meeting. The increase also requires the approval of the Government of India under Section 259 of the Companies Act, 1956.

Auditors

The auditors, Bharat S Raut & Co. Chartered Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office, if re-appointed.

FII investment limit

Recently, the Government of India has raised the investment limit in an Indian company for Foreign Institutional Investors, from 30% to 40%, subject to the approval of the board of the investee company, and a special resolution of the shareholders of such a company. Your directors are of the opinion that it would be in the interest of the company to increase the limit of such investment to 40%. The necessary resolutions are being placed before the members in the ensuing Annual General Meeting.

Conservation of energy, research and development, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under subsection (1)(e) of section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of board of directors) Rules, 1988, are set out in the annexure included in this report.

Particulars of employees

As required under the provisions of section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of employees) Rules, 1975, as amended, the names and other particulars of employees are set out in the annexure included in this report.

Acknowledgments

Your directors thank the clients, vendors, investors and bankers for their continued support of your company's growth. Your directors place on record their appreciation of the contribution made by the employees at all levels, who, through their competence, hard work, solidarity, cooperation and support, have enabled the company to achieve rapid growth.

Your directors thank the Government of India, particularly the Department of Electronics, the Customs and Excise departments, Software Technology Parks – Bangalore, Chennai, Hyderabad, Mohali, Mysore, Pune, Bhubaneswar and New Delhi, the Ministry of Commerce, the Reserve Bank of India, VSNL, the Department of Telecommunications, the state governments, and other government agencies for their support during the year, and look forward to their continued support in the future.

For and on behalf of the board of directors

Nandan M. Nilekani
Managing Director, President and Chief Operating Officer

N. R. Narayana Murthy
Chairman and Chief Executive Officer

Bangalore
April 11, 2000

Annexure to the directors' report

a) Particulars pursuant to Companies (disclosure of particulars in the report of the board of directors) Rules, 1988

1. Conservation of energy

The operations of your company are not energy-intensive. Adequate measures have, however, been taken to reduce energy consumption by using energy-efficient computer terminals and by the purchase of energy-efficient equipment incorporating the latest technology. Your company has replaced the existing incandescent lamps with CFL fittings and has shifted to the use of electronic ballast to reduce the power consumption of fluorescent tubes. Your company constantly evaluates new technologies and invests in them to make its infrastructure more energy-efficient. Energy-efficient transformers and UPS systems have been purchased. Energy-saving air conditioners are being purchased and air-conditioned areas have been treated with heat-resistant material to reduce heat absorption. These measures have enhanced energy efficiency. As energy cost forms a very small part of the total cost, the impact on cost is not material.

2. Research and development (R&D)

Research and development of new services, designs, frameworks, processes and methodologies continue to be of importance at Infosys. This allows your company to reuse designs across projects, and thereby increase quality and productivity.

a. R&D initiative at institutes of national importance

This initiative has been described in the directors' report.

b. Specific areas for R&D at Infosys

Since businesses and technologies are changing constantly, continuous investments in research and development need to be made. Your company has taken the approach that its research must be beneficial to the company and to its clients either in the short term or in the medium term. As in earlier years, your company continues to conduct research in the areas of software engineering, offshore project management, the Global Delivery Model, emerging technologies, and new tools and techniques. Continuous education is required to keep up with changes around. The traditional form of classroom training is synchronous, and requires the trainer and trainee to be physically present in the same location at the same time. Effectiveness of non-traditional and asynchronous modes of training is an area of research at your company.

Your company has, as a result of research, been able to develop processes and methodologies for engineering services. This was instrumental in your company getting quality certification for the engineering services group. A consulting methodology has also been developed. Research has been initiated in the areas of software architecture and performance engineering. This is to help projects deliver high performance / high transaction volume software solutions to clients. Research has also been started in object and component technologies to create modules for repeatability of projects.

Your company continues to undertake research in the following areas:

- General software engineering – Your company is constantly improving its methodologies to increase quality and productivity and to reduce time-to-market for its clients. Since time-to-market is important, your company also needs to deliver features on an ongoing basis – almost every month.
- New technologies – Your company has developed a Rapid Application Development methodology for e-commerce and internet projects.
- Products – Your company continues to enhance and add additional products in the Banking area.

Infosys has various groups engaged in R&D. The Education and Research division looks at short-term and long-term research in the areas of Knowledge Management, Education & Training, methodologies, and techniques. Software Engineering and Technology Labs (SETLabs) looks at emerging technology trends in the short term and consists of two divisions. SysLab looks at emerging technology trends in the long term. Comfactory looks at object technology, reuse, component libraries, and related areas.

c. Benefits derived as a result of R&D activity

Your company has been able to maintain margins despite changes in technology and increased personnel costs. For instance, your company successfully managed to reduce its exposure to Year 2000 based services, down to 0.9% of revenues in Q4 this year. This was accompanied by an increase in internet and e-commerce revenues, up to 18.8% in Q4 this year.

d. Future plan of action

There will be continued focus and increased investment in the above R&D activities. Future benefits are expected to flow in from initiatives undertaken this year.

e. Expenditure on R&D for the year ended March 31

in Rs. crore

	2000	1999
Revenue expenditure	8.08	9.51
Capital expenditure	0.15	0.30
Total R&D expenditure	8.23	9.81
R&D expenditure as a percentage of total revenue	0.89%	1.91%

3. Technology absorption, adaptation and innovation

During this year, your company has standardized the use of Pentium III 500 MHz system with 128 MB RAM and at least 10 GB hard disk space as the standard desktop PC. All personnel traveling frequently to client sites are given Pentium notebook computers. Your company has made significant additions to the number of servers used for software development as well as file and print servers. During the year, your company has also provided video conferencing facility to all its Software Development Centers and offices across the world. Your company has made investments in several engineering workstations and in software required for engineering design work. Your company has also invested in middleware technologies, mobile technologies as well as Palm computing technologies; your company is now capable of integrating these to provide total technology solutions to its clients.

4. Foreign exchange earnings and outgo

a. Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services, and export plans

In the past, your company has had a strong export focus. In fiscal 2000, 94.38% of revenues were derived from exports. Your company has, over the years, built up a substantial direct marketing network all over the world. Its marketing offices are situated in North America, Europe and Asia Pacific, and are staffed with sales and marketing specialists who directly sell your company's services to large, international clients. The export thrust of your company will continue in the future.

During the year, your company opened marketing offices in Melbourne in Australia, Brussels in Belgium and Stockholm in Sweden. It also set up development centers in Toronto, Canada, and Fremont and Boston in the U.S. Your company has also launched an initiative to increase the awareness of the Infosys brand, and of its products and services, globally. Several press and public relations exercises have been launched in the U.S. to enhance your company's visibility. Further, your company plans to take part in several international exhibitions to promote its products and services.

During the year, your company's Banking Business Unit won new clients in Maldives and Mauritius.

The long-term goal of your company is to be a highly respected name in the global market for its services and products, and to continue to realize a significant portion of its revenue from exports.

b. Foreign exchange earned and used for the year ended March 31

in Rs. crore

	2000	1999
Foreign exchange earnings	851.72	477.44
Foreign exchange outgo (including capital goods and imported software packages)	336.58	192.56

For and on behalf of the board of directors

Nandan M. Nilekani
Managing Director, President and Chief Operating Officer

N. R. Narayana Murthy
Chairman and Chief Executive Officer

Bangalore
April 11, 2000

Annexure to the directors' report

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of employees) Rules, 1975, and forming part of the directors' report for the year ended March 31, 2000

Sl. No.	Name	Designation	Qualification	Age (Years)	Date of joining	Experience (Years)	Gross Remuneration (Rs.)	Previous employment – Designation
1.	Ajay Dubey	Vice President	B.Tech.(IIT)	42	07.06.1993	18	828,328	ANZ Bank, New Zealand – Technical Team Leader
*2.	Ajay Vishwanath Gokhale	Associate Project Manager	B.Sc., MMS	36	19.07.1999	13	423,938	Siemens Information Systems Limited – Associate Consultant
3.	Amit Kumar Bhadra	Manager (Customer Support)	B.Sc., M.Sc.	34	22.01.1998	14	672,990	Unit Trust of India – Asst.General Manager Systems
4.	Ardhendu Sekhar Das	Associate Project Manager	B.E.	34	23.01.1998	13	636,468	ICIM Intl Inc. – Consultant
5.	Aseem Purohit	Regional Manager	MMS	32	17.06.1996	10	640,293	Dataline & Research Technologies (I) Ltd. – General Manager
*6.	Ashok V. Arunachalam	Senior Project Manager	B.Tech., MS	37	03.05.1999	11	552,629	New Bridge Networking Corpn. – Manager Advanced Technical Support
7.	Babuji S.	Senior Project Manager	B.E.	50	17.12.1997	26	944,952	Mahindra British Telecom Ltd. – Chief Manager
*8.	Badrinarayanan Jagannathan	Project Manager	B.E.(Hon.), PGD	33	02.08.1999	11	447,028	Oxford Health Plans Incorporations – Sr. Technical Analyst
9.	Balakrishnan V.	Associate Vice President (Finance)	B.Sc., ACA, ACS, AICWA	35	02.09.1991	15	842,977	Amco Batteries Ltd – Senior Accounts Executive
10.	Balashankar	Project Manager	B.E.	44	17.12.1997	20	664,481	B.E.L – Manager
11.	Balasubramaniam T. A.	Assistant Project Manager	B.Sc., PGD	37	22.05.1997	14	632,076	Mastek Limited. – Project Leader
12.	Balasubramanian P.	Senior Vice President	B.Tech.(IIT), M.Tech.(IIT), Ph.D (PURDUE)	50	01.10.1995	27	1,235,001	Hitek S/W Engineers Ltd. – CEO \ Technical Director
*13.	Balwant Chitubhai Surti	Manager – Business Consultancy	LLB, AICWA	39	16.08.1999	18	395,821	The Saraswat Co-Operative Bank Limited – Senior Manager
14.	Bhashyam M. R.	Senior Manager (Quality)	B.E., M.E.	49	07.07.1995	26	779,420	Aeronautical Dev. Agency – Scientist
15.	Bhaskar Ghosh	Senior Project Manager	B.Sc., MBA	40	03.02.1997	18	659,185	Philips India Ltd. – Sr. Marketing Manager
16.	Bibhu R. Pattanayak	Senior Project Manager	B.Tech., M.Tech.(IIT)	42	11.08.1997	17	737,683	AT&T – Project Manager
17.	Bikramjit Maitra	Senior Project Manager	B.Sc., B.Tech.	45	22.02.1999	20	714,834	R. S. Software – Vice President-Technology
18.	Binod H. R.	Sr. Manager (Customer Support)	B.E.	37	02.08.1993	14	738,947	Motor Industries Co. Ltd. – Senior Engineer
19.	C. S. Srinivas	Associate Vice President	B.E.	43	15.10.1998	18	845,951	Tektronics – Manager
20.	Chandra Shekar Kakal	Senior Consultant	B.E., MBA	39	01.03.1999	17	718,207	Ramco Systems – Product Manager
*21.	Chandrakanth Desai	Manager (CCD)	B.Tech., M.Tech.(IIT)	44	17.01.2000	23	128,632	Indian Air Force – Wing Commander
22.	Chandramouli J.	Senior Project Manager	B.E.	32	15.06.1988	12	611,414	–
23.	Col. Krishna C. V.	Advisor (Infrastructure)	B.E., MBA	53	01.04.1998	24	719,001	Indian Army – Signal Intteligence Decorate
*24.	D. T. Bhat	Manager - Testing (BBU)	B.Sc., M.Sc.	45	02.08.1999	23	403,342	Infosys Technologies Limited – Consultant
25.	Deepak Sinha	Senior Manager (CCS)	B.Sc.(Hon.)(IIT)	52	06.04.1998	31	723,808	Indian Air Force – Group Captain
26.	Deepak N. Hoshing	Senior Project Manager	B.Tech.(IIT)	37	10.10.1996	15	635,515	Unisys Distr. – Sr. Systems Analyst
27.	Dheeshjith V. G.	Associate Vice President	B.Sc., M.E. (IISc)	36	14.09.1987	12	757,753	–
28.	Dinesh Krishnaswamy	Director	B.Sc., M.Sc.	45	01.09.1981	24	1,294,343	Patni Computer Systems Pvt Ltd. – Sr.Software Engineer
29.	Ganesh G.	Senior Project Manager	B.E. (Hon.), PGD	37	02.05.1994	13	722,015	Asian Paints – Systems Executive
30.	Gautam Parija	Manager (F&A)	B.E., MBA	41	27.03.1997	19	630,021	Osedc Limited – Deputy General Manager – Planning
31.	Geetha G.	Associate Project Manager	B.E.	34	01.12.1995	13	757,866	I. T. I. Limited – Senior Engineer
32.	Girish G. Vaidya	Senior Vice President	B.E., PGD (IIM)	49	22.01.1999	25	1,220,619	ANZ Grindlays Bank Ltd. – Head & Director Operations
33.	Gopalakrishnan S.	Deputy Managing Director	B.Sc., M.Tech.(IIT)	44	01.02.1981	20	1,233,480	Software Sourcing Co. – V.P. Technical Group
34.	Guruprasad R. A.	Assistant Project Manager	B.E.	31	05.10.1998	10	765,581	Spectrum Infotech Pvt. Ltd. – Sr. Design Engineer
35.	Hema Ravichandar	Senior Vice President (HRD)	BA, PGD (IIM)	38	30.12.1998	17	935,112	Empower Associates – Proprietrix
36.	Ishwar C. Halalli	Project Manager	B.E., M.Tech.	37	19.01.1996	13	711,141	At&T SSTL – Manager – Technical
*37.	Jayaram B. G.	Project Manager (Education & Research)	B.Sc.(Hon.), M.Sc.	46	10.12.1999	23	202,647	Raffler Software – Project Manager
38.	Kannan Iyer	Project Manager	B.Sc., PGD	38	01.10.1997	18	689,518	Ramco Systems – Manager – Technical
39.	Khurana A. K.	Senior Vice President	B.Tech.(IIT)	49	01.06.1992	28	1,047,142	New Building Material Project – Chief Executive

Sl. No.	Name	Designation	Qualification	Age (Years)	Date of joining	Experience (Years)	Gross Remuneration (Rs.)	Previous employment – Designation
40.	Krishnamoorthy Ananthasivam	Associate Vice President	B.Tech.(IIT), M.Sc.	38	10.01.1986	16	967,953	Urban Transport Development Corpn. – Research Asst.
41.	Krishnamurthy T. S.	Senior Project Manager	B.E.(Hon.)	37	26.10.1987	15	684,875	Zenith Electro Systems Pvt Ltd. – Software Executive
42.	Krishnan S.	Manager (International Taxation)	B.Com., ACA	32	15.09.1997	9	672,767	Bennett, Coleman & Company Limited – Senior Business Correspondent
43.	Latha K.	Project Manager	B.Sc., MA	36	22.08.1997	11	669,480	Riyam Computer Services – Project leader
44.	Lilly Vasanthini	Associate Project Manager	B.E., PGD	37	28.05.1997	15	624,368	C-Dot – Programme Engineer
45.	Madhav Dattaraj Kulkarni	Associate Project Manager	B.Tech.(IIT), M.Tech.(IIT)	33	04.05.1998	11	664,687	PRT (Barbados) Ltd. – Project Manager
46.	Mallya P. D.	Associate Vice President	B.Tech., M.Tech.(IIT)	45	15.12.1986	22	704,637	IDS – A.V.P
47.	Merwin Fernandes	Senior Manager (Sales & Marketing)	BCOM	40	06.08.1997	18	755,561	DSQ Software Ltd – Business Development Manager
48.	Milind S. Deshpande	Project Manager	B.E.	33	15.12.1993	11	600,561	Reesan Imr – Senior A\P
*49.	Mini V. Sarasamma	Consultant	B.E.	31	23.08.1999	7	345,648	Softline / KPMG – SAP Consultant
50.	Mohammed Hussain Naseem	Manager-International Sales (Banking)	B.Tech.(IIT), MS	34	07.09.1998	10	645,298	Wipro GE Medical Systems – National Product Manager
51.	Mohan Sekhar	Associate Vice President	B.E., MS	37	17.08.1998	13	812,116	AT&T – Operations Manager
52.	Mohan M. M.	Senior Manager (HRD)	B.Com., PGDBM	55	11.07.1992	30	693,732	Motor Industries Co Ltd. – Asst.Officer HRD
53.	Mohandas Pai T. V.	Senior Vice President (Finance & Admn.) and CFO	B.Com., LLB, FCA	41	17.10.1994	20	1,171,588	Prakash Leasing Limited – Executive Director
*54.	Nadathur S. Raghavan	Joint Managing Director	B.E.	56	01.09.1981	36	1,052,713	Patni Computer Systems Pvt. Ltd – Asst. Manager
55.	Nagaraj R. N.	Senior Manager (Product Support)	LLB, M.A.	45	06.03.1995	24	649,798	State Bank of Hyderabad – Manager
56.	Nandakumar N.	Project Manager (Education & Research)	B.Sc.	41	02.12.1996	19	613,323	Mastek Limited – Training Manager
57.	Nandan M. Nilekani	Managing Director, President & COO	B.Tech.(IIT)	44	01.07.1981	22	1,302,458	Patni Computer Systems Pvt Ltd. – Asst. Project Manager
*58.	Nandita Mohan Gurjar	Corporate Development Manager	B.A., M.A.	39	20.12.1999	8	199,068	Wipro Infotech – Corporate Manager – HRD
59.	Narasimman R.	Associate Project Manager	B.Sc., M.Tech.(IIT)	36	03.04.1998	15	637,473	DRDO – Scientist
60.	Narayana Murthy N. R.	Chairman & CEO	B.E., M.Tech.(IIT)	53	18.03.1982	31	1,416,068	Patni Computer Systems Pvt Ltd. – Head-Software Group
61.	Narendran Koduvattat	Project Manager	B.Sc.	33	08.03.1993	14	604,514	PSI Data Systems Ltd. – Senior Software Engineer
62.	Padmanabhan D.	Senior Project Manager	B.Sc.	37	02.11.1992	16	705,665	PSI Data Systems Ltd. – Product Manager
*63.	Palanisamy Palaniappan	Project Manager	B.E., M.Tech.(IIT), Ph.D (IISc)	41	21.09.1999	7	350,910	C. S. T. Inc., – Director Asia-Pacific
64	Parameswar Y.	Associate Vice President	B.E., M.Tech.(IIT)	44	14.10.1996	20	1,073,076	C-Dot – Divisional Manager
*65.	Parthasarathy M. A.	Senior Project Manager	B.E.	50	30.08.1999	28	430,488	IMR Global Ltd. – Group Manager
66.	Poornima Harekrishna	Associate Project Manager	B.Sc., PGD	36	02.11.1998	13	608,145	ICON Information Technologies Services – Project Manager
67.	Prabhakara H. R.	Project Manager	M.Tech.(IIT)	39	04.03.1996	15	611,063	ITI Limited – Senior Engineer
68.	Prabhu M. S. S.	Senior Vice President	B.E., Ph.D (IISc)	52	01.08.1997	26	1,154,474	Tata Consultancy Services – V.P. Systems Manager
69.	Pravin Rao U. B.	Associate Vice President	B.E.	38	04.08.1986	14	847,238	Indian Institute of Science – Trainee Programmer
70.	Priti Jay Rao	Associate Vice President	B.Sc., M.Sc.(IIT)	40	02.07.1997	17	882,084	L&T – Project Manager
71.	Raghavan S.	Associate Vice President	B.E.	38	16.04.1987	16	861,139	B. H. E. L. – Maintenance Engineer
*72.	Raghu Ponnapalli	Senior Project Manager	B.Sc., MS	35	09.12.1999	14	213,057	Sun Microsystems Inc. – IR Technical Consultant
*73.	Raghunath K.	Banking Customer Support Manager	BCOM	46	16.09.1999	23	329,038	Canara Bank – Manager
*74.	Raghupathi N. Cavale	Senior Consultant (ERP)	B.E., MS (IIT)	38	13.12.1999	8	224,148	Price Waterhouse Coopers - Principal Consultant
75..	Raghupati Bhandi	Vice President	B.E., M.Tech.(IIT)	39	07.07.1988	16	887,462	Wipro Information Technology Ltd. – Sr.Systems Engineer
76.	Raghuveer B. K.	Associate Project Manager	B.E.	32	16.04.1992	10	630,420	Ashok Leyland Ltd. – Head
77.	Rajasekaran K. S.	Senior Manager (Business Consultancy)	B.Sc., M.Sc., PGD	41	08.11.1983	16	713,352	Voores High School – Teacher
*78.	Rajeev Easwara Warrier	Project Manager	B.E.	33	02.11.1999	11	260,174	Aspect Development – Group Leader
*79.	Rajgopal S. Kishore	Project Manager	B.Tech.(IIT), M.Tech.(IIT)	35	09.08.1999	12	556,154	Novell – Manager
80.	Rajiv Kuchhal	Associate Vice President	B.Tech.(IIT)	34	05.02.1990	13	699,751	Telecommunications Consultants (I) Ltd. – Asst.Manager
*81.	Raju Bannur	Project Manager	B.E., M.Tech.(IIT)	36	17.01.2000	11	139,759	IMR Global – Group Manager

Annexure to the directors' report (contd.)

Sl. No.	Name	Designation	Qualification	Age (Years)	Date of joining	Experience (Years)	Gross Remuneration (Rs.)	Previous employment – Designation
82.	Rama N. S.	Senior Project Manager	B.E.	50	31.03.1999	27	943,427	Satyam Computer Services – Consultant
83.	Ramadas Kamath U.	Senior Manager (Accounts & Administration)	BBM, FCA	39	01.07.1994	15	804,496	Manipal Printers & Publishers Ltd. – Accountant
84.	Ramakrishnan M.	Associate Project Manager (Quality)	B.Sc.	43	04.09.1996	23	608,960	Canara Bank – Officer
85.	Ramanamurthy M. S.	Project Manager	B.E., M.Tech.(IIT)	34	08.10.1997	13	646,247	Tata Consultancy Services – Asst.Consultant
86.	Ravi Kiran	Project Manager	B.E.	36	15.02.1996	13	916,254	Asea Brown Boveri Ltd. – Sr. Engineer Marketing
87.	Ravi C.	Senior Project Manager	B.E.	34	02.05.1988	12	666,876	–
88.	Ravishankar M. R.	Project Manager	B.E., M.E.(IISc)	34	16.01.1998	12	646,759	Tata Consultancy Services – Associate Consultant
*89.	Rohan Joshi	Senior Manager – Corp Mark (Operations)	B.E., MBA	38	02.11.1993	13	261,635	Philips Internationals – Junior Vice President
90.	Sajaneel S. Ankola	Associate Project Manager	B.Sc. (Hon.)	33	01.07.1998	11	643,956	Tata Infotech – Manager
*91.	Sanat Rao	Manager - Business Consultancy	B.Com., PGD (IIM)	35	20.12.1999	9	175,380	Citicorp Information Technology Industries Ltd – Consultant – Dataware Housing Unit
*92.	Sandeep Srivastava	Senior Project Manager	B.Tech.	35	10.05.1999	13	821,795	Satyam Computer Services Ltd. – Senior Consultant
93.	Sanjeev V. R.	Senior Project Manager	B.E., PGD	42	12.02.1998	19	810,313	C-Dot - Divisional Manager
*94.	Saravanan S.	Associate Project Manager	B.Tech.(IIT), PGD (IIM)	33	27.12.1999	12	159,180	A. F. Ferguson & Co. – Manager– Business Dev./Assignment/Client Management
95.	Satish G. Bableshwar	Project Manager	B.E.	33	23.06.1988	12	654,935	–
96.	Saumyasanta Chaudhuri	Project Manager	B.Tech.(IIT), M.E.	45	30.01.1998	24	615,035	International Computers India Limited – Senior Manager
97.	Seshan P.	Senior Project Manager	B.E.(Hon.)	39	02.11.1990	16	941,128	Stanford Business Software (I) Pvt Ltd. – Senior Engineer
98.	Sharad K. Hegde	Senior Vice President	B.Tech.(IIT), PGD	41	01.07.1983	19	1,162,670	Patni Computer Systems Pvt Ltd. – Software Engineer Trainee
*99.	Shekar S. R.	Manager – User Education (BBU)	B.Com., CAIIB	44	01.07.1999	23	460,598	State Bank of Mysore – Manager Grade III
100.	Shibulal S.D.	Director	B.Sc., M.Sc., MS (Boston Univ.)	45	01.09.1981	24	1,233,480	Sun Micro Systems – Sr. I.R. Manager
*101.	Shiv Shankar N.	Senior Project Manager	B.Tech.(IIT)	38	04.08.1999	18	490,324	PRT – Senior Manager
102.	Shivaprasad K. G.	Associate Vice President	B.Sc.(Hon.), M.Sc.	44	10.06.1996	23	731,615	Oman Computer Servics – Software Development Manager
*103.	Shivaprasad Rai B.	Project Manager	B.Sc., MBA	39	28.06.1999	16	498,469	Raffles Software – Resident Manager – Europe
*104.	Sitaram M. L.	Manager (CCD)	B.E.	43	24.01.2000	20	116,939	Network Solutions Pvt. Ltd. – General Manager – Facility Management Services
105.	Siva Kumar N. S.	Regional Manager	B.Com.	32	14.04.1997	12	654,403	JK Technosoft – Manager
106.	Sivashankar J.	Senior Manager (MIS)	B.Tech., MMS	40	22.01.1999	15	709,440	Anuvin Business Solutions – Director
107.	Skanthaswamy T. V.	Project Manager	B.E.(Hon.), M.Tech.(IIT)	42	18.03.1998	17	708,832	Tata Consultancy Services – Project leader
108.	Sreenivas Gunturi	Senior Project Manager	B.E., M.Tech.(IIT)	38	18.02.1998	15	914,201	IBM Global Services – Dy. General Manager
*109.	Sridharan Baskar	Project Manager	B.Sc., MBA	40	20.03.2000	19	20,410	G.I.C. Mumbai – Asst. Manager
110.	Srinath Batni	Senior Vice President	B.E., M.E.(IISc)	45	15.06.1992	22	962,735	PSI Bull – Senior Manager Marketing
*111.	Srinivas B. G.	Senior Consultant	B.E.	39	03.05.1999	15	677,759	Asea Brown Boveri – Manager Erp
*112.	Srinivas K. S.	Senior Consultant (ERP)	B.E.	35	06.03.2000	0	45,997	Oracle – Principal Consultant
113.	Srinivasan V.	Senior Project Manager	B.Tech.(IIT)	37	03.03.1997	14	662,918	Deutsche Software – Asst.Manager Systems
*114.	Srinivasaraghavan Gopalakrishnan	Project Manager	B.Tech.(IIT), M.Tech.(IIT), Ph.D (IIT)	38	02.11.1999	7	273,363	Peritus Software Services – Program Manager
115.	Srivathsa P. S.	Manager (HRD)	B.Sc.(Hon.), PGD	37	09.03.1994	15	630,952	Essar Services Ltd. – Management Trainee
116.	Subbaraya M. Sastry	Associate Vice President	B.Tech., PGD (IIM)	41	13.04.1995	17	675,762	Verifone – Manager – MIS
117.	Subrahmanya S. V.	Project Manager (Education & Research)	B.E., M.Tech.(IIT)	38	08.10.1996	10	625,969	Ashok Leyland Information Technology Ltd. – Asst.Project Manager
118.	Subramanian K.	Project Manager	B.Sc., M.Sc.	40	22.04.1996	17	634,002	Mastek Limited - Asst. Project Manager

Sl. No.	Name	Designation	Qualification	Age (Years)	Date of joining	Experience (Years)	Gross Remuneration (Rs.)	Previous employment – Designation
119.	Subramanyam G. V.	Senior Project Manager	B.E.	33	15.06.1988	12	840,572	–
120.	Sudha Kumar	Senior Manager (Corporate Marketing)	B.E., PGD (IIM)	35	14.03.1994	12	627,403	A. F. Fergusson & Co. – Consultant
*121.	Sudheer K.	Associate Vice President	B.Tech.(IIT)	39	14.11.1986	15	434,487	Indian Organics Chemicals Ltd – Programmer Analyst
*122.	Suma Subramanian	Associate Manager (Human Resources)	B.Sc., PGD	32	30.04.1999	7	598,529	Free Lance Consultant for HR – HR Consultant
*123.	Sunil Kumar Kolangara	Project Manager	B.Tech., PGD (IIM)	33	07.02.2000	9	99,050	Unit Trust Of India – Asst. General Manager
124.	Suresh J. K.	Project Manager (Education & Research)	B.Tech.(IIT), MS (IIT), Ph.D (IISc)	40	27.07.1998	17	683,244	ADA Bangalore – Dy. Project Director
125.	Suresh Kamath K.	Associate Manager - Accounts	B.Com.	37	26.11.1987	12	613,856	Sukruta Agencies – Accounts Asst.
126.	Surya Prakash K.	Project Manager	B.E.	31	23.07.1990	10	666,455	–
127.	Suvro Banerjee	Project Manager	B.E., MS	35	15.10.1998	12	613,720	TCG S/W - Managing Consultant
*128.	Tapas Roy	Associate Project Manager	B.Sc., M.Sc.	41	08.02.1999	16	28,571	United Bank of India – Manager (EDP)
129.	Vasudeva Rao L.	Vice President	B.E.	38	15.01.1985	15	762,180	Software Services – Project Manager
130.	Venkataramanan T. S.	Senior Project Manager	B.E.	35	27.11.1993	14	624,596	Tata Engineering & Locomotive Co. Ltd. – Senior Systems Officer
131.	Venkateswarlu Pallapothu	Senior Project Manager	B.E., M.Tech.(IIT)	39	29.03.1999	16	711,333	Tata Consultancy Services – Senior Consultant
*132.	Verender Kumar	Associate Project Manager	B.E.	31	09.08.1999	11	387,757	IBM Global Services – Project Manager
133.	Vijay Ratnaparkhe	Project Manager	B.E., M.Tech.(IIT)	35	11.05.1998	12	691,255	Citicorp Overseas Software Ltd. – Consultant
134.	Vijay Kumar C.	Associate Vice President (Infr. Devt.)	B.E.	38	03.11.1987	19	753,839	Self Employed
*135.	Vijaya Raghavan T. R.	Banking Specialist	B.Sc., PGD	46	01.09.1999	23	352,822	Vysya Bank – Senior Manager
136.	Vinayak Pai V.	Associate Manager (Finance)	B.Com., ACA	29	03.04.1995	8	697,456	Sajawat Industries – Chief Accountant
137.	Vivekanand P. Kochikar	Project Manager (Education & Research)	B.Tech.(IIT), M.Tech., Ph.D (IIT)	36	02.05.1994	9	609,207	H. M. T. Ltd – Dy. Engineer
138.	Yegneshwar S.	Associate Vice President	B.E. (Hon.), Ph.D (IIT)	39	06.04.1993	12	670,931	I. I. M. Ahmedabad – Assistant Professor

NOTE:

Remuneration comprises basic salary, allowances and taxable value of perquisites.

*Employed for part of the year.

None of the employees are related to any director of the company.

For and on behalf of the board of directors

Bangalore
April 11, 2000

Nandan M. Nilekani
Managing Director, President and Chief Operating Officer

N. R. Narayana Murthy
Chairman and Chief Executive Officer

Risk management

The management cautions readers that the risks outlined below are not exhaustive and are for information purposes only. Investors are requested to exercise their own judgement in assessing various risks associated with the company and to refer to discussions of some of these risks in the company's earlier annual reports and Securities and Exchange Commission filings.

Infosys has adopted an integrated approach to managing the risks inherent in various aspects of its business. As part of this approach, the board of directors is responsible for monitoring risk levels on various parameters, and the management council is responsible for ensuring implementation of mitigation measures, if required. Prudential norms aimed at limiting exposures are an integral part of this approach. Formal reporting and control mechanisms ensure timely information availability and facilitate proactive risk assessment.

Given the rapidly changing environment in which Infosys operates, a dynamic framework for risk assessment is of paramount importance. The company has proactively capitalized on the recent upsurge in e-business related outsourcing activity - and has also made suitable adjustments in its risk assessment methodology to manage risks specific to e-business activity.

The company's risk management process includes timely dissemination of information on the parameters outlined below. Periodic risk reports to senior management help identify potential areas for concern and therefore enable swift corrective action, when required.

1. Business portfolio risks
    - E-business exposure
    - Service concentration
    - Client concentration
    - Geographical concentration
    - Vertical domain concentration
    - Technology concentration
2. Financial risks
    - Foreign currency rate fluctuations
    - Liquidity
    - Leverage
3. Legal and statutory risks
    - Contractual liabilities
    - Statutory compliance
4. Internal process risks
    - Project execution
    - Disaster prevention and recovery
    - Technological obsolescence
    - Human resource management
    - Internal control systems
5. Political risks

1. Business portfolio risks

Excessive dependence on any single business segment increases risk and therefore needs to be avoided. To this end, the company has adopted prudential norms to prevent undesirable concentration. The management takes appropriate corrective steps, when required.

1.1 E-business exposure

In recent years, the internet has emerged as an extremely efficient platform for enabling business transactions. This revolution has given rise to several new firms with business models that are challenging traditional modes of doing business. Further, this has also created an unprecedented business opportunity for IT service companies such as Infosys.

Over the last two years, Infosys has demonstrated its ability to partner with dot-com start-ups to bring their ideas to market in highly compressed time-frames. Infosys' expertise in integrating a wide range of platforms with the latest internet technologies has also helped several traditional businesses embrace the e-paradigm.

The recent upsurge in our partnerships with start-ups has resulted in increased exposure to new risk factors, as outlined below.

- Business risks: The high risk of failure, the possibility of lack of sustained funding from venture capitalists, and the possibility of the venture getting acquired by a third party result in lack of predictability in revenues from the account and also result in higher credit risk.
- Project execution risks: Frequent shifts in business models, and the consequent changes in client requirements, increases the difficulty in delivering solutions within a pre-determined timeframe and budget.
- Legal risks: Given that e-business initiatives in dot-coms are highly mission-critical, the litigation risk associated with these accounts is significant.

Measures that Infosys has put in place to address these risks are outlined below.

1.1.1 Business risks

The company chooses its clients in the dot-com sphere based on their potential to succeed. These decisions are based on an analysis of the business plan, the promoters' track record, quality of venture capital backing, extent of funds available, etc. Further, for most start-ups, the payment structure is designed such that a significant proportion of the amount is received in advance of the work delivered.

1.1.2 Project execution risks

A robust iterative solution delivery methodology has been developed which aids Infosys in managing scope changes, reducing cycle times, and ensuring a good fit between the clients' requirements and the solution delivered. Further, the usage of CMM Level 5 processes ensures that the risks involved in any given project are identified well in advance, discussed with the client, and mitigated early in the project life cycle through appropriate steps.

1.1.3 Legal risks

An in-depth analysis of legal issues specific to the e-business segment has been performed and contracts with these companies include specific clauses to protect the company's interests.

1.2 Service concentration

Infosys has an array of service offerings across various horizontal and vertical business segments. To prevent excessive dependence on any service offering that caters to one-time market opportunities, the company has adopted a norm to restrict business from any such service to less than 25% of total revenue.

Further, these opportunities (such as Year 2000 conversion services) were used to make inroads into hitherto untapped client accounts. These have resulted in a broader client base for other services and have also helped build fruitful, long-term client relationships.

During the year, revenues of the company from Year 2000 conversion services decreased steadily. This decline was offset by increasing revenues from e-business engagements. The table below shows the movement of these two segments in fiscal 2000.

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Year 2000 revenues	12.1%	9.4%	5.8%	0.9%
E-business revenues	6.4%	10.3%	15.6%	18.8%

1.3 Client concentration

Excessive exposure to a few large clients has the potential to impact profitability and to increase credit risk. However, large clients and high repeat business lead to higher revenue growth and lower marketing costs. Therefore, the company needs to strike a balance. Infosys has chosen to limit the revenue from any one client to 10% of total revenue.

In addition to increasing revenues from existing clients, Infosys actively seeks new business opportunities and clients to reduce client concentration levels. During the year, the company added 99 clients, many of whom are start-ups in the telecom and e-business space. Given the inherent risks associated with start-ups, the company closely monitors the proportion of revenues derived from this segment. In fiscal 2000, start-ups contributed 5% to total revenues. A prudential norm for business from this segment may be put in place in future, if deemed necessary.

The following table provides historical data on client concentration (based on Indian GAAP).

	FY 2000	FY 1999	FY 1998
Active clients	194	115	93
Clients added during the year	99	39	45
% of revenues from the largest client	7.2%	6.4%	10.5%
% revenues from top five clients	30.2%	28.4%	35.1%
% revenues from top ten clients	45.7%	44.0%	50.1%
Clients accounting for >5% of total revenue	4	5	5

1.4 Geographical concentration

A high geographical concentration of business could lead to volatility because of political and economic factors in target markets. However, individual markets have distinct characteristics – growth, IT spends, willingness to outsource, costs of penetration, and price points. Cultural issues such as language, work culture and ethics, and acceptance of global talent also come into play. Due to these business considerations the company has decided not to impose rigid limits on geographical concentration.

This risk is managed by proactively looking for business opportunities in new geographical areas and thereby increasing their contribution to total revenues. In line with this, the company has made significant efforts to enhance business from Europe and Asia Pacific.

The following table provides historical data relating to geographical concentration (based on Indian GAAP).

Geographical area	FY 2000	FY 1999	FY 1998
North America	77.4%	81.4%	81.5%
Europe	14.0%	9.3%	8.9%
Rest of the world	5.7%	6.9%	6.0%
India	2.9%	2.4%	3.6%
Total	100.0%	100.0%	100.0%

1.5 Vertical domain concentration

Vertical domains relate to the industry in which clients operate. Infosys has chosen to focus on certain vertical segments with a view to leverage accumulated domain expertise to deliver enhanced value to its clients. To ensure that cyclicality in any one industry does not adversely impact revenues, proportion of revenue from each vertical domain is closely monitored. Focussed marketing efforts in chosen domains serve to mitigate this risk.

The following table provides historical information on the proportions of revenue from various domains (based on Indian GAAP).

Vertical domain	FY 2000	FY 1999	FY 1998
Manufacturing	23.0%	24.6%	21.1%
Insurance, banking and financial services	30.1%	23.3%	19.7%
Telecom	15.4%	14.2%	16.8%
Retail	10.6%	13.8%	17.6%
Others	20.9%	24.1%	24.8%
Total	100.0%	100.0%	100.0%

1.6 Technology concentration

Being a company exposed to rapid shifts in technology, an undue focus on any particular technology could adversely affect the risk profile of the company. However, given the rapid pace of technological change, Infosys has chosen not to impose rigid concentration limits. Often, industry characteristics and market dynamics determine the choice of technology. Over the year, the market has seen a dramatic shift towards internet-related technologies, which is reflected in the change of mix.

The following table provides historical technology-related data (based on Indian GAAP).

Technology	FY 2000	FY 1999	FY 1998
Distributed systems	47.2%	41.5%	36.4%
Mainframe/mid-range	25.0%	37.1%	38.9%
Internet	13.6%	3.7%	0.1%
Proprietary telecom systems	6.8%	12.1%	19.2%
Others	7.4%	5.6%	5.4%
Total	100.0%	100.0%	100.0%

2. Financial risks

2.1 Foreign currency rate fluctuations

Infosys derives its revenue from more than 20 countries around the world. The US constitutes a significant portion of total revenues with approximately 88% of revenues in fiscal 2000 being dollar-denominated. A large proportion of Infosys' expenses are in Indian rupees. Operating profits are therefore subject to foreign currency rate fluctuations. While the depreciation of the Indian rupee would have a favorable bottom-line impact, an appreciation would affect the company's profitability adversely. As Infosys is a net foreign currency earner, it has a natural hedge on all forex-related payments.

The table below gives the foreign currency receipts and payments.

in Rs. crore

	FY 2000	FY 1999	FY 1998
Earnings in foreign currency	851.72	477.44	226.12
Revenue expenditure in foreign currency	296.56	162.75	79.12
Net revenue foreign currency earnings	555.16	314.69	147.00
Capital expenditure in foreign currency	40.02	29.81	19.53
Net foreign currency earnings	515.14	284.88	127.47

To avoid risks arising from short-term foreign currency rate fluctuations, Infosys hedges a part of its dollar receivables in the forward market. Dollar expenses are met out of foreign currency accounts. A significant part of the surplus funds of the company is maintained in foreign currency deposits. The company does not take active trading positions in the foreign currency markets and operates only to hedge its receivables. Any bad debt write-offs in foreign currencies are effected only after obtaining permission from the Reserve Bank of India.

2.2 Liquidity

An essential part of the financial strategy of Infosys is to have a liquid balance sheet. The company aims to have liquid assets at 25% of revenue and around 40% of total assets. Operating as it does in a high technology area, a high level of liquidity enables quick responses to rapid changes in the environment.

Infosys also has a policy to settle its payables well within stipulated time frames. Further, the nature of business is such that significant investments may have to be made in marketing, and research and development activities. All these factors call for considerable liquidity.

The following table gives the data on the liquidity position of the company based on Indian GAAP.

Ratio	FY 2000	FY 1999	FY 1998
Operating cash flow as % of revenue	27.07%	30.98%	22.19%
Days of sales receivable	56	61	57
Cash and equivalents as % of assets	61.00%	72.51%	29.57%
Cash and equivalents as % of revenue	55.17%	81.26%	19.64%

2.3 Leverage

Infosys has been a debt free company for the last three financial years. Currently, the company has a policy to use debt financing only for short-term funding requirements, should the necessity arise.

3. Legal and statutory risks

3.1 Contractual liabilities

Litigation regarding intellectual property rights, patents and copyrights is increasing in the software industry. In addition, there are other general corporate legal risks.

The management has clearly charted out a review and documentation process for contracts. This process focuses on evaluating the legal risks involved in a contract, on ascertaining the legal responsibilities of the company under the applicable law of the contract, on restricting its liabilities under the contract, and on covering the risks involved. The management has also taken sufficient insurance cover abroad to cover possible liabilities arising out of non-performance of the contract. The management reviews this on a continuous basis and takes corrective action. As a matter of policy the company does not enter into contracts which have open-ended legal obligations.

To date, the company has no material litigation in relation to contractual obligations pending against it in any court in India or abroad.

3.2 Statutory compliance

Infosys has a compliance officer to advise the company on compliance issues with respect to the laws of various jurisdictions in which the company has its business activities and to ensure that the company is not in violation of the laws of any jurisdiction where the company has operations. The compliance officer reports from time to time on the compliance or otherwise of the laws of various jurisdictions to the board of directors. Various business heads give compliance certificates to the board of directors and the compliance officer reports deviations, if any. Generally, the company takes appropriate business decisions after ascertaining from the compliance officer and, if necessary, from independent legal counsel, that the business operations of the company are not in contravention of any law in the jurisdiction in which it is undertaken. Legal compliance issues are an important factor in assessing all new business proposals. The company has strengthened its legal team and put in place appropriate policies towards legal compliance. The company follows an affirmative policy in protecting its trade name and trademark/service mark and is actively pursuing trademark infringement suits against various persons / companies in India.

4. Internal process risks

4.1 Project execution

Risk management processes at the operational level are a key requirement for reducing uncertainty in delivering high-quality software solutions to clients within budgeted time and cost. Adoption of quality models such as the Software Engineering Institute's Capability Maturity Model (SEI-CMM) has ensured that risks are identified and measures are taken to mitigate them at the project plan stage itself. During the year, Infosys was assessed to be at Level 5 of the CMM, a distinction that only around 20 companies in the world have achieved.

A Risk Management Guideline is in place to provide guidance to project leaders and module leaders on ways in which risks can be identified and mitigated. Important metrics are also collected and analyzed for all projects and a database of such information is maintained to focus attention on key improvement areas. Standard methodologies, perfected through accumulated experience, form the basis for execution of projects in most of Infosys' service offerings.

Infosys also has an effective system in place to ensure creation, documentation and dissemination of experiential knowledge. The backbone of this system is a user friendly, searchable database known as the Body of Knowledge (BoK) comprising of knowledge components contributed by employees of the company. Incentive schemes are in place to encourage a knowledge sharing culture in the organization. Even so, the company has now created a dedicated central team of experts in the knowledge management sphere to provide further impetus to this initiative. This group will create technology aids and also facilitate knowledge accumulation and dissemination through innovative methods.

4.2 Disaster prevention and recovery

Adherence to ISO 9001 and CMM Level 5 quality standards has ensured that the company has a robust disaster prevention and recovery system in place. The company has a disaster recovery plan for each of its work locations as well as for each technology category. Possible risks for each category have been identified and action plans put in place to cope with any contingencies. These plans are reviewed and updated periodically to make sure that they are in sync with changes in technology and risks.

All software media brought into the company's offices are scanned for viruses before being used. Further, Infosys has firewalls in place on all connections to clients and to the internet.

The Year 2000 problem had the potential to affect systems, transaction processing, computer applications and devices used by the company to operate and monitor major aspects of its business. Towards reducing this risk, the company had undertaken a series of measures. Infosys is glad to report that due to the steps taken proactively, the transition into the new millennium was smooth. Infosys provided 24 x 7 transition support to its clients and internal users through a Year 2000 'War Room' created specifically for this purpose.

4.3 Technological obsolescence

The company evaluates technological obsolescence and the associated risks on a continuing basis and makes investments accordingly. Information technology is possibly the only area where costs for a given technology reduce over time. The cost of acquiring technology also includes the cost of installation and retraining.

The technology requirements of the company can be classified into three categories and different strategies are used to manage risk in each category. The first category is the company's desktop environment consisting of PCs along with associated software. In this category, volumes are large and retraining costs are high. The company considers this as a commodity product and goes for a technology that is mature – not leading edge – so that costs are low. The company has also standardized its user interface software so that retraining costs are minimal. Once the warranty period on these systems expires, they are donated to educational and charitable institutions, after obtaining suitable approval.

The second category of systems are proprietary systems used for development of software for clients as well as the servers used for running internal IS applications. The technological obsolescence in these areas is not rapid, especially in the mainframe segment. Purchase decisions in this category are determined by client requirements. The company has standardized on the Windows NT platform for its internal IS needs. Network components also fall into this category and the company is standardizing its network components, based on a few suppliers.

The third category of systems are the tools required for software development including project management tools, integrated software development environments, testing and other CASE tools, collaborative software development tools, etc. In this category, the company continuously looks out for leading-edge products that help increase productivity and also give the company an advantage over its competitors. In its technology infrastructure, Infosys aims to be on par with or better than the best anywhere in the world including its clients. The company's clients would like it to advise them on emerging products and technologies. Hence, Infosys continuously invests in these technologies. Several research initiatives are going on in the company to review and adopt the technology for use internally as well as on client projects.

The company's amortization strategy reflects the requirements of the various categories of systems. Infosys has an aggressive amortization program under which category 1 and 2 are amortized in 2 years except for mainframe technology. Further, purchase of software is treated as revenue expenditure in the same year. Other assets are also aggressively amortized to ensure that the investment is current and that any change in technology would not lead to large write-offs. Such an amortization policy also ensures full cost recovery as part of current costs.

The following table gives depreciation expense and software expense as a proportion of revenues for the last three years (based on Indian GAAP).

	FY 2000	FY 1999	FY 1998
Depreciation / average gross block	23.5%	26.2%	25.8%
Depreciation / total revenue	5.8%	7.0%	8.7%
Software for own use / total revenue	1.8%	2.9%	3.4%

4.4 Human resource management

The key resource for Infosys is its people. The company has been able to create a favorable work environment that encourages innovation and meritocracy. This, combined with a well-balanced compensation package, ensures that Infosys has one of the lowest attrition rates in the industry, today. The table below gives attrition rates for the past three years:

	FY 2000	FY 1999	FY 1998
Attrition rate	9.2%	11.5%	15.9%

Infosys enjoys excellent relationships with leading universities in India and thus has a huge talent pool to draw from. The company added 1880 software professionals during the year ended March 31, 2000 This was achieved in spite of the stiff entry criteria the company sets for aspiring employees. During this period the company witnessed a 147% increase in the number of job applications received — from around 74,450 in fiscal 1999 to about 184,000 in fiscal 2000.

Today, Infosys is the employer-of-choice across universities in India. The company is also in the process of building relationships with universities outside India in order to gain access to a wider talent pool.

Given Infosys' track record and its strong brand equity among the pool of potential employees, the company is confident of scaling up to the numbers required to support its growth in future.

4.5 Internal control systems

Being a process-oriented company, Infosys has in place clear processes and well-defined roles and responsibilities for people at various levels. This, coupled with robust internal information systems, ensures appropriate information flow to facilitate monitoring. Adherence to these processes is ensured through frequent internal audits. Additionally, the following measures are in place to ensure proper control:

- Any unbudgeted expense has to be approved by the managing director, president and COO.
- Any policy change is approved by a committee headed by the chairman and CEO after a 5-year profitability impact assessment.
- Senior management personnel submit periodic reports on their activities and achievements and these are reviewed by the managing director, president and COO.

5. Political risks

Recognizing that India's education system, its world-class professionals, and its low cost structure give it an intrinsic comparative advantage in software exports, successive governments have accorded a special status to this industry. Task Forces comprising politicians, bureaucrats and industrialists have recommended policy measures to give a fillip to the Indian IT industry. Many of these recommendations have been implemented and some of them are actively being considered for implementation. On the whole, the government's favorable disposition towards the IT industry – and specifically towards software exports – is highly encouraging. Given the consensus among all leading political parties on the importance of the software industry, it is likely to remain a focus area for governmental policy in the years to come.

However, in order to mitigate the risk of operating from a single country, Infosys has recently established development centers outside India. A Global Development Center was set up at Toronto, Canada in January 2000. In October 1999, the company also established Proximity Development Centers (PDCs) at Fremont, California and Boston, Massachusetts. Plans are also underway to set up a PDC in the U.K. shortly.

Corporate governance

Corporate governance policies

Infosys has been a pioneer in benchmarking its corporate governance policies with the best in the world. The directors present below the company's policies on corporate governance.

A. Board composition

1. Responsibilities of the CEO and the COO

The current policy of the company is to have an executive chairman and chief executive officer (CEO), and a managing director, president and chief operating officer (COO). There is a clear demarcation of responsibilities and authority between the two. The CEO is responsible for corporate strategy, brand equity, planning, external contacts, acquisitions, and board matters. The COO is responsible for all day-to-day operations-related issues and for the achievement of annual targets in customer satisfaction, sales, profitability, quality, productivity, recruitment, training and employee retention. The CEO, COO, the other executive directors and the senior management make periodic presentations to the board on their responsibilities, performance and targets.

2. Size of the board

The board has ten members, and periodically reviews the need for its expansion. As per the current by-laws of the company, the board can have up to twelve members. The board intends to increase its size upto eighteen members in line with its plans for globalization.

3. Executive and independent directors

The current policy is to have an appropriate mix of executive and independent directors to maintain the independence of the board, and to separate the board functions of governance and management. To ensure independence of the board, the members of the audit committee, the nominations committee and the compensation committee are composed entirely of independent directors. The current board has five independent directors and five executive directors. All executive directors are also founders of the company.

4. Board membership criteria

Board members are expected to possess the expertise, skills and experience required to manage and guide a high growth, hi-tech software company deriving revenue primarily from G-7 countries. Expertise in strategy, technology, finance, quality and human resources is essential. Generally, they will be between 40 and 55 years of age. They will not be a relative of an executive director or of an independent director. They are generally not expected to serve in any executive or independent position in any company in direct competition with Infosys. Board members are expected to rigorously prepare for, attend, and participate in all board and applicable committee meetings. Each board member is expected to ensure that other existing and planned future commitments do not materially interfere with the member's responsibility as a director of Infosys.

5. Membership term

The board constantly evaluates the contribution of its members, and recommends to shareholders their re-appointment periodically as per statute. The current law in India mandates the retirement of one-third of the board members every year and qualifies the retiring members for re-appointment. The executive directors are appointed by the shareholders for a maximum period of five years at one time but are eligible for re-appointment upon completion of their term. The nominations committee of the board, composed entirely of independent directors, recommends such appointment / re-appointment. However, the membership term is limited by the retirement age for members.

6. Retirement policy

The board has adopted a retirement policy for its members. Under this policy, the maximum age of retirement of executive directors, including the CEO, is 60 years, which is the age of superannuation for the employees of the company. Their continuation as members of the board upon superannuation / retirement is determined by the nominations committee. The age limit for retirement from the board is 65 years.

7. Board compensation review

The compensation committee determines and recommends to the board, the compensation payable to the members of the board. The compensation of the executive directors consists of a fixed component and a performance incentive. The compensation committee makes a quarterly appraisal of their performance. The annual compensation of the executive directors is approved by the compensation committee within the parameters set by the shareholders at the shareholders meetings. The shareholders determine the compensation of the executive directors for the entire period of their term.

The compensation of the independent directors is approved at a meeting of the full board. The total compensation payable to all the independent directors together is limited to a fixed sum per year determined by the board. This sum is within the limit of 0.5% of the net profits of the company for the year calculated as per the provisions of the Companies Act, 1956 and as approved by the shareholders and is separately disclosed in the financial statements. The compensation payable to the independent directors and the method of calculation are also disclosed separately in the financial statements. As founders of the company, the present executive directors have voluntarily excluded themselves from the 1994 Stock Offer Plan, the 1998 Stock Option Plan and the 1999 Stock Option Plan. The independent directors are also not eligible for stock options under these plans, except the 1999 Stock Option Plan. However, no options have been issued so far under the plan to the independent directors.

8. Memberships of other boards

Executive directors are excluded from serving on the board of any other entity unless the said entity is an industrial entity whose interests are germane to the business of the software industry, or a government body that is of relevance to the software industry, or an entity whose objective is the upliftment of society. Independent directors are generally not expected to serve on the boards of competing companies. Other than this, there are no limitations on them save those imposed by law and good corporate governance.

B. Board meetings

1. Scheduling and selection of agenda items for board meetings

Normally, board meetings are scheduled at least a month in advance. Most of them are held at the company's registered office at Electronics City, Bangalore, India. The chairman of the board and the company secretary draft the agenda for each meeting, along with explanatory notes, and distribute it in advance to the board members. Every board member is free to suggest the inclusion of items on the agenda. Normally, the board meets once a quarter to review the quarterly results and other items on the agenda. The board also meets on the occasion of the annual shareholders' meeting. On a need basis, additional meetings are held. Independent directors are expected to attend at least four board meetings in a year. A committee of the board meets as and when required for transacting business of a routine nature.

2. Availability of information to the members of the board

The board has unfettered and completes access to any information within the company, and to any employee of the company. At the meetings of the board, the board welcomes the presence of managers who can provide additional insights into the items being discussed.

C. Board committees

1. The committees of the board

Currently, the board has three committees – the audit committee, the compensation committee and the nominations committee. These committees are composed entirely of independent directors. The functions of these committees are described elsewhere in this report.

The board has recently constituted an investor grievance committee as per the requirements of the Shri Kumar Mangalam Birla Committee recommendations.

2. Assignment and terms of service of committee members

The board decides, in consultation with the chairman and considering the views of individual board members, terms of service of various committees and the assignment of specific board members to various committees.

3. Frequency and duration of committee meetings and committee agenda

The chairman of the board, in consultation with the company secretary of the company and the committee chairman, determines the frequency and duration of the committee meetings. Normally, the committees meet at least twice a year. The committee agenda and the minutes of the committee meeting are submitted to the full board for approval.

D. Management review and responsibility

1. Formal evaluation of officers

A committee headed by the chairman and CEO reviews, evaluates and decides the annual compensation for officers of the company from the level of associate vice president excluding members of management council. Further, the compensation committee decides the compensation and benefits for board members as well as for the members of the management council. Grants of stock options under the 1994 Stock Offer Plan were decided by the advisory board constituted under the 1994 Plan. The compensation committee of the board administers the 1998 Stock Option Plan and the 1999 Stock Option Plan.

2. Succession planning and management development

The chairman reviews succession planning and management development with the board from time to time.

3. Board interaction with clients, employees, institutional investors, the government and the press

The chairman and CEO manages all interaction with investors, the media, and the government. In this task, he seeks advice and help from the managing director, president and COO as well as the CFO, where necessary. The managing director and COO manages all interaction with clients taking the advice and the help of the CEO, where necessary. Both the CEO and the COO handle employee communication.

Compliance with corporate governance codes

Corporate governance has assumed great significance in India in the recent past. Even though the Companies Act, 1956 provided a framework for corporate governance, defined the powers, duties and responsibilities of the board, and instituted a system of checks and balances with punishment for transgression of law, there was a need felt for a comprehensive code of corporate governance. Indian industry associations have taken the lead in framing such a code. Globally, the Cadbury Committee on corporate governance has framed a similar code. As already stated, the company is committed to good corporate governance and has benchmarked itself against global best practices.

The Shri Kumar Mangalam Birla Committee on Corporate Governance appointed by the Securities and Exchange Board of India (SEBI) submitted its report in November 1999 and the report was accepted by SEBI in December 1999. The recommendations of the committee are mandatory for some companies effective fiscal year 2001, including your company. *The company has already complied with most of the recommendations.*

As additional disclosure of the company's compliance with corporate governance standards, a report on compliance with the recommendations of the Shri Kumar Mangalam Birla Committee on Corporate Governance and with the Cadbury Committee recommendations is given hereunder.

1. Compliance with the recommendations of the Shri Kumar Mangalam Birla Committee on Corporate Governance

"Strong corporate governance is thus indispensable to resilient and vibrant capital markets and is an important instrument of investor protection. It is the blood that fills the veins of transparent corporate disclosure and high-quality accounting practices. It is the muscle that moves a viable and accessible financial reporting structure."

Excerpts from the Shri Kumar Mangalam Birla Committee Report on Corporate Governance

1. Board of directors

1.1 *All pecuniary relationships or transactions of the non-executive directors should be disclosed in the annual report.*

None of the non-executive directors of the company have any pecuniary relationships or transactions with the company.

1.2 *The Committee is of the view that non-executive directors help bring an independent judgement to bear on board's deliberations, especially on issues of strategy, performance, management of conflicts and standards of conduct. The Committee therefore lays emphasis on the calibre of the non-executive directors, especially of the independent directors.*

The non-executive directors of the company are highly respected and accomplished professionals in the corporate and academic worlds.

1.3 *The Committee is of the view that it is important that an adequate compensation package be given to the non-executive independent directors so that these positions become sufficiently financially attractive to attract talent and that the non-executive directors are sufficiently compensated for undertaking this work.*

The non-executive directors are eligible for a commission of upto 0.5% of the net profits of the company. In fiscal 2000, the total commission payable to the five non-executive directors amounted to Rs. 48.18 lakhs. The 1999 Stock Option Plan includes non-executive directors as beneficiaries. However, no options have been issued so far under the plan to non-executive directors.

1.4 *The Committee recommends that the board of a company have an optimum combination of executive and non-executive directors with not less than fifty percent of the board comprising the non-executive directors. The number of independent directors depends on the nature of the chairman of the board. In case a company has a non-executive chairman, at least one-third of board should comprise of independent directors and in case a company has an executive chairman, at least half of board should be independent (Mandatory recommendation).*

As of March 31, 2000, non-executive directors constituted 50% of the board. The board has divided the responsibility for the management of the company between the chairman and CEO and the managing director, president and COO.

2. Nominee directors

2.1 *The Committee recommends that when a nominee of the institutions is appointed as a director of the company, he should have the same responsibility, be subject to the same discipline and be accountable to the shareholders in the same manner as any other director of the company. In particular, if he reports to any department of the institutions on the affairs of the company, the institution should ensure that there exist chinese walls between such department and other departments which may be dealing in the shares of the company in the stock market.*

Not applicable.

3. Chairman of the board

3.1 *The Committee recommends that a non-executive Chairman should be entitled to maintain a Chairman's office at the company's expense and also allowed reimbursement of expenses incurred in performance of his duties. This will enable him to discharge the responsibilities effectively.*

The company has an executive chairman.

4 Audit committee

4.1 *The Committee recommends that a qualified and independent audit committee should be set up by the board of a company (Mandatory recommendation).*

The company has in place an independent audit committee since fiscal 1998. The audit committee's role flows directly from the board's oversight function.

4.2 *The Committee recommends that*

- *the audit committee should have a minimum of three members, all being non-executive directors, with the majority being independent, and with at least one director having financial and accounting knowledge;*
- *the chairman of the committee should be an independent director;*
- *the chairman should be present at the Annual General Meeting to answer shareholder queries;*
- *the audit committee should invite such of the executives, as it considers appropriate (and particularly the head of the finance function) to be present at the meetings of the Committee but on occasions it may also meet without the presence of any executives of the company. The finance director and head of internal audit and when required, a representative of the external auditor should be present as invitees for the meetings of the audit committee;*
- *the Company Secretary should act as the secretary to the committee.*

These are mandatory recommendations.

The audit committee currently comprises four members who are the independent and non-executive directors on the board. The audit committee members are accomplished professionals from the corporate and academic worlds.

The chairman of the committee, Mr. Deepak Satwalekar, director of HDFC Bank Limited, is an independent director.

The chairman of the audit committee is present at the Annual General Meeting to answer shareholder queries, if any.

The chief financial officer of the company is present at all audit committee meetings. Both the internal and external auditors of the company attend all audit committee meetings to brief the members. The committee also requires the presence of various heads of departments, on various matters concerning their departments, as and when it deems fit.

The company secretary is the secretary of the committee.

4.3 *The Committee recommends that the audit committee should meet at least thrice a year. One meeting must be held before finalization of annual accounts and one necessarily every six months (Mandatory recommendation).*

The audit committee meets at the end of every six months. Meetings are held twice a year, once during October to consider the half-yearly financial statements and the other during April to consider the annual financial statements.

4.4 *The quorum should be either two members or one-third of the members of the audit committee, whichever is higher and there should be a minimum of two independent directors (Mandatory recommendation).*

The audit committee consists of four members who are non-executive directors of the company. In fiscal 2000, the prescribed quorum was met at all meetings of the audit committee.

4.5 *Being a committee of the board, the audit committee derives its powers from the authorization of the board. The Committee recommends that such powers should include powers:*

1. *To investigate any activity within its terms of reference.*
2. *To seek information from any employee.*
3. *To obtain outside legal or other professional advice.*
4. *To secure attendance of outsiders with relevant expertise, if it considers necessary.*

This is a mandatory recommendation.

The audit committee has all the powers as envisaged in the above recommendation.

4.6 *As the audit committee acts as the bridge between the board, the statutory auditors and internal auditors, the Committee recommends that its role should include the following:*

- *Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.*
- *Recommending the appointment and removal of the external auditor, fixation of audit fee and also approval for payment for any other services.*
- *Reviewing with management the annual financial statements before submission to the board, focussing primarily on:*
  - *Any changes in accounting policies and practices.*
  - *Major accounting entries based on exercise of judgement by management.*
  - *Qualifications in draft audit report.*
  - *Significant adjustments arising out of audit.*
  - *The going concern assumption.*
  - *Compliance with accounting standards*
  - *Compliance with stock exchange and legal requirements concerning financial statements.*
  - *Any related party transactions i.e. transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives, etc., that may have potential conflict with the interests of company at large.*
- *Reviewing with the management, external and internal auditors, the adequacy of internal control systems.*
- *Reviewing the adequacy of the internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.*
- *Discussion with the internal auditors of any significant findings and follow-up thereon.*
- *Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.*
- *Discussion with external auditors, before the audit commences, of the nature and scope of audit. Also post-audit discussion to ascertain any area of concern.*
- *Reviewing the company's financial and risk management policies.*
- *Looking into the reasons for substantial defaults in the payments to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.*

This is a mandatory recommendation.

The role of the audit committee covers all the above functions. The detailed "audit committee charter" is in the process of being adopted by the committee.

5 Remuneration committee of the board

5.1 *The Committee recommends that the board should set up a remuneration committee to determine on their behalf and on behalf of the shareholders with agreed terms of reference, the company's policy on specific remuneration packages for executive directors including pension rights and any compensation payment.*

The company set up a compensation committee of the board in fiscal 1998. The overall policy of the committee is to institute such compensation and benefits for board members, as well as for members of the management council, which reward performance as per set criteria. Periodic evaluation of the performance decides the variable component of the compensation. The compensation for non-executive directors is finalized in the full board meeting.

5.2 *The Committee recommends that to avoid conflicts of interest, the remuneration committee, which would determine the remuneration packages of the executive directors should comprise at least three directors, all of whom should be non-executive directors, the chairman of committee being an independent director.*

All members of the compensation committee including its chairman are independent, non-executive directors of the company.

5.3 *The Committee therefore recommends that all the members of the remuneration committee should be present at the meeting.*

This recommendation is complied with.

5.4 *The Committee recommends that the Chairman of the remuneration committee should be present at the Annual General Meeting, to answer the shareholder queries. However, it would be up to the Chairman to decide who should answer the queries.*

This recommendation is complied with.

5.5 *The Committee recommends that the board of directors should decide the remuneration of non-executive directors (Mandatory recommendation).*

This recommendation is complied with.

5.6 *The Committee recommends that the following disclosures be made in the section on corporate governance of the annual report:*

- *All elements of remuneration package of all the directors i.e. salary, benefits, bonuses, stock options, pension etc;*
- *Details of fixed component and performance linked incentives, along with the performance criteria;*
- *Service contracts, notice period, severance fees; and*

- *Stock option details, if any – and whether issued at a discount as well as the period over which accrued and over which exercisable.*

This is a mandatory recommendation.

The required information is provided later in this section.

6. Board procedures

6.1 *The Committee therefore recommends that board meetings should be held at least four times in a year, with a maximum time gap of four months between any two meetings. The minimum information should be available to the board (Mandatory recommendation).*

The board met nine times during the financial year 1999-2000. All the required information as recommended by the committee is placed before the board for its consideration on a regular basis.

6.2 *The Committee recommends that a director should not be a member in more than 10 committees or act as Chairman of more than five committees across all companies in which he is a director. Furthermore it is a mandatory annual requirement for every director to inform the company about the committee positions he occupies in other companies and notify changes as and when they take place (Mandatory recommendation).*

This recommendation is complied with except for Mr. S. M. Datta who is the chairman of seven committees and a member of twelve committees across all companies.

7. Accounting standards and financial reporting

7.1 *The recommendations contained in this section pertained to accounting standards on consolidation, segment reporting, disclosure and treatment of related party transactions and deferred taxation. The Committee recommended that the Institute of Chartered Accountants of India issue accounting standards on these areas expeditiously.*

The company produces financial statements as per the requirements of US GAAP where all the above standards are fully complied with and the same is provided elsewhere in the report. As and when the aforesaid accounting standards are issued in India and are made mandatory the company would adopt the same for Indian GAAP reporting purposes. The company is of the opinion that adoption of these standards will not have any material adverse impact on its financial statements or results of operations of the company.

8. Management

8.1 *As a part of the disclosure related to Management, the Committee recommends that as part of the directors' report or as an addition there to, a Management Discussion and Analysis report should form part of the annual report to the shareholders (Mandatory recommendation).*

This information is disclosed in various parts of the annual report, viz. Form 20-F information, the "management discussion and analysis" section, the "segment analysis" section, and the "risk management" section.

8.2 *The Committee recommends that disclosures be made by management to the board relating to all material financial and commercial transactions, where they have personal interest, that may have a potential conflict with the interest of the company at large (for e.g. dealing in company shares, commercial dealings with bodies which have shareholding of management and their relatives etc. (Mandatory recommendation).*

This recommendation is complied with.

9. Shareholders

9.1 *The Committee recommends that in case of the appointment of a new director or re-appointment of a director the shareholders must be provided with the following information:*

- *A brief resume of the director;*
- *Nature of his expertise in specific functional areas; and*
- *Names of companies in which the person also holds the directorship and the membership of Committees of the board.*

This is a mandatory recommendation.

This recommendation is complied with.

9.2 *The Committee recommends that information like quarterly results, presentation made by companies to analysts may be put on company's website or may be sent in such a form so as to enable the stock exchange on which the company is listed to put it on its own website (Mandatory recommendation).*

This recommendation is complied with. The entire quarterly financial statements as well as the annual financial statements, along with the segmental information, are posted on the company's website. Earnings calls with analysts and investors are broadcast live on the website and their transcripts are posted on the website soon thereafter. Any specific presentations made to analysts and others, which are not available in the general domain, are also posted on the company's website.

9.3 *The Committee recommends that the half-yearly declaration of financial performance including summary of the significant events in last six-months, should be sent to each household of shareholders.*

The company currently complies with this recommendation on a quarterly basis. It sends quarterly audited financial statements prepared in accordance with Indian GAAP and quarterly unaudited financial statements prepared in accordance with US GAAP together with the quarterly report in Form 6-K filed with the Securities and Exchange Commission, USA to each of the shareholders.

9.4 *The Committee recommends that a board committee under the chairmanship of a non-executive director should be formed to specifically look into the redressing of shareholder complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc. The Committee believes that the formation of such a committee will help focus the attention of the company on shareholders' grievances and sensitize the management to redressal of their grievances (Mandatory recommendation).*

Hitherto, shareholder complaints were placed and discussed in the full board meeting. The company has formed a board-level "investor grievance committee" in April 2000, which will look into these issues in future.

9.5 *The Committee further recommends that to expedite the process of share transfers the board of the company should delegate the power of share transfer to an officer, or a committee or to the registrar and share transfer agents. The delegated authority should attend to share transfer formalities at least once in a fortnight (Mandatory recommendation).*

This recommendation is complied with. Currently, over 96% of our shares are held in dematerialized form.

10. Compliance report on corporate governance

10.1 *The Committee recommends that there should be a separate section on Corporate Governance in the annual reports of companies, with a detailed compliance report on Corporate Governance. Non-compliance of any mandatory recommendation with reasons thereof and the extent to which the non-mandatory recommendations have been adopted should be specifically highlighted. This will enable the shareholders and the securities market to assess for themselves the standards of corporate governance followed by a company. (Mandatory recommendation).*

a. Company's philosophy on code of governance

The company is committed to good corporate governance and has benchmarked itself against global best practices. The company provides detailed information on various issues concerning the company's business and financial performance. The company respects the inalienable rights of its shareholders to information on the performance of the company and considers itself a trustee of its shareholders.

b. Board of directors

– Composition and category of directors as of March 31, 2000 is as follows:

Category	No. of directors	%
Founder directors	5	50
Non-executive, independent directors	5	50
Total	10	100

– Attendance of each director at the BoD meetings and the last AGM

Director	No. of Board meetings Held	No. of Board meetings Attended	Last AGM attendence (Yes/No)
Susim M. Datta	9	5	Yes
Deepak M. Satwalekar	9	3	Yes
Ramesh Vangal	9	3	Yes
Prof. Marti G. Subrahmanyam	9	5	Yes
Philip Yeo **	5	–	N.A.
N. R. Narayana Murthy	9	8	Yes
Nandan M. Nilekani	9	9	Yes
N. S. Raghavan *	9	9	Yes
Gopalakrishnan S.	9	9	Yes
K. Dinesh	9	9	Yes
Shibulal S. D.	9	8	Yes

* Retired in February 2000.

** Joined on October 29, 1999

– Number of board of directors meetings held, dates on which held

Nine board meetings were held during the year. The dates on which the meetings were held are as follows: April 9, June 12, July 9, August 8, October 29, November 10, November 29 and December 29 in 1999, and January 11, 2000.

c. Audit committee

– Brief description of terms of reference

The audit committee is responsible for effective supervision of the financial reporting process, ensuring financial and accounting controls, and ensuring compliance with financial policies of the company. The committee periodically interacts with the statutory auditors and the internal auditors to ascertain the quality and veracity of the company's transactions; to review the manner in which they are performing their responsibilities; and to discuss auditing, internal control and financial reporting issues. The committee provides the overall direction on the risk management policies, including the focus of internal and management audits. The committee has full access to financial data and to members of the company's staff.

The committee reviews the annual and half yearly financial statements before they are submitted to the board. The committee also monitors proposed changes in accounting policies, reviews internal audit functions, and discusses the accounting implications of major transactions.

– Composition, name of members and chairperson

Mr. Deepak M. Satwalekar, *Chairman*
Mr. Susim M. Datta
Mr. Ramesh Vangal
Prof. Marti G. Subrahmanyam

– Meetings and attendance during the year

Director	No. of committee meetings held	No. of committee meetings attended
Deepak M. Satwalekar	2	2
Susim M. Datta	2	2
Ramesh Vangal	2	2
Prof. Marti G. Subrahmanyam	2	2

The report of the audit committee is provided elsewhere in the report.

d. Compensation committee

– Brief description of terms of reference

The overall policy of the committee is to institute such compensation and benefits for board members, as well as for the members of the management council, which reward performance as per set criteria. Periodic evaluation of the performance decides the variable component of the compensation.

– Composition, name of members and chairperson

Prof. Marti G. Subrahmanyam, *Chairman*
Mr. Deepak M. Satwalekar
Mr. Ramesh Vangal
Mr. Susim M. Datta

– Attendance during the year

Director	No. of committee meetings held	No. of committee meetings attended
Prof. Marti G. Subrahmanyam	2	2
Deepak M. Satwalekar	2	2
Ramesh Vangal	2	2
Susim M. Datta	2	2

– Remuneration policy

The remuneration policy of the committee is to pay compensation and benefits along with stock options adequately so as to motivate and retain senior officers of the company.

– Details of remuneration to all the directors for fiscal 2000

in Rs.

Name	Designation	Salary	Performance incentive	Commission	Total	Notice period	Severance fee	Stock options: No. of Options	Stock options: Whether issued at a discount	Stock options: Average exercise price	Stock options: Option vesting date
N. R. Narayana Murthy	Chairman and Chief Executive Officer	14,60,288	1,62,300	–	16,22,588	6 months	–	–	–	–	–
Nandan M. Nilekani	Managing Director, President and Chief Operating Officer	13,46,678	1,62,300	–	15,08,978	6 months	–	–	–	–	–
Susim M. Datta	Director	–	–	10,90,000	10,90,000	–	–	–	–	–	–
Deepak M. Satwalekar	Director	–	–	10,90,000	10,90,000	–	–	–	–	–	–
Ramesh Vangal	Director	–	–	10,90,000	10,90,000	–	–	–	–	–	–
Prof. Marti G. Subrahmanyam	Director	–	–	10,90,000	10,90,000	–	–	–	–	–	–
Philip Yeo	Director	–	–	4,57,800	4,57,800	–	–	–	–	–	–
Raghavan N. S.	Joint Managing Director	10,90,452	1,38,515	–	12,28,967	–	–	–	–	–	–
Gopalakrishnan S.	Deputy Managing Director	12,77,700	1,62,300	–	14,40,000	6 months	–	–	–	–	–
Dinesh K.	Director	13,38,563	1,62,300	–	15,00,863	6 months	–	–	–	–	–
Shibulal S. D.	Director	12,77,700	1,62,300	–	14,40,000	6 months	–	–	–	–	–

Mr. N. S. Raghavan was employed for part of the year only. He retired on February 7, 2000

The report of the compensation committee is provided elsewhere in the report.

e. Investor grievance committee

– The committee oversees the share transfers as well as takes care of investor grievances

The members of the company's investor grievance committee are:

Mr. Nandan M. Nilekani, *Chairman*
Mr. K. Dinesh
Mr. S. D. Shibulal

– Name and designation of compliance officer

T. V. Mohandas Pai, Senior Vice President – Finance & Administration and Chief Financial Officer.

– Number of shareholders complaints received, number not solved to the satisfaction of the shareholder and number of pending transfers

The details are provided in the "shareholders information" section of this report.

f. General body meetings

– Location and time for the last three AGMs

Year	Date	Venue	Time
1996-97	June 7, 1997	Taj Residency, No.41/3, M. G. Road, Bangalore, India.	3.00 PM
1997-98	May 30,1998	-same as above-	3.00 PM
1998-99	June 12, 1999	-same as above-	3.00 PM

– Whether special resolutions were put through postal ballot last year, details of voting pattern, person who conducted the postal ballot exercise, proposed to be conducted through postal ballot and procedures for postal ballot.

Not applicable as the present laws do not allow postal ballot in the Annual General Meetings.

g. Disclosures

– Disclosures on materially significant related party transactions i.e. transactions of the company of material nature, with its founders, the directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of company at large.

It is provided under the paragraph "related party transactions" elsewhere in this annual report.

– Details of non-compliance by the company, penalties, strictures imposed on the company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

None.

h. Means of communication

– Half-yearly report sent to each household of shareholders

Since June 1998, the company has been sending detailed quarterly financial statements prepared under both Indian and US GAAP requirements, along with additional information, to shareholders.

– Quarterly results - which newspapers normally published in; any website, where displayed; whether it also displays official news releases; and the presentations made to institutional investors or to the analysts

The quarterly results are generally published in *The Economic Times* and in the *Udayavani*. The entire quarterly financial statements as well as the annual financial statements, along with the segmental information, are posted on the company's website (http://www.infy.com). Earnings calls with analysts and investors are broadcast live on the website and their transcripts are posted on the website soon thereafter. Any specific presentations made to analysts and others, which are not available in the general domain, are also posted on the company's website.

– Whether the Management Discussion and Analysis section is a part of the annual report or not

It is provided elsewhere in this annual report.

i. General shareholder information

It is provided in the "shareholders information" section of this annual report.

10.2 The Committee also recommends that the company should arrange to obtain a certificate from the auditors of the company regarding compliance of mandatory recommendations and annex the certificate with the directors' report, which is sent annually to all the shareholders of the company. The same certificate should also be sent to the stock exchanges along with the annual returns filed by the company (Mandatory recommendation).

The company will follow this recommendation starting fiscal 2001, when the corporate governance code becomes mandatory.

2. Compliance with the Cadbury Committee recommendations

The Cadbury Committee was set up in May 1991 in the United Kingdom. The stated objective of the committee was "to help raise the standards of corporate governance and the level of confidence in financial reporting and auditing by setting out clearly what it sees as the respective responsibilities of those involved and what it believes is expected of them".

The Infosys management is committed to global levels of transparency and disclosure. In pursuance of this, an attempt has been made to provide voluntarily, hereunder, the information as required under the recommendations of the Cadbury Committee on corporate governance. The management informs the shareholders that Infosys is not, as yet, legally required to provide this information and that this is provided for information purposes only.

Compliance

The Cadbury Committee on corporate governance has made nineteen recommendations. The company complies with substantially all recommendations except that:

1. The board should consist of a majority of non-executive directors - currently, the company has five executive directors and five non-executive directors.

The company has set up committees of the board to focus on substantive issues in the form of the audit committee, the compensation committee and the nominations committee. The reports of these committees are disclosed in this chapter.

Going concern

On the basis of current financial projections and facilities available, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and, accordingly, consider that it is appropriate to adopt the going concern basis in preparing accounts.

Bangalore
April 11, 2000

Nandan M. Nilekani
Managing Director, President and Chief Operating Officer

N. R. Narayana Murthy
Chairman and Chief Executive Officer

3. Compliance report with Blue Ribbon Committee report on improving effectiveness of corporate audit committees

The Blue Ribbon Committee was formed under the auspices of the United States Securities and Exchange Commission to develop a series of recommendations to enable "audit committees to function as the ultimate guardian of investor interests and corporate accountability" and has recommended that exchange listing requirements be amended to require audit committees to adopt a formal written charter and review and assess it annually. The committee had made ten recommendations. The compliance report on the recommendations of the committee is presented below.

Recommendation 1

Adopt the following definition of independence for purposes of service on the audit committee.

Members of the audit committee shall be considered independent if they have no relationship to the corporation that may interfere with the exercise of their independence from management and the corporation.

It is being complied with. None of the directors are an interested party as defined in this recommendation.

Recommendation 2

In addition to adopting and complying with the definition of independence set forth above for purposes of service on the audit committee, have an audit committee comprised solely of independent directors. The Committee recommends that the NYSE and the NASD maintain their respective current audit committee independence requirements as well as their respective definitions of independence

The audit committee consists only of independent, non-executive directors.

Recommendation 3

To have an audit committee comprised of a minimum of three directors, each of whom is financially literate (as described in the section of this Report entitled "Financial Literacy") or becomes financially literate within a reasonable period of time after his or her appointment to the audit committee, and further that at least one member of the audit committee have accounting or related financial management expertise.

Infosys already complies with this requirement. The members of the committees are highly respected and accomplished professionals in the corporate and academic worlds.

Recommendation 4

Require the audit committee of each listed company to (i) adopt a formal written Charter that is approved by the full board of directors and that specifies the scope of the committee's responsibilities, and how it carries out those responsibilities, including structure, processes, and membership requirements, and (ii) review and reassess the adequacy of the audit committee Charter on an annual basis.

The audit committee is in the process of adopting an "audit committee charter".

Recommendation 5

Require the audit committee for each reporting company to disclose in the company's proxy statement for its annual meeting of shareholders whether the audit committee had adopted a formal written Charter, and, if so, whether the audit committee satisfied its responsibilities during the prior year in compliance with its Charter, which Charter shall be disclosed at least triennially in the annual report to shareholders or proxy statement and in the next annual report to shareholders or proxy statement after any significant amendment to that Charter.

The Committee further recommends that the SEC adopt a "safe harbor" applicable to all disclosure referenced in this Recommendation 5.

This recommendation would be complied with once the audit committee formally adopts the "audit committee charter".

Recommendation 6

Require that the audit committee Charter for every listed company specify that the outside auditor is ultimately accountable to the board of directors and the audit committee as representatives of shareholders, and that these shareholder representatives have the ultimate authority and responsibility to select, evaluate, and, where appropriate, replace the outside auditor (or to nominate the outside auditor to be proposed for shareholder approval in any proxy statement).

This recommendation would be complied with once the audit committee formally adopts the "audit committee charter".

Recommendation 7

Require that the audit committee Charter for every listed company specify that the audit committee is responsible for ensuring its receipt from the outside auditors of a formal written statement delineating all relationships between the auditor and the company, consistent with Independence Standards Board Standard no. 1, and that the audit committee is also responsible for actively engaging in a dialogue with the auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the auditor and to take, or recommend that the full board take, appropriate action to ensure the independence of the outside auditor.

The audit committee is in the process of adopting an “audit committee charter”.

Recommendation 8

That Generally Accepted Auditing Standards (GAAS) require that a company’s outside auditor discuss with the audit committee the auditor’s judgements about the quality, not just the acceptability, of the company’s accounting principles as applied in its financial reporting; the discussion should include such issues as the clarity of the company’s financial disclosures and degree of aggressiveness or conservatism of the company’s accounting principles and underlying estimates and other significant decisions made by management in preparing the financial disclosure and reviewed by the outside auditors. This requirement should be written in a way to encourage open, frank discussion and to avoid boilerplate.

Both the internal and external auditors have full and free access to the audit committee, its members and the board of directors. All the issues arising out of the internal and external auditors reports are discussed in detail in the audit committee meetings.

Recommendation 9

Require all reporting companies to include a letter from the audit committee in the company’s annual report to shareholders and Form 10-K Annual Report disclosing whether or not, with respect to the prior fiscal year: (i) management has reviewed the audited financial statements with the audit committee, including a discussion of the quality of the accounting principles as applied and significant judgments affecting the company’s financial statements; (ii) the outside auditors have discussed with the audit committee the outside auditors’ judgements of the quality of those principles as applied and judgments referenced in (i) above under the circumstances; (iii) the members of the audit committee have discussed among themselves, without management or the outside auditors present, the information disclosed to the audit committee described in (i) and (ii) above; and (iv) the audit committee, in reliance on the review and discussions conducted with management and the outside auditors pursuant to (i) and (ii) above, believes that the company’s financial statements are fairly presented in conformity with Generally Accepted Accounting Principles (GAAP) in all material respects.

The Committee further recommends that the SEC adopt a “safe harbor” applicable to any disclosure referenced in this Recommendation 9.

It is being complied with. The necessary report is provided elsewhere in this annual report

Recommendation 10

Require that a reporting company’s outside auditor conduct a SAS 71 Interim Financial Review prior to the company’s filing of its Form 10-Q. The Committee further recommends that SAS 71 be amended to require that a reporting company’s outside auditor discuss with the audit committee, or at least its chairman, and a representative of financial management, in person, or by telephone conference call, the matters described in AU Section 380, Communications With the Audit Committee, prior to the filing of the Form 10-Q (and preferably prior to any public announcement of financial results), including significant adjustments, management judgement and accounting estimates, significant new accounting policies, and disagreements with management.

Being a foreign private issuer of securities, the company files quarterly reports on Form-6K, with the SEC. The financial statements included in Form-6K are reviewed by the company’s auditors, as per the requirements of SAS 71.

Report of the committees of the board

1. Compensation committee

The compensation committee met on April 10, 2000 and the following members were present:

Prof. Marti G. Subrahmanyam, *Chairman*
Mr. Deepak M. Satwalekar
Mr. Ramesh Vangal
Mr. Susim M. Datta

Salaries

The committee reviewed and approved the compensation payable to the executive directors of the company for fiscal 2001 within the overall limits approved by the shareholders. Information on compensation and other benefits provided to executive directors is disclosed elsewhere in this annual report. The committee also reviewed the compensation proposed for all the management council members. The committee believes that the proposed compensation and benefits along with stock options is adequate to motivate and retain the senior officers of the company.

Stock option scheme

Executive directors (excluding the founders) and the management council members are eligible for stock options issued by the company. A statement of stock options issued to management council members in fiscal 2000, is given below.

	Options linked to ADSs		Option on equity shares	
Name	Average exercise price ($)	No. of options	Average exercise price ($)	No. of options
Basab Pradhan	89.50	5,000	–	–
Phaneesh Murthy	89.50	8,000	–	–
Sobha Meera P. R.	89.50	5,000	–	–
Ajay Dubey	–	–	4,065.05	8,000
Balasubramanian P.	–	–	4,065.05	8,000
Balakrishnan V.	–	–	4,065.05	10,000
Deepak Sinha	–	–	4,065.05	4,000
Girish G.Vaidya	–	–	4,065.05	8,000
Hema Ravichandar	–	–	4,065.05	8,000
Mohandas Pai T. V.	–	–	4,065.05	14,000
Prabhu M. S. S.	–	–	4,065.05	6,000
Raghavan S.	–	–	4,065.05	10,000
Raghupati G. Bhandi	–	–	4,065.05	8,000
Srinath Batni	–	–	4,065.05	12,000
Vasudeva Rao L.	–	–	4,065.05	12,000
Yegneshwar S.	–	–	4,065.05	10,000

The options and weighted average exercise prices are adjusted to reflect the effect of the stock split in February 2000 and have a graded vesting period over 4 years.

Independent directors

Independent directors are paid compensation not exceeding the limit specified by statute and based on the approval of the members of the company. This is to compensate the independent directors for the time spent and also for the responsibilities undertaken. The table, below, discloses the compensation payable to independent directors.

in Rs.

Name	Commission payable
Susim M. Datta	10,90,000
Deepak M. Satwalekar	10,90,000
Ramesh Vangal	10,90,000
Prof. Marti G. Subrahmanyam	10,90,000
Philip Yeo	4,57,800
Total	48,17,800

Save as disclosed, none of the directors had a material beneficial interest in any contract of significance to which the company or any of its subsidiary undertakings was a party, during the financial year.

Sd

Prof. Marti G. Subrahmanyam
Chairman, Compensation Committee

Bangalore
April 11, 2000

2. Nominations committee

The nominations committee of the board met on April 10, 2000 and the following members were present:

Mr. Susim M. Datta, *Chairman*
Mr. Ramesh Vangal
Prof. Marti G. Subrahmanyam

The committee considered the issue of the retirement of members of the board as per statute. As one third of the members have to retire every year based on the date of appointment, Mr. Nandan M. Nilekani, Mr. K. Dinesh and Mr. S. M. Datta will retire. The committee considered their performance and recommended that they be considered for re-appointment by the shareholders except for Mr. S. M. Datta who chose not to be considered for re-election. Mr. Philip Yeo, Executive Chairman of the Economic Development Board, Government of Singapore was co-opted as an additional director during October 1999. The committee recommended that necessary resolutions for appointing him as a director be considered by the shareholders.

The committee also dealt in length on the size of the board. As part of the globalization process, the committee decided that the board size be increased upto 18 members from the present size of upto 12 members. The committee recommended that the necessary resolutions for increasing the board size be considered by the shareholders.

Sd

Susim M. Datta
Chairman, Nominations Committee

Bangalore
April 11, 2000

3. Audit committee

The audit committee of the board met twice during the year and the following members were present:

Mr. Deepak M. Satwalekar, *Chairman*
Mr. Susim M. Datta
Mr. Ramesh Vangal
Prof. Marti G. Subrahmanyam

The committee reviewed the draft of the “audit committee charter” and decided that the same would be discussed in full in the next meeting before they formally adopt the same. The committee reviewed the independence of both the internal and statutory auditors and expressed its satisfaction. The committee discussed the quality and acceptability of the accounting principles as applied in the financial reporting of the company with the management and both the internal and statutory auditors of the company. The committee also considered the internal and statutory auditors views on clarity of the company’s financial disclosures and appropriateness of the company’s accounting principles and underlying estimates and other significant decisions made by management in preparing the financial disclosures. The committee found no material discrepancy in the financial statements.

The committee also reviewed the action taken on various items discussed in the previous audit committee meeting. The committee reviewed the internal controls to ensure that the accounts of the company are properly maintained and that the transactions are in accordance with prevailing laws and regulations.

The committee found no material discrepancy or weakness in the internal control systems of the company.

The committee also issued a letter in terms of the recommendation no. 9 of the Blue Ribbon Committee on audit committee effectiveness and the same is provided as an appendix to this report.

Sd
Deepak M. Satwalekar
Chairman, Audit Committee

Bangalore
April 11, 2000

Appendix to the audit committee report

To the members of Infosys Technologies Limited

In connection with the March 31, 2000 financial statements prepared as per US GAAP, the audit committee: (1) reviewed and discussed the audited financial statements with management; (2) discussed with the auditors the matters required by Statement on Auditing Standards No. 61; and (3) received and discussed with the auditors the matters required by Independence Standards Board Statement No. 1. Based upon these reviews and discussions, the audit committee recommended to the Board of Directors that the audited financial statements be included in the Annual Report on Form 20-F filed with the Securities and Exchange Commission of the United States of America.

Deepak M. Satwalekar
Chairman, Audit Committee

Susim M. Datta
Member, Audit Committee

Ramesh Vangal
Member, Audit Committee

Prof. Marti G. Subrahmanyam
Member, Audit Committee

Bangalore
April 11, 2000

Management statement

The financial statements are in full conformity with the requirements of the Companies Act, 1956 and the Generally Accepted Accounting Principles (GAAP) in India. The management of Infosys accepts responsibility for the integrity and objectivity of these financial statements as well as for estimates and judgements relating to matters not concluded by the year end. The management believes that the financial statements reflect fairly the form and substance of transactions and reasonably present the company's financial condition, and results of operations. To ensure this, the company has installed a system of internal controls which is reviewed, evaluated and updated on an ongoing basis. Our internal auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the company have been followed. However, there are inherent limitations that should be recognized in weighing the assurances provided by any system of internal controls.

The financial statements have been audited by Bharat S Raut & Co., Chartered Accountants, the independent auditors.

The audit committee, at Infosys, meets periodically with the board of directors, the internal auditors and the independent auditors to review the manner in which they are performing their responsibilities, and to discuss auditing, internal controls and financial reporting issues. To ensure complete independence, the independent auditors and the internal auditors have full and free access to the members of the audit committee to discuss any matter of substance.

The audit committee for 1999-2000 was:

Deepak M. Satwalekar, *Chairman*

Susim M. Datta

Ramesh Vangal

Prof. Marti G. Subrahmanyam

T.V. Mohandas Pai

Bangalore
April 11, 2000

T. V. Mohandas Pai
Senior Vice President – Finance & Administration and Chief Financial Officer

Nandan M. Nilekani
Managing Director, President and Chief Operating Officer

N. R. Narayana Murthy
Chairman and Chief Executive Officer

Auditors' report

To
The Members,
Infosys Technologies Limited

We have audited the attached Balance Sheet of Infosys Technologies Limited (the company) as at March 31, 2000 and the Profit and Loss Account of the company for the year ended on that date, annexed thereto, and report that:

1 As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

2 Further to our comments in the Annexure referred to in paragraph (1) above:

   (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

   (b) in our opinion proper books of account as required by law have been kept by the company so far as appears from our examination of these books;

   (c) the Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;

   (d) in our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report are prepared in compliance with the accounting standards referred to in subsection (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;

   (e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view:

      (i) in the case of the Balance Sheet, of the state of affairs of the company as at March 31, 2000; and

      (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date.

3 We have also examined the attached Cash Flow Statements of the company for the year ended March 31, 2000. The Statements have been prepared by the company in accordance with the requirements of Clause 32 of the listing agreements entered into with the Stock Exchanges.

for Bharat S Raut & Co.
Chartered Accountants

Bangalore
April 11, 2000

Balaji Swaminathan
Partner

Annexure to the auditors' report

The Annexure referred to in paragraph 1 of the auditors' report to the members of Infosys Technologies Limited (the company) for the year ended March 31, 2000. We report that:

Internal controls

1. In our opinion and according to the information and explanations given to us, having regard to the explanations that certain items purchased are of a special nature in respect of which suitable alternative sources do not exist for obtaining comparative quotations, there are adequate internal control procedures commensurate with the size of the company and the nature of its business for the purchase of computer hardware and software, consumables, plant and machinery, equipment and other assets. The activities of the company do not involve the sale of goods.
2. In our opinion and according to the information and explanations given to us, in respect of the service activities, the company, commensurate with the size and the nature of its business, has a reasonable system of:
   - recording receipts, issues and consumption of materials and allocating materials consumed to each project;
   - allocating man-hours utilized to each project; and
   - authorization and control over the allocation of labour costs to each project.
3. In our opinion, the company has an internal audit system, commensurate with its size and the nature of its business.

Fixed assets

4. The company has maintained proper records of fixed assets showing full particulars, including quantitative details and location. The company has a regular programme of physical verification of its fixed assets which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. In accordance with this programme, certain fixed assets were physically verified by Management during the year and no material discrepancies were identified on such verification.
5. None of the fixed assets were revalued during the year.

Inventories

6. The company has not maintained any inventories during the year and consequently, paragraphs 4(A)(iii) to 4(A)(vi), 4(A)(xii), 4(A)(xiv), 4(A)(xvi) and 4(C)(ii) of the Manufacturing and Other Companies (Auditor's Report) Order, 1988, are not applicable in relation to its activities.

Loans and advances

7. The parties to whom loans or advances in the nature of loans were given by the company are regular in repaying the principal amounts as stipulated and interest where applicable.
8. The company has not taken any loans, secured or unsecured, from companies, firms, or other parties listed in the register maintained under Section 301 of the Companies Act, 1956, or from companies under the same management as defined under Section 370(1B) of the Companies Act, 1956, the rate of interest and other terms and conditions of which are, prima facie, prejudicial to the interests of the company.
9. The company has not granted any loans, secured or unsecured, to companies, firms, or other parties listed in the register maintained under Section 301 of the Companies Act, 1956, or to companies under the same management as defined under Section 370(1B) of the Companies Act, 1956, the rate of interest and other terms and conditions of which are, prima facie, prejudicial to the interests of the company.

Related parties

10. In our opinion, and according to the information and explanations given to us, the company has not entered into any transactions for the purchase of goods and materials and sale of goods, materials and services, with companies, firms, or other parties listed in the register maintained under Section 301 of the Companies Act, 1956, and aggregating during the period to Rs. 50,000 or more in respect of each party.

Fixed deposits

11. The company has not accepted any deposits from the public and consequently the provisions of Section 58A of the Companies Act, 1956, and the rules framed thereunder are not applicable.

Staff welfare

12. Provident Fund and Employees' State Insurance dues were regularly deposited during the year with the appropriate authorities.
13. On the basis of the examination of the books of account carried out by us in accordance with generally accepted auditing practices and according to the information and explanations given to us, no personal expenses of employees or directors were charged to the profit and loss account, other than those payable under contractual obligations or in accordance with generally accepted business practice.

Taxation

14. According to the information and explanations given to us, there are no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty that were outstanding as at March 31, 2000 for a period of more than six months from the date that they became payable.

Others

15. The company is not a sick industrial company within the meaning of Section 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985.

for Bharat S Raut & Co.
Chartered Accountants

Balaji

Balaji Swaminathan
Partner

Bangalore
April 11, 2000

Balance sheet as at March 31

in Rs.

	Schedule	2000	1999
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	1	33,07,55,000	33,06,95,500
Reserves and surplus	2	800,22,73,248	541,36,15,748
		833,30,28,248	574,43,11,248
APPLICATION OF FUNDS			
FIXED ASSETS	3		
Gross block		284,03,05,143	168,92,38,345
Less : Depreciation		133,65,20,594	83,09,14,934
Net block		150,37,84,549	85,83,23,411
Add : Capital work-in-progress		56,96,03,505	14,88,35,800
		207,33,88,054	100,71,59,211
INVESTMENTS	4	13,83,48,469	75,48,469
CURRENT ASSETS, LOANS AND ADVANCES			
Sundry debtors	5	136,17,81,253	84,51,88,425
Cash and bank balances	6	431,79,35,730	405,04,82,999
Loans and advances	7	210,12,77,161	68,35,96,522
		778,09,94,144	557,92,67,946
Less : Current liabilities	8	67,15,06,459	42,83,42,481
Provisions	9	98,81,95,960	42,13,21,897
NET CURRENT ASSETS		612,12,91,725	472,96,03,568
		833,30,28,248	574,43,11,248
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	13		

The Schedules referred to above and the notes thereon form an integral part of the Balance Sheet.

This is the Balance Sheet
referred to in our report
of even date.

for Bharat S Raut & Co.
Chartered Accountants

Balaji Swaminathan
Partner

N. R. Narayana Murthy
Chairman and Chief Executive Officer

Nandan M. Nilekani
Managing Director, President and Chief Operating Officer

Susim M. Datta
Director

Deepak M. Satwalekar
Director

Ramesh Vangal
Director

Prof. Marti G. Subrahmanyam
Director

S. Gopalakrishnan
Dy. Managing Director

Bangalore
April 11, 2000

K. Dinesh
Director

S. D. Shibulal
Director

T. V. Mohandas Pai
Senior Vice President – Finance & Administration

V. Viswanathan
Company Secretary

Profit and loss account for the year ended March 31

in Rs.

	Schedule	2000	1999
INCOME			
Software development services and products			
Overseas		869,69,80,931	500,25,40,418
Domestic		12,62,56,042	8,63,71,250
Other income	10	39,14,11,095	3,84,71,833
		921,46,48,068	512,73,83,501
EXPENDITURE			
Software development expenses	11	466,26,84,578	261,51,74,052
Administration and other expenses	12	69,48,50,282	45,75,30,137
Provision for contingencies		3,33,00,000	6,66,00,000
Provision for e-inventing the company		3,50,00,000	–
Provision for investment in subsidiary		–	7,05,95,674
		542,58,34,860	320,98,99,863
Operating profit (PBIDT)		378,88,13,208	191,74,83,638
Interest		–	–
Depreciation		53,23,27,389	35,89,30,078
Profit before tax and extraordinary items		325,64,85,819	155,85,53,560
Provision for tax – earlier years		24,00,000	4,32,00,000
– current year		39,46,00,000	18,62,00,000
Profit after tax before extraordinary items		285,94,85,819	132,91,53,560
Effect of extraordinary item – provision no longer required		7,56,70,846	–
Extraordinary income (net of tax)		–	2,34,54,103
Net profit after tax and extraordinary items		293,51,56,665	135,26,07,663
AMOUNT AVAILABLE FOR APPROPRIATION		293,51,56,665	135,26,07,663
Dividend			
Interim		9,92,08,200	4,00,43,011
Final (proposed)		19,84,18,210	8,10,32,734
Dividend Tax		3,27,38,905	1,21,07,574
Amount transferred – capital reserve		–	2,34,54,103
– general reserve		260,47,91,350	119,59,70,241
		293,51,56,665	135,26,07,663
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	13		

The Schedules referred to above and the notes thereon form an integral part of the Profit and Loss Account.

This is the Profit and Loss Account referred to in our report of even date.

for Bharat S Raut & Co.
Chartered Accountants

Balaji Swaminathan
Partner

N. R. Narayana Murthy
Chairman and Chief Executive Officer

Nandan M. Nilekani
Managing Director, President and Chief Operating Officer

Susim M. Datta
Director

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Director

Ramesh Vangal
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Director

S. Gopalakrishnan
Dy. Managing Director

Bangalore
April 11, 2000

K. Dinesh
Director

S. D. Shibulal
Director

T. V. Mohandas Pai
Senior Vice President – Finance & Administration

V. Viswanathan
Company Secretary

Schedules to the balance sheet as at March 31

in Rs.

	2000	1999
1. SHARE CAPITAL		
AUTHORIZED		
10,00,00,000 (5,00,00,000) equity shares of Rs. 5 (Rs. 10) each	50,00,00,000	50,00,00,000
ISSUED, SUBSCRIBED AND PAID UP		
6,61,50,700 (3,30,69,400) equity shares of Rs. 5 (Rs. 10) each fully paid up	33,07,53,500	33,06,94,000
[Of the above, 5,78,88,200 (2,89,44,100) equity shares of Rs. 5 (Rs. 10) each fully paid up have been issued as bonus shares by capitalization of general reserve; 11,900 (nil) equity shares of Rs. 5 each were issued during the year on exercise of ADS linked stock options]		
Add : Forfeited shares	1,500	1,500
	33,07,55,000	33,06,95,500
2. RESERVES AND SURPLUS		
Capital reserve as at April 1, 1999	5,93,54,103	3,59,00,000
Add : Transferred from Profit and Loss Account	–	2,34,54,103
	5,93,54,103	5,93,54,103
Share premium account as at April 1, 1999	319,99,15,445	41,49,51,460
Add : Received during the year		
On conversion of ADS linked stock options	1,75,65,777	–
On issue of American Depositary Shares (ADS)	–	295,82,78,400
	321,74,81,222	337,32,29,860
Less : ADS linked stock option issue expenses	1,01,93,113	–
ADS issue expenses	2,35,06,514	17,33,14,415
	318,37,81,595	319,99,15,445
General reserve as at April 1, 1999	215,43,46,200	111,85,47,959
Less : Capitalized for issue of bonus shares	–	16,01,72,000
	215,43,46,200	95,83,75,959
Add : Transferred from Profit and Loss Account	260,47,91,350	119,59,70,241
	475,91,37,550	215,43,46,200
	800,22,73,248	541,36,15,748

3. FIXED ASSETS

in Rs.

	Gross block				Depreciation				Net block	
Assets	Cost as at 1.4.1999	Additions during the year	Deductions during the year	Cost as at 31.3.2000	As at 1.4.1999	For the year	Deductions during the year	As at 31.3.2000	As at 31.3.2000	As at 31.3.1999
Land - free-hold	1,89,83,650	–	–	1,89,83,650	–	–	–	–	1,89,83,650	1,89,83,650
Land - lease-hold	8,97,76,505	10,19,92,901	–	19,17,69,406	–	–	–	–	19,17,69,406	8,97,76,505
Buildings	28,78,62,434	30,11,47,805	–	58,90,10,239	2,34,22,774	2,88,91,457	–	5,23,14,231	53,66,96,008	26,44,39,660
Plant and machinery	31,08,06,872	20,70,83,407	3,08,646	51,75,81,633	14,04,13,479	10,98,65,780	2,23,521	25,00,55,738	26,75,25,895	17,03,93,393
Computer equipment	77,07,45,928	37,46,60,063	2,30,20,771	112,23,85,220	51,51,31,334	29,73,93,712	2,29,58,511	78,95,66,535	33,28,18,685	25,56,14,594
Furniture and fixtures	20,93,06,386	19,30,51,736	31,47,456	39,92,10,666	15,10,37,006	9,59,40,175	31,47,456	24,38,29,725	15,53,80,941	5,82,69,380
Vehicles	17,56,570	-	3,92,241	13,64,329	9,10,341	2,36,265	3,92,241	7,54,365	6,09,964	8,46,229
Total	168,92,38,345	117,79,35,912	2,68,69,114	284,03,05,143	83,09,14,934	53,23,27,389	2,67,21,729	133,65,20,594	150,37,84,549	85,83,23,411
Previous year	105,13,90,563	64,11,69,396	33,21,614	168,92,38,345	47,50,66,754	35,89,30,078	30,81,898	83,09,14,934	85,83,23,411	

Note: Buildings include Rs. 250 being the value of 5 shares of Rs. 50 each in Mittal Towers Premises Co-operative Society Limited.

in Rs.

	No. of shares	2000	1999
4. INVESTMENTS			
TRADE (UNQUOTED) – at cost Long- term investments	No. of shares		
Yantra Corporation, a subsidiary company incorporated in the USA			
Common stock at $ 0.20 each, fully paid, par value $ 0.01 each	75,00,000 (75,00,000)	5,32,51,600	5,32,51,600
Series A Convertible Preferred Stock at $ 0.75 each, fully paid, par value $ 0.01 each	6,36,363 (6,36,363)	1,73,44,074	1,73,44,074
		7,05,95,674	7,05,95,674
Less : Provision for investment in subsidiary		7,05,95,674	7,05,95,674
		–	–
EC Cubed, Inc. (Series D Convertible Preferred stock at $ 2.3075 each fully paid up, par value $ 0.0001 each)	13,00,108 (nil)	13,08,00,000	–
JASDIC Park Company (common stock at Yen 50,000 each, fully paid up)	480 (480)	75,38,109	75,38,109
Software Services Support Education Center Limited (Equity shares of Rs. 10 each fully paid up)	1 (1)	10	10
The Saraswat Co-operative Bank Limited (Equity shares of Rs. 10 each fully paid up)	1,035 (1,035)	10,350	10,350
		13,83,48,469	75,48,469
Aggregate of unquoted investments - carrying value / cost		13,83,48,469	75,48,469
5. SUNDRY DEBTORS			
Debts outstanding for a period exceeding six months			
Unsecured			
Considered good		–	–
Considered doubtful		2,21,26,448	1,27,23,349
Other debts - unsecured, considered good *		136,17,81,253	84,51,88,425
		138,39,07,701	85,79,11,774
Less : Provision for doubtful debts		2,21,26,448	1,27,23,349
		136,17,81,253	84,51,88,425
* Due by subsidiary - Yantra Corporation		Nil	1,06,80,297

in Rs.

6. CASH AND BANK BALANCES

	2000	1999
Cash on hand	13,17,773	8,80,351
Balances with scheduled banks		
in current accounts *	10,16,77,272	15,18,51,331
in deposit accounts in Indian rupees	22,91,45,764	12,41,56,133
in deposit accounts in foreign currency	268,41,01,874	346,11,46,800
Balances with non-scheduled banks		
in deposit accounts in foreign currency		
HSBC Bank Middle East, Bahrain	66,76,98,310	–
in current accounts		
ABN Amro Bank, Heerlen, Netherlands	15,69,661	19,06,318
ABN Amro Bank, Brussels, Belgium	16,26,311	–
Bank of America, Los Angeles, USA	50,60,500	7,09,257
Bank of America, Milpitas, USA	22,81,065	36,81,071
Bank of America, Palo Alto, USA	57,93,97,557	29,27,16,702
Bank of Boston, Boston, USA	16,88,886	18,01,647
Bank of Melbourne, Melbourne, Australia	2,49,124	–
Barclays Bank, London, UK	44,92,122	26,34,197
Deutsche Bank, Frankfurt, Germany	36,15,221	6,71,259
First Chicago Bank, Chicago, USA	21,98,743	25,28,864
Hongkong Bank of Canada, Toronto, Canada	22,42,324	12,68,577
Michigan National Bank, Detroit, USA	3,87,308	5,54,105
Nations Bank, Dallas, USA	1,11,76,052	11,25,702
Nations Bank, Georgia, USA	12,41,385	8,88,657
Nordbanken, Stockholm, Sweden	3,45,518	–
Nova Scotia Bank, Toronto, Canada	89,98,950	–
Seafirst Bank, Seattle, USA	17,70,378	5,19,580
Sanwa Bank, Tokyo, Japan	40,43,674	9,07,608
Summit Bank, Bridgewater, USA	16,09,958	5,34,840
	431,79,35,730	405,04,82,999

	2000	1999
Maximum balance held during the year		
in deposit accounts in foreign currency		
HSBC Bank Middle East, Bahrain	66,76,98,310	–
in current accounts		
ABN Amro Bank, Heerlen, Netherlands	19,68,084	19,55,717
ABN Amro Bank, Brussels, Belgium	16,74,689	–
Bank of America, Los Angeles, USA	59,13,227	48,32,906
Bank of America, Milpitas, USA	4,57,78,346	27,81,50,845
Bank of America, Palo Alto, USA	71,03,42,796	34,45,46,960
Bank of Boston, Boston, USA	68,26,703	56,13,937
Bank of Melbourne, Melbourne, Australia	2,92,425	–
Barclays Bank, London, UK	67,59,209	60,22,293
Deutsche Bank, Frankfurt, Germany	40,36,519	8,81,045
First Chicago Bank, Chicago, USA	49,23,828	25,42,183
Hongkong Bank of Canada, Toronto, Canada	1,89,92,669	19,90,796
Michigan National Bank, Detroit, USA	13,34,282	10,01,950
Nations Bank, Dallas, USA	1,45,77,623	14,58,595
Nations Bank, Georgia, USA	18,23,598	11,31,832
Nordbanken, Stockholm, Sweden	3,45,518	–
Nova Scotia Bank, Toronto, Canada	89,98,950	–
Seafirst Bank, Seattle, USA	24,05,174	6,97,458
Sanwa Bank, Tokyo, Japan	79,10,422	18,47,164
Summit Bank, Bridgewater, USA	35,18,916	37,29,977

* includes Rs. 28,72,035 (previous year Rs. 12,98,113) being the balance in unclaimed dividend account.

in Rs.

	2000	1999
7. LOANS AND ADVANCES		
Unsecured, considered good		
Advances recoverable in cash or		
in kind or for value to be received:		
prepaid expenses	11,58,60,415	6,25,10,369
advances paid for supplies of goods and rendering of services	3,10,07,019	2,26,70,616
others	1,01,94,327	41,57,353
	15,70,61,761	8,93,38,338
Advance income tax	54,40,96,353	19,10,80,222
Loans and advances to employees *	52,35,85,864	21,82,98,877
Other advances	3,23,06,323	96,29,958
Rent and maintenance deposits	7,84,24,995	5,91,41,182
Deposits with Financial Institutions / body corporate	76,58,01,865	11,61,07,945
	210,12,77,161	68,35,96,522
Unsecured, considered doubtful		
Deposit with a company	–	1,19,02,331
Loans and advances to employees	–	4,01,814
	210,12,77,161	69,59,00,667
Less : Provision for doubtful loans and advances	–	1,23,04,145
	210,12,77,161	68,35,96,522
* includes due by non-director officers of the company	1,35,08,825	1,41,50,902
Maximum amounts due at any time during the year	2,30,09,790	1,97,52,550
8. CURRENT LIABILITIES		
Sundry creditors		
for goods	4,25,90,239	31,73,360
for accrued salaries and benefits	22,44,51,291	13,13,31,791
for other liabilities:		
provision for expenses	7,67,74,570	5,53,54,604
retention monies	4,91,19,373	1,80,11,974
withholding taxes payable	6,67,44,284	–
others	1,47,21,153	2,46,06,700
	47,44,00,910	23,24,78,429
Advances received from clients	1,85,61,551	7,80,446
Unearned revenue	17,56,71,963	19,37,85,493
Unclaimed dividend	28,72,035	12,98,113
	67,15,06,459	42,83,42,481
9. PROVISIONS		
Proposed dividend	19,84,18,210	8,10,32,734
Provision for taxation	64,78,45,745	23,94,60,761
Provision for contingencies	–	6,66,00,000
Provision for e-inventing the company	39,00,977	–
Provision for post-sales client support	5,51,91,028	3,42,28,402
Provision for gratuity	8,28,40,000	–
	98,81,95,960	42,13,21,897

Schedules to the profit and loss account for the year ended March 31

in Rs.

	2000	1999
10. OTHER INCOME		
Interest received on deposits with banks and others		
Tax deducted at source Rs. 1,67,51,195 (Rs. 21,21,726)	26,68,79,106	3,67,00,927
Sale of special import licenses	2,02,31,549	–
Profit on sale of assets	8,73,015	–
Miscellaneous income	41,00,350	17,70,906
Exchange differences *	9,93,27,075	–
	39,14,11,095	3,84,71,833
*arising on translation of foreign currency deposits maintained abroad		
11. SOFTWARE DEVELOPMENT EXPENSES		
Salaries and bonus including overseas staff expenses	307,54,46,295	151,56,56,923
Staff welfare	4,93,07,308	3,06,17,200
Contribution to provident and other funds	22,08,36,923	11,42,90,209
Foreign tour and travel	84,09,02,293	58,11,20,975
Consumables	2,70,06,251	1,06,44,207
Cost of software packages		
for own use	16,53,57,382	14,86,91,737
for domestic software development	2,84,48,397	1,78,19,890
Provision for post-sales client support	2,09,62,627	2,19,18,587
Computer maintenance	3,27,43,350	3,29,08,467
Communication expenses	17,31,23,718	9,59,08,515
Consultancy charges	2,85,50,034	4,55,97,342
	466,26,84,578	261,51,74,052
12. ADMINISTRATION AND OTHER EXPENSES		
Travelling and conveyance	7,68,26,394	4,15,37,200
Rent	10,34,93,593	7,44,54,587
Telephone charges	5,93,95,252	5,15,34,846
Legal and professional charges	7,55,68,079	5,37,56,388
Printing and stationery	2,76,70,902	1,76,34,923
Advertisements	2,12,41,343	76,84,502
Brand building	99,17,816	–
Office maintenance	5,81,01,381	2,95,44,190
Repairs to building	1,13,44,232	1,08,24,460
Repairs to plant and machinery	84,12,905	86,47,678
Power and fuel	5,01,41,466	2,73,37,769
Insurance charges	2,41,35,289	1,28,78,968
Rates and taxes	1,03,80,848	1,16,79,290
Donations	3,49,27,871	1,49,82,357
Auditor's remuneration – audit fees	17,85,000	14,35,000
– certification charges	2,00,000	2,00,000
– other services	4,50,000	8,00,000
– out-of-pocket expenses	2,00,000	1,50,000
Bad loans and advances written off	3,13,050	–
Bad debts written off	1,59,20,938	–
Provision for bad and doubtful debts	94,03,099	(13,06,919)
Provision for doubtful loans and advances	–	52,94,106
Bank charges and commission	42,21,668	38,95,031
Commission charges	64,70,454	7,40,413
Other miscellaneous expenses	2,10,64,341	1,80,79,939
Marketing expenses	3,14,93,837	1,92,56,725
Postage and courier	1,37,56,638	79,15,959
Books and periodicals	77,13,886	76,72,725
Research grants	1,03,00,000	3,09,00,000
	69,48,50,282	45,75,30,137

13. SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

13.1 Significant accounting policies

13.1.1 Basis of preparation of financial statements

The financial statements are prepared under the historical cost convention, in accordance with Indian Generally Accepted Accounting Principles ("GAAP"), the accounting standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956, as adopted consistently by the company. All income and expenditure having a material bearing on the financial statements are recognized on the accrual basis.

The preparation of the financial statements in conformity with GAAP requires that the management make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Examples of such estimates include, estimates of expected contract costs to be incurred to complete software development, provision for doubtful debts, future obligations under employee retirement benefit plans and the useful lives of fixed assets. Actual results could differ from those estimates.

13.1.2 Revenue recognition

Revenue from software development on the time-and-material basis is recognized based on software developed and billed to clients as per the terms of specific contracts. In the case of fixed-price contracts, revenue is recognized based on the milestones achieved as specified in the contracts, on the percentage of completion basis. Revenue from the sale of software products is recognized when the sale is completed with the passing of title. Revenues from Annual Technical Services ("ATS") is recognized on a pro-rata basis over the period in which such services are rendered. Interest on deployment of surplus funds is recognized using the time-proportion method, based on interest rates implicit in the transaction. Dividend income is recognized when the right to receive dividend is established. Revenue from the sale of special import licences is recognized when the licences are actually sold.

13.1.3 Expenditure

Expenses are accounted on the accrual basis and provisions are made for all known losses and liabilities. Provisions are made for future unforeseeable factors which may affect the ultimate profit on fixed-price software development contracts. The cost of software purchased for use in software development and services is charged to revenue in the same year. The leave encashment liability of the company is provided on the basis of actuarial valuation. Provisions are made towards likely expenses on providing post-sales client support for fixed-price contracts.

13.1.4 Fixed assets

Fixed assets are stated at the cost of acquisition, less accumulated depreciation. Direct costs are capitalized till the assets are ready to be put to use. These costs include financing costs relating to specific borrowing(s) attributable to fixed assets.

13.1.5 Capital work-in-progress

Advances paid towards the acquisition of fixed assets, and the cost of assets not put to use before the year-end, are disclosed under capital work-in-progress.

13.1.6 Depreciation

Depreciation on fixed assets is provided using the straight-line method, based on useful lives of assets as estimated by the management. Depreciation is charged on a pro-rata basis for assets purchased / sold during the year. Individual assets costing less than Rs. 5,000 are depreciated in full in the year of purchase. The management's estimate of useful lives for the various fixed assets is given below.

Buildings	15 years
Plant and machinery	5 years
Computer equipment	2-5 years
Furniture and fixtures	5 years
Vehicles	5 years

13.1.7 Retirement benefits to employees

13.1.7a Gratuity

In accordance with Indian law, the company provides for gratuity, a defined benefit retirement plan (the “Gratuity Plan”) covering all employees. The plan provides a lump sum payment to vested employees at retirement, death or termination of employment, based on the respective employee’s salary, and the years of employment with the company.

The company has established the Infosys Technologies Limited Employees’ Gratuity Fund Trust (the “Trust”). Liabilities with regard to the Gratuity Plan are determined by actuarial valuation, based upon which, the company makes contributions to the Trust. Trustees administer the contributions made to the Trust. The funds contributed to the Trust are invested in specific designated securities as mandated by law and generally comprises central and state government bonds, and debt instruments of government-owned corporations.

13.1.7b Superannuation

Apart from being covered under the Gratuity Plan described above, the senior officers of the company are also participants of a defined contribution benefit plan. The plan is termed the superannuation plan (the “plan”) to which the company makes monthly contributions, based on a specified percentage of each covered employee’s salary. The company has no further obligations under the plan beyond its monthly contributions.

13.1.7c Provident fund

In addition to the above benefits, all employees receive benefits from a provident fund which is a defined contribution plan. Both the employee and the employer make monthly contributions to this provident fund plan equal to 12% of the covered employee’s salary.

The company has established a Provident Fund Trust to which a part of the contributions are made each month. The remainder of the contributions are made to the Government’s provident fund. The company has no further obligations under the provident fund plan beyond its monthly contributions.

13.1.8 Research and development

Revenue expenditure incurred on research and development are charged off in the same year in which such expenditure is incurred. Capital expenditure incurred on research and development is depreciated over the estimated useful life of the related assets.

13.1.9 Foreign currency transactions

Sales made to clients outside India and realizations deposited into foreign currency bank accounts are accounted for on the basis of the exchange rate as on the date of the transaction. Adjustments are made for any variations in the sale proceeds on conversion into Indian currency upon actual receipt. Expenditure in foreign currency is accounted at the exchange rate prevalent when such expenditure is incurred. Disbursements made out of foreign currency bank accounts are reported at a rate that approximates the actual monthly rate. Fixed assets purchased at overseas offices are accounted for on the basis of the actual cost incurred at the exchange rate prevalent at the time of purchase. Depreciation is charged as per company policy. Exchange differences arising on foreign currency transactions are recognized as income or expense in the year in which they arise.

Current assets and current liabilities denominated in foreign currency are translated at the exchange rate prevalent at the date of the balance sheet. The resulting difference is accounted for in the profit and loss account. In the case of forward contracts, the difference between the forward rate and the exchange rate on the date of the transaction is recognized as income or expense over the life of the contract.

13.1.10 Investments

Investments are classified into current investments and long-term investments. Current investments are carried at the lower of the cost and the fair value, and provision is made to recognize any decline in the carrying value. Long-term investments are carried at cost, and provision is made to recognize any decline, other than temporary, in the value of such investment. Overseas investments are carried at their original rupee cost less provision as described above.

13.1.11 Investment in subsidiary

The investment in the subsidiary is accounted on the cost method, whereby, the company recognizes only dividends received from the subsidiary as income. In case of losses made by the subsidiary, other than temporary, adequate provision is made to recognize any decline in the value of the investment.

13.1.12 Income tax

Provision is made for income tax on an annual basis, under the tax-payable method, based on the tax liability as computed after taking credit for allowances and exemptions. In case of matters under appeal, due to disallowances or otherwise, full provision is made when the said liabilities are accepted by the company.

13.2 Notes on accounts

The previous year's figures have been recast / restated, wherever necessary, to conform to the current year's classification.

13.2.1 Contingent liabilities

a. The estimated amount of contracts remaining to be executed on capital account, and not provided for (net of advance) is Rs. 80,31,29,007 as at March 31, 2000. The amount of such contracts as at the previous year-end was Rs. 24,90,40,333.

b. The company has outstanding counter guarantees of Rs. 5,26,30,000 as at March 31, 2000, to various banks, in respect of guarantees given by the said banks in favor of various government authorities. The counter guarantees outstanding, as at the previous year-end was Rs. 3,20,40,263.

c. Claims against the company, not acknowledged as debts, amounted to Rs. 32,89,661 as at March 31, 2000. Such claims as at the previous year-end was Rs. 17,91,814.

13.2.2 Quantitative details

The company is engaged in the development and maintenance of computer software. The production and sale of such software cannot be expressed in any generic unit. Hence, it is not possible to give the quantitative details of sales and certain information as required under paragraphs 3, 4C and 4D of part II of Schedule VI to the Companies Act, 1956.

13.2.3 Managerial remuneration paid to the chairman, managing director and whole-time directors

in Rs.

	2000	1999
Salary	38,00,059	38,95,200
Contribution to provident fund and other funds	12,08,855	12,39,120
Perquisites	37,32,482	36,92,197

13.2.4 Managerial remuneration paid to non-whole-time directors

in Rs.

	2000	1999
Commission	48,17,800	24,00,000
Sitting fees	92,000	58,000
Reimbursement of expenses	10,13,703	7,58,645

13.2.5 Computation of net profit in accordance with Section 349 of the Companies Act, 1956, and calculation of commission payable to non-whole-time directors

in Rs.

	2000	1999
Profit after tax from ordinary activities	285,94,85,819	132,91,53,560
Add:		
1. Whole-time directors remuneration (including perquisites)	87,41,396	88,26,517
2. Directors' sitting fees	92,000	58,000
3. Commission to non-whole-time directors	48,17,800	24,00,000
4. Depreciation as per the accounts	53,23,27,389	35,89,30,078
5. Provision for bad and doubtful debts	94,03,099	–
6. Provision for Investment in subsidiary	–	7,05,95,674
7. Provision for taxation	39,70,00,000	22,94,00,000
	381,18,67,503	199,93,63,829

	2000	1999
Less:		
1. Depreciation as per Section 350 of the Companies Act, 1956	39,86,14,483	19,35,60,009
2. Profit on sale of fixed assets as per Profit and Loss Account	8,73,015	–
Net profit on which commission is payable	341,23,80,005	180,58,03,820
Commission payable to non-whole-time directors @ 0.50% per annum of net profit	1,70,61,900	90,29,019
Commission approved by the Board	48,17,800	24,00,000

13.2.6 Imports on CIF basis

in Rs.

	2000	1999
Capital goods	37,47,31,691	27,12,27,684
Software packages	2,54,95,652	2,69,36,735

13.2.7 Expenditure in foreign currency

in Rs.

	2000	1999
Travel expenses	70,29,13,532	50,72,37,245
Professional charges	4,51,95,637	2,88,63,027
Other expenditure incurred overseas for software development	221,74,57,133	109,13,62,546

13.2.8 Earnings in foreign exchange

in Rs.

	2000	1999
Income from software development services and products on a receipt basis	833,29,73,465	475,29,01,875
Interest received on deposits with banks	18,42,65,368	2,14,60,480

13.2.9 Depreciation on assets costing less than Rs. 5,000 each

During the year, the company charged depreciation at 100% in respect of assets costing less than Rs. 5,000 each, amounting to Rs. 13,21,59,074. The corresponding figure for the previous year was Rs. 11,37,41,697.

13.2.10 Exchange differences

During the year, realized and unrealized exchange gains amounted to Rs. 18.70 crore including Rs. 9.93 crore arising out of exchange differences on the translation of foreign currency deposits maintained abroad. The corresponding amounts for the previous year were Rs. 2.78 crore and Rs. Nil, respectively. Exchange difference on translation of foreign currency deposits maintained abroad is disclosed separately under "Other Income" in the financial statements. The balance of realized and unrealized exchange gains amounting to Rs. 8.77 crore (previous year Rs. 2.78 crore) is included as a component of "income from software development services and products-overseas" in the financial statements.

13.2.11 Research and development expenditure

Research and development expenses charged to the Profit and Loss Account on both capital and revenue accounts amounts to Rs. 8,22,63,440 (previous year Rs. 9,81,06,490). This includes Rs. 15,27,500 being the depreciation charged at 100% in respect of R&D assets acquired during the year (previous year Rs. 30,30,000).

13.2.12 Provision for contingencies

The company had instituted a contingency plan effective October 1, 1998 to meet any possible disruption in client support due to the Year 2000 impact on the technology and communication infrastructure provided to the company by its vendors. The contingency plan called for the creation of a total provision of Rs. 20.00 crore based on an initial estimate. This provision was required to be made over six quarters commencing October 1998. Accordingly, the company had made a total provision of Rs. 9.99 crore up to the quarter ended June 30, 1999 (including Rs. 3.33 crore for the quarter ended June 30, 1999). The company had been led to believe that all its telecommunication service providers were Year 2000 ready and therefore did not expect significant disruption of these facilities. During the second quarter, the company made an appraisal and re-estimated the provision required for meeting such contingencies over the next two quarters and was of the opinion that the provision already made was adequate for the purpose and hence no further provision was required.

The company expended Rs. 2,42,29,154 towards support of Year 2000 transition activities in fiscal 2000, which was set off against the provision created earlier. The company has reversed the remainder of the provision amounting to Rs. 7,56,70,846 as in its opinion the Year 2000 transition was completed smoothly and this provision is no longer required. This amount is disclosed as an extraordinary item as a component of net profit for the year in the profit and loss account.

13.2.13 Provision for e-inventing the company

During the quarter ended September 30, 1999, the company had announced that it may be required to incur business restructuring costs for creating knowledge infrastructure, acquiring people with technical skills in the e-commerce area and for e-inventing the company. This was a result of the rapid shift in business towards e-commerce related work. Accordingly, the company made a provision of Rs. 3.50 crore during the quarter ended September 30, 1999. Subsequently, the company made an appraisal of the restructuring and is of the opinion that the existing provision is adequate for the purpose. Therefore, no further provision has been made.

During the year ended March 31, 2000, an amount of Rs. 3,10,99,023 was incurred towards e-inventing the company and was set-off against the provision made. After this set-off, a balance of Rs. 39,00,977 remains as provision for e-inventing the company as on March 31, 2000.

13.2.14 Unearned revenue

Unearned revenue as of March 31, 2000 amounting to Rs. 17,56,71,963 (previous year Rs. 19,37,85,493) primarily consists of client billings on fixed-price, fixed-time-frame contracts for which related costs are not yet incurred.

13.2.15 Dues to Small-Scale Industrial undertakings

As of March 31, 2000, the company had no outstanding dues to small-scale industrial undertakings.

13.2.16 Balance of unutilized money raised by issue of ADS

During the year ended March 31, 1999, the company made an Initial Public Offering (IPO) of American Depositary Shares (ADS), of USD 70,380,000 equivalent to Rs. 296.86 crore. The issue expenses amounted to Rs. 19.68 crore and the amount utilized for capital investment is Rs. 136.19 crore. The balance of unutilized money amounting to Rs. 140.99 crore is maintained in foreign currency deposit accounts with various banks outside India.

13.2.17 ADS issue expenses

During the year ended March 31, 2000, the company received additional bills for costs incurred during the IPO, details of which are given below:

	in Rs.
Legal and accounting fees	1,58,02,860
Printing charges	77,03,654
TOTAL	2,35,06,514

These amounts are treated as share issue expenses and deducted from the balance in the share premium account in these financial statements.

13.2.18 Stock options

The company currently has three stock option plans. These are summarized below.

1994 Stock Option Plan (the 1994 Plan)

As of March 31, 2000, 3,41,400 options to acquire 3,41,400 shares were outstanding with the employees under the 1994 Plan. These options were granted at an exercise price of Rs. 100 per option.

1998 Stock Option Plan (the 1998 Plan)

The company's 1998 Plan provides for the grant of non-statutory stock options and incentive stock options to employees of the company. The establishment of the 1998 Plan was approved by the Board of Directors in December 1997 and by the company's shareholders in January 1998. The Government of India approved the 1998 Plan, subject to a limit of $ 50 million on the aggregate value of equity shares reserved under the 1998 Plan. Accordingly, the number of equity shares reserved under the 1998 Plan may be reduced by the Board of Directors from time to time to comply with this limit of $ 50 million.

A total of 16,00,000 equity shares corresponding to 32,00,000 ADSs (the Ministry of Finance, Government of India has allowed the company to issue a maximum of 1.47 million ADSs under the 1998 Plan) are currently reserved for issuance pursuant to the 1998 Plan. These options may be issued at an exercise price that is not less than 90% of the fair market value of the underlying equity share on the date of the grant. The 1998 Plan will terminate in January 2008, unless terminated earlier. All options under the 1998 Plan are exercisable for ADSs representing equity shares. A committee of the Board of Directors administers the 1998 Plan. As of March 31, 2000, 6,89,500 options to acquire 6,89,500 ADS corresponding to 3,44,750 equity shares were outstanding with employees. These options were granted at a weighted average exercise price of Rs. 2,475 per option.

1999 Stock Option Plan (the 1999 Plan)

In fiscal 2000, the company instituted the 1999 Plan. The 1999 Plan was approved by the share holders and the Board of Directors in June 1999. The 1999 Plan provides for the issue of 66,00,000 equity shares to the employees. The 1999 Plan is administered by a Compensation Committee comprising a maximum of seven members, the majority of whom are independent directors on the Board of Directors. Under the 1999 Plan, options will be issued to employees at an exercise price which shall not be less than the Fair Market Value. Fair Market Value means the closing price of the company's shares in the stock exchange where there is the highest trading volume on a given date and if the shares are not traded on that day, the closing price on the next trading day. Under the 1999 Plan, options may also be issued to employees at exercise prices that are less than Fair Market Value only if specifically approved by the members of the company in a general meeting. As of March 31, 2000, 10,06,800 options were outstanding with employees under the 1999 Plan. These options were granted at a weighted average exercise price of Rs. 4,294 per option.

13.2.19 Employee Stock Option Plan (ESOP)

The Securities and Exchange Board of India (SEBI) recently issued the (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 which is effective for all stock option schemes established after June 19, 1999. In accordance with these guidelines, the excess of the market price of the underlying equity shares as of the date of the grant of the options over the exercise price of the options, including up-front payments, if any is to be recognized and amortized on a straight line basis over the vesting period.

The company's 1994 stock option plan was established prior to the SEBI guidelines on stock options.

Had the stock compensation costs for this stock option plan been determined as per the guidelines issued by SEBI, the company's reported net profit would have been reduced to the proforma amounts indicated below.

in Rs.

	2000	1999
Net profit:		
– As reported	293,51,56,665	135,26,07,663
– Adjusted pro forma	271,34,60,717	65,67,38,965

13.2.20 Provision for taxation

The company's profits from export activities are deductible from taxable income. Further, most of the company's operations are conducted through 100% Export Oriented Units, which are entitled to a tax holiday for a period of ten years from the date of commencement of operations. The provision for taxation includes taxes payable in respect of domestic income and income arising from the company's overseas operations, primarily in the United States, Europe, Far East and South East Asia.

13.2.21 Cash and bank balances

The cash and bank balances include interest accrued but not due on fixed deposits amounting to Rs. 94,92,514 for the year ended March 31, 2000 (previous year Rs. 48,60,578)

13.2.22 Loans and advances

Advances recoverable in cash or kind or for value to be received mainly comprise of prepaid travel and per-diem expenses and advance paid to vendors towards current assets.

Deposits with financial institutions consists of Rs. 25,50,19,994 (previous year Rs. 5,57,39,726) and Rs. 25,75,52,742 (previous year Rs. Nil) deposited with Housing Development Finance Corporation Limited, and ICICI Limited, respectively. Mr. Deepak M. Satwalekar, director of the company, is also the Managing Director in Housing Development Finance Corporation Limited. Mr. N. R. Narayana Murthy, Chairman and CEO of the company and Prof. Marti G. Subrahmanyam, director of the company are also directors in ICICI Limited. Except as directors in these financial institutions, they have no direct interest in these transactions. “Deposit with a body corporate” consists of Rs. 25,32,29,129 (previous year Rs. 6,03,68,219) deposited with GE Capital Services India Limited. All these financial institutions and the body corporate have AAA rating from Credit Rating and Information Services of India Limited (CRISIL). These amounts include interest accrued but not due amounting to Rs. 1,58,01,863 (previous year Rs. 11,07,945).

13.2.23 Current liabilities

Sundry creditors for other liabilities represent mainly the retention amount payable to the vendors, and amounts accrued for various other operational expenses.

13.2.24 Fixed assets

The company has entered into lease-cum-sale agreements to acquire certain properties. In accordance with the terms of these agreements, the company has the option to purchase the properties outright at the expiry of the lease period. The company has already paid 99% of the value of the properties at the time of entering into the lease-cum-sale agreement. These amounts are disclosed as “Land - leasehold” under “Fixed assets” in the financial statements.

13.2.25 Set off unearned revenues

The company entered into an agreement with a customer for providing software services during the year. The company commenced the project and raised an invoice amounting to Rs. 2,17,45,000 towards advance payment for starting the project. This amount was initially treated as “Unearned revenues” and formed part of accounts receivable. The client subsequently went into liquidation. During the year, the company set off the amount receivable from the client against the amount earlier treated as unearned revenues. Expenses incurred on this project were not material and were expensed as incurred.

13.2.26 Income Tax demand for stock options

The Income Tax department raised a tax demand of Rs. 73.52 crore on the company for payment of tax deductible at source on stock options granted to the company's employees during the financial years 1996-97, 1997-98 and 1998-99. The company has contested this tax demand by filing an appeal before the appellate authority. However, any tax liability on stock option issued under the Employee Stock Option Plan is adequately covered by indemnities from employees and by the stock exercisable by them under ESOP. Consequently, employees have paid the tax due and the entire tax demand has been discharged in full. Thus, there is no impact on the earnings of the company on this account.

13.2.27 Stock split

The shareholders of Infosys approved the 2-for-1 split of its equity shares, i.e., a subdivision of every equity share from the current par value of Rs. 10 into 2 equity shares of par value of Rs. 5 each, at the Extraordinary General Meeting held on December 29, 1999. The Board of Directors of the company had fixed February 11, 2000 as the Record Date for determining the shareholders/ADSs holders entitled to the split. As the split has been given effect to, the same is reflected in the financial statements as per Indian GAAP for the year ended March 31, 2000.

Management's discussion and analysis of financial condition and results of operations

Overview

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956, and Generally Accepted Accounting Principles (GAAP) in India. The management of Infosys accepts responsibility for the integrity and objectivity of these financial statements, as well as for various estimates and judgements used therein. In addition to the historical information contained herein, the following discussion includes forward-looking statements which involve risks and uncertainties, including, but not limited to, risks inherent in the company's growth strategy, dependence on certain clients, dependence on availability of qualified technical consultants and other factors discussed in this report.

A Financial condition

1. Share capital

	March 31, 2000		March 31, 1999	
	Number	Value (Rs.)	Number	Value (Rs.)
Opening balance as of April 1,	3,30,69,400	33,06,94,000	1,60,17,200	16,01,72,000
Bonus issue in March 1999	–	–	1,60,17,200	16,01,72,000
Shares issued under ADS program	–	–	10,35,000	1,03,50,000
Effect of stock split in February 2000	3,30,69,400	–	–	–
Shares issued during the year upon conversion of ADS linked stock options	11,900	59,500	–	–
Closing balance as of March 31	6,61,50,700	33,07,53,500	3,30,69,400	33,06,94,000
Add: Forfeited shares	–	1,500	–	1,500
Total	6,61,50,700	33,07,55,000	3,30,69,400	33,06,95,500

The company has, at present, only one class of shares. During the year, the company subdivided its equity share of par value Rs. 10 each into two equity shares of par value of Rs. 5 each and the same was approved by the shareholders at the Extraordinary General Meeting held in December 1999. Due to this, the issued, subscribed and outstanding shares increased from 3,30,69,400 shares of par value of Rs. 10 each to 6,61,38,800 shares of par value of Rs. 5 each. The authorized share capital of the company increased from 5,00,00,000 equity shares of Rs. 10 par value per share to 10,00,00,000 equity shares of Rs. 5 par value per share. In March 2000, seventeen employees exercised 23,800 ADSs (equivalent to 11,900 equity shares of par value of Rs. 5 each) issued under the 1998 Employee Stock Option Plan. Consequently, the issued, subscribed and outstanding shares increased by an additional 11,900 equity shares.

During the previous year 10,35,000 shares of par value of Rs. 10 each (equivalent to 20,70,000 ADSs) were issued under the American Depositary Shares (ADS) program at $ 34 per ADS (equivalent to $ 68 per equity share). The ADS are listed on the NASDAQ stock exchange. In March 1999, the company also issued 1,60,17,200 shares as bonus shares to its shareholders in the ratio of 1:1 as approved by the shareholders in the Extraordinary General Meeting of the company held in January 1999. To provide for the creation of new shares, the authorized capital of the company was increased to Rs. 50,00,00,000 consisting of 5,00,00,000 shares of Rs. 10 each.

2. Reserves and surplus

The addition to the share premium account, of Rs. 1,75,65,777 during the year, is due to the premium received on issue of 11,900 equity shares of par value of Rs. 5 each (equivalent to 23,800 ADSs) on exercise of options issued under the 1998 Employee Stock Option Plan at an exercise price of $ 17 per ADS (adjusted for the stock split of 2:1). The reduction in the share premium of Rs. 2,35,06,514 comprises expenses related to the issue of ADSs during March 1999. With this, the total cost related to the issue of American Depositary Shares (ADS) during March 1999 has been accounted for and constitutes 6.65% of the gross issue proceeds. The break-up of the ADS issue expenses are as follows:

in Rs.

Nature of expenses	Year ended March 31, 2000	Year ended March 31, 1999	Total
Travel expenses	–	35,91,484	35,91,484
India advisor's fees	–	1,48,43,142	1,48,43,142
Legal and accounting fees	1,58,02,860	1,79,01,524	3,37,04,384
Registration and filing fee	–	30,86,211	30,86,211
Stamp duty	–	29,88,150	29,88,150
Underwriters' spread	–	14,28,61,129	14,28,61,129
Contribution received from depositary	–	(1,19,57,225)	(1,19,57,225)
Printing expenses	77,03,654	–	77,03,654
	2,35,06,514	17,33,14,415	19,68,20,929

Additionally, an amount of Rs. 1,01,93,113 incurred in connection with the registration of the ADS linked stock option plan with the Securities and Exchange Commission, USA, was accounted for as a reduction from the share premium account.

In the previous year, there was an addition of Rs. 295,82,78,400 on account of premium received on issue of 10,35,000 equity shares of par value of Rs. 10 each (equivalent to 20,70,000 ADSs) under the American Depositary Shares (ADS) program. Such addition to the share premium account was reduced by the cost of the issue of Rs. 17,33,14,415 comprising the underwriters spread, legal fees, accounting fees and travel expenses, etc., representing bills received till March 1999.

3. Fixed assets

in Rs.

Particulars	Year ended March 31, 2000	Year ended March 31, 1999	Growth %
Land – freehold	1,89,83,650	1,89,83,650	–
– leasehold	19,17,69,406	8,97,76,505	113.61%
Buildings	58,90,10,239	28,78,62,434	104.62%
Plant and machinery	51,75,81,633	31,08,06,872	66.53%
Computer equipment	112,23,85,220	77,07,45,928	45.63%
Furniture and fixtures	39,92,10,666	20,93,06,386	90.73%
Vehicles	13,64,329	17,56,570	(22.32%)
Total	284,03,05,143	168,92,38,345	68.14%
Less: accumulated depreciation	133,65,20,594	83,09,14,934	60.85%
Net block	150,37,84,549	85,83,23,411	75.20%
Add: capital work-in-progress	56,96,03,505	14,88,35,800	282.71%
Net fixed assets	207,33,88,054	100,71,59,211	105.87%
Depreciation as a % of total revenues	5.78%	7.00%	
Accumulated depreciation as a % of gross block	47.05%	49.19%	

During the year, the company added Rs. 117,79,35,912 to its gross block of assets, including investment in technology assets of Rs. 37,46,60,063. The company also invested Rs. 10,19,92,901 on acquisition of land at Bangalore, Chennai, Pune and Bhubaneswar for creating software development infrastructure. During the year, the company operationalized new software development centers at Bangalore and Pune and consequently the investment in Buildings had increased by Rs. 30,11,47,805. The company also operationalized new software development centers at Mysore, Hyderabad and Mohali, all in India, which were operated out of leased premises. Due to all these new centers being operationalized during the year, technology assets, plant and machinery, and furniture and fixtures increased by Rs. 37,46,60,063, Rs. 20,70,83,407 and Rs. 19,30,51,736 respectively.

During the previous year, the company added Rs. 64,11,69,396 to its gross block, including investment in technology assets of Rs. 28,94,72,182.

The capital work-in-progress as at March 31, 2000 and 1999 represents advances paid towards acquisition of fixed assets, and the cost of assets not put to use.

During the year, the company donated 282 computer systems costing Rs. 1,80,89,383 (book value Nil) to certain educational institutions and the same is disclosed under the heading *Deductions during the year*, under both *Gross block* and *Depreciation*. The same stood at Rs. 30,02,107 during the previous year.

The company estimates that it will be able to fund its capital acquisition program from its internal accruals and liquid assets. The company may also take recourse to borrowings to meet its capital expenditure, should it be deemed necessary.

4. Investments

4.1 Yantra Corporation

Sl. No.	Particulars	Year of investment	Investment in $	Investment in Rs.
1	Investment by way of cash remittance towards issue of 2,500,000 shares of common stock at $ 0.20 per share, par value of $ 0.01 per share	March 31, 1996	500,000	1,73,51,600
2	Investment by way of transfer of product "EAGLE" for a consideration of 5,000,000 shares of common stock at $ 0.20 per share, par value of $ 0.01 per share	March 31, 1997	1,000,000	3,59,00,000
3	Investment by way of cash remittance towards issue of 2,000,000 shares of convertible preferred stock at $ 0.75 per share, par value of $ 0.01 per share	March 31, 1998	1,500,000	5,45,10,000
4	Sale of 1,363,637 shares of convertible preferred stock at $ 1.10 per share, par value of $ 0.01 per share	March 31, 1999	(1,022,728)	(3,71,65,926)
5	Provision for investments	March 31, 1999	(1,977,272)	(7,05,95,674)
6	Balance as on March 31, 2000		–	–

On June 14, 1999, Yantra issued Series C Preferred stock amounting to $ 15.0 million to various unrelated existing and new investors, thereby reducing Infosys' economic interest in Yantra to approximately 25.1% on a fully diluted basis.

4.2 EC Cubed, Inc.

During the year, an investment of $ 3,00,000 (Rs. 13,08,00,000) was made towards the issue of 13,00,108 shares of Series D Convertible Preferred Stock of par value of $ 0.0001 each of EC Cubed, Inc. - an existing client of the company. This investment is part of the company's growth strategy of investing in select companies that are in the leading edge of technology. Such investments would enable the company to obtain access to such ideas and technologies and at the same time bring in service revenues through technology partnerships with investee companies. EC Cubed, Inc., is an existing client of the company and this business relationship has witnessed high growth in the recent past.

4.3 JASDIC Park Company

During the previous year, Infosys invested an amount of Yen 24 million (Rs. 75,38,109) towards the issue of 480 shares of JASDIC Park Company. Infosys holds a 12.5% equity stake in JASDIC Park Company. JASDIC Park Company is an Indo-Japanese consortium founded by Mr. Kenichi Ohmae, a well-known management strategist, along with a few Japanese companies and three Indian companies including Infosys. The aim of JASDIC Park Company is to provide high-quality software services from India to the Japanese market. This is in line with Infosys' strategy to diversify its geographic client base.

5. Sundry debtors

Sundry debtors amount to Rs. 136,17,81,253 (net of provision for doubtful debts amounting to Rs. 2,21,26,448) as at March 31, 2000, as compared with Rs. 84,51,88,425 (net of provision for doubtful debts amounting to Rs. 1,27,23,349) as at March 31, 1999. These debtors are considered good and realizable. Provisions are made for all debtors outstanding for more than 180 days. Debtors as a percentage of total software revenue are 15.43% for the year ended March 31, 2000, as compared to 16.61% for the previous year, representing an outstanding of 56 days and 61 days of software revenue for the respective years. The age profile is as given below:

Period in days	Year ended March 31, 2000	Year ended March 31, 1999
0 – 30	64.7%	58.8%
31 – 60	31.8%	24.5%
61 – 90	1.8%	10.8%
More than 90	1.7%	5.9%
	100.0%	100.0%

Provision for bad and doubtful debts and bad debts written off as a percentage of sales were 0.27% and (0.03%) in fiscal 2000 and 1999, respectively.

6. Cash and bank balances

in Rs.

		Year ended March 31, 2000	Year ended March 31, 1999
Cash balances		13,17,773	8,80,351
Bank balances in India	– current accounts	10,16,77,272	15,18,51,331
	– deposit accounts	22,91,45,764	12,41,56,133
	– EEFC deposit accounts in $	25,81,47,267	62,06,68,810
Bank balances - overseas	– current accounts	63,39,94,737	31,24,48,384
	– deposit accounts	309,36,52,917	284,04,77,990
Total cash and bank balances		431,79,35,730	405,04,82,999
Add: Deposits with financial institutions/body corporate		76,58,01,865	11,61,07,945
Total cash and cash equivalents		508,37,37,595	416,65,90,944
Cash and cash equivalents as a % of total assets		61.0%	72.5%

The bank balances in India include both rupee accounts and foreign currency accounts. They also include Rs. 28,72,035 and Rs. 12,98,113 in the unclaimed dividend account for the years ended March 31, 2000 and 1999. The deposit account represents deposits for short tenures. The bank balances in overseas deposit accounts represents deposit of money received on completion of the American Depositary Shares (ADS) program and is maintained with Deutsche Bank, State Bank of India, ANZ Grindlays Bank, Citibank and Hongkong Bank. The bank balances in overseas current accounts are maintained to meet the expenditure of the overseas branches in USA and other countries, and to meet project-related expenditure overseas.

7. Loans and advances

Advances recoverable in cash or in kind or for value to be received, are primarily towards amounts paid in advance for value and services to be received in future. Advance income tax represents payments made towards tax liability for the years ended March 31, 2000 and 1999, and so also refunds due for previous years. The company's liability towards income tax is fully provided for. Deposits with financial institution and body corporate represents surplus money deployed in the form of short-term deposits. The details of such deposits are as under:

in Rs.

	Year ended March 31, 2000	Year ended March 31, 1999
Housing Development Finance Corporation Limited	25,50,19,994	5,57,39,726
GE Capital Services India	25,32,29,129	6,03,68,219
ICICI Limited	25,75,52,742	–
Total	76,58,01,865	11,61,07,945

The company's treasury policy calls for investing only in highly rated companies for short maturities with a limit on investments in individual companies. Loans to employees are made to enable the purchase of assets by employees and to meet any emergency requirements. These increased significantly during the year, due to an increase in the number of employees availing such loans, and also due to the introduction of several new loan schemes. Other advances represent electricity deposits and advances of a similar nature. The company has taken on lease, several buildings for its software development centers in various cities and also for housing its staff. The deposits paid towards the above amounting to Rs. 7,84,24,995 are shown under rent and maintenance deposits.

8. Current liabilities

Sundry creditors for goods represent the amount payable to vendors for the supply of goods. Sundry creditors for accrued salaries and benefits include the provision for bonus payable to the staff, and towards the company's liability for leave encashment valued on an actuarial basis. Sundry creditors for other liabilities represent amounts accrued for various other operational expenses. Retention monies represent monies withheld on contractor payments pending final acceptance of their work. The withholding taxes payable represents tax withheld on benefits arising out of exercise of stock options issued under the 1998 Employee Stock Option Plan, by various employees and the same would be paid in due course. Advances received from clients denote monies received for the delivery of future services. Unclaimed dividends represent dividend paid, but not encashed by shareholders, and are represented by a bank balance of equivalent value.

9. Unearned revenue

Unearned revenue as at March 31, 2000 and 1999 consists primarily of advance client billing on fixed-price, fixed-time-frame contracts for which related costs were not yet incurred.

10. Provisions

Provisions for taxation represent estimated income tax liabilities, both in India and abroad, and tax on dividend for the years ended March 31, 2000 and 1999. The tax provisions and the corresponding advance tax payments will be set off upon completion of the related assessments. Proposed dividend represents the final dividend recommended to the shareholders by the board of directors, and would be paid after the Annual General Meeting, upon approval by the shareholders.

The company had instituted a contingency plan effective October 1, 1998 to meet any possible disruption in client support due to the Year 2000 impact on the technology and communication infrastructure provided to the company by its vendors. The contingency plan called for the creation of a total provision of Rs. 20.00 crore based on an initial estimate. This provision was required to be made over six quarters starting October 1998. Accordingly, the company had made a total provision of Rs. 9.99 crore up to the quarter ended June 30, 1999. At this time, the company was led to believe that all its telecommunication service providers were Year 2000 ready, and therefore did not expect significant disruption of these facilities. During the second quarter of this fiscal year, the company made an appraisal and re-estimated the provision required for meeting such contingencies over the next two quarters and was of the opinion that the provision already made was adequate for the purpose and hence no further provision was required. During the year an amount of Rs. 2,42,29,154 was spent towards support for the Year 2000 transition activities and the same was set off against the provision made earlier. After such set-off, a balance of Rs. 7,56,70,846 remained in the provision account that was reversed as this provision is no longer required. The Year 2000 transition is completed smoothly and the company does not see any material impact due to this, going forward.

The company has been preparing to leverage the opportunities offered by the e-commerce marketplace, and has taken the necessary steps to do so. This required that the company incur business restructuring costs towards creating a knowledge infrastructure, acquiring people with technical skills in the e-commerce area and e-inventing the company. Accordingly, the company made a provision of Rs. 3.50 crore during the quarter ended September 30, 1999. An amount of Rs. 3,10,99,023 was incurred towards e-inventing the company and was set-off against this provision. After this set-off, a balance of Rs. 39,00,977 remains as a provision for e-inventing the company as on March 31, 2000. The same may be spent during the ensuing year.

The provision for gratuity represents the excess of gratuity liability as per the actuarial valuation as of March 31, 2000 and the amount funded to the trust. The trust was fully funded with that amount as of the date of signing this balance sheet.

B. Results of operations

1. Income

in Rs.

Particulars	Year ended March 31, 2000		Year ended March 31, 1999		Growth %
	Amount	%	Amount	%	
Software development services and products					
– Overseas	869,69,80,931	94.38	500,25,40,418	97.57	73.85
– Domestic	12,62,56,042	1.37	8,63,71,250	1.68	46.17
Other income	39,14,11,095	4.25	3,84,71,833	0.75	917.40
Total	921,46,48,068	100.00	512,73,83,501	100.00	79.71

The growth in export income is due to an all round growth in various segments of the business mix.

The segmentation of export income is as follows:

Revenues by project type	Year ended March 31, 2000	Year ended March 31, 1999
Fixed price	31.50%	36.70%
Time and material	68.50%	63.30%
Total	100.00%	100.00%

Revenues by location	Year ended March 31, 2000	Year ended March 31, 1999
Revenues		
Onsite	48.50%	41.30%
Offshore	51.50%	58.70%
Total	100.00%	100.00%
Person-months		
Onsite	32.50%	25.00%
Offshore	67.50%	75.00%
Total	100.00%	100.00%

Details of geographical and business segmentation of revenues are provided elsewhere in this report.

2. Expenditure

in Rs.

Particulars	Year ended March 31, 2000		Year ended March 31, 1999		Growth %
	Amount	%	Amount	%	
Total revenues	921,46,48,068	100.00	512,73,83,501	100.00	79.71
Expenditure:					
Software development expenses	466,26,84,578	50.60	261,51,74,052	51.00	78.29
Administration and other expenses	69,48,50,282	7.54	45,75,30,137	8.92	51.87
Provision for contingencies	3,33,00,000	0.36	6,66,00,000	1.30	(50.00)
Provision for e-inventing the company	3,50,00,000	0.38	–	–	–
Provision for investment in subsidiary	–	–	7,05,95,674	1.38	–
Total operating expenses	542,58,34,860	58.88	320,98,99,863	62.60	69.03
Operating profit	378,88,13,208	41.12	191,74,83,638	37.40	97.59
Interest	–	–	–	–	–
Depreciation	53,23,27,389	5.78	35,89,30,078	7.00	48.31
Profit before tax	325,64,85,819	35.34	155,85,53,560	30.40	108.94
Provision for tax	39,70,00,000	4.31	22,94,00,000	4.48	73.06
Profit after tax	285,94,85,819	31.03	132,91,53,560	25.92	115.14
Effect of extraordinary item – provision no longer required	7,56,70,846	0.82	–	–	–
Extraordinary income	–	–	2,34,54,103	0.46	–
Net profit for the year	293,51,56,665	31.85	135,26,07,663	26.38	117.00

2.1 Software development expenses

in Rs.

Particulars	Year ended March 31, 2000		Year ended March 31, 1999		Growth %
	Amount	%	Amount	%	
Salaries and bonus including overseas staff expenses	307,54,46,295	33.38	151,56,56,923	29.56	102.91
Staff welfare	4,93,07,308	0.54	3,06,17,200	0.60	61.04
Contribution to provident and other funds	22,08,36,923	2.40	11,42,90,209	2.23	93.22
Foreign tour and travel	84,09,02,293	9.13	58,11,20,975	11.33	44.70
Consumables	2,70,06,251	0.29	1,06,44,207	0.21	153.72
Cost of software packages					
– for own use	16,53,57,382	1.79	14,86,91,737	2.90	11.21
– for domestic software development	2,84,48,397	0.31	1,78,19,890	0.35	59.64
Provision for post-sales client support	2,09,62,627	0.23	2,19,18,587	0.43	(4.36)
Computer maintenance	3,27,43,350	0.36	3,29,08,467	0.64	(0.50)
Communication expenses	17,31,23,718	1.88	9,59,08,515	1.86	80.51
Consultancy charges	2,85,50,034	0.31	4,55,97,342	0.89	(37.39)
	466,26,84,578	50.60	261,51,74,052	51.00	
Revenues	921,46,48,068	100.00	512,73,83,501	100.00	

Employee costs comprise approximately 36% and 32% of total revenue for the years ended March 31, 2000 and 1999. The increase is due to an increase in the average number of unbilled employees during the year due to training and bench and also a change in the onsite-offshore mix, as compared to the previous year.

Utilization rate	Year ended March 31, 2000	Year ended March 31, 1999
Including trainees	72.90%	78.40%
Excluding trainees	79.40%	88.20%

Foreign tour and travel expenses, representing cost of travel abroad for software development and marketing, constituted approximately 9% and 11% of total revenue for the years ended March 31, 2000 and 1999, respectively.

The cost of software packages for own use represents the cost of software packages and tools procured for internal use, to enhance the quality of its services and also to meet the needs of software development for some of its clients. The cost of software packages purchased for own use has increased by approximately 11% during the year, and was approximately 2% and 3% of the total revenues for the years ended March 31, 2000 and 1999, respectively. The company's policy is to charge such purchases to revenue in the year of purchase.

A major part of the company's revenue comes from offshore software development. This involves the large-scale use of satellite connectivity in order to be online with clients. This represents approximately 2% each of total revenues for the years ended March 31, 2000 and 1999, respectively.

The company provided an amount of Rs. 2,09,62,627 and Rs. 2,19,18,587 towards post-sales client support for the year ended March 31, 2000 and 1999. This represents a provision for post-sales obligations of the company in respect of the outstanding fixed-price projects as at the year-end.

The company also utilizes outside consultants for part of its software development work. During the year, the company spent a sum of Rs. 2,85,50,034 towards such consultancy as compared to Rs. 4,55,97,342 during the previous year. Usage of consultants was primarily in the area of Year 2000 conversion projects and declined during the year, due to a decline in Year 2000 revenues. The company would use external consultants for some of its project work on a need basis, going forward.

2.2 Administration and other expenses

in Rs.

Particulars	Year ended March 31, 2000		Year ended March 31, 1999		Growth %
	Amount	%	Amount	%	
Travelling and conveyance	7,68,26,394	0.83	4,15,37,200	0.81	84.96
Rent	10,34,93,593	1.12	7,44,54,587	1.45	39.00
Telephone charges	5,93,95,252	0.64	5,15,34,846	1.01	15.26
Legal and professional charges	7,55,68,079	0.82	5,37,56,388	1.05	40.58
Printing and stationery	2,76,70,902	0.30	1,76,34,923	0.34	56.91
Advertisements	2,12,41,343	0.23	76,84,502	0.15	176.42
Brand building	99,17,816	0.11	–	–	–
Office maintenance	5,81,01,381	0.63	2,95,44,190	0.58	96.66
Repairs to building	1,13,44,232	0.12	1,08,24,460	0.21	4.80
Repairs to plant and machinery	84,12,905	0.09	86,47,678	0.17	(2.71)
Power and fuel	5,01,41,466	0.54	2,73,37,769	0.53	83.41
Insurance charges	2,41,35,289	0.26	1,28,78,968	0.25	87.40
Rates and taxes	1,03,80,848	0.11	1,16,79,290	0.23	(11.12)
Donations	3,49,27,871	0.38	1,49,82,357	0.29	133.13
Auditors remuneration	26,35,000	0.03	25,85,000	0.05	1.93
Bad loans and advances written off	3,13,050	0.00	–	–	–
Bad debts written off	1,57,20,938	0.17	–	–	–
Provision for bad and doubtful debts	96,03,099	0.10	(13,06,919)	(0.03)	–
Provision for doubtful loans and advances	–	–	52,94,106	0.10	–
Bank charges and commission	42,21,668	0.05	38,95,031	0.08	8.39
Commission charges	64,70,454	0.07	7,40,413	0.01	773.90
Other miscellaneous expenses	2,10,64,341	0.23	1,80,79,939	0.35	16.51
Sundry marketing expenses	3,14,93,837	0.34	1,92,56,725	0.38	63.55
Postage and courier	1,37,56,638	0.15	79,15,959	0.15	73.78
Books and periodicals	77,13,886	0.08	76,72,725	0.15	0.54
Research grants	1,03,00,000	0.11	3,09,00,000	0.60	(66.67)
Total administration and other expenses	69,48,50,282	7.54	45,75,30,137	8.92	51.87
Revenues	921,46,48,068	100.00	512,73,83,501	100.00	

The company incurred administration and other expenses at 7.54% of its total revenue during fiscal 2000 as compared to 8.92% during the previous year. Administration and other expenses as a percentage of total revenues reduced during the year as the company is currently enjoying the benefit of economies of scale in operations.

Rent expenses increased by approximately 39% during the year due to additional office properties leased during the year and increases in rentals of certain properties previously taken on lease. Telephone charges increased by 15% due to greater usage. Legal and professional charges increased by 41%. These charges include fees paid for availing services such as tax consultancy, US GAAP audit, and recruitment and training, etc. Travelling and conveyance expenses increased due to the increased levels of business and increase in number of development centers and sales offices. Office maintenance expenses increased by 97% due to the increased volumes of business and operationalization of new software development centers during the year. Insurance costs increased due to Directors and Officers (D&O) insurance taken in the U.S. during the current year. The increase in commission charges is due to the increased level of export income from sale of banking products through channel partners, which increased, to Rs. 10,27,55,928 during the current year from Rs. 6,09,22,335 in the previous year. The increase in other expenses is primarily due to an increased level of business. The company wrote off bad debts amounting to Rs. 1,59,20,938 during the year which represented 0.18% of total software revenues.

3. Operating profits

During the current year, the company earned an operating profit (profit before interest, depreciation and tax) of Rs. 378,88,13,208 representing 41.12% of total revenues as compared to Rs. 191,74,83,638, representing 37.40% of total revenues during the previous year. The increase was due to an increase in per capita revenue productivity, lower rate of increase in administration costs, broadening of the business mix and an increase in other income. Excluding other income of Rs. 39,14,11,095 (4.25% of revenues) in the current year as compared to Rs. 3,84,71,833 (0.75% of revenues) in the previous year, the operating profit would have been Rs. 340,74,02,113 (38.5% of revenues) in the current year as compared to Rs. 187,90,11,805 (36.92% of revenues) in the previous year, despite a change in the onsite-offshore mix.

4. Interest

The company continued to be debt-free during the current year.

5. Depreciation

The company provided a sum of Rs. 53,23,27,389 and Rs. 35,89,30,078 towards depreciation for the years ended March 31, 2000 and 1999, respectively representing 5.78% and 7.00% respectively of total revenues. The depreciation for the years ended March 31, 2000 and 1999, includes an amount of Rs. 13,21,59,074 and Rs. 11,37,41,697 respectively towards 100% depreciation on assets costing less than Rs. 5,000 each. The depreciation as a percentage of average gross block is 23.50% and 26.19% for the years ended March 31, 2000 and 1999 respectively.

The depreciation charge includes an amount of Rs. 15,27,500 and Rs. 30,30,000 towards depreciation provided, in full, on assets acquired for research and development activities for the years ended March 31, 2000 and 1999, respectively.

6. Provision for tax

The company has provided for its tax liability both in India and overseas. The present Indian corporate tax rate is 38.5% (comprising a base rate of 35% and a surcharge of 10% on the base rate). Export profits are entitled to benefit under two schemes of the Government of India. Under the first scheme (Section 80HHE of the Income Tax Act), the proportion of the profits of the company attributable to export activities are deductible from the income subject to tax. Under the second scheme, the profits attributable to the operations of the company under the 100% export oriented unit scheme (Software Technology Park Scheme) is entitled to a total tax holiday of ten years. A majority of the company's software development centers enjoy the benefits under the Software Technology Park Scheme. For the year ended March 31, 2000 approximately 97.50% of software revenues came from software development centers operating under the Software Technology Park Scheme.

In the budget for fiscal 2001, the Government of India proposed changes in the tax rules relating to benefits under Section 80HHE by reducing the amount of export profits that may be deducted for purposes of computing taxable income, by an incremental 20% every year over the next five years. The government has also proposed restricting the eligibility for tax exemption for units operating under the Software Technology Park Scheme to only those units which are operational on or before March 31, 2000. The details of the operationalization of various software development centers and the year to which the exemption under the Software Technology Park Scheme is available is provided hereunder:

Location of the STP	Year of commencement	Exemption claimed from	Exemption available up to
Electronics City, Bangalore	1994-1995	1996-1997	2003-2004
Mangalore	1995-1996	1998-1999	2004-2005
Pune	1996-1997	1998-1999	2005-2006
Bhubaneswar	1996-1997	1998-1999	2005-2006
Chennai	1996-1997	1998-1999	2005-2006
Bannerghatta Road, Bangalore	1997-1998	1998-1999	2006-2007
Phase I, Electronics City, Bangalore	1998-1999	1998-1999	2007-2008
Phase II, Electronics City, Bangalore	1999-2000	1999-2000	2008-2009
Hinjewadi, Pune	1999-2000	1999-2000	2008-2009
Mysore	1999-2000	1999-2000	2008-2009
Hyderabad	1999-2000	1999-2000	2008-2009
Mohali	1999-2000	1999-2000	2008-2009

The company has provided a sum of Rs. 24,00,000 and Rs. 4,32,00,000 during the years ended March 31, 2000 and 1999, in respect of tax liabilities of earlier years, consequent to the finalization of the tax assessments. The additional liability has arisen due to certain disallowances in India which are contested in appeal, and additional payments overseas.

The company is paying taxes in various countries in which it operates on the income that is sourced to those countries. The break-up of provision for taxes is as follows:

in Rs.

Particulars	Year ended March 31, 2000	Year ended March 31, 1999
Foreign tax	28,70,00,000	19,94,00,000
Domestic tax	11,00,00,000	3,00,00,000
Total tax	39,70,00,000	22,94,00,000

7. Net profit

The net profit of the company from ordinary activities amounted to Rs. 285,94,85,819 and Rs. 132,91,53,560 for the years ended March 31, 2000 and 1999. This represents 31.03% and 25.92% of total revenue for the respective years. The increase was due to an increase in per capita revenue productivity, lower growth in administration costs, increase in other income, broadening of the business mix and an increase in other income. Excluding other income of Rs. 39,14,11,095 (4.25% of revenues) in the current year as compared to Rs. 3,84,71,833 (0.75% of revenues) in the previous year, the net profit would have been Rs. 246,80,74,724 (27.97% of revenues) in the current year as compared to Rs. 129,06,81,727 (25.36% of revenues) in the previous year, despite a change in the onsite-offshore mix.

8. Excess provision, no longer required

The company instituted a contingency plan effective October 1, 1998 to meet any possible disruption in client support due to the Year 2000 impact on the technology and communication infrastructure provided to the company by its vendors. The contingency plan called for the creation of a total provision of Rs. 20.00 crore based on an initial estimate. This provision was required to be made over six quarters starting October 1998. Accordingly, the company had made a total provision of Rs. 9.99 crore up to the quarter ended June 30, 1999. At this time, the company was led to believe that all its telecommunication service providers were Year 2000 ready, and therefore did not expect significant disruption of these facilities. During the second quarter of this fiscal year, the company made an appraisal and re-estimated the provision required for meeting such contingencies over the next two quarters and was of the opinion that the provision already made was adequate for the purpose and hence no further provision was required. During the year an amount of Rs. 2,42,29,154 was spent towards support for the Year 2000 transition activities and the same was set-off against the provision made earlier. After such set-off, a balance of Rs. 7,56,70,846 remained in the provision account, which was reversed as this provision is no longer required. The Year 2000 transition is completed smoothly and the company does not see any material impact due to this, going forward.

The company has been preparing to leverage the opportunity offered by e-commerce marketplace, and has taken the necessary steps to do so. This required that the company incur business restructuring costs for creating a knowledge infrastructure, acquiring people with technical skills in the e-commerce area and for e-inventing the company. Accordingly, the company made a provision of Rs. 3.50 crore during the quarter ended September 30, 1999. An amount of Rs. 3,10,99,023 was incurred towards e-inventing the company and was set-off against this provision. After this set-off, a balance of Rs. 39,00,977 remains as provision for e-inventing the company as on March 31, 2000. The same may be spent during the ensuing year.

9. Extraordinary income

During the previous year, the company sold 13,63,637 shares of its preferred stock holding in its subsidiary, Yantra Corporation, at $ 1.10 per share. The profit of Rs. 2,34,54,103, net of tax, is disclosed as an "extraordinary income" in the profit and loss account. This profit of Rs. 2,34,54,103 was transferred to the capital reserve from the profit and loss account.

10. Foreign exchange differences

An amount of Rs. 18.70 crore and Rs. 2.78 crore is included in the profit and loss accounts for the years ended March 31, 2000 and 1999, respectively, representing the realized and unrealized exchange gains due to currency fluctuation. This represents 2.02% and 0.54% of total revenues for the years ended March 31, 2000 and 1999, respectively.

11. 1994 Employee Stock Offer Plan

The company instituted an Employee Stock Offer Plan (ESOP) in 1994 for all eligible employees. Under the plan, warrants were transferred to employees deemed eligible by the advisory board constituted for the purpose. Accordingly, 7,50,000 warrants were issued by the company to the Infosys Technologies Limited Employees Welfare Trust, to be held in trust and transferred to selected employees from time to time. Warrants were issued at Rs. 1 each and entitled the holder thereof to apply for and be issued one equity share of par value of Rs. 10 each at a price of Rs. 100, after a period of five years from the date of issue. The warrants and the shares to be issued were subject to a lock-in period of five years from the date of issue. The warrants expire on September 30, 1999, and are convertible before their expiration. All warrants were converted into shares.

Under the ESOP scheme, the warrant holders are entitled to convert the warrants before any bonus or rights issue. The company issued bonus shares in the ratio of 1:1 during October 1997 and March 1999. Accordingly, the warrant holders, including the Trust and the employees, were given an option to convert their warrants and all warrants were converted into shares. They were also issued bonus shares, being holders of shares as on the record date. The company effected a stock-split (i.e., a subdivision of every equity share of par value of Rs. 10 each into two equity shares of par value of Rs. 5 each) in February 2000. The number of warrants issued and shares outstanding, after adjusting for the 2-for-1 stock split in fiscal 2000, is given below:

Year ended March 31	No. of employees	Warrants transferred to employees (Net)	Shares issued on conversion of warrants, subject to lock-in	Bonus shares issued on converted warrants, free from lock-in	No. of employees	Right to shares offered to employees (Net)
1996	105	2,57,200	2,57,200	5,14,400	–	–
1997	151	2,04,000	2,04,000	4,08,000	–	–
1998	340	5,00,400	5,00,400	5,00,400	–	–
1999	1,033	7,82,000	7,82,000	7,82,000	556	3,11,400
2000	–	–	–	–	14	30,000
Total	1,629	17,43,600	17,43,600	22,04,800	570	3,41,400

During February 2000, the lock-in period ended in respect of 2,12,600 shares of par value of Rs. 5 each, held by 74 employees for warrants issued in April 1995. Employees hold 17,43,600 shares of par value of Rs. 5 each subject to lock-in and 3,41,400 rights to shares of par value of Rs. 5 each, as at March 31, 2000. 1,629 employees hold share/rights to shares as of March 31, 2000, after discounting the employees who have received shares/right to shares in several years.

Details of net warrants/right to shares issued to employees

Year ended March 31	No. of Employees	Warrants transferred/ right to shares offered	No. of Employees	Warrants/Right to Shares forfeited*
1995	106	2,88,200	32	75,600
1996	144	3,16,000	39	58,800
1997	193	2,49,200	42	45,200
1998	368	5,40,800	28	40,400
1999	1,750	11,56,200	161	62,800
2000	14	30,000	–	–

*1,41,800 shares/right to shares forfeited after the bonus issue is included in the respective years.

Warrants originally allotted to ITL Employees' Welfare Trust	7,50,000
Less: Net warrants issued to eligible employees before bonus issue in October 1997	3,76,400
Warrants held by Trust immediately before bonus issue in October 1997 and converted to shares	3,73,600
Add: Bonus shares allotted to the Trust in October 1997	3,73,600
Shares held by the Trust immediately after bonus issue in October 1997	7,47,200
Add: Shares surrendered to the Trust after bonus issue in October 1997	26,500
Less: Net right to shares issued to eligible employee to eligible employees before bonus issue in March 1999	6,64,300
Shares held by the Trust immediately before bonus issue in March 1999	1,09,400
Add: Bonus shares allotted to the Trust in March 1999	1,09,400
Shares held by the Trust immediately after bonus issue in March 1999	2,18,800
Less: Net rights to shares issued to eligible employees after bonus issue in March 1999	1,64,000
Add: Shares surrendered to the Trust after the bonus issue in March 1999	13,000
Add: Rights to shares surrendered to the Trust after the bonus issue in March 1999	31,400
Less: Net rights to shares issued to eligible employees in June 1999	15,000
Shares held by the Trust immediately before stock-split (i.e., the subdivision of equity shares of par value of Rs. 10 each into 2 equity shares of par value of Rs. 5 each) in February 2000	84,200
Add: Additional shares of par value of Rs. 5 per share allotted to the Trust in February 2000	84,200
Shares held by the Trust immediately after the split of face value to Rs. 5 per share (in February 2000)	1,68,400
Shares held by the Trust as of March 31, 2000	1,68,400

12. 1998 Employee Stock Option plan (1998 plan)

One of the objectives of the ADS issue and the consequent listing on the NASDAQ stock exchange was to institute an ADS-linked stock option plan, to attract the best and the brightest across the world. The necessary resolutions authorizing the board to formulate the scheme was approved by the shareholders in the Extraordinary General Meeting held on January 6, 1999. Accordingly, your directors had put in place an ADS-linked stock option plan termed as the "1998 stock option plan". A committee of the board administers the 1998 plan. The Government of India has approved the 1998 plan, subject to a limit of 14,70,000 equity shares of par value of Rs. 5 each representing 29,40,000 American Depositary Shares to be issued under the plan. The plan is effective for a period of 10 years from the date of its adoption by the board. The committee of the board shall determine the exercise price for the ADS-linked stock option, which will not be less than 90% of the fair market value on the date of grant.

The details of the grants made (adjusted for stock-split, as applicable) under the plan is provided below:

Month of grant	No. of employees*	No. of ADS options issued	Grant price at market per ADS	No. of employees	No. of ADSs options forfeited
March 1999	35	4,26,000	$ 17.00	1	7,000
November 1999	53	2,32,000	$ 89.50	–	–
January 2000	11	39,000	$ 168.50	–	–
February 2000	7	21,100	$ 264.25	–	–
March 2000	1	2,200	$ 330.00	–	–
Total	107*	7,20,300		1	7,000

*Includes 10 employees who were granted ADS options twice. Therefore, the effective number of employees granted options is 97.

During the year, 23,800 options issued under the 1998 plan were exercised and the remaining ADS options unexercised and outstanding as at March 31, 2000 were 6,89,500.

13. 1999 Employee Stock Option Plan (1999 plan)

The shareholders and the board of directors approved the 1999 plan in June 1999. The 1999 plan provides for the issue of 66,00,000 equity shares to employees, adjusted for the recent stock split. The 1999 plan is administered by a compensation committee comprising a maximum of seven members, the majority of whom were independent directors on the board of directors. Under the 1999 plan, options were issued to employees at an exercise price not less than the Fair Market Value. Fair Market Value means the closing price of the company's shares on the stock exchange where there is the highest trading volume on the date of grant and if the shares are not traded on that day, the closing price on the next trading day. Under the 1999 plan, options may also be granted to employees at exercise prices that are less than the Fair Market Value only if specifically approved by the members of the company in a general meeting.

The details of the grants made (adjusted for stock-split, as applicable) under the plan is provided below:

Month of grant	No. of employees*	No. of options issued	Grant price Rs.	No. of employees	No. of options forfeited
November 1999	1,167	9,53,200	4,065.05	10	4,100
January 2000	43	33,600	6,302.03	–	–
February 2000	14	22,200	9,209.00	–	–
March 2000	5	5,500	11,858.55	2	3,600
Total	1229*	10,14,500		12	7,700

*Includes 1 employee who was granted options twice. Therefore, the effective number of employees granted options is 1,228.

Total employees offered stock options under 1994, 1998 and 1999 plans – 1,922.

14. Reconciliation of Indian and US GAAP financial statements

There are significant differences between the US GAAP and the Indian GAAP financial statements. The material differences arise due to the provision for deferred taxes, consolidation of financial statements of subsidiaries and provision for deferred compensation due to the issue of stock options to employees. The reconciliation of profits as per the Indian and the US GAAP financial statements is given below.

in Rs. crore

Profit as per the Indian GAAP financial statements			293.52
Less :	Expenses set-off against provisions for contingencies	2.42	
	Expenses set-off against provisions for e-inventing the company	3.11	
	Provision for gratuity	3.23	
	Amortization of deferred stock compensation expense	22.17	
	Effect of extraordinary item – provision no longer required	7.57	
			38.50
Add :	Provision for contingencies	3.33	
	Provision for e-inventing the company	3.50	
	Deferred Income tax provision	2.84	
			9.67
Net income as per the US GAAP financial statements			264.69

Provision for contingencies

Please refer to paragraph no. 8 of this management's discussion and analysis of financial condition and results of operations.

The initial provision as well as subsequent reversal of excess provisions were not accounted under US GAAP. However, the actual expenses were accounted in the period of spending.

Provision for e-inventing the company

Please refer to paragraph no. 8 of this management's discussion and analysis of financial condition and results of operations.

The initial provision as well as subsequent reversal of excess provisions were not accounted under US GAAP. However, the actual expenses were accounted in the period of spending.

Provision for gratuity

The provision for gratuity represents the excess of gratuity liability as per the actuarial valuation as of March 31, 2000 and the amount funded with the trust.

Amortization of deferred stock compensation

Indian GAAP did not require a company to recognize and amortize amounts relating to the deferred stock compensation arising on issue of stock options to employees. However, under US GAAP, APB Opinion 25 requires that deferred stock compensation arising on issue of stock options to employees resulting from the difference between the exercise price and the fair value as determined by the quoted market prices of the common stock underlying the warrants on the grant date, be accounted for.

In complying with this requirement, Infosys has charged to revenue Rs. 22.17 crore during fiscal 2000 as deferred stock compensation under US GAAP.

Deferred income tax provision

US GAAP requires that the deferred tax assets or liabilities be recognized for the future tax consequences of events that are recognized in an enterprise's financial statements or tax returns. There is no such requirement under Indian GAAP and if such requirement were in place, the tax liability for the year would be lower by Rs. 2.84 crore.

C. Outlook: issues and risks

These have been discussed in detail elsewhere in this annual report.

Statement of cash flows for the year ended March 31

in Rs.

	2000	1999
Cash flows from operations		
Profit before tax	325,64,85,819	155,85,53,560
Other Income	(36,70,79,196)	(3,67,00,927)
Increase (decrease) in provision for contingencies	(6,66,00,000)	6,66,00,000
Increase (decrease) in provision for e-inventing the company	39,00,977	–
Provision for investment in subsidiary	–	7,05,95,674
Depreciation, depletion and amortization	53,23,27,389	35,89,30,078
Decrease (increase) in sundry debtors	(51,65,92,828)	(44,63,39,758)
Decrease (increase) in loans and advances	(41,49,70,588)	(15,32,76,222)
Increase (decrease) in current liabilities and provisions	42,26,37,450	33,82,24,214
Income taxes paid	(35,53,53,877)	(16,79,23,184)
Net cash from operations	249,47,55,146	158,86,63,435
Cash flows from financing		
Proceeds from conversion of options	1,76,25,277	–
Proceeds from issue of American Depositary Shares	–	296,86,28,400
Expenses relating to issue of American Depositary Shares	(2,35,06,514)	(17,33,14,415)
Expenses relating to issue of ADS linked stock options	(1,01,93,113)	–
Dividends paid (including dividend tax)	(19,92,57,109)	(10,20,36,824)
Net cash from (used for) financing	(21,53,31,459)	269,32,77,161
Cash flows from investing		
Income from investments	26,68,79,106	3,67,00,927
Proceeds of sale of investments (net of tax)	–	6,06,20,029
Proceeds of sale of fixed assets	10,20,400	2,39,716
Purchase of fixed assets	(159,87,03,617)	(71,67,91,924)
Other long-term investments	(13,08,00,000)	(75,38,109)
Net cash used for investing	(146,16,04,111)	(62,67,69,361)
Effect of exchange differences on translation of foreign currency deposits maintained abroad	9,93,27,075	–
Total increase (decrease) in cash and cash equivalents during the year	81,78,19,576	365,51,71,235
Cash and equivalents at the beginning of the year	416,65,90,944	51,14,19,709
Cash and equivalents at the end of the year	508,37,37,595	416,65,90,944

This is the Cash Flow Statement referred to in our report of even date.

for Bharat S Raut & Co.
Chartered Accountants

Balaji Swaminathan
Partner

N. R. Narayana Murthy
Chairman and Chief Executive Officer

Nandan M. Nilekani
Managing Director, President and Chief Operating Officer

Susim M. Datta
Director

Deepak M. Satwalekar
Director

Ramesh Vangal
Director

Prof. Marti G. Subrahmanyam
Director

S. Gopalakrishnan
Dy. Managing Director

Bangalore
April 11, 2000

K. Dinesh
Director

S. D. Shibulal
Director

T. V. Mohandas Pai
Senior Vice President – Finance & Administration

V. Viswanathan
Company Secretary

Statement of cash flows for the year ended March 31

in Rs.

	2000	1999
Reconciliation of items in financial statements with cash flow items		
1. Loans and advances		
As per Balance sheet	210,12,77,161	68,35,96,522
Less : Deposits with financial institutions/body corporate, included in cash equivalents	(76,58,01,865)	(11,61,07,945)
Advance income taxes considered separately	(54,40,96,353)	(19,10,80,222)
Balance considered for preparing the cash flow statement	79,13,78,943	37,64,08,355
2. Additions to fixed assets		
As per Balance sheet	117,79,35,912	64,11,69,396
Add : Closing capital work-in-progress	56,96,03,505	14,88,35,800
Less : Opening capital work-in-progress	(14,88,35,800)	(7,32,13,272)
Balance considered for preparing the cash flow statement	159,87,03,617	71,67,91,924
3. Cash and cash equivalents		
As per Balance sheet	431,79,35,730	405,04,82,999
Add : Deposits with financial institutions/ body corporate (as per 1 above)	76,58,01,865	11,61,07,945
Balance considered for preparing the cash flow statement	508,37,37,595	416,65,90,944
4. Income taxes paid		
As per Profit and Loss account	39,70,00,000	22,94,00,000
Add : Decrease (increase) in balance in provision for taxes account	(39,46,62,254)	(15,66,52,471)
Increase (decrease) in balance in advance income tax account	35,30,16,131	9,51,75,655
Balance considered for preparing the cash flow statement	35,53,53,877	16,79,23,184
5. Other income		
As per Profit and Loss account	39,14,11,095	3,84,71,833
Less : Income from operating activities	(2,43,31,899)	(17,70,906)
Balance considered for preparing the cash flow statement	36,70,79,196	3,67,00,927
6. Current liabilities and provisions		
As per Balance sheet	165,97,02,419	84,96,64,378
Less : Provision for taxation considered separately	(62,60,19,742)	(23,13,57,488)
Provision for dividend considered separately	(19,84,18,210)	(8,10,32,734)
Provision for dividend tax considered separately	(2,18,26,003)	(81,03,273)
Provision for contingencies	–	(6,66,00,000)
Provision for e-inventing the company	(39,00,977)	–
Add : Effect of extraordinary item – provision no longer required	7,56,70,846	–
Balance considered for preparing the cash flow statement	88,52,08,333	46,25,70,883

This is the Cash Flow Statement referred to in our report of even date.

for Bharat S Raut & Co.
Chartered Accountants

Balaji Swaminathan
Partner

N. R. Narayana Murthy
Chairman and Chief Executive Officer

Nandan M. Nilekani
Managing Director, President and Chief Operating Officer

Susim M. Datta
Director

Deepak M. Satwalekar
Director

Ramesh Vangal
Director

Prof. Marti G. Subrahmanyam
Director

S. Gopalakrishnan
Dy. Managing Director

Bangalore
April 11, 2000

K. Dinesh
Director

S. D. Shibulal
Director

T. V. Mohandas Pai
Senior Vice President – Finance & Administration

V. Viswanathan
Company Secretary

Balance sheet abstract and company's general business profile

Registration details

Registration No.	13115
State Code	08
Balance Sheet Date	March 31, 2000
	in Rs.

Capital raised during the year

Public issue	–
Rights issue	–
Bonus issue	–
Private placement	–
Preferential offer of shares under Employee Stock Option Plan scheme*	59,500

Position of mobilization and deployment of funds

Total liabilities	833,30,28,248
Total assets	833,30,28,248

Sources of funds

Paid-up capital	33,07,55,000
Reserves and surplus	800,22,73,248
Secured loans	–
Unsecured loans	–

Application of funds

Net fixed assets	207,33,88,054
Investments	13,83,48,469
Net current assets	612,12,91,725
Miscellaneous expenditure	–
Accumulated losses	–

Performance of company

Turnover	921,46,48,068
Total expenditure	595,81,62,249
Profit/loss before tax	325,64,85,819
Extraordinary Income	7,56,70,846
Profit/loss after tax	293,51,56,665
Earnings per share from ordinary activities	43.23
Earnings per share including extraordinary income	44.37
Dividend rate (%)	90

Generic names of principal products/services of the company

Item code no. (ITC code)	85249009.10
Product description	Computer software

*Issue of shares arising on the exercise of options granted to employees under the company's 1998 ADS option plan.

N. R. Narayana Murthy
Chairman and Chief Executive Officer

Nandan M. Nilekani
Managing Director, President and Chief Operating Officer

Susim M. Datta
Director

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Director

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Director

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Senior Vice President – Finance & Administration

V. Viswanathan
Company Secretary

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Financial statements for the year ended March 31, 2000

prepared in accordance with
United States Generally Accepted Accounting Principles (US GAAP)

The illiterate of the 21st century will not be those who cannot read and write, but those who cannot learn, unlearn, and relearn.

– Alvin Toffler

Summary of consolidated financial data

Five-year data

in thousands, except per share data

	2000	1999	1998	1997	1996
			(Audited)		
Statements of income data:					
Revenues	$ 203,444	$ 120,955	$ 68,330	$ 39,586	$ 26,607
Cost of revenues	111,081	65,331	40,157	22,615	15,638
Gross profit	92,363	55,624	28,173	16,971	10,969
Operating expenses:					
Selling and marketing expenses	9,644	4,944	3,370	1,976	1,372
General and administrative expenses	17,102	11,255	9,855	5,034	2,978
Amortization of deferred stock compensation expense	5,118	3,646	1,520	768	361
Compensation arising from stock split	–	12,906	1,047	–	–
Total operating expenses	31,864	32,751	15,792	7,778	4,711
Operating income	60,499	22,873	12,381	9,193	6,258
Equity in loss of deconsolidated subsidiary	–	(2,086)	–	–	–
Other income, net	9,039	1,537	801	769	1,460
Income before income taxes	69,538	22,324	13,182	9,962	7,718
Provision for income taxes	8,193	4,878	770	1,320	894
Subsidiary preferred stock dividends	–	–	68	–	–
Net income	$ 61,345	$ 17,446	$ 12,344	$ 8,642	$ 6,824
Earnings per equity share:					
Basic	$ 0.93	$ 0.28	$ 0.21	$ 0.15	$ 0.12
Diluted	$ 0.93	$ 0.28	$ 0.20	$ 0.15	$ 0.12
Weighted equity shares used in computing earnings per equity share:					
Basic	65,660	61,379	59,574	58,073	58,068
Diluted	65,864	61,507	60,808	59,409	58,568
Cash dividend per equity share	$ 0.11	$ 0.09	$ 0.04	$ 0.02	$ 0.02
Balance sheet data:					
Cash and cash equivalents	$ 116,599	$ 98,875	$ 15,419	$ 8,320	$ 7,769
Total assets	219,283	153,658	48,782	32,923	27,261
Total long-term debt	–	–	–	–	526
Total shareholders equity	$ 198,137	$ 139,610	$ 41,146	$ 30,640	$ 23,925

1. The information presented above reflects the company's 2-for-1 stock split by means of a stock dividend announced on December 20, 1998 and a 2-for-1 stock split announced on November 29, 1999.
2. The financial statements of Yantra Corporation, an erstwhile subsidiary, were consolidated with the financial statements of the company up to October 20, 1998 and are accounted for by the equity method thereafter.
3. The earnings per share calculations for fiscal years 2000 and 1999, includes 2,070,000 equity shares (representing 4,140,000 ADSs) issued during March 1999, in conjunction with the company's IPO.
4. The dividends are declared in Indian rupees. Amounts presented are translated into U.S. dollars and are indicative. Dividends are paid from the date of holding of shares.

Management's discussion and analysis of financial condition and results of operations

Investors are cautioned that this discussion contains forward-looking statements that involve risks and uncertainties. When used in this discussion, the words "anticipate", "believe", "estimate", "intend", "will" and "expect" and other similar expressions as they relate to the company or its business are intended to identify such forward-looking statements. The company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Actual results, performances or achievements could differ materially from those expressed or implied in such forward-looking statements. Factors that could cause or contribute to such differences include those described under the heading "Risk Factors" in the prospectus filed with the Securities and Exchange Commission, as well as the factors discussed in the Form 20-F, included in this report. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of their dates. The following discussion and analysis should be read in conjunction with the company's financial statements included herein and the notes thereto.

1. Overview

Infosys is an India-based IT services company formed in 1981 that utilizes an extensive offshore infrastructure to provide managed software solutions to clients worldwide. The company's services include custom software development, maintenance (including Year 2000 conversion) and re-engineering services as well as dedicated offshore software development centers (OSDC) for certain clients. From fiscal 1995 through fiscal 2000, total revenue increased from $ 18.1 million to $ 203.4 million, the number of the company's software professionals worldwide increased from approximately 585 to approximately 4625, and the number of its India-based software development centers increased from two to seventeen. The company also operationalized one global development center at Toronto, Canada in fiscal 2000.

The company's revenues are generated principally from software services provided on either a fixed-price, fixed-time frame or a time-and-materials basis. Revenues from services provided on a time-and-materials basis are recognized in the month that services are provided and related costs are incurred. Revenues from services provided on a fixed-price, fixed-time frame basis are recognized upon the achievement of specified milestones identified in the related contracts, in accordance with the percentage of completion method. Cost of completion estimates are subject to periodic revisions. Although the company has revised its project completion estimates from time to time, such revisions have not, to date, had a material adverse effect on the company's operating results or financial condition. Since the company bears the risk of cost overruns and inflation with respect to its fixed-price, fixed-time frame projects, the company's operating results could be adversely affected by inaccurate estimates of contract completion costs and dates, including wage inflation rates and currency exchange rates that may affect cost projections. The company also develops and markets certain software products, including banking software that is licensed primarily to clients in Asia and Africa. Such software products represented 2.6% of total revenues in fiscal 2000. The company derived 78.0% of its total revenues from North America, 14.8% from Europe, 1.4% from India and 5.8% from the rest of the world in fiscal 2000.

In fiscal 2000 and fiscal 1999, the company derived 6.3% and 19.8% of its total revenues, respectively, from Year 2000 conversion projects. In line with its risk management policies, the company has consistently limited its dependence on Year 2000 conversion projects, and has only accepted such projects where there are opportunities to create long-term relationships with its clients. The revenues from Year 2000 conversion projects were 0.9% in the fourth quarter of fiscal 2000 and is expected to decline further in fiscal 2001. The decline in revenues from Year 2000 conversion projections is off-set by increase in revenues from e-commerce related projects which increased to 13.6% in fiscal 2000 from 3.7% in fiscal 1999. The revenues from e-commerce related projects were 18.8% in the fourth quarter of fiscal 2000.

Management believes that demand for e-business projects continues to be strong and that this stream will be one of the major drivers for future revenue growth. Due to shorter time-to-market considerations, e-business projects necessitate higher interaction with clients. This results in a higher proportion of services being performed at client sites. Services performed at a client site typically generate higher revenues per capita, but at lower gross margins than the same quantum of services performed at the company's own facilities. Therefore, any increase in work at client sites puts pressure on the margins of the company.

Cost of revenues primarily consists of salary and other compensation expenses, depreciation, data communications expenses, computer maintenance, cost of software purchased for internal use, certain pre-operating expenses for new software development centers, and foreign travel expenses. The company depreciates personal computers and servers over two years and mainframe computers over three years. Third party software is expensed in the period in which it is acquired.

The company assumes full project management responsibility for each project that it undertakes. Approximately 68% of the work on a project is performed at the company's facilities in India, and the balance of the work is performed at the client site. The proportions of work performed at company facilities and at client sites varies from quarter to quarter. The company charges higher rates and incurs higher compensation expenses for work performed at the client site. Services performed at a client site typically generate higher revenues per capita, but at lower gross margins, than the same quantum of services performed at the company's facilities in India. As a result, total revenues, cost of revenues and gross profit in absolute terms, and as a percentage of revenues, fluctuate from quarter to quarter based on the proportion of work performed offshore at company facilities and at client sites, respectively.

Revenues and gross profits are also affected by employee utilization rates. Utilization rates depend, among other factors, on the number of employees enrolled for in-house training programs, particularly the 3-month classroom training course provided to new employees. Since a large percentage of new hires begin their training in the second quarter, utilization rates have historically been lower in the second and third quarters of a fiscal year.

Selling and marketing expenses primarily consist of expenses relating to advertisements, brand building, rentals of sales and marketing offices, salaries of marketing personnel, and traveling and conveyance. General and administrative expenses comprise expenses relating to communications, finance and administration, legal and professional charges, management, rent, salary and other compensation, travel, and miscellaneous administrative costs.

Other income includes interest income and income from the sale of special import licenses. Under the current export-import policy of the Government of India, exports by Indian companies generate credits for the exporter called “special import licenses”. These credits can be sold or used for the import of goods included on a “restricted list” maintained by the Government of India. The value of these special import licenses has declined over time, as the restricted list was shortened. The company's general policy is to sell such special import licenses in the period in which it receives such credits. However, the new export-import policy announced by the Government of India in March 2000, has abolished the scheme providing for benefit in the form of special import licenses to all exporters and accordingly all exports made on or after April 1, 2000 will not get the benefits.

The company also intends to substantially expand its software development infrastructure in India. The company had committed $ 18.4 million towards various capital expenditure as on March 31, 2000. The company has not yet made contractual commitments for the majority of its budgeted capital expenditure. The company intends to spend approximately $ 46.0 million on various capital expenditure during fiscal 2001 and intends to use its internal accruals to fund this expansion.

2. Results of operations

2.1 Fiscal year ended March 31, 2000 compared to fiscal year ended March 31, 1999

Revenues. Total revenues were $ 203.4 million for fiscal 2000, representing an increase of 68.2% over total revenues of $ 121.0 million for fiscal 1999. Revenues continued to increase in all segments of the company's services. Custom software development, re-engineering, maintenance and software development through OSDCs formed a majority of the company's revenues. The increase in revenues was attributable, in part, to a substantial increase in business from certain existing clients and from certain new clients, particularly in the insurance, banking and financial services industries. Revenue growth was also attributable to an increase in e-commerce related revenues which represented 13.6% of total revenues for fiscal 2000 as compared to 3.7% of total revenues in fiscal 1999. Net sales of Bancs2000 and other products represented 2.6% of total revenues for fiscal 2000 as compared to 3.2% for fiscal 1999. Revenues from services represented 97.4% of total revenues for fiscal 2000 as compared to 96.8% for fiscal 1999. Revenues from fixed-price, fixed-time frame contracts and from time-and-materials contracts represented 31.5% and 68.5%, respectively, of total revenues for fiscal 2000 as compared to 36.7% and 63.3%, respectively, for fiscal 1999. Revenues from North America and Europe represented 78.0% and 14.8%, respectively, of total revenues for fiscal 2000 as compared to 82.0% and 9.3% respectively, for fiscal 1999.

Cost of revenues. Cost of revenues was $ 111.1 million for fiscal 2000, representing an increase of 70.0% over the cost of revenues of $ 65.3 million for fiscal 1999. The cost of revenues represented 54.6% and 54.0% of total revenues for fiscal 2000 and 1999, respectively. This marginal increase in costs as a percentage of total revenues was attributable to an increase in provision for a defined benefit plan for employees. The increase was partially offset by a favorable business mix and a decrease in depreciation and software expenses, which represented 7.9% of total revenues in fiscal 2000 as compared to 10.0% of total revenues in fiscal 1999. The cost of revenues for services represented 54.3% and 53.4% of revenues from services for fiscal 2000 and 1999, respectively. Cost of revenues for product sales represented 65.3% and 75.8% of revenues from product sales for fiscal 2000 and 1999, respectively.

Gross profit. As a result of the foregoing, the gross profit was $ 92.4 million for fiscal 2000, representing an increase of 66.1% over the gross profit of $ 55.6 million for fiscal 1999. As a percentage of total revenues, the gross profit decreased to 45.4% for fiscal 2000 from 46.0% for fiscal 1999. This decrease was attributable to higher provision for a defined benefit plan for employees which was partially offset by a favorable business mix and a decrease in depreciation and software expenses as a percentage of total revenue due to improved infrastructure utilization. The gross profit from the sales of Bancs2000 and other products was $ 1.8 million for fiscal 2000, an increase of 98.5% from the gross profit of $ 0.9 million for fiscal 1999. The gross profit from services was $ 90.6 million for fiscal 2000, an increase of 66.0% over the gross profit of $ 54.7 million for fiscal 1999. As a percentage of product revenues, the gross profit from product sales increased to 34.7% for fiscal 2000 from 24.2% for fiscal 1999. As a percentage of service revenues, the gross profit from services decreased to 45.7% for fiscal 2000 from 46.6% for fiscal 1999.

Sales and marketing expenses. Sales and marketing expenses were $ 9.6 million for fiscal 2000, an increase of 95.1% over sales and marketing expenses of $ 4.9 million for fiscal 1999. As a percentage of total revenues, the sales and marketing expenses increased to 4.7% for fiscal 2000 from 4.1% for fiscal 1999. The number of sales offices increased to 20 as on March 31, 2000 from 16 as on March 31, 1999. The increase in sales and marketing expense as a percentage of revenues was due to additional sales offices opened during the year and also increase in number of marketing personnel which increased to 62 in fiscal 2000 from 39 in fiscal 1999

General and administrative expenses. General and administrative expenses were $ 17.1 million for fiscal 2000, an increase of 51.9% over general and administrative expenses of $ 11.3 million for fiscal 1999. General and administrative expenses were 8.4% and 9.3% of total revenue for fiscal 2000 and 1999, respectively. This decrease in general and administrative expense as a percentage of revenues was a result of the company's ability to increase revenues in fiscal 2000 without a corresponding increase in management, finance, administrative, and occupancy costs.

Amortization of deferred stock compensation expense. Amortization of deferred stock compensation expense was $ 5.1 million for fiscal 2000, a decrease of 69.1% over amortization of deferred stock compensation expense of $ 16.6 million for fiscal 1999. Compensation expense increased marginally for new grants of stock purchase rights in part because of the rising market price of the equity shares. In fiscal 1999, the company recognized an accelerated charge of $ 12.9 million as part of the company's 1998 stock dividend. The equity shares issued to Employee Stock Option Plan (ESOP) participants in connection with the stock dividend were not subject to vesting and as a result, one-half of the deferred compensation expense that would have been amortized over the remaining vesting periods for the equity shares issued under the ESOP was accelerated and charged to expense in fourth quarter of fiscal 1999.

Operating income. The operating income was $ 60.5 million for fiscal 2000, an increase of 164.5% over the operating income of $ 22.9 million for fiscal 1999. As a percentage of revenues, operating income increased to 29.7% for fiscal 2000 from 18.9% for fiscal 1999. Excluding the amortization of deferred stock compensation expense, the operating margin is 32.3% for fiscal 2000 as compared to 32.6% for fiscal 1999.

Other income. Other income was $ 9.0 million for fiscal 2000 as compared to $ 1.5 million for fiscal 1999. This increase in other income was due to an increase in interest income resulting from the investment of a larger cash balance, partly arising out of proceeds of the ADS issue during March 1999. The increase in other income during fiscal 2000 also included $ 0.4 million arising out of income from sale of special import licenses and $ 2.9 million due to exchange differences on translation of foreign currency deposits which were nil during fiscal 1999.

Provision for income taxes. Provision for income taxes was $ 8.2 million for fiscal 2000 as compared to $ 4.9 million for fiscal 1999. The company's effective tax rate decreased to 11.8% for fiscal 2000 as compared to 21.8% for fiscal 1999. The effective tax rate after adjusting for a one-time accelerated compensation charge arising out of company's 1998 stock dividend, which reduced the pre-tax income substantially in fiscal 1999, is 13.8%. The reduction in the effective tax rate in fiscal 2000 is due to a decrease in the Indian tax liability resulting from a higher proportion of the company's operations qualifying for Indian tax exemptions applicable to designated Software Technology Parks.

Net income. The net income was $ 61.3 million for fiscal 2000, an increase of 251.6% over the net income of $ 17.4 million for fiscal 1999. As a percentage of total revenues, the net income increased to 30.1% for fiscal 2000 from 14.4% for fiscal 1999. The net income for fiscal 2000 of $ 61.3 million is 102.1% more than $ 30.4 million in fiscal 1999, after adjusting for a one-time accelerated compensation charge of $ 12.9 million, arising out of company's 1998 stock dividend which reduced the net income substantially in fiscal 1999.

2.2 Fiscal year ended March 31, 1999 compared to fiscal year ended March 31, 1998

Revenues. Total revenues were $ 120.96 million for fiscal 1999, representing an increase of 77.1% over total revenues of $ 68.3 million for fiscal 1998. Revenues continued to increase in all segments of the company's services. Custom software development, re-engineering, maintenance and software development through OSDCs formed a majority of the company's revenues. The increase in revenues was attributable, in part, to a substantial increase in business from certain existing clients and from certain new clients, particularly in the manufacturing and financial services industries. Revenue growth was also attributable to an increase in Year 2000 conversion projects, which represented 19.8% of total revenues for fiscal 1999 as compared to 23.3% of total revenues for fiscal 1998. Net sales of Bancs2000 and other products represented 3.2% of total revenues for fiscal 1999 as compared to 5.4% for fiscal 1998. Revenues from services represented 96.8% of total revenues for fiscal 1999 as compared to 94.6% for fiscal 1998. Revenues from fixed-price, fixed-time frame contracts and from time-and-materials contracts represented 36.7% and 63.3%, respectively, of total revenues for fiscal 1999 as compared to 35.8% and 64.2%, respectively, for fiscal 1998. Revenues from North America and Europe represented 82.0% and 9.3%, respectively, of total revenues for fiscal 1999 as compared to 82.3% and 9.0%, respectively, for fiscal 1998.

Cost of revenues. Cost of revenues was $ 65.3 million for fiscal 1999, representing an increase of 62.7% over the cost of revenue of $ 40.2 million for fiscal 1998. The cost of revenues represented 54.0% and 58.8% of total revenues for fiscal 1999 and 1998, respectively. This marginal decrease in costs as a percentage of total revenue was attributable to a favorable business mix and a decrease in depreciation and software expenses, which represented 10.0% of total revenues in fiscal 1999 as compared to 12.5% of total revenue for fiscal 1998. The decrease was partially offset by an increase in compensation rates. The cost of revenues for services represented 53.4% and 58.9% of revenues from services for fiscal 1999 and 1998, respectively. Cost of revenues for product sales represented 75.8% and 57.2% of revenues from product sales for fiscal 1999 and 1998, respectively.

Gross profit. As a result of the foregoing, the gross profit was $ 55.6 million for fiscal 1999, representing an increase of 97.4% over the gross profit of $ 28.2 million for fiscal 1998. This increase was attributable to a favorable business mix and a decrease in depreciation and software expenses as a percentage of total revenue due to improved infrastructure utilization. As a percentage of total revenues, the gross profit increased to 46.0% for fiscal 1999 from 41.2% for fiscal 1998. The gross profit from the sales of Bancs2000 and other products was $ 0.9 million for fiscal 1999, a decrease of 47.1% from the gross profit of $ 1.7 million for fiscal 1998. The gross profit from services was $ 54.7 million for fiscal 1999, an increase of 107.2% over the gross profit of $ 26.4 million for fiscal 1998. As a percentage of product revenue, the gross profit from product sales decreased to 24.2% for fiscal 1999 from 42.8% for fiscal 1998. As a percentage of service revenues, the gross profit from services increased to 46.6% for fiscal 1999 from 41.1% for fiscal 1998.

Sales and marketing expenses. Sales and marketing expenses were $ 4.9 million for fiscal 1999, an increase of 46.7% over sales and marketing expenses of $ 3.4 million for fiscal 1998. As a percentage of total revenues, the sales and marketing expenses decreased to 4.1% for fiscal 1999 from 4.9% for fiscal 1998. The decrease in sales and marketing expense as a percentage of revenues was a result of the company's ability to increase revenues in fiscal 1999 without a corresponding increase in sales and marketing costs.

General and administrative expenses. General and administrative expenses were $ 11.3 million for fiscal 1999, an increase of 14.2% over general and administrative expenses of $ 9.9 million for fiscal 1998. General and administrative expenses were 9.3% and 14.4% of total revenues for fiscal 1999 and 1998, respectively. This decrease in general and administrative expense as a percentage of revenues was a result of the company's ability to increase revenues in 2000 without a corresponding increase in management, finance, administrative, and occupancy costs.

Amortization of deferred stock compensation expense. Amortization of deferred stock compensation expense was $ 16.6 million for fiscal 1999, an increase of 544.9% over amortization of deferred stock compensation expense of $ 2.6 million for fiscal 1998. Compensation expense increased in respect of new grants of stock purchase rights in part because of the rising market price of the equity shares. The increase in deferred stock compensation expense also reflects the continued amortization of compensation expense from stock purchase rights granted in prior periods.

In the third quarter of fiscal 1998, the company recognized a non-cash compensation expense of $ 1.6 million. Charges were higher in that quarter because additional equity shares were issued to participants in the ESOP as part of the company's 1997 stock dividend. Since these additional equity shares were not subject to vesting, the non-cash compensation expense for such shares was accelerated in one quarter rather than amortized over the remaining vesting period. In the fourth quarter of fiscal 1998, the company recognized a non-cash compensation expense of $ 14.1 million, including an accelerated charge of $ 12.9 million as part of the company's 1998 stock dividend. As in fiscal 1998, the equity shares issued to ESOP participants in connection with the stock dividend were not subject to vesting. Consequently, one-half of the deferred stock compensation expense that would have been amortized over the remaining vesting periods for the equity shares issued under the ESOP was accelerated in the fourth quarter of fiscal 1999.

Operating income. The operating income was $ 22.9 million for fiscal 1999, an increase of 84.7% over the operating income of $ 12.4 million for fiscal 1998. As a percentage of revenues, operating income increased to 18.9% for fiscal 1999 from 18.0% for fiscal 1998. Excluding the amortization of deferred stock compensation expense, the operating margin is 32.6% for fiscal 1999 as compared to 21.9% for fiscal 1998.

Other income. Other income was $ 1.5 million for fiscal 1999 as compared to $ 0.8 million for fiscal 1998. This increase in other income was due to an increase in interest income resulting from the investment of a larger cash balance, partly arising out of proceeds of the ADS issue during March 1999, and from the sale of Yantra preferred stock, offset in part by a decrease in income from the sale of special import licenses during fiscal 1999, as compared to fiscal 1998.

Provision for income taxes. Provision for income taxes was $ 4.9 million for fiscal 1999 as compared to $ 0.8 million for fiscal 1998. The company's effective tax rate increased to 21.8% for fiscal 1999 as compared to 5.8% for fiscal 1998. The effective tax rate increased due to an increase in amortization of deferred stock compensation expense which reduced the pretax income substantially, and an increase in foreign tax liabilities offset, in part, by a decrease in Indian tax liability resulting from a higher proportion of the company's operations qualifying for Indian tax exemptions applicable to designated Software Technology Parks.

Net income. The net income was $ 17.4 million for fiscal 1999, an increase of 41.3% over the net income of $ 12.4 million for fiscal 1998. As a percentage of total revenues, the net income decreased to 14.4% for fiscal 1999 from 18.1% for fiscal 1998.

2.3 Liquidity and capital resources

The growth of the company has been financed largely from cash generated from operations and, to a lesser extent, from the proceeds of equity issues and borrowings. In 1993, the company raised approximately $ 4.4 million in gross aggregate proceeds from its initial public offering of equity shares on Indian stock exchanges. In 1994, the company raised an additional $ 7.7 million through private placements of its equity shares with foreign institutional investors, mutual funds, Indian domestic financial institutions and corporations. As on March 31, 2000, the company had $ 116.6 million in cash and cash equivalents, $ 137.9 million in working capital and no outstanding bank borrowings. As on March 31, 2000, the company also had an aggregate facility of $ 1.2 million in working capital line of credit from two commercial banks. The company's treasury policy calls for investing only in highly rated companies for short maturities with a limit for individual companies. The company keeps the money both in rupee and foreign currency accounts. The bank balances in overseas accounts are maintained to meet the expenditure of the overseas branches in USA and other countries, and to meet project related expenditure overseas.

Net cash provided by operating activities was $ 71.4 million, $ 40.1 million and $ 17.2 million in fiscal 2000, 1999 and 1998, respectively. Net cash provided by operations consisted primarily of net income offset, in part, by an increase in accounts receivable. Accounts receivable as a percentage of total revenue, represented 15.4%, 16.6% and 15.0% for fiscal 2000, 1999 and 1998, respectively. The company's policy on accounts receivable includes a periodic review of all such outstandings. The company reviews the age, amount, and quality of each account receivable; the relationship with, size of, and history of the client; and the quality of service delivered by the company for the client to determine the classification of an account receivable. Should the review so demand, the company classifies accounts receivable into secured and unsecured accounts, further subclassified between good or doubtful accounts. The company makes provisions for all accounts receivable classified as doubtful and for all accounts receivable that are outstanding for more than 180 days.

Prepaid expenses and other current assets increased by $ 2.4 million, $ 2.0 million and $ 0.9 million during fiscal 2000, 1999 and 1998, respectively. The increases in fiscal 2000 and 1999 were primarily due to an increase in rental deposits for the new software development centers and prepaid expenses.

Unearned revenue as of March 31, 2000 and 1999 consists primarily of advance client billings on fixed-price, fixed-time frame contracts for which related costs were not yet incurred.

Net cash used in investing activities was $ 45.7 million, $ 17.0 million and $ 8.4 million in fiscal 2000, 1999 and 1998, respectively. Net cash used in investing activities in fiscal 2000 consisted primarily of $ 35.9 million for property, plant and equipment, loans to employees of $ 6.8 million and purchase of investments amounting to $ 3 million. Net cash used in investing activities in fiscal 1999 consisted primarily of $ 16.1 million for property, plant and equipment and loans to employees of $ 2.2 million offset by sales of equity investments in Yantra Corporation, the erstwhile subsidiary company of Infosys, amounting to $ 1.5 million. Net cash used in investing activities in fiscal 1998 primarily consisted of $ 7.9 million for property, plant and equipment.

Publicly-traded Indian companies customarily pay dividends. For fiscal 2000, the company declared and paid a dividend of $ 2.5 million, which was paid in fiscal 2000. The board of directors also declared a dividend of $ 4.6 million at their meeting held on April 11, 2000, which is subject to the approval of the stockholders in the annual general meeting. For fiscal 1999, the company declared a dividend of $ 3.2 million, which was paid partly in fiscal 1999 and partly in fiscal 2000. For fiscal 1998, the company declared a dividend of $ 2.0 million, which was paid partly in fiscal 1998 and partly in fiscal 1999.

As on March 31, 2000, the company had contractual commitments for capital expenditure of $ 18.4 million. The company has not yet made contractual commitments for the majority of its budgeted capital expenditure. The company intends to spend approximately $ 46.0 million on various capital expenditure during fiscal 2001 and the same would be met out of the internal accruals of the company. In the opinion of the company, the working capital is sufficient for the company's present requirements.

2.4 Foreign currency market risk

Market risks relating to the company's operations result primarily from changes in interest rates and changes in foreign exchange rates. The company's functional currency is the Indian rupee although it transacts a major portion of its business in foreign currencies and accordingly has foreign currency exposure through its sales in the United States and purchases from overseas suppliers in U.S. dollars. In its U.S. operations, the company currently does not actively hedge against exchange rate fluctuations, although it may elect to do so in the future. Accordingly, changes in exchange rates may have a material adverse effect on the company's net sales, cost of services sold, gross margin and net income, any of which alone or in the aggregate may in turn have a material adverse effect on the company's business, operating results and financial condition. The exchange rate between the rupee and the U.S. dollar has changed substantially in recent years and may fluctuate substantially in the future. During the five-year period from March 31, 1995 through March 31, 2000, the value of the rupee against the U.S. dollar declined by approximately 38.9%. For fiscal 2000, fiscal 1999 and fiscal 1998, the company's U.S. dollar-denominated revenues represented 88.3%, 88.1% and 90.0%, respectively, of total revenues. The company expects that a majority of its revenues will continue to be generated in U.S. dollars for the foreseeable future and that a significant portion of the company's expenses, including personnel costs as well as capital and operating expenditures, will continue to be denominated in rupees. Consequently, the company's results of operations will be adversely affected to the extent the rupee appreciates against the U.S. dollar. The company has sought to reduce the effect of exchange rate fluctuations on operating results by purchasing foreign exchange forward contracts to cover a portion of outstanding accounts receivable on a need basis. As of March 31, 2000, the company had no outstanding forward contracts. These contracts typically mature within three months, must be settled on the day of maturity and may be canceled subject to the payment of any gains or losses in the difference between the contract exchange rate and the market exchange rate on the date of cancellation. The company uses these instruments only as a hedging mechanism and not for speculative purposes. There can be no assurance that the company will purchase contracts adequate to insulate itself from foreign exchange currency risks or that any such contracts will perform adequately as a hedging mechanism. Devaluation of the rupee will result in foreign currency translation losses. For example, for fiscal 2000 and fiscal 1999, the company's foreign currency translation losses were approximately $ 5.0 million and $ 3.5 million, respectively.

2.5 Reconciliation between the US and the Indian GAAP

There are material differences between the financial statements prepared as per the Indian and the US GAAP. The material differences arise due to provision for deferred taxes, accounting for stock-based compensation and valuation of short-term investments, which are marked to market and adjusted against retained earnings, and consolidation of accounts of subsidiary, as required by US GAAP. The Indian GAAP does not require provision for deferred taxes, amortization of deferred stock compensation, consolidation of accounts of subsidiaries and only requires a provision for diminution in the value of current investments.

Reconciliation of net income

	2000	1999	1998
Net profit as per Indian GAAP	$ 67,775,087	$ 32,207,070	$ 16,041,966
Adjustments:			
Deferred tax	850,891	625,427	707,553
Net income of subsidiary included on consolidation	–	(2,085,887)	(1,563,718)
Provision for retirement benefits to employees	(741,000)	–	(275,000)
Employee stock-based compensation plan charge under APB Opinion no. 25	(5,117,635)	(3,645,576)	(1,046,874)
Compensation arising from stock split	–	(12,906,962)	(1,519,739)
Provision for loss - Yantra Corporation	–	1,675,060	–
Provision for contingency/e-inventing the company (net)	(1,422,815)	1,576,956	–
Net income as per US GAAP	$ 61,344,528	$ 17,446,088	$ 12,344,188

2.6 Investment in Yantra Corporation

Prior to October 20, 1998, the company owned a majority of the voting stock of Yantra. Consequently, all of Yantra's operating losses through October 20, 1998 were recognized in the company's consolidated financial statements. For fiscal 1998 and fiscal 1999, Yantra's losses recognized in the company's financial statements were $ 1.6 million and $ 2.0 million, respectively. On October 20, 1998, the company sold a portion of Yantra's shares held by it, thereby reducing its interest to less than one-half of the voting stock of Yantra. The company continues to own all of the outstanding common stock of Yantra, but has no financial obligations or commitments to Yantra and does not intend to provide Yantra with financial support. Accordingly, Yantra's results after October 20, 1998 were not recognized in the company's financial statements under U.S. GAAP. Yantra's revenues were $ 1.3 million and $ 2.0 million for fiscal 1998 and for the period ended October 20, 1998, respectively, while gross profits were $ 574,000 and $ 546,000, respectively, for these same periods. Yantra's revenues were 1.9% and 2.3% of the company's revenues for fiscal 1998 and for the period ended October 20, 1998, respectively. Its gross profits were 2.0% and 1.4% of the company's gross profits for these same periods. Yantra currently provides e-commerce operations solutions through PureEcommerce™, a scalable web-based solution that facilitates real-time transaction management across the extraprise. On June 14, 1999, Yantra sold Series C Convertible Preferred Stock in the amount of $ 15 million to unrelated existing and new investors, further reducing the company's voting control to approximately 25%.

2.7 Principles of currency translation

In fiscal 2000, over 96% of the company's revenues were generated in U.S. dollars and European currencies. A majority of the company's expenses were incurred in rupees, and the balance was incurred in U.S. dollars and European currencies. The functional currency of the company is the Indian rupee. Revenues generated in foreign currencies are translated into Indian rupees using the exchange rate prevailing on the dates revenues are recognized. Expenses of overseas operations incurred in foreign currencies are translated into Indian rupees at either the monthly average exchange rate or the exchange rate on the date the expense is incurred, depending on the source of payment. Assets and liabilities of foreign branches held in foreign currency are translated into Indian rupees at the end of the applicable reporting period. For U.S. GAAP reporting, the financial statements are translated into U.S. dollars using the average monthly exchange rate for revenues and expenses and the period end rate for assets and liabilities. The gains or losses from such translation are reported as "Other comprehensive income", a separate component of stockholders' equity. The company expects that a majority of its revenues will continue to be generated in U.S. dollars for the foreseeable future and that a significant portion of the company's expenses, including personnel costs as well as capital and operating expenditures, will continue to be denominated in rupees. Consequently, the company's results of operations will be adversely affected to the extent that the rupee appreciates against the U.S. dollar.

2.8 Income tax matters

The company benefits from certain significant tax incentives provided to software firms under Indian tax laws. These incentives presently include: (i) an exemption from payment of Indian corporate income taxes for a period of ten consecutive years of operation of software development facilities designated as "Software Technology Parks" (the "STP Tax Holiday"); and (ii) a tax deduction for profits derived from exporting computer software (the "Export Deduction"). All but one of the company's software development facilities are located in a designated Software Technology Park. The Government of India in its recently announced budget (which is yet to be approved by the parliament) had amended the rules that provide for incentives as stated above. Accordingly, the benefit under the former scheme will not be available for all new software technology parks (STPs) set up on or after April 1, 2000. Also, the incentive available under the later scheme would be phased out equally over a period of five years starting from fiscal 2001. The benefits of these tax incentive programs have historically resulted in an effective tax rate for the company well below statutory rates. There is no assurance that the Government of India will continue to provide these incentives. The company pays corporate income tax in foreign countries on income derived from operations in those countries.

2.9 Effects of inflation

The company's most significant costs are the salaries and related benefits for its employees. Competition in India and the United States for IT professionals with the advanced technological skills necessary to perform the services offered by the company have caused wages to increase at a rate greater than the general rate of inflation. As with other IT service providers, the company must adequately anticipate wage increases and other cost increases, particularly on its long-term contracts. Historically, the company's wage costs in India have been significantly lower than prevailing wage costs in the United States for comparably-skilled employees, although wage costs in India are presently increasing at a faster rate than in the United States. There can be no assurance that the company will be able to recover cost increases through increases in the prices that it charges for its services in the United States.

2.10 Year 2000 compliance

The company has evaluated each of its IT services and software products and believes that each is substantially Year 2000 compliant. The company believes that its internal systems are substantially Year 2000 compliant. As of the date of this Annual Report, the company has not experienced any material Year 2000 related problems. However, there can be no assurance that modifications and upgrades made to its internal systems will be able to anticipate all of the problems resulting from the actual impact of the Year 2000 problem As of the date of this annual report, there has been no disruption to the company's voice and data transmission links during the Year 2000 transition. However there can be no assurance that the company may not face any problems in the future. The full cost of the Year 2000 transition support was $ 0.6 million.

2.11 Accounting pronouncements

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities.* SFAS 133 establishes standards for the recognition and measurement of derivatives and hedging activities. It requires an entity to record, at fair value, all derivatives either as assets or liabilities in the balance sheet as well as establishing specific accounting rules for certain types of hedges. SFAS 133 is effective for all fiscal years beginning after June 15, 1999 and will be adopted by the company when required, if not earlier. Adoption of SFAS 133 is not expected to have a material adverse effect on the company's business, financial condition and results of operations.

3 Risk factors

3.1 Management of growth

The company has experienced significant growth in recent periods. The company's revenues in fiscal 2000 grew 68.2% over fiscal 1999. As of March 31, 2000, the company employed approximately 4,625 software professionals worldwide with 17 software development facilities in India, and one global development center in Canada, operationalized in fiscal 2000, as compared to approximately 3,160 with 11 facilities as of March 31, 1999 and 2,190 with nine facilities as of March 31, 1998. In fiscal 1999, the company approved major expansions to its existing facilities and the building of new facilities. The company's growth is expected to place significant demands on its management and other resources and will require it to continue to develop and improve its operational, financial and other internal controls, both in India and elsewhere. In particular, continued growth increases the challenges involved in: recruiting and retaining sufficient skilled technical, marketing and management personnel; providing adequate training and supervision to maintain the company's high quality standards; and preserving the company's culture and values and its entrepreneurial environment. The company's inability to manage its growth effectively could have a material adverse effect on the quality of the company's services and projects, its ability to attract clients as well as skilled personnel, its business prospects, and its results of operations and financial condition.

3.2 Potential fluctuations in future operating results

Historically, the company's operating results have fluctuated, and may continue to fluctuate in future, depending on a number of factors, including: the size, timing and profitability of significant projects; the proportion of services that are performed at client sites rather than at the company's offshore facilities; the accuracy of estimates of resources and time required to complete ongoing projects, particularly projects performed under fixed-price, fixed-time frame contracts; a change in the mix of services provided to its clients or in the relative proportion of services and product revenues; the timing of tax holidays and other Government of India incentives; the effect of seasonal hiring patterns and the time required to train and productively utilize new employees; the size and timing of facilities expansion; unanticipated increases in wage rates; the company's success in expanding its sales and marketing programs; currency exchange rate fluctuations and other general economic factors. A high percentage of the company's operating expenses, particularly personnel and facilities, are fixed in advance of any particular quarter. As a result, unanticipated variations in the number and timing of the company's projects or in employee utilization rates may cause significant variations in operating results in any particular quarter. The company believes that period-to-period comparisons of its results of operations are not necessarily meaningful and should not be relied upon as indications of future performance. Due to all of the foregoing factors, it is possible that in some future quarter the company's operating results may be below the expectations of public market analysts and investors. In such event, the market price of the equity shares and ADSs are likely to be materially adversely affected.

3.3 Risks related to investments in Indian securities

The company is incorporated in India, and substantially all of its assets and a substantial majority of its employees are located in India. Consequently, the company's performance may be affected by changes in exchange rates and controls, interest rates, Government of India policies, including taxation policy, as well as political, social and economic developments affecting India.

Political and economic environment. During the past decade and particularly since 1991, the Government of India has pursued policies of economic liberalization, including significant relaxations of restrictions on the private sector. Nevertheless, the role of the Indian central and state Governments in the Indian economy as producers, consumers and regulators has remained significant. Additionally, since 1996, the Government of India has changed three times. The current Government of India, formed in October 1999, has announced policies and taken initiatives that support the continuation of the economic liberalization policies pursued by previous governments and has, in addition, set up a special IT task force to promote the IT industry. However, the speed of economic liberalization could change, and specific laws and policies affecting IT companies, foreign investment, currency exchange rates and other matters affecting investment in the company's securities could change as well. Further, there can be no assurance that the liberalization policies will continue in the future. A significant change in the Government of India's economic liberalization and deregulation policies could adversely affect business and economic conditions in India generally and the company's business in particular. South Asia has from time to time experienced instances of civil unrest and hostilities among neighboring countries. Events of this nature in the future could influence the Indian economy and could have a material adverse effect on the market for securities of Indian companies and on the business of the company.

Government of India incentives and regulation. The company benefits from a variety of incentives given to software firms in India, such as relief from import duties on hardware, a tax exemption for income derived from software exports, and tax holidays and infrastructure support for companies, such as Infosys, operating in specially designated "Software Technology Parks". There can be no assurance that these incentives will continue in future. Further, there is a risk that changes in tax rates or laws affecting foreign investment, currency exchange rates or other regulations will render the Government of India's regulatory scheme less favorable to the company and could adversely affect the market price of the company's equity shares and its ADSs. Should the regulations and incentives promulgated by the Government of India become less favorable to the company, the company's results of operations and financial condition could be adversely affected.

Restrictions on foreign investment. Foreign investment in Indian securities is generally regulated by the Foreign Exchange Regulation Act, 1973. In certain emerging markets, including India, Global Depositary Shares and ADSs may trade at a discount or premium, as the case may be, to the underlying shares, in part because of restrictions on foreign ownership of the underlying shares. In addition, under current Indian laws and regulations, the Depositary cannot accept deposits of outstanding equity shares and issue ADRs evidencing ADSs representing such equity shares. Therefore, a holder of ADSs who surrenders ADSs and withdraws equity shares is not permitted subsequently to deposit such equity shares and obtain ADSs nor would a holder to whom such equity shares are transferred be permitted to deposit such equity shares. This inability to convert equity shares into ADSs increases the probability that the price of the ADSs will not trade on par with the price of the equity shares as quoted on the Indian stock exchanges. Holders who seek to sell in India any equity shares withdrawn from the depositary facility and to convert the rupee proceeds from such sale into foreign currency and repatriate such foreign currency from India will have to obtain RBI approval for each such transaction. Further, under current Indian regulations and practice, the approval of the RBI is required for the sale of equity shares underlying ADSs by a non-resident of India to a resident of India as well as for renunciation of rights to a resident of India. There can be no assurance that any such approval can be obtained.

Exchange rate fluctuations. Market risks relating to the company's operations result primarily from changes in interest rates and changes in foreign exchange rates. The company's functional currency is the Indian rupee although it transacts a major portion of its business in foreign currencies and accordingly has foreign currency exposure through its sales in the United States and purchases from overseas suppliers in U.S. dollars. In its U.S. operations, the company currently does not actively hedge against exchange rate fluctuations, although it may elect to do so in the future. Accordingly, changes in exchange rates may have a material adverse effect on the company's net sales, cost of services sold, gross margin and net income, any of which alone or in the aggregate may in turn have a material adverse effect on the company's business, operating results and financial condition. The exchange rate between the rupee and the U.S. dollar has changed substantially in recent years and may fluctuate substantially in the future. During the five-year period from March 31, 1995 through March 31, 2000, the value of the rupee against the U.S. dollar declined by approximately 38.9%. For fiscal 2000, fiscal 1999 and fiscal 1998, the company's U.S. dollar-denominated revenues represented 88.3%, 88.1% and 90.0%, respectively, of total revenues. The company expects that a majority of its revenues will continue to be generated in U.S. dollars for the foreseeable future and that a significant portion of the company's expenses, including personnel costs as well as capital and operating expenditures, will continue to be denominated in rupees. Consequently, the company's results of operations will be adversely affected to the extent the rupee appreciates against the U.S. dollar. The company has sought to reduce the effect of exchange rate fluctuations on operating results by purchasing foreign exchange forward contracts to cover a portion of outstanding accounts receivable on a need basis. As of March 31, 2000, the company had no outstanding forward contracts. These contracts typically mature within three months, must be settled on the day of maturity and may be canceled subject to the payment of any gains or losses in the difference between the contract exchange rate and the market exchange rate on the date of cancellation. The company uses these instruments only as a hedging mechanism and not for speculative purposes. There can be no assurance that the company will purchase contracts adequate to insulate itself from foreign exchange currency risks or that any such contracts will perform adequately as a hedging mechanism. Devaluation of the rupee will result in foreign currency translation losses. For example, for fiscal 2000 and fiscal 1999, the company's foreign currency translation losses were approximately $ 5.0 million and $ 3.5 million, respectively.

Fluctuations in the exchange rate between the rupee and the US dollar also will affect the US dollar conversion by the Depositary of any cash dividends paid in rupees on the equity shares represented by the ADSs. In addition, fluctuations in the exchange rate between the Indian rupee and the US dollar will affect the US dollar equivalent of the Indian rupee price of equity shares on the Indian Stock Exchanges and, as a result, are likely to affect the market prices of the ADSs in the United States, and vice versa. Such fluctuations will also affect the dollar value of the proceeds a holder would receive upon the sale in India of any equity shares withdrawn from the Depositary under the Depositary Agreement. There can be no assurance that holders will be able to convert rupee proceeds into US dollars or any other currency or with respect to the rate at which any such conversion could occur.

3.4 Substantial investment in new facilities

As of March 31, 2000, the company had contractual commitments of $ 18.4 million for capital expenditure and has budgeted for significant infrastructural expansion in the near future. Since such an expansion will significantly increase the company's fixed costs, the company's results of operations will be materially adversely affected if the company is unable to grow its business proportionately. Although the company has successfully developed new facilities in the past, there can be no assurance that the company will not encounter cost overruns or project delays in connection with any or all of the new facilities. Furthermore, there can be no assurance that future financing for additional facilities, whether within India or elsewhere, would be available on attractive terms or at all.

3.5 Restrictions on US immigration

The company's professionals who work on-site at client facilities in the United States on temporary and extended assignments are typically required to obtain visas. As of March 31, 2000, substantially all of the company's personnel in the United States were working pursuant to H-1B visas (745 persons) or L-1 visas (218 persons). Although there is no limit to new L-1 petitions, there is a limit to the number of new H-1B petitions that the United States Immigration and Naturalization Service may approve in any government fiscal year. In years in which this limit is reached, the company may be unable to obtain the H-1B visas necessary to bring its critical Indian IT professionals to the United States on an extended basis. This limit was reached in March 2000 by the US Government for its fiscal year ended September 30, 2000 and in May 1999 for the fiscal year ended September 30, 1999. While the company anticipated that such limit would be reached prior to the end of the US government's fiscal year and made efforts to plan accordingly, there can be no assurance that the company will continue to be able to obtain a sufficient number of H-1B visas. Changes in existing US immigration laws that make it more difficult for the company to obtain H-1B and L-1 visas could impair the company's ability to compete for and provide services to clients and could have a material adverse effect on the company's results of operations and financial condition.

3.6 Risks related to international operations

Whilst most of the company's software development facilities are currently located in India, the company intends to develop new software development facilities in other regions, including potentially South-East Asia, Latin America and Europe. The company has not yet made substantial contractual commitments to develop such new software development facilities, and there can be no assurance that the company will not significantly alter or reduce its proposed expansion plans. The company's lack of experience with facilities outside of India subject the company to further risk with regard to foreign regulation and overseas facilities management. Increasing the number of software development facilities and the scope of operations outside of India subjects the company to a number of risks, including, among other things, difficulties relating to administering its business globally, managing foreign operations, currency exchange rate fluctuations, restrictions against the repatriation of earnings, export requirements and restrictions, and multiple and possibly overlapping tax structures. Such developments could have a material adverse effect on the company's business, results of operations and financial condition.

3.7 Dependence on skilled personnel; risks of wage inflation

The company's ability to execute project engagements and to obtain new clients depends, in large part, on its ability to attract, train, motivate and retain highly skilled IT professionals, particularly project managers, software engineers and other senior technical personnel. An inability to hire and retain additional qualified personnel will impair the company's ability to bid for or obtain new projects and to continue to expand its business. The company believes that there is significant competition for IT professionals with the skills necessary to perform the services offered by the company. There can be no assurance that the company will be able to assimilate and manage new IT professionals effectively. Any increase in the attrition rates experienced by the company, particularly the rate of attrition of experienced software engineers and project managers, would adversely affect the company's results of operations and financial condition. There can be no assurance that the company will be successful in recruiting and retaining a sufficient number of replacement IT professionals with the requisite skills to replace those IT professionals who leave. Further, there can be no assurance that the company will be able to redeploy and retrain its IT professionals to keep pace with continuing changes in IT, evolving standards and changing client preferences. Historically, the company's wage costs in India have been significantly lower than wage costs in the United States for comparably skilled IT professionals. However, wage costs in India are presently increasing at a faster rate than those in the United States. In the long-term, wage increases may have an adverse effect on the company's profit margins unless the company is able to continue increasing the efficiency and productivity of its professionals.

3.8 Client concentration

The company has derived, and believes that it will continue to derive, a significant portion of its revenues from a limited number of large corporate clients. For fiscal 2000 and fiscal 1999, the company's largest client accounted for 7.2% and 6.4%, respectively, of the company's total revenues and its five largest clients accounted for 30.2% and 28.4%, respectively, of the company's total revenues. The volume of work performed for specific clients is likely to vary from year to year, particularly since the company is usually not the exclusive outside software service provider for its clients. Thus, a major client in one year may not provide the same level of revenues in a subsequent year. The loss of any large client could have a material adverse effect on the company's results of operations and financial condition. Since many of the contracted projects are critical to the operations of its clients' businesses, any failure to meet client expectations could result in a cancellation or non-renewal of a contract. However, there are a number of factors other than the company's performance that could cause the loss of a client and that may not be predictable. For example, in 1995, the company chose to reduce significantly the services provided to its then-largest client rather than accept the price reductions and increased company resources sought by the client. In other circumstances, the company reduced significantly the services provided to its client when the client either changed its outsourcing strategy by moving more work in-house and reducing the number of its vendors, or replaced its existing software with packaged software supported by the licensor. There can be no assurance that the same circumstances may not arise in future.

3.9 Fixed-price, fixed-time frame contracts

As a core element of its business strategy, the company continues to offer a significant portion of its services on a fixed-price, fixed-time frame basis, rather than on a time-and-materials basis. Although the company uses specified software engineering processes and its past project experience to reduce the risks associated with estimating, planning and performing fixed-price, fixed-time frame projects, the company bears the risk of cost overruns, completion delays and wage inflation in connection with these projects. The company's failure to estimate accurately the resources and time required for a project, future rates of wage inflation and currency exchange rates or its failure to complete its contractual obligations within the time frame committed could have a material adverse effect on the company's results of operations and financial condition.

3.10 Infrastructure and potential disruption in telecommunications

A significant element of the company's business strategy is to continue to leverage its various software development centers in Bangalore, Bhubaneswar, Chennai, Mangalore, Pune, Hyderabad, Mohali and Mysore, India and to expand the number of such centers in India as well as outside India. The company believes that the use of a strategically located network of software development centers will provide the company with cost advantages, the ability to attract highly skilled personnel in various regions, the ability to service clients on a regional and global basis, and the ability to provide 24-hour service to its clients. Pursuant to its service delivery model, the company must maintain active voice and data communication between its main offices in Bangalore, the offices of its clients, and its other software development facilities. Although the company maintains redundant software development facilities and satellite communications links, any significant loss of the company's ability to transmit voice and data through satellite and telephone communications would have a material adverse effect on the company's results of operations and financial condition.

3.11 Expected decrease in demand for Year 2000 services

Year 2000 conversion projects represented 6.3% and 19.8% of the company's total revenue for fiscal 2000 and fiscal 1999, respectively. The high demand for these time-sensitive projects results in pricing and margins that are favorable to the company. The company believes that demand for Year 2000 conversion services will diminish rapidly after fiscal 2000 as many Year 2000 conversion solutions are implemented and tested. There can be no assurance that the company will be successful in generating additional business from its Year 2000 clients for other services, that the company will be successful in replacing Year 2000 conversion projects with other projects as the Year 2000 business declines or that margins from any such future projects will be comparable to those obtained from Year 2000 conversion projects. There is an additional risk that the company may be unable to retrain and redeploy IT professionals who are currently assigned to Year 2000 conversion projects involving legacy computer systems after such projects are completed. Furthermore, as Year 2000 conversion projects are completed, there is a likelihood of increased competition for other types of projects from firms formerly dependent on Year 2000 business.

3.12 Competition

The market for IT services is highly competitive. Competitors include IT services companies, large international accounting firms and their consulting affiliates, systems consulting and integration firms, temporary employment agencies, other technology companies and client in-house MIS departments. Competitors include international firms as well as national, regional and local firms located in the United States, Europe and India. The company expects that future competition will increasingly include firms with operations in other countries, potentially including countries with lower personnel costs than those prevailing in India. Historically, one of the company's key competitive advantages has been a cost advantage relative to service providers in the United States and Europe. Since wage costs in India are presently increasing at a faster rate than those in the United States, the company's ability to compete effectively will become increasingly dependent on its reputation, the quality of its services, and its expertise in specific markets. Many of the company's competitors have significantly greater financial, technical and marketing resources and generate greater revenue than the company, and there can be no assurance that the company will be able to compete successfully with such competitors and will not lose existing clients to such competitors. The company believes that its ability to compete also depends in part on a number of factors outside its control, including the ability of its competitors to attract, train, motivate and retain highly skilled IT professionals, the price at which its competitors offer comparable services, and the extent of its competitors' responsiveness to client needs.

3.13 Dependence on key personnel

The company's success depends to a significant degree upon continued contributions of members of the company's senior management and other key research and development and sales and marketing personnel. The company generally does not enter into employment agreements with its senior management and other key personnel that provide for substantial restrictions on such persons leaving the company. The loss of any of such persons could have a material adverse effect on the company's business, financial condition and results of operations.

3.14 Potential liability to clients; risk of exceeding insurance coverage

Many of the company's contracts involve projects that are critical to the operations of its clients' businesses and provide benefits that may be difficult to quantify. Any failure in a client's system could result in a claim for substantial damages against the company, regardless of the company's responsibility for such failure. Although the company attempts to limit its contractual liability for damages arising from negligent acts, errors, mistakes or omissions in rendering its services, there can be no assurance the limitations of liability set forth in its service contracts will be enforceable in all instances or will otherwise protect the company from liability for damages. The company maintains general liability insurance coverage, including coverage for errors or omissions; however, there can be no assurance that such coverage will continue to be available on reasonable terms or will be available in sufficient amounts to cover one or more large claims, or that the insurer will not disclaim coverage as to any future claim. The successful assertion of one or more large claims against the company that exceed available insurance coverage or changes in the company's insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could adversely affect the company's results of operations and financial condition.

3.15 Risks associated with possible acquisitions

The company intends to evaluate potential acquisitions on an ongoing basis. As of the date, however, the company has no understanding, commitment or agreement with respect to any material future acquisition. Since the company has not made any acquisitions in the past, there can be no assurance that the company will be able to identify suitable acquisition candidates available for sale at reasonable prices, consummate any acquisition, or successfully integrate any acquired business into the company's operations. Further, acquisitions may involve a number of special risks, including diversion of management's attention, failure to retain key acquired personnel and clients, unanticipated events or circumstances, legal liabilities and amortization of acquired intangible assets, some or all of which could have a material adverse effect on the company's results of operations and financial condition. Under Indian law, except in certain limited circumstances, the company may not make any acquisition of, or investment in, a non-Indian company without RBI and, in most cases, Government of India approval. Even if the company does encounter an attractive acquisition candidate, there can be no assurance that RBI and, if required, Government of India approval can be obtained.

3.16 Risks associated with strategic investments

The company had invested an aggregate amount of $ 3 million in strategic investments in fiscal 2000. However, there can be no assurance that the company will be successful in its investments and will benefit from such investments. The loss of any of such investments could have a material adverse effect on the company's business, financial condition and results of operations.

3.17 Risks related to software product sales

In fiscal 2000, the company derived 2.6% of its total revenue from the sale of software products. The development of the company's software products requires significant investments. The markets for the company's primary software product are competitive and currently located in developing countries, and there can be no assurance that such a product will continue to be commercially successful. In addition, there can be no assurance that any new products developed by the company will be commercially successful or that the costs of developing such new products will be recouped. A decrease in the company's product revenues or margins could adversely affect the company's results of operations and financial condition. Additionally, software product revenues typically occur in periods subsequent to the periods in which the costs are incurred for development of such products. There can be no assurance that such delayed revenues will not cause periodic fluctuations of the company's results of operations and financial condition.

3.18 Restrictions on exercise of preemptive rights by ADS holders

Under the Indian Companies Act, 1956 ("Indian Companies Act"), a company incorporated in India must offer its holders of equity shares pre-emptive rights to subscribe and pay for a proportionate number of shares to maintain their existing ownership percentages prior to the issuance of any new equity shares, unless such preemptive rights have been waived by three-fourths of the company's shareholders. US holders of ADSs may be unable to exercise preemptive rights for equity shares underlying ADSs unless a registration statement under the Securities Act of 1933, as amended (the "Securities Act"), is effective with respect to such rights or an exemption from the registration requirements of the Securities Act is available. The company's decision to file a registration statement will depend on the costs and potential liabilities associated with any such registration statement as well as the perceived benefits of enabling the holders of ADSs to exercise their preemptive rights and any other factors the company considers appropriate at the time. No assurance can be given that the company would file a registration statement under these circumstances. If the company issues any such securities in future, such securities may be issued to the Depositary, which may sell such securities for the benefit of the holders of the ADSs. There can be no assurance as to the value, if any, the Depositary would receive upon the sale of such securities. To the extent that holders of ADSs are unable to exercise preemptive rights granted in respect of the equity shares represented by their ADSs, their proportional interests in the company would be reduced.

3.19 Intellectual property rights

The company relies upon a combination of non-disclosure and other contractual arrangements and copyright, trade secrets and trademark laws to protect its proprietary rights. Ownership of software and associated deliverables created for clients is generally retained by or assigned to the client, and the company does not retain an interest in such software and deliverables. The company also develops foundation and application software products, or software "tools", which are licensed to clients and remain the property of the company. The company has obtained registration of INFOSYS as a trademark in India and the United States, and does not have any patents or registered copyrights in the United States. The company currently requires its IT professionals to enter into non-disclosure and assignment of rights agreements to limit use of, access to, and distribution of its proprietary information. There can be no assurance that the steps taken by the company in this regard will be adequate to deter misappropriation of proprietary information or that the company will be able to detect unauthorized use and take appropriate steps to enforce its intellectual property rights.

Although the company believes that its services and products do not infringe upon the intellectual property rights of others, there can be no assurance that such a claim will not be asserted against the company in future. Assertion of such claims against the company could result in litigation, and there can be no assurance that the company would be able to prevail in such litigation or be able to obtain a license for the use of any infringed intellectual property from a third party on commercially reasonable terms. There can be no assurance that the company will be able to protect such licenses from infringement or misuse, or prevent infringement claims against the company in connection with its licensing efforts. The company expects that the risk of infringement claims against the company will increase if more of the company's competitors are able to obtain patents for software products and processes. Any such claims, regardless of their outcome, could result in substantial cost to the company and divert management's attention from the company's operations. Any infringement claim or litigation against the company could, therefore, have a material adverse effect on the company's results of operations and financial condition.

3.20 Control by principal shareholders, officers and directors; anti-takeover provisions

The company's officers and directors, together with members of their immediate families, in the aggregate, beneficially own approximately 25.03% of the company's issued equity shares. As a result, such persons, acting together, will likely still have the ability to exercise significant control over most matters requiring approval by the shareholders of the company, including the election and removal of directors and significant corporate transactions. Such control by the company's officers and directors could delay, defer or prevent a change in control of the company, impede a merger, consolidation, takeover or other business combination involving the company, or discourage a potential acquiror from making a tender offer or otherwise attempting to obtain control of the company.

The Indian Companies Act and the company's Articles of Association (the "Articles") require that: (i) at least two-thirds of the company's directors shall serve for a specified term and shall be subject to re-election by the company's shareholders at the expiration of such terms; and (ii) at least one-third of the company's directors who are subject to re-election shall be up for re-election at each annual meeting of the company's shareholders. In addition, the company's Articles provide that Mr. N. R. Narayana Murthy, one of the company's principal founders and its Chairman of the Board and Chief Executive Officer, shall serve as the company's Chairman of the Board and shall not be subject to re-election as long as he and his relatives, own at least 5% of the company's outstanding equity securities. Furthermore, any amendment to the company's Articles would require the affirmative vote of three-fourths of the company's shareholders. Finally, foreign investment in Indian companies is highly regulated. These provisions could delay, defer or prevent a change in control of the company, impede a business combination involving the company or discourage a potential acquiror from attempting to obtain control of the company.

3.21 Year 2000 compliance

The company has evaluated each of its IT services and software products and believes that each is substantially Year 2000 compliant. The company believes that its internal systems are substantially Year 2000 compliant. As of the date of this Annual Report, the company has not experienced any material Year 2000 related problems. However, there can be no assurance that modifications and upgrades made to its internal systems will be able to anticipate all of the problems resulting from the actual impact of the Year 2000 problem. As of the date of this Annual Report, there has been no disruption to the company's voice and data transmission links during the Year 2000 transition. However there can be no assurance that the company may not face any problems in the future. The full cost of transition support was $ 0.6 million.

Report of management

The management is responsible for preparing the company's financial statements and related information that appears in this annual report. The management believes that the financial statements fairly reflect the form and substance of transactions, and reasonably present the company's financial condition and results of operations in conformity with United States Generally Accepted Accounting Principles. The management has included, in the company's financial statements, amounts that are based on estimates and judgments, which it believes are reasonable under the circumstances.

The company maintains a system of internal procedures and controls intended to provide reasonable assurance, at appropriate cost, that transactions are executed in accordance with company authorization and are properly recorded and reported in the financial statements, and that assets are adequately safeguarded.

KPMG audits the company's financial statements in accordance with the generally accepted auditing standards and provides an objective, independent review of the company's internal controls and the fairness of its reported financial condition and results of operations.

The board of directors of Infosys has appointed an audit committee composed of outside directors. The committee meets with the management, internal auditors, and the independent auditors to review internal accounting controls and accounting, auditing, and financial reporting matters.

Bangalore April 11, 2000	T. V. Mohandas Pai *Senior Vice President – Finance & Administration and Chief Financial Officer*	Nandan M. Nilekani *Managing Director, President and Chief Operating Officer*	N. R. Narayana Murthy *Chairman and Chief Executive Officer*

Independent auditors' report

The Board of Directors and Stockholders
Infosys Technologies Limited

We have audited the accompanying balance sheets of Infosys Technologies Limited as of March 31, 2000 and 1999, and the related statements of income, stockholders' equity and cash flows for each of the years in the three-year period ended March 31, 2000. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Infosys Technologies Limited as of March 31, 2000 and 1999, and the results of its operations and its cash flows for each of the years in the three-year period ended March 31, 2000, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 1.3 in the accompanying notes to the financial statements, the financial statements of Infosys Technologies Limited's wholly owned subsidiary, Yantra Corporation, which were consolidated with the financial statements of the company prior to April 1, 1998, were accounted for by the equity method in fiscal 1999.

Bangalore
April 11, 2000

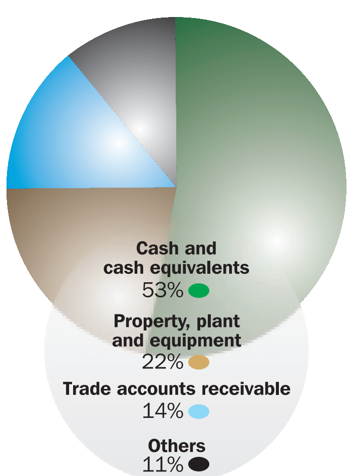
KPMG
KPMG

Balance sheets as of March 31

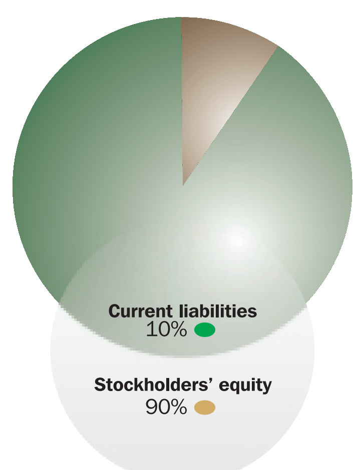
	2000	1999
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 116,599,486	$ 98,874,963
Trade accounts receivable, net of allowances	31,233,515	20,056,678
Prepaid expenses and other current assets	11,256,295	5,735,323
Total current assets	159,089,296	124,666,964
Property, plant and equipment - net	47,554,772	23,900,313
Deferred tax assets	2,566,266	1,715,375
Investments	3,177,938	177,938
Other assets	6,894,598	3,197,006
TOTAL ASSETS	$ 219,282,870	$ 153,657,596
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 976,840	$ 75,305
Client deposits	425,724	18,520
Other accrued liabilities	13,835,635	8,399,800
Income taxes payable	1,878,977	955,797
Unearned revenue	4,029,173	4,598,612
Total current liabilities	21,146,349	14,048,034
STOCKHOLDERS' EQUITY		
Common stock, $ 0.16 par value; 100,000,000 equity shares authorized, Issued and outstanding – 66,150,700 and 66,138,800 as of 2000 and 1999	8,593,510	8,592,137
Additional paid-in-capital	121,506,726	120,849,511
Accumulated other comprehensive income	(14,137,933)	(9,100,662)
Deferred compensation - Employee Stock Offer Plan	(17,598,813)	(21,686,799)
Retained earnings	99,773,031	40,955,375
Total stockholders' equity	198,136,521	139,609,562
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 219,282,870	$ 153,657,596

See accompanying notes to financial statements.

Assets – 2000



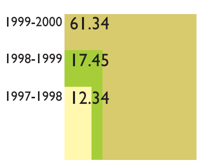
Liabilities and stockholders' equity – 2000



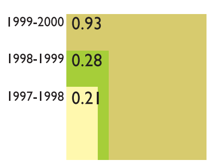
Statements of income for the years ended March 31

	2000	1999	1998
REVENUES			
Revenues	$ 203,443,754	$ 120,955,226	$ 68,329,961
Cost of revenues	111,080,546	65,331,006	40,156,509
Gross profit	92,363,208	55,624,220	28,173,452
OPERATING EXPENSES			
Selling and marketing expenses	9,643,970	4,943,599	3,369,892
General and administrative expenses	17,102,550	11,255,456	9,855,600
Amortization of stock compensation expense	5,117,635	3,645,576	1,046,874
Compensation arising from stock split	–	12,906,962	1,519,739
Total operating expenses	31,864,155	32,751,593	15,792,105
Operating income	60,499,053	22,872,627	12,381,347
Equity in loss of deconsolidated subsidiary	–	(2,085,887)	–
Other income, net	9,038,792	1,536,998	800,799
Income before income taxes	69,537,845	22,323,738	13,182,146
Provision for income taxes	8,193,317	4,877,650	770,458
Net income	61,344,528	17,446,088	12,411,688
Preferred stock dividends	–	–	67,500
Net income available for common stockholders	$ 61,344,528	$ 17,446,088	$ 12,344,188
EARNINGS PER EQUITY SHARE			
Basic	$ 0.93	$ 0.28	$ 0.21
Diluted	$ 0.93	$ 0.28	$ 0.20
Weighted equity shares used in computing earnings per equity share			
Basic	65,659,625	61,378,850	59,574,288
Diluted	65,863,990	61,507,380	60,807,808

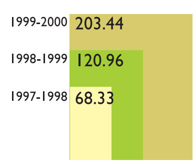
See accompanying notes to financial statements.



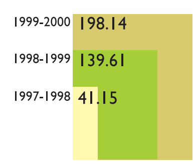
Net income
in $ million



Earnings per share
in $



Revenues
in $ million



Stockholders' equity
in $ million

Statements of stockholders' equity

	Equity shares		Additional paid-in capital	Comprehensive income	Accumulated other comprehensive income	Deferred compensation - Employee Stock Offer Plan	Loan to trust	Retained earnings	Total stockholders' equity
	Shares	Par value							
Balance as of March 31, 1997	58,076,800	$ 2,310,270	$ 15,712,247		$ (3,531,811)	$ (3,507,715)	$ (24,502)	$ 19,681,740	$ 30,640,229
Stock split	–	2,028,521	–		–	–	–	(2,028,521)	–
Cash dividends declared	–	–	–		–	–	–	(2,003,139)	(2,003,139)
Common stock issued upon exercise of warrants	5,992,000	207,020	1,813,330		–	–	(911,863)	–	1,108,487
Compensation related to stock option grants	–	–	6,890,343		–	(6,890,343)	–	–	–
Amortization of compensation related to stock option grants	–	–	–		–	2,566,613	–	–	2,566,613
Comprehensive income									
Net income available for common stockholders	–	–	–	$ 12,344,188	–	–	–	12,344,188	12,344,188
Other comprehensive income Translation adjustment	–	–	–	(3,510,418)	(3,510,418)	–	–	–	(3,510,418)
Comprehensive income	–	–	–	$ 8,833,770	–	–	–	–	–
Balance as of March 31, 1998	64,068,800	4,545,811	24,415,920		(7,042,229)	(7,831,445)	(936,365)	27,994,268	41,145,960
Stock split	–	3,800,949	–		–	–	–	(3,800,949)	–
Cash dividends declared	–	–	–		–	–	–	(3,152,863)	(3,152,863)
Common stock issued	2,070,000	245,377	70,134,623		–	–	–	–	70,380,000
ADS issue expenses	–	–	(4,108,924)		–	–	–	–	(4,108,924)
Compensation related to stock option grants	–	–	30,407,892		–	(30,407,892)	–	–	–
Amortization of compensation related to stock option grants	–	–	–		–	16,552,538	–	–	16,552,538
Comprehensive income									
Net income available for common stockholders	–	–	–	$ 17,446,088	–	–	–	17,446,088	17,446,088
Other comprehensive income Translation adjustment	–	–	–	(2,058,433)	(2,058,433)	–	–	–	(2,058,433)
Comprehensive income	–	–	–	$ 15,387,655	–	–	–	–	–
Adjustment on deconsolidation of subsidiary	–	–	–		–	–	–	2,468,831	2,468,831
Repayment of loan to trust	–	–	–		–	–	936,365	–	936,365
Balance as of March 31, 1999	66,138,800	$ 8,592,137	$ 120,849,511		$ (9,100,662)	$ (21,686,799)	–	$ 40,955,375	$ 139,609,562

Statements of stockholders' equity (contd.)

	Equity shares		Additional paid-in capital	Comprehensive income	Accumulated other comprehensive income	Deferred compensation - Employee Stock Offer Plan	Loan to trust	Retained earnings	Total stockholders' equity
	Shares	Par value							
Balance as of March 31, 1999	66,138,800	$ 8,592,137	$ 120,849,511		$ (9,100,662)	$ (21,686,799)	–	$ 40,955,375	$ 139,609,562
Cash dividends declared	–	–	–		–	–	–	(2,526,872)	(2,526,872)
Common stock issued	11,900	1,373	405,489		–	–	–	–	406,862
ADS issue expenses	–	–	(777,923)		–	–	–	–	(777,923)
Compensation related to stock option grants	–	–	1,029,649		–	(1,029,649)	–	–	–
Amortization of compensation related to stock option grants	–	–	–		–	5,117,635	–	–	5,117,635
Comprehensive income									
Net income available for common stockholders	–	–	–	$ 61,344,528	–	–	–	61,344,528	61,344,528
Other comprehensive income									
Translation adjustment	–	–	–	(5,037,271)	(5,037,271)	–	–	–	(5,037,271)
Comprehensive income	–	–	–	$ 56,307,257	–	–	–	–	–
Balance as of March 31, 2000	66,150,700	$ 8,593,510	$ 121,506,726		$ (14,137,933)	$ (17,598,813)	–	$ 99,773,031	$ 198,136,521

See accompanying notes to financial statements.

Statements of cash flows for the years ended March 31

	2000	1999	1998
OPERATING ACTIVITIES			
Net income	$ 61,344,528	$ 17,446,088	$ 12,344,188
Adjustments to reconcile net income to net cash provided by operating activities			
Gain on sale of property, plant and equipment	(20,153)	–	(2,929)
Depreciation	12,268,169	8,521,009	6,121,650
Deferred tax benefit	(850,891)	(625,427)	(707,553)
Gain on sale of investment in deconsolidated subsidiary	–	(620,958)	–
Amortization of deferred stock compensation expense	5,117,635	16,552,538	2,566,613
Loss relating to deconsolidated subsidiary	–	2,085,887	–
Subsidiary preferred stock dividend	–	–	67,500
Changes in assets and liabilities			
Accounts receivables	(11,176,837)	(10,113,425)	(5,268,477)
Inventories	–	–	11,458
Prepaid expenses and other current assets	(2,390,039)	(2,035,203)	(924,783)
Income taxes	923,180	1,492,766	446,890
Accounts payable	901,535	(24,459)	23,507
Client deposits	407,204	(171,653)	(6,537)
Unearned revenue	(569,439)	4,598,612	–
Other accrued liabilities	5,435,835	3,015,104	2,482,653
Net cash provided by operating activities	71,390,727	40,120,879	17,154,180
INVESTING ACTIVITIES			
Expenditure on property, plant and equipment	(35,926,030)	(16,123,557)	(7,891,441)
Proceeds from sale of property, plant and equipment	23,555	5,704	8,079
Loans to employees	(6,828,525)	(2,181,715)	(552,526)
Proceeds from sale of investment in deconsolidated subsidiary	–	1,500,000	–
Purchase of investments	(3,000,000)	(177,576)	–
Net cash used in investing activities	(45,731,000)	(16,977,144)	(8,435,888)
FINANCING ACTIVITIES			
Proceeds from issuance of equity shares	406,862	70,380,000	2,020,350
ADR issue expenses	(777,923)	(4,108,924)	–
Net proceeds from issuance of preferred stock by subsidiary	–	–	2,250,000
Payment of cash dividends	(2,526,872)	(2,371,673)	(1,467,427)
Loan to trust	–	936,365	(911,863)
Net cash provided by financing activities	(2,897,933)	64,835,768	1,891,060
Effect of exchange rate changes on cash	(5,037,271)	(2,058,433)	(3,510,418)
Effect of deconsolidation on cash	–	(2,465,372)	–
Net increase in cash and cash equivalents during the year	17,724,523	83,455,698	7,098,934
Cash and cash equivalents at the beginning of the year	98,874,963	15,419,265	8,320,331
Cash and cash equivalents at the end of the year	$ 116,599,486	$ 98,874,963	$ 15,419,265
Supplementary information:			
Cash paid towards taxes	$ 7,270,137	$ 3,364,318	$ 323,568

See accompanying notes to financial statements.

Notes to financial statements

1. Significant Accounting Policies

1.1 The company

Infosys Technologies Limited (the "company") is one of India's leading information technology ("IT") services company. Infosys utilizes an extensive offshore infrastructure to provide managed software solutions to clients worldwide. Headquartered in Bangalore, India, the company has 17 state-of-the-art offshore software development facilities located throughout India and one global development center in Canada, that enable it to provide high quality, cost-effective services to clients in a resource-constrained environment. The company's services, which are offered on either a fixed-price, fixed-time frame or a time-and-materials basis, include custom software development, maintenance, e-business consulting and re-engineering services as well as dedicated offshore software development centers for certain clients. In addition, the company develops and markets certain software products.

1.2 Basis of preparation of financial statements

The accompanying financial statements are prepared in accordance with United States ("US") Generally Accepted Accounting Principles ("GAAP"). All amounts are stated in US dollars.

1.3 Principles of consolidation

The financial statements of the company were consolidated with the accounts of its wholly owned subsidiary, Yantra Corporation ("Yantra") during fiscal 1998. On October 20, 1998, the company's voting control of Yantra declined to approximately 47%. Accordingly, the company has followed the equity method of accounting for Yantra since fiscal 1999. On June 14, 1999, Yantra sold Series C Convertible Preferred Stock in the amount of $ 15 million to unrelated existing and new investors, further reducing the company's voting control to approximately 25%.

The company continues to own all the outstanding common shares of Yantra but has no financial obligations or commitments to Yantra and does not intend to provide Yantra with financial support. Accordingly, the company recognized no losses of Yantra subsequent to October 20, 1998. The excess of the company's previously recognized losses over the basis of its investments in Yantra as of October 20, 1998 were credited to retained earnings.

Yantra was incorporated in the United States in fiscal 1996 for the development of software products in the retail and distribution areas. All inter-company transactions between the company and Yantra are eliminated.

1.4 Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the period reported. Examples of estimates include accounting for expected contract costs to be incurred to complete software development, allowance for uncollectible accounts receivable, future obligations under employee benefit plans and useful lives of property, plant and equipment. Actual results could differ from those estimates.

1.5 Revenue recognition

The company derives its revenues primarily from software services and also from the licensing of software products. Revenue with respect to time-and-material contracts is recognized as related costs are incurred. Revenue from fixed-price, fixed-time frame contracts is recognized upon the achievement of specified milestones identified in the related contracts, in accordance with the percentage-of-completion method. Provisions for estimated losses on uncompleted contracts are recorded in the period in which such losses become probable based on the current contract estimates. The company provides its clients with a three-month warranty for corrections of errors and telephone support for all its fixed-price, fixed-time frame contracts. Costs associated with such services are accrued at the time related revenues are recorded.

Revenue from licensing of software products is recognized upon shipment of products and fulfillment of acceptance terms, if any, provided that no significant vendor obligations remain and the collection of the related receivable is probable. When the company receives advance payments for software products, such payments are reported as client deposits until all conditions for revenue recognition are met. Maintenance revenue is deferred and recognized ratably over the term of the underlying maintenance agreement, generally 12 months. Revenue from client training, support and other services arising due to the sale of software products is recognized as the services are performed.

1.6 Cash and cash equivalents

The company considers all highly liquid investments with a remaining maturity at the date of purchase/ investment of three months or less to be cash equivalents. Cash and cash equivalents consist of cash, cash on deposit with banks, marketable securities and deposits with corporations.

1.7 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. The company computes depreciation for all property, plant and equipment using the straight-line method. The estimated useful lives of assets are as follows:

Buildings	15 years
Furniture and fixtures	5 years
Computer equipment	2-5 years
Plant and equipment	5 years
Vehicles	5 years

The cost of software purchased for use in software development and services is charged to the cost of revenues at the time of acquisition. The amount of third party software expensed during fiscal 2000, 1999 and 1998 was \$ 3,816,840, \$ 3,538,590 and \$ 2,381,626 respectively.

Deposits paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date and the cost of property, plant and equipment not put to use before such date are disclosed under "*Capital work-in-progress*".

1.8 Impairment of long-lived assets

The company evaluates the recoverability of its long-lived assets and certain identifiable intangibles, if any, whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable.

Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying value of the assets exceeds the fair value of the assets. Assets to be disposed are reported at the lower of the carrying value or the fair value less cost to sell.

1.9 Research and development

Research and development costs are expensed as incurred. Software product development costs are expensed as incurred until technological feasibility is achieved. Software product development costs incurred subsequent to the achievement of technological feasibility are not significant and are expensed as incurred.

1.10 Foreign currency translation

The accompanying financial statements are reported in US dollars. The functional currency of the company is the Indian rupee. The translation of the Indian rupee into US dollars is performed for balance sheet accounts using the exchange rate in effect at the balance sheet date, and for revenue and expense accounts using a monthly simple average exchange rate for the respective periods. The gains or losses resulting from such translation are reported as "*Other comprehensive income*", a separate component of stockholders' equity. The method for translating expenses of overseas operations depends upon the funds used. If the payment is made from a rupee denominated bank account, the exchange rate prevailing on the date of the payment would apply. If the payment is made from a foreign currency, i.e., non-rupee denominated account, the translation into rupees is performed at the average monthly exchange rate.

1.11 Foreign currency transactions

The company enters into foreign exchange forward contracts to limit the effect of exchange rate changes on its foreign currency receivables. Gains and losses on these contracts are recognized as income or expense in the statements of income as incurred, over the life of the contract.

1.12 Earnings per share

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 128, *Earnings Per Share*, basic earnings per share are computed using the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of common and dilutive common equivalent shares outstanding during the period, using the treasury stock method for options and warrants, except where the result would be anti-dilutive.

1.13 Income taxes

Income taxes are accounted for using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax bases and operating loss carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of changes in tax rates on deferred tax assets and liabilities is recognized as income in the period that includes the enactment date. The measurement of deferred tax assets is reduced, if necessary, by a valuation allowance for any tax benefits of which future realization is uncertain.

1.14 Fair value of financial instruments

The carrying amounts reflected in the balance sheets for cash, cash equivalents, accounts receivable and accounts payable approximate their respective fair values due to the short maturities of these instruments.

1.15 Concentration of risk

Financial instruments that potentially subject the company to concentrations of credit risk consist principally of cash equivalents, trade accounts receivable and hedging instruments. By their nature, all such financial instruments involve risk including the credit risk of non-performance by counterparties. At March 31, 2000 and 1999, in management's opinion, there was no significant risk of loss in the event of nonperformance of the counterparties to these financial instruments. Exposure to credit risk is managed through credit approvals, establishing credit limits and monitoring procedures. The company's cash resources are invested with corporations, financial institutions and banks with high investment grade credit ratings. Limitations are established by the company as to the maximum amount of cash that may be invested with any such single entity.

1.16 Retirement benefits to employees

1.16.1 Gratuity

In accordance with Indian law, the company provides for gratuity, a defined benefit retirement plan (the "Gratuity Plan") covering all employees. The Gratuity Plan provides a lump sum payment to vested employees at retirement or termination of employment of an amount based on the respective employee's salary and the years of employment with the company. The company established the Infosys Technologies Limited Employees' Group Gratuity Fund Trust (the "Gratuity Fund Trust") on April 1, 1997. Liabilities with regard to the Gratuity Plan are determined by actuarial valuation, based upon which the company makes contributions to the Gratuity Fund Trust. Trustees administer the contributions made to the Gratuity Fund Trust. The funds contributed to the Gratuity Fund Trust are invested in specific securities as mandated by the law and generally consist of federal and state government bonds and the debt instruments of government-owned corporations.

1.16.2 Superannuation

Apart from being covered under the Gratuity Plan described above, the senior officers of the company are also participants in a defined contribution plan maintained by the company. The plan is termed the superannuation plan (the "plan") to which the company makes monthly contributions based on a specified percentage of each covered employee's salary. The company has no further obligations under the plan beyond its monthly contributions.

1.16.3 Provident fund

In addition to the above benefits, all employees receive benefits from a provident fund, which is a defined contribution plan. Both the employee and the company make monthly contributions to the plan, each equal to 12% of each covered employee's salary. The company established a provident fund trust in August 1996, to which a part of the contributions are made each month. The remainder of the contributions is made to the Government's provident fund. The company has no further obligations under provident fund beyond its monthly contributions.

1.17 Investments

Investments where the company controls between 20% and 50% of the voting interest are accounted for using the equity method. Investment securities in which the company controls less than 20% voting interest are currently classified as either "*Available-for-sale securities*" or "*Held-to-maturity securities*".

Investment securities designated as "available-for-sale" are carried at their fair value based on quoted market prices, with unrealized gains and losses, net of deferred income taxes, reported as a separate component of stockholders' equity. Realized gains and losses and declines in value judged to be other than temporary on available-for-sale securities are included in the statements of income. The cost of securities sold is based on the specific identification method. Held to maturity securities are recorded at amortized cost, adjusted for the amortization or accretion of premiums or discounts, if any. Interest and dividend income are recognized when earned.

1.18 Stock-based compensation

The company uses the intrinsic value-based method of Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees,* to account for its employee stock-based compensation plan. The company has therefore adopted the pro forma disclosure provisions of SFAS No. 123, *Accounting for Stock-Based Compensation*.

1.19 Dividends

Dividends are recognized on recommendation and proposal by the board of directors.

2. Notes to Financial Statements

2.1 Cash and cash equivalents

The cost and fair values for cash and cash equivalents as of March 31, 2000 and 1999, respectively are as follows:

	2000	1999
Cost and fair values		
Cash and bank deposits	$ 99,035,223	$ 96,119,672
Deposits with corporations	17,564,263	2,755,291
	$ 116,599,486	$ 98,874,963

2.2 Trade accounts receivable

Trade accounts receivable, as of March 31, 2000 and 1999, net of allowance for doubtful accounts of $ 507,487 and $ 301,930, respectively amounted to $ 31,233,515 and $ 20,056,678, respectively. The age profile of trade accounts receivable is given below.

in %

Period (in days)	2000	1999
0 – 30	64.7	58.8
31 – 60	31.8	24.5
61 – 90	1.8	10.8
More than 90	1.7	5.9
	100.0	100.0

Trade accounts receivable include accounts receivable from Yantra amounting to Nil and $ 253,448 as of March 31, 2000 and 1999, respectively.

2.3 Prepaid expenses and other current assets

Prepaid expenses and other current assets consist of the following:

	2000	1999
Rent deposits	$ 1,798,738	$ 1,403,445
Deposits with government organizations	721,476	172,386
Loans to employees	5,114,253	1,983,319
Prepaid expenses	3,602,334	2,120,036
Other advances	19,494	56,137
	$ 11,256,295	$ 5,735,323

Other advances represent advance payments to vendors for the supply of goods and rendering of services. Deposits with government organizations relate principally to leased telephone lines and electricity supplies.

2.4 Property, plant and equipment – net

Property, plant and equipment consist of the following:

	2000	1999
Land	$ 4,833,786	$ 2,580,924
Buildings	13,509,409	6,831,097
Furniture and fixtures	9,156,208	4,966,929
Computer equipment	25,742,780	18,290,126
Plant and equipment	11,871,138	7,375,578
Vehicles	31,292	41,684
Capital work-in-progress	13,064,301	3,531,936
	78,208,914	43,618,274
Accumulated depreciation	(30,654,142)	(19,717,961)
	$ 47,554,772	$ 23,900,313

Depreciation expense amounted to $ 12,268,169, $ 8,521,009 and $ 6,121,650 for fiscal 2000, 1999 and 1998, respectively.

2.5 Investments

The company has purchased 1,300,108 shares of Series D Convertible Preferred Stock, par value $ 0.0001 each ("Series D Convertible Preferred"), of EC Cubed, Inc. ("EC Cubed"), for a consideration of $ 3,000,000. EC Cubed is a dynamic application provider of business-to-business e-commerce. The company's investment in EC Cubed is in line with its intention to make selective strategic investments in leading-edge companies that have the potential to yield substantial business benefits. The Series D Convertible Preferred is convertible into Common Stock of EC Cubed at the option of the company at any time or automatically upon the closing of an Initial Public Offering by EC Cubed, of shares of its Common Stock at a public offering price of not less than $ 4.615 per share and with net proceeds aggregating at least $ 30 million.

2.6 Other assets

Other assets mainly represent the non-current portion of loans to employees.

2.7 Related parties

The company grants loans to employees for acquiring assets such as property and cars. Such loans are repayable over fixed periods ranging from 1 to 100 months. The rates at which the loans have been made to employees vary between 0% to 4%. No loans have been made to employees in connection with equity issues. The loans are generally secured by the assets acquired by the employees. As of March 31, 2000 and 1999, amounts receivable from officers amounting to $ 309,835 and $ 265,669, respectively are included in prepaid expenses and other current assets, and other assets in the accompanying balance sheets.

The required repayments of loans by employees are as detailed below.

	2000	1999
2000	–	$ 1,983,319
2001	$ 5,114,252	953,440
2002	1,887,808	755,672
2003	1,383,397	528,918
2004	861,752	394,854
2005	696,581	–
Thereafter	2,065,061	564,122
Total	$ 12,008,851	$ 5,180,325

The estimated fair values of related party receivables amounted to $ 8,959,996 and $ 4,858,797 as of March 31, 2000 and 1999, respectively. These amounts have been determined using available market information and appropriate valuation methodologies. Considerable judgement is required to develop these estimates of fair value. Consequently, these estimates are not necessarily indicative of the amounts that the company could realize in the market.

2.8 Other accrued liabilities

Other accrued liabilities comprise the following:

	2000	1999
Accrued compensation to staff	$ 7,747,965	$ 3,116,559
Accrued dividends	65,872	2,146,039
Provision for post sales client support	1,265,849	829,964
Employee withholding taxes payable	1,530,832	–
Others	3,225,117	2,307,238
	$ 13,835,635	$ 8,399,800

2.9 Employee post-retirement benefits

2.9.1 Gratuity

The following table sets out the funded status of the Gratuity Plan and the amounts recognized in the company's financial statements in fiscal 2000, 1999 and 1998.

	2000	1999	1998
Change in benefit obligations			
Benefit obligations at the beginning of the year	$ 10,551,069	$ 1,804,504	$ 1,356,650
Effect of changes in assumptions used	(2,142,149)	7,370,968	–
Amortization of unrecognized actuarial loss	(368,548)	–	–
Service cost	3,418,688	657,328	330,318
Interest cost	939,603	906,157	189,931
Benefits paid	(128,803)	(73,983)	(72,395)
Effect of exchange rate changes	(1,226,652)	(113,905)	–
Benefit obligations at the end of the year	$ 11,043,208	$ 10,551,069	$ 1,804,504
Change in plan assets			
Fair value of plan assets at the beginning of the year	$ 2,497,335	$ 680,499	$ 301,232
Effect of exchange rate changes	(134,018)	(48,977)	–
Actual return on plan assets	404,526	179,004	41,892
Employer contributions	1,736,781	1,760,792	409,770
Benefits paid	(128,803)	(73,983)	(72,395)
Plan assets at the end of the year	$ 4,375,821	$ 2,497,335	$ 680,499
Funded status	$ (6,667,387)	$ (8,053,734)	$ (1,124,005)
Excess of actual return over estimated return on plan assets	93,716	(41,723)	(129,192)
Unrecognized actuarial gain	–	–	(7,219)
Unrecognized transitional obligation	694,446	830,826	985,058
Unrecognized actuarial cost	3,141,732	7,252,766	–
(Accrued) / prepaid benefit	$ (2,737,493)	$ (11,865)	$ (275,358)

Net gratuity cost for fiscal 2000, 1999 and 1998 comprises the following components:

	2000	1999	1998
Service cost	$ 3,418,688	$ 657,328	$ 330,318
Interest cost	939,603	906,157	189,931
Expected return on assets	(310,810)	(143,038)	(49,111)
Amortization of unrecognized transitional obligation	58,245	63,910	70,361
Amortization of unrecognized actuarial loss	368,548	–	–
Net gratuity cost	$ 4,474,274	$ 1,484,357	$ 541,499

The assumptions used in accounting for the Gratuity Plan in fiscal 2000, 1999 and 1998 are set out below.

	2000	1999	1998
Discount rate	10%	10%	14%
Rate of increase in compensation levels	9%	12%	7.5%
Rate of return on plan assets	10%	10%	12%

The company assesses these assumptions with its projected long-term plans of growth and prevalent industry standards.

2.9.2 Superannuation

The company contributed $ 244,248, $ 145,051 and $ 99,206 to the superannuation plan in fiscal 2000, 1999 and 1998, respectively.

2.9.3 Provident fund

The company contributed $ 1,198,772, $ 812,117 and $ 537,663 to the provident fund in fiscal 2000, 1999 and 1998, respectively.

2.10 Preferred stock of subsidiary

In September 1997, the company's subsidiary, Yantra, sold 5,000,000 shares of Series A Convertible Preferred Stock, par value $ 0.01 per share ("Series A Convertible Preferred") at $ 0.75 per share for $ 3,750,000 in cash. The related offering costs of $ 49,853 were offset against the proceeds of the issue. Of these, 2,000,000 shares were issued to the company and 3,000,000 shares were issued to third party investors.

In August 1998, Yantra sold 4,800,000 shares of Series B Convertible Preferred Stock, par value $ 0.01 per share ("Series B Convertible Preferred") at $ 1.25 per share for $ 6,000,000 in cash to venture capitalists. The related offering costs of $ 44,416 were offset against the proceeds of the issue. In connection with this sale, Yantra issued warrants to purchase 810,811 shares of Series B-1 Convertible Preferred Stock, par value $ 0.01 per share ("Series B-1 Convertible Preferred"), at $ 0.01 per share for $ 8,108 in cash. Such warrants are immediately exercisable and expire in seven years. The exercise price of the warrants is based upon the then current market price of the Series B-1 Convertible Preferred at the time of exercise.

Holders of Series A Convertible Preferred vote with holders of common stock on an as-converted basis, except as otherwise required by Delaware law. The Series A Convertible Preferred are convertible into common stock at a 1:1 ratio (subject to certain adjustments): (i) automatically in the event of an initial public offering with gross proceeds of $ 10,000,000 or more; or (ii) at any time at the holder's option. The holders of Series A Convertible Preferred are entitled to a 6% cumulative dividend ($ 0.045 per share) and to receive additional dividends at the same rate of dividends, if any, declared and paid on the common stock, calculated on an as-converted basis. Upon a liquidation or sale of Yantra, holders of the Series A Convertible Preferred are entitled to a liquidation preference of $ 0.75 per share plus accrued and unpaid dividends; and any remaining assets will be distributed to holders of the common stock. The Series A Convertible Preferred is redeemable at the election of holders of 75% of the outstanding shares of Series A Convertible Preferred at any time after September 29, 2004 at a redemption price of $ 0.75 per share plus accrued but unpaid dividends.

The holders of Series B and B-1 Convertible Preferred are entitled to similar rights, privileges and restrictions as that of Series A Convertible Preferred.

In October 1998, Infosys sold 1,363,637 shares of Series A Convertible Preferred in Yantra, having a cost basis of $ 879,042 to a third party investor for $ 1,500,000 thereby recognizing a gain of $ 620,958 and reducing its voting interest in Yantra to approximately 47%. The company presently accounts for Yantra by the equity method. Deconsolidation of Yantra has resulted in a credit to the company's retained earnings of an amount of $ 2,468,831 representing the excess of Yantra's losses previously recognized by the company, amounting to $ 4,445,903, over the company's residual investment basis in Yantra amounting to $ 1,977,072.

2.11 Stockholders' equity

The company has only one class of capital stock referred to herein as equity shares. In fiscal 1999, the board of directors authorized a two-for-one stock split of the company's equity shares effected in the form of a stock dividend. Also, in November 1999, the board of directors authorized a two-for-one stock split of the company's equity shares whereby each issued and outstanding equity share, par value $ 0.32 each, was split into two equity shares, par value $ 0.16 each. All references in the financial statements to number of shares, per share amounts and market prices of the company's equity shares have been retroactively restated to reflect the stock splits.

2.12 Equity shares

2.12.1 Voting

Each holder of equity shares is entitled to one vote per share.

2.12.2 Dividends

Should the company declare and pay dividends, such dividends will be paid in Indian Rupees and pro rata from the date of holding such shares.

Indian law mandates that any dividend be declared out of distributable profits only after the transfer of up to 10% of net income computed in accordance with current regulations to a general reserve. Also, the remittance of dividends outside India is governed by Indian law on foreign exchange. Such dividend payments are also subject to applicable taxes.

2.12.3 Liquidation

In the event of any liquidation of the company, the holders of common stock shall be entitled to receive all of the remaining assets of the company, after distribution of all preferential amounts, if any. Such amounts will be in proportion to the number of shares of equity shares held by the stockholders.

2.12.4 Stock options

There are no voting, dividend or liquidation rights to the holders of warrants issued under the company's stock option plan.

2.13 Other income, net

Other income, net, consists of the following:

	2000	1999	1998
Interest income and others	$ 5,729,653	$ 916,040	$ 526,508
Gain on sale of investment in subsidiary	–	620,958	–
Income from sale of special import licenses	426,407	–	274,291
Exchange gains	2,882,732	–	–
	$ 9,038,792	$ 1,536,998	$ 800,799

2.14 Operating leases

The company has various operating leases for office buildings that are renewable on a periodic basis at its option. Rental expense for operating leases in fiscal 2000, 1999 and 1998 were $ 2,387,334, $ 1,770,413 and $ 1,432,447, respectively. The operating leases are cancelable at the company's option.

The company leases some of its office space under several non-cancelable operating leases for periods ranging between three through ten years. The schedule of future minimum rental payments in respect of these leases is set out below.

Year ending March 31,	
2001	$ 988,453
2002	959,647
2003	934,372
2004	961,093
2005	604,439
Thereafter	1,083,894
	$ 5,531,898

2.15 Research and development

General and administrative expenses in the accompanying statements of income include research and development expenses of $ 1,904,123, $ 2,819,326 and $ 1,777,703 for fiscal 2000, 1999 and 1998, respectively.

2.16 Employee Stock Offer Plans ("ESOP")

1994 Employee Stock Offer Plan (the "1994 Plan"): In September 1994, the company established the 1994 Plan which provided for the issuance of 6,000,000 warrants (as adjusted for the stock split effective June 1997, December 1998 and

December 1999) to eligible employees. The warrants were issued to an employee welfare trust (the "Trust") at Rs. 1 each and were purchased by the Trust using the proceeds of a loan obtained from the company. The Trust holds the warrants and transfers them to eligible employees at Rs. 1 each. Each warrant entitles the holder to purchase one of the company's equity shares at a price of Rs. 100 per share. The warrants and the equity shares received upon the exercise of warrants are subject to a five-year aggregate vesting period from the date of issue of warrants to employees. The warrants expire upon the earlier of five years from the date of issue or September 1999. The fair market value of each warrant is the market price of the underlying equity shares on the date of the grant.

In 1997, in anticipation of a share dividend to be declared by the company, the Trust exercised all warrants held by it and converted them into equity shares with the proceeds of a loan obtained from the company. In connection with the warrant exercise and the share dividend, on an adjusted basis, 3,011,200 equity shares were issued to employees of the company who exercised stock purchase rights and 2,988,800 equity shares were issued to the Trust for future issuance to employees pursuant to the 1994 Plan. Following such exercise, there were no longer any rights to purchase equity shares from the company in connection with the 1994 Plan. Only equity shares held by the Trust remained for future issues to employees, subject to vesting provisions. The equity shares acquired upon the exercise of the warrants vests 100% upon the completion of five years of service. The warrant holders were entitled to exercise early, but the shares received are subject to the five-year vesting period. As of March 31, 2000, the company's outstanding equity shares included 509,800 equity shares held by the Trust of which 341,400 equity shares were allotted to employees, subject to vesting provisions and are included in the calculation of basic and diluted earnings per share. The remaining 168,400 equity shares were not considered outstanding for purposes of calculating diluted earnings per share. The warrants allotted and the underlying equity shares are not subject to any repurchase obligations by the company.

The company has elected to use the intrinsic value-based method of APB 25 to account for its employee stock-based compensation plan. Accordingly, in fiscal 2000, 1999 and 1998, the company recorded deferred compensation of $ 1,029,649, $ 30,407,892 and $ 6,890,493, respectively for the difference, on the grant date, between the exercise price and the fair value as determined by quoted market prices of the common stock underlying the warrants. The deferred compensation is amortized on a straight-line basis over the vesting period of the warrants/equity shares.

In fiscal 1999, the company declared a stock split of two equity shares for each equity share outstanding to all its stockholders including participants in the 1994 Plan in the form of a stock dividend and consequently recognized an accelerated compensation charge at the time of the stock dividend amounting to $ 12,906,962.

1998 Employee Stock Option Plan (the "1998 Plan"). The company's 1998 Plan provides for the grant of non-statutory stock options and incentive stock options to employees of the company. The establishment of the 1998 Plan was approved by the board of directors in December 1997 and by the stockholders in January 1998. The Government of India has approved the 1998 Plan, subject to a limit of 1,470,000 equity shares representing 2,940,000 American Depositary Shares ("ADS") to be issued under the 1998 Plan. Unless terminated sooner, the 1998 Plan will terminate automatically in January 2008. All options under the 1998 Plan will be exercisable for equity shares represented by American Depositary Shares (ADSs). The board of directors or a committee of the board may administer the 1998 Plan. All options under the 1998 Plan are exercisable for equity shares represented by ADSs.

1999 Stock Option Plan (the 1999 Plan). In fiscal 2000, the Company instituted the 1999 Plan. The stockholders and the Board of Directors approved the 1999 Plan in June 1999. The 1999 Plan provides for the issue of 6,600,000 equity shares to employees. The 1999 Plan is administered by a Compensation Committee comprising a maximum of seven members, the majority of whom are independent directors on the Board of Directors. Under the 1999 Plan, options will be issued to employees at an exercise price, which shall not be less than the Fair Market Value. Under the 1999 Plan, options may also be issued to employees at exercise prices that are less than FMV only if specifically approved by the members of the Company in a general meeting.

The company adopted the proforma disclosure provisions of SFAS No. 123, *Accounting for Stock-Based Compensation*. Had compensation cost for the company's stock-based compensation plan been determined in a manner consistent with the fair value approach described in SFAS No. 123, the company's net income and basic earnings per share as reported would have reduced to the proforma amounts indicated below.

		2000	1999	1998
Net income	As reported	$ 61,344,528	$ 17,446,088	$ 12,344,188
	Adjusted proforma	$ 61,333,929	$ 16,964,703	$ 12,067,107
Basic earnings per share	As reported	$ 0.93	$ 0.28	$ 0.21
	Adjusted proforma	$ 0.93	$ 0.28	$ 0.20

The fair value of each warrant is estimated on the date of grant using the Black-Scholes model with the following assumptions:

	2000	1999	1998
Dividend yield %	0.1%	0.1%	0.1%
Expected life	5 years	5 years	5 years
Risk free interest rate	10.8%	10.8%	10.8%
Volatility	90.0%	90.0%	90.0%

The activity in the warrants/equity shares of the 1994, 1998 and 1999 ESOPs in fiscal 2000, 1999 and 1998 are set out below.

	2000		1999		1998	
	Shares arising out of options	Weighted average exercise price	Shares arising out of options	Weighted average exercise price	Shares arising out of options	Weighted average exercise price
1994 Option plan:						
Outstanding at the beginning of the year	328,000	–	1,037,200	–	3,003,200	–
Granted	30,000	$ 1.15	1,984,400	$ 0.59	1,107,200	$ 0.35
Forfeited	(16,600)	$ 1.15	(36,400)	$ 0.59	(70,000)	$ 0.35
Exercised	–	–	(2,657,200)	–	(3,003,200)	–
Outstanding at the end of the year	341,400	–	328,000	–	1,037,200	–
Exercisable at the end of the year	341,400		–	–	–	–
Weighted-average fair value of grants during the period at less than market	$ 35.48		$ 18.43	–	$ 3.67	–
1998 Option plan:						
Outstanding at the beginning of the year	213,000	–	–	–	–	–
Granted	147,150	$ 228.60	213,000	$ 34.00	–	–
Forfeited	(3,500)	$ 34.00	–	–	–	–
Exercised	(11,900)	$ 34.00	–	–	–	–
Outstanding at the end of the year	344,750	–	213,000	–	–	–
Exercisable at the end of the year	344,750		–	–	–	–
Weighted-average fair value of grants during the year	$ 228.60		$ 34.00	–	–	–
1999 Option plan:						
Outstanding at the beginning of the year	–	–	–	–	–	–
Granted	1,014,500	$ 99.12	–	–	–	–
Forfeited	(7,700)	$ 127.98	–	–	–	–
Exercised	–	–	–	–	–	–
Outstanding at the end of the year	1,006,800	–	–	–	–	–
Exercisable at the end of the year	1,006,800		–	–	–	–
Weighted-average fair value of grants during the year	$ 99.12		–	–	–	–

The following table summarizes information about stock options outstanding as of March 31, 2000:

	Outstanding			Exercisable	
Range of exercise Price	Number of shares arising out of options	Weighted average remaining contractual life	Weighted average exercise price	Number of shares arising out of options	Weighted average exercise price
$ 0.35 - $ 228.60	1,692,950	2.17 years	$ 82.78	1,692,950	$ 82.78

2.17 Income taxes

The provision for income taxes comprises:

	2000	1999	1998
Current taxes			
Domestic taxes	$ 2,505,952	$ 777,351	$ 803,116
Foreign taxes	6,538,256	4,725,726	674,895
	9,044,208	5,503,077	1,478,011
Deferred taxes			
Domestic taxes	(850,891)	(625,427)	(707,553)
Foreign taxes	–	–	–
	(850,891)	(625,427)	(707,553)
Aggregate taxes	$ 8,193,317	$ 4,877,650	$ 770,458

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities and a description of the financial statement items that created these differences are as follows:

	2000	1999	1998
Deferred tax assets:			
Property, plant and equipment	$ 2,480,883	$ 2,315,375	$ 1,642,311
Others	195,383	–	–
	2,676,266	2,315,375	1,642,311
Less: Valuation allowance	(110,000)	(600,000)	–
Net deferred tax assets	$ 2,566,266	$ 1,715,375	$ 1,642,311

In assessing the realizability of deferred tax assets, management considers whether it is more likely that not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the scheduled reversal of the projected future taxable income, and tax planning strategies in making this assessment. Based on the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes that it is more likely than not the company will realize the benefits of those deductible differences, net of the existing valuation differences at March 31, 2000. The amount of the deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carry forward period are reduced.

A reconciliation of the income tax provision to the amount computed by applying the statutory income tax rate to the income before provision for income taxes is summarized below.

	2000	1999	1998
Net income before taxes	$ 69,537,845	$ 22,323,738	$ 13,182,146
Enacted tax rates in India	38.5%	35.0%	35.0%
Computed expected tax expense	26,772,070	7,813,308	4,613,751
Less: Tax effect due to non-taxable export income	(24,019,942)	(7,680,942)	(4,493,920)
Others	(271,081)	644,985	351,732
Effect of tax rate change	(29,771)	–	(71,143)
Effect of prior period tax adjustments	54,676	–	402,696
Provision for Indian income tax	2,505,952	777,351	803,116
Effect of tax on foreign income	6,538,256	3,701,898	674,895
Effect of prior period foreign tax adjustments	–	1,023,828	–
Total current taxes	$ 9,044,208	$ 5,503,077	$ 1,478,011

The provision for foreign taxes is due to income taxes payable overseas, principally in the United States. The company benefits from certain significant tax incentives provided to software firms under Indian tax laws. These incentives presently include: (i) an exemption from payment of Indian corporate income taxes for a period of ten consecutive years of operation of software development facilities designated as "Software Technology Parks"; and (ii) a tax deduction for profits derived from exporting computer software. All but one of the company's software development facilities are located in a designated Software Technology Park. The benefits of these tax incentive programs have historically resulted in an effective tax rate for the company well below statutory rates.

2.18 Earnings per share

The following is a reconciliation of the equity shares used in the computation of basic and diluted earnings per equity share:

	2000	1999	1998
Basic earnings per equity share – weighted average number of common shares outstanding excluding unallocated shares of ESOP	65,659,625	61,378,850	59,574,288
Effect of dilutive common equivalent shares – stock options outstanding	204,365	128,530	1,233,520
Diluted earnings per equity share – weighted average number of common shares and common equivalent shares outstanding	65,863,990	61,507,380	60,807,808

2.19 Lines of credit

The company has a line of credit from its bankers for its working capital requirement of $ 1,150,000 bearing interest at prime lending rates as applicable from time to time. The prime lending rate of interest as of March 31, 2000 was 15.8%. This line of credit is secured by inventories and accounts receivable. The line of credit contains certain financial covenants and restrictions on indebtedness and is renewable every 12 months. As of March 31, 2000, the company had no balance outstanding under this facility.

2.20 Financial instruments

Foreign exchange forward contracts

The company enters into foreign exchange forward contracts to offset the foreign currency risk arising from the accounts receivable denominated in currencies other than the Indian rupee, primarily the US dollar. The counter party to the company's foreign currency forward contracts is generally a bank. Management believes that the risks or economic consequences of non-performance by the counter party are not material to its financial position or results of operations. There were no significant foreign exchange gains and losses on foreign exchange forward contracts during fiscal 2000, 1999, and 1998. As of March 31, 2000, the company does not have any open foreign exchange forward contracts.

2.21 Segment reporting

2.21.1 Revenue by geographic area

	2000	1999	1998
North America	$ 158,723,649	$ 99,203,989	$ 56,211,753
Europe	30,064,939	11,302,791	6,179,621
India	2,912,091	2,051,492	1,799,368
Rest of the world	11,743,075	8,396,954	4,139,219
	$ 203,443,754	$ 120,955,226	$ 68,329,961

SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information* requires that an enterprise report a measure of profit or loss and total assets for each reportable segment. Certain expenses such as personnel costs, communication, depreciation on plant and machinery, etc., which form a significant component of total expenses, are not specifically allocable to these geographic segments as the underlying services are used interchangeably between reportable segments. Management believes that it is not practical to provide segment disclosures relating to segment costs and expenses, and consequently segment profits or losses, since a realistic allocation cannot be made. The fixed assets used in the company's business are not identifiable to any particular reportable segment and can be used interchangeably among segments. Consequently, management believes that it is not practical to provide segment disclosures relating to total assets since a realistic analysis among the various geographic segments is not possible.

2.21.2 Significant clients

No client accounted for more than 10% of the revenues in fiscal 2000 and 1999, respectively. One client accounted for 10.5% of revenues in fiscal 1998.

2.22 Year 2000

The company provided 24x7 transition support to its internal users and customers through a Year 2000 War Room. The full cost of the company's Year 2000 transition support was $ 0.6 million, which was charged to revenues in fiscal 2000. The company believes that the Year 2000 transition is complete and that there will be no more expenditure in future towards the transition.

2.23 Commitments and contingencies

The company has outstanding performance guarantees for various statutory purposes totaling $ 1,207,110, $ 760,329 and $ 438,429 as of March 31, 2000, 1999 and 1998, respectively. These guarantees are generally provided to governmental agencies.

2.24 Litigation

The company is subject to legal proceedings and claims, which have arisen, in the ordinary course of its business. These actions, when ultimately concluded and determined, will not, in the opinion of management, have a material effect on the results of operations or the financial position of the company.

2.25 Post balance sheet date events

The Board of Directors of the company declared a dividend of $ 4,550,876 at their meeting held on April 11, 2000.

2.26 Recent accounting pronouncements

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities.* SFAS 133 establishes standards for the recognition and measurement of derivatives and hedging activities. It requires an entity to record, at fair value, all derivatives either as assets or liabilities in the balance sheet as well as establishing specific accounting rules for certain types of hedges. SFAS 133 is effective for all fiscal years beginning after June 15, 1999 and will be adopted by the company when required, if not earlier. Adoption of SFAS 133 is not expected to have a material adverse effect on the company's business, financial condition and results of operations.

2.27 Unaudited quarterly financial data

in $

	June 30	September 30	December 31	March 31	Total
2000					
Revenues	39,728,900	47,941,680	52,158,059	63,615,115	203,443,754
Operating income	12,306,480	14,615,011	15,692,810	17,884,752	60,499,053
Net income	13,310,879	14,720,511	15,416,928	17,896,210	61,344,528
Earnings per share					
Basic	0.20	0.22	0.24	0.27	0.93
Diluted	0.20	0.22	0.24	0.27	0.93
Equity share price					
High	44.04	91.56	168.75	316.84	316.84
Low	29.29	41.69	75.92	130.74	29.29
1999					
Revenues	23,665,088	28,237,129	33,041,304	36,011,705	120,955,226
Operating income	6,049,541	8,181,651	10,810,441	(2,169,006)	22,872,627
Net income	4,775,766	6,159,382	9,581,679	(3,070,739)	17,446,088
Earnings per share					
Basic	0.08	0.10	0.15	(0.05)	0.28
Diluted	0.08	0.10	0.15	(0.05)	0.28
Equity share price					
High	14.75	15.96	17.46	40.73	40.73
Low	11.16	12.75	13.03	17.34	11.16
1998					
Revenues	12,791,408	16,849,466	18,771,524	19,917,563	68,329,961
Operating income	2,528,415	3,545,491	2,845,120	3,462,321	12,381,347
Net income	2,170,029	3,634,370	2,709,337	3,830,452	12,344,188
Earnings per share					
Basic	0.03	0.07	0.05	0.06	0.21
Diluted	0.03	0.07	0.04	0.06	0.20
Equity share price					
High	6.67	11.03	10.16	11.56	11.56
Low	3.54	6.65	7.12	6.84	3.54

- The third quarter of fiscal 1998 and the fourth quarter of fiscal 1999 include charges of $ 1.5 million and $ 12.9 million, respectively due to compensation charges arising out of stock split.
- Changes in estimates in the fourth quarter of fiscal 2000 include a charge of $ 2.7 million ($ 0.04 per share) resulting from a change in the estimates for gratuity calculations.
- Changes in estimates in the fourth quarter of fiscal 1999 include a charge of $ 1.0 million ($ 0.02 per share) resulting from a change in the effective income tax rate for the period.

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 20-F

(Mark One)

☐ Registration statement pursuant to section 12(b) or (g) of the Securities Exchange Act of 1934

☒ Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended March 31, 2000

☐ Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Transition period from ______to ________

Commission File Number 333-72195

INFOSYS TECHNOLOGIES LIMITED

(Exact name of Registrant as specified in its charter)

Not Applicable
(Translation of Registrant's name into English)

Bangalore, Karnataka, India
(Jurisdiction of incorporation or organization)

Electronics City, Hosur Road,
Bangalore, Karnataka
India 561 229
+91-80-852-0261
(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
None	Not Applicable

Securities registered pursuant to Section 12(g) of the Act:

American Depositary Shares,
each represented by one-half of one Equity Share, par value Rs. 5 per share.
(Title of class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:
Not Applicable
(Title of class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report – 66,150,700 Equity Shares

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes .... No ....x...........

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 .... Item 18 ....x...........

Currency of Presentation and Certain Defined Terms

Unless the context otherwise requires, references herein to the "company" or to "Infosys" are to Infosys Technologies Limited, a limited liability company organized under the laws of the Republic of India. References to "U.S." or "United States" are to the United States of America, its territories and its possessions. References to "India" are to the Republic of India. Yantra Corporation, a Delaware Corporation ("Yantra"), in which the company holds a minority interest, is considered a subsidiary of the company for purposes of Indian GAAP. "Infosys" is a registered trademark of the company in the United States and India. All other trademarks or tradenames used in this Annual Report on Form 20-F ("Annual Report") are the property of their respective owners.

In this Annual Report, references to "$ " or "dollars" or "U.S. dollars" are to the legal currency of the United States and references to "Rs." or "rupees" or "Indian rupees"" are to the legal currency of India. The company's financial statements are presented in Indian rupees and translated into U.S. dollars and are prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP"). References to "Indian GAAP" are to Indian generally accepted accounting principles. Except as otherwise specified, financial information is presented in dollars. References to a particular "fiscal" year are to the company's fiscal year ended March 31 of such year.

Unless otherwise specified herein, financial information has been converted into dollars at the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank (the "Noon Buying Rate") on March 31, 2000, which was Rs. 43.65 per $ 1.00. For the convenience of the reader, this Annual Report contains translations of certain Indian rupee amounts into U.S. dollars which should not be construed as a representation that such Indian rupee or U.S. dollar amounts referred to herein could have been, or could be, converted to U.S. dollars or Indian rupees, as the case may be, at any particular rate, the rates stated below, or at all. Any discrepancies in any table between totals and sums of the amounts listed are due to rounding. For historical information regarding rates of exchange between Indian rupees and U.S. dollars, see "Key Information – Exchange rates".

Forward-Looking Statements May Prove Inaccurate

IN ADDITION TO HISTORICAL INFORMATION, THIS ANNUAL REPORT CONTAINS CERTAIN FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933, AS AMENDED, AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. THE FORWARD-LOOKING STATEMENTS CONTAINED HEREIN ARE SUBJECT TO CERTAIN RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE REFLECTED IN THE FORWARD-LOOKING STATEMENTS. FACTORS THAT MIGHT CAUSE SUCH A DIFFERENCE INCLUDE, BUT ARE NOT LIMITED TO, THOSE DISCUSSED IN THE SECTION ENTITLED "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS" AND ELSEWHERE IN THIS REPORT. READERS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON THESE FORWARD-LOOKING STATEMENTS, WHICH REFLECT MANAGEMENT'S ANALYSIS ONLY AS OF THE DATE HEREOF. IN ADDITION, READERS SHOULD CAREFULLY REVIEW THE OTHER INFORMATION IN THIS ANNUAL REPORT AND IN THE COMPANY'S PERIODIC REPORTS AND OTHER DOCUMENTS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ("SEC") FROM TIME TO TIME.

Part I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

3.A.1 & 2 Selected financial data

This information is set forth under the caption "Summary of Selected Consolidated Financial Data" on page 96 of the Infosys Annual Report for fiscal 2000 and is incorporated herein by reference.

3.A.3 Exchange rates

Fluctuations in the exchange rate between the Indian rupee and the U.S. dollar will affect the U.S. dollar equivalent of the Indian rupee price of the equity shares on the Indian stock exchanges and, as a result may affect the market price of the ADSs in the United States, and vice versa. Such fluctuations will also affect the U.S. dollar conversion by the Depositary of any cash dividends paid in Indian rupees on the equity shares represented by the ADSs. The following table sets forth, for the fiscal years indicated, certain information concerning the exchange rates between Indian rupees and U.S. dollars based on the Noon Buying Rate:

Fiscal year ended March 31,	Period end [1]	Average [1, 2]	High	Low
1994[3]	Rs. 31.37	Rs. 31.52	Rs. 31.75	Rs. 31.37
1995[3]	31.43	31.38	31.90	31.37
1996	34.35	33.47	38.05	31.36
1997	35.88	35.70	36.85	34.15
1998	39.53	37.37	40.40	35.71
1999	42.35	42.10	43.68	39.25
2000	43.65	43.46	43.68	42.84

1. The Noon Buying Rate at each period end and the average rate for each period differed from the exchange rates used in the preparation of the company's consolidated financial statements.
2. Represents the average of the Noon Buying Rate on the last day of each month during the period.
3. From March 1, 1992 through August 19, 1994, the rupee was not permitted to fully float and convert on the current account. Instead, a dual exchange rate mechanism made the rupee partially convertible by permitting conversion of 60% of the foreign exchange received on a trade or revenue account at a market-determined rate and the remaining 40% at the official Government of India rate.
4. The high and low exchange rates for the previous six months are as follows:

Month	High	Low
October 1999	Rs. 43.73	Rs. 43.39
November 1999	43.51	43.43
December 1999	43.60	43.43
January 2000	43.65	43.55
February 2000	43.75	43.58
March 2000	43.65	43.58

3.B Capitalization and indebtedness

Not applicable.

3.C Reasons for the offer and use of proceeds

Not applicable.

3.D Risk factors

This information is set forth under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 97 through 110 of the Infosys annual report for fiscal 2000 and such information is incorporated herein by reference.

Item 4. Information on the Company

4.A History and development of the company

4.A.1 Company overview

Infosys was originally incorporated as Infosys Consultants Private Limited on July 2, 1981, as a private limited company under the Companies Act, 1956 ("Indian Companies Act"), of the Republic of India. The name of the company was changed to Infosys Technologies Private Limited in April 1992 and subsequently to Infosys Technologies Limited in June 1992 when it became a public limited company. Information about the registered office of the company is disclosed on the cover page to this Form 20-F. The name and address of the agent for service in the United States is CT Corporation System, 49, Stevenson Street, Suite 900, San Francisco, CA 94105.

The company, one of India's leading information technology ("IT") services companies, utilizes an extensive non-U.S. based ("offshore") infrastructure to provide managed software solutions to clients worldwide. Headquartered in Bangalore, India, the company has seventeen state-of-the-art offshore software development facilities located throughout India and one global development center in Canada, that enable it to provide high-quality, cost-effective services to clients in a resource-constrained environment. The company's services, which are offered on either a fixed-price, fixed-time frame or a time-and-materials basis, include custom software development, maintenance, re-engineering services, e-commerce and internet consulting as well as dedicated offshore software development centers ("OSDCs") for certain clients. In each of its service offerings, the company assumes full project management responsibility in order to strengthen client relationships, offer higher value-added services and enhance its profitability. In addition, the company develops and markets certain company-owned software products. As a result of its extensive network of offshore software development facilities, its quality systems, its disciplined processes and its significant investment in people, the company has built a platform from which it has been able to achieve significant growth to date.

The company's initial public offering ("IPO") was in February 1993 on the Bangalore Stock Exchange and raised approximately $ 4.4 million in gross aggregate proceeds. To further fund its capital programs, Infosys raised approximately $ 7.7 million in gross aggregate proceeds through a private placement of shares in October 1994. These shares were purchased by foreign institutional investors, mutual funds as well as Indian domestic financial institutions and corporations. Most recently, in order to partially fund the expansion of its existing Indian facilities and telecommunication infrastructure in Bangalore, Bhubaneswar, Chennai, Mangalore and Pune and to develop new facilities, the company raised approximately $ 70.38 million in gross aggregate proceeds through its initial U.S. public offering of American Depositary Shares ("ADSs") on March 11, 1999. The company has incurred $ 35.9 million, $ 16.1 million and $ 7.9 million in fiscal 2000, 1999 and 1998 respectively towards capital expenditure. The company intends to spend approximately $ 46.0 million in capital expenditure, during fiscal 2001, the majority of which will be utilized in India. This would be funded out of the internal accruals and existing cash balances of the company.

Through its worldwide sales headquarters in Fremont, California and 19 other sales offices located in the United States, Canada, the United Kingdom, Belgium, Sweden, Germany, Australia, Japan, and India, the company markets its services to large IT-intensive businesses. During fiscal 2000, the company derived 78.0% of its revenues from North America, 14.8% from Europe and 1.4% from India. While the company derives its revenues primarily from the United States, Infosys maintains a diversified client base, with its largest client representing 7.2% of fiscal 2000 revenues. As of March 31, 2000, the company had approximately 194 clients. This diversified client base is comprised primarily of Fortune 500 companies, growing internet companies and other multinational companies. As a result of its commitment to quality and client service, the company enjoys a high level of repeat business. For fiscal 2000 and 1999, existing clients from the previous fiscal year generated 87.0% and 90.0%, respectively, of the company's revenues.

The company was incorporated in 1981 by seven founders who shared a vision to build a world-class IT services organization based on a deeply-held value system, leadership by example, and continuous innovation. Six of these original founders remained with the company (one of the six founders, Mr. N. S. Raghavan retired on February 7, 2000), and, together with other members of the company's management council, have pursued their vision by focusing on certain key strategies including: (i) pursuing a world-class operating model; (ii) investing heavily in human resources; (iii) focusing on managed software solutions; (iv) capitalizing on a well established offshore development model; (v) maintaining a disciplined focus on business and client mix; and (vi) pursuing growth opportunities. In recognition of its efforts, the company was voted "Best Managed Company" in India by *Asiamoney* magazine in each of the last four years, was selected as "Company of the Year" by

The Economic Times Awards for Corporate Excellence in 1999, was voted "India's Most Admired Company" in a poll by *The Economic Times,* was the first recipient of the National Award for Excellence in Corporate Governance instituted by the Ministry of Finance, Government of India and sponsored by the UTI Institute of Capital Markets and was awarded the Silver Shield in each of the last five years by the *Institute of Chartered Accountants of India* as the Indian company with the best presented financial statements by a non-financial company. Management believes that this reputation for leadership and innovation and the recognition it has received has been and will continue to be a key competitive advantage, particularly in attracting and retaining the highest quality IT professionals.

4.B Business overview

4.B.1 Industry overview

In today's increasingly competitive business environment, companies have become dependent on IT not only for efficiency in day-to-day operations, but also as a strategic tool for re-engineering business processes, restructuring organizations and for reacting quickly to competitive, regulatory and technological changes. For these reasons, IT capabilities are particularly critical in certain vertical markets that are undergoing rapid deregulation and globalization like financial services, utilities and telecommunications. As corporations are becoming increasingly reliant on their IT systems, the technological challenges of managing such systems have increased. IS departments must not only implement new systems based on technologies such as internet and client/server systems, but maintain and update legacy systems to work with the latest software and hardware, to expand functionality, to recognize and process dates that begin in the year 2000 and to handle other developments such as the conversion to Eurocurrency.

As businesses have become more dependent on IT, corporate budgets for IT services have grown dramatically. According to the NASSCOM-McKinsey Study™, on "Indian I. T. Strategies", the total market for IT products and services is expected to grow from $ 461 billion in 1998 to $ 1.92 trillion by 2008. India's share of the relevant market will grow to nearly $ 57 billion by 2008. The need to outsource is particularly acute for companies whose IT staff lack the requisite skill set and project management capabilities to implement new technologies, yet are reluctant to work solely with outdated technology. As a result, such companies seek third-party IT service providers to implement new technology and support existing legacy systems. Additionally, in many cases, businesses are being forced to outsource IT projects due to the difficulty and expense of recruiting and training sufficient IT staff in a resource-constrained environment. Outsourcing enables businesses to minimize the risks and reduce the time-to-completion of large IT projects by shifting some or all of their IT responsibilities to capable service organizations. In addition to this trend towards outsourcing, the IT services industry has also benefited recently from a significant demand for Year 2000 conversion services.

Simultaneously with this significant increase in demand for IT services, the supply of qualified IT professionals has decreased in most developed countries, particularly the United States, Western Europe and Japan. According to the United States Department of Education, the number of bachelor degrees in computer science awarded annually at U.S. universities fell 41.7% from 41,889 in 1986 to 24,404 in 1995. One result of this downward trend is a growing shortage of IT professionals in the United States; furthermore, the United States Department of Commerce has estimated that between 1994 and 2005, U.S. companies will require more than one million new IT professionals to fill newly created positions and to replace workers who are retiring or are otherwise leaving the IT sector.

This shortage of IT professionals, along with recent advances in telecommunications and the growing acceptance of telecommuting, has led to the globalization of the market for IT services. It is now well accepted that remote offshore software development and maintenance is possible if the offshore facilities leverage world-class physical and technological infrastructure, quality processes, project management methodologies, and data communications infrastructure to provide video conferencing, internet/e-mail connectivity and remote computer access. By outsourcing software development and maintenance projects to offshore IT service providers, establishing overseas facilities, or entering into joint ventures with foreign partners, companies have been able to access skilled IT professionals in lower cost environments with a large population of English-speaking technical talent.

India: A source for software services. According to a survey of U.S. software service vendors conducted by the World Bank, India is the leading offshore destination for companies seeking to outsource software development or IT projects. India's National Association of Software and Service Companies ("NASSCOM") estimates that India's export revenue from software, including software services, was approximately $ 2.7 billion in fiscal 1999 and will reach $ 4.0 billion by fiscal 2000, contributing to total Indian software industry revenues of approximately $ 5.9 billion by fiscal 2000.

There are three key factors contributing to this rapid growth of India's software market. First, India has a large, skilled labor pool that is available at a relatively low labor cost. With over four million engineers, India ranks second only to the United States as the country with the largest population of English-speaking technical personnel. According to NASSCOM, the number of software professionals employed by the Indian software industry was around 250,000 in 1998-99 as compared to 200,000 in the previous year. India has more than 1,800 engineering colleges and technical institutes which produce approximately 68,000 IT graduates annually. This sizable pool of IT talent in India is available to companies worldwide. According to Software Productivity Research, the average annual wage for software professionals in India is approximately 15% of the average U.S. rate. Although wages in India are rising faster than in the United States, the labor rate differential is anticipated to remain a competitive advantage for Indian companies in the foreseeable future.

A second key factor driving the Indian software market is the capability of Indian IT firms to produce high-quality software deliverables. A NASSCOM analysis of international quality standards of the top 300 Indian software companies undertaken in August 1999, showed that 137 had already acquired ISO 9000 or SEI Level 2 equivalent certification, with an additional 74 anticipated to acquire such certification by March 2000. These capabilities have led to the recognition of India's IT talent by companies worldwide. To take advantage of India's high-quality IT services at attractive prices, companies worldwide have outsourced their software services needs to India unrestrained by distances or transportation limitations that often handicap Indian manufacturing firms. In fact, the 10 to 12 hour time difference between India and its largest market, the United States, allows work to be carried on by teams spanning both countries on a 24-hour basis, shortening cycle times and improving productivity and service quality.

The final factor driving the Indian software industry is the recognition by successive Indian governments in recent times of the importance of the IT sector in the Indian economy. In 1991, the Government of India introduced a number of measures to liberalize the economy and thus addressed the economic difficulties that India had been facing. These measures included policies to stimulate investment in infrastructure industries and the growing Indian software industry. This commitment to the software sector has been and continues to be pursued by each successive government since 1991. For example, the most recent Government of India established the National Task Force on Information Technology in April 1998 with a mandate to make recommendations that detail policies designed to increase India's IT exports. In addition, software firms benefit from a variety of incentives, such as relief from import duties on hardware, a tax deduction for income derived from software exports, and infrastructure support for companies operating in Software Technology Parks.

4.B.2 Strategy

4.B.2.1 Business strategy

The company's vision is to become a globally respected corporation providing best-of-breed solutions employing best-in-class professionals. In order to achieve this goal, the company focuses on the following key elements of its business strategy:

Pursue world-class operating model. The management believes that one of the most critical contributing factors to the company's success has been its commitment to pursue high-quality standards in all aspects of its business, including deliverables to the customers, human resource management, investor relations, planning, finance, physical and technological infrastructure, sales and marketing. In its services and operations, the company achieves quality through rigorous adherence to highly evolved processes, including a detailed approach to planning and execution, multi-level testing and careful tracking and analysis of quality control. The company is certified under the ISO 9001 and TickIT quality standards. In addition, the company has been certified at Level 5 of the Capability Maturity Model, a software-specific quality management model developed by the Software Engineering Institute at Carnegie Mellon University. This model defines five levels of process maturity for a software organization. Certification to Level 5 has been achieved by only around 20 companies worldwide assessed under the Capability Maturity Model. Infosys also adheres to high-quality standards in its investor relations. For example, the company was one of the first public Indian companies to adopt U.S. GAAP reporting in fiscal 1995 and quarterly-audited Indian financial statements in fiscal 1998.

Invest heavily in human resources. The company believes that its continued success will depend upon its ability to recruit, train, deploy and retain highly talented IT professionals. Even as the field of software engineering has been attracting the best and brightest Indian students, management believes the company has become, for Indian engineering graduates, one of the most sought after employers. The company focuses its recruiting efforts on the top 20% of the students from the engineering departments of Indian universities and uses a series of tests and interviews to identify the best applicants. In an effort to attract the most highly qualified candidates, the company has spent significant resources in creating a quality work environment. For example, its main facility in Bangalore, which spans five acres, encompasses not only 160,000 sq. ft. of office space but also 150,000 sq. ft. of landscaping, a cafeteria, outdoor sitting area, library and gymnasium as well as tennis, volleyball and basketball courts. Through this campus-like environment, the company fosters a collegial atmosphere and informal culture, which is further promoted by its "open door" operating philosophy where communication and ideas flow freely irrespective of title or tenure. The company also offers its IT professionals challenging assignments, competitive salaries and benefits and one of the first stock option plans adopted by a public Indian company. In addition, the company invests heavily in training, including three-month training sessions for newly recruited IT professionals as well as a variety of two-week continuing education courses in technology and management skills conducted by a 50-person faculty. As a result of this high level of investment in its people, management believes that the company has become one of the most attractive employers for Indian software professionals and that its attrition rate is significantly below the industry average.

Focus on managed software solutions. Since its inception, the company has dedicated itself to providing managed software solutions, many of which are offered on a fixed-price, fixed-time frame basis. By taking full project management responsibility in every project, the company provides its clients high-quality, cost-effective solutions with low risk. Such services offer the company the opportunity to build client confidence with the potential benefit of enhanced margins. Management believes that by demonstrating its ability to manage and successfully execute large projects, the company is better positioned to become a long-term partner to its clients for all of their software needs. In addition, by retaining project management responsibility, the company accumulates significant industry expertise and continues to develop and refine its software development tools and proprietary methodologies.

Capitalize on a well-established offshore development model. As one of the pioneers of the offshore software development model, the company has made significant investments in its infrastructure and has developed the advanced processes and expertise necessary to manage and successfully execute projects in multiple locations with seamless integration. The company has high levels of project management skills and rigid controls as evidenced by its Level 5 Capability Maturity Model certification. This commitment to quality allows the company to successfully execute approximately 68% of its project work in India while maintaining a high level of client satisfaction. These capabilities not only provide significant cost advantages but also shorten the time to deliver a solution to the client. With significant investments in offshore software development facilities, plans to expand its available facilities significantly and plans to hire additional IT professionals, the company believes that it is well-positioned to serve clients globally in a resource-constrained environment.

Maintain disciplined focus on business and client mix. The company provides a wide range of software services and maintains a disciplined focus on its business mix in an effort to avoid service or client concentration. Beginning in fiscal 1996, the company aggressively sought to minimize its client concentration and to accept as clients only those that met strict guidelines for overall revenue potential and profitability. In fiscal 2000 and 1999, the company's largest client accounted for 7.2% and 6.4%, respectively, of revenues and its five largest clients accounted for 30.2% and 28.4%, respectively, of revenues. Similarly, the company has endeavored to maintain a balance among its service offerings despite certain trends in the marketplace, in particular, Year 2000 remediation services. This balance is key to ensuring that the technology skill sets of the company's IT professionals remain diversified. Such diversification is critical not only in providing the company the flexibility to adapt to changing market conditions but also in attracting and retaining highly skilled professionals who seek the opportunity to continue to learn new technologies.

4.B.2.2 Growth strategy

From fiscal 1994 to fiscal 2000, the company experienced compounded annual revenue and net income growth rates of 62% and 73%, respectively, and grew from approximately 480 IT professionals to approximately 4,625. The following are the key elements of the company's growth strategy:

Broaden service offerings. To meet all of its clients' IT needs, the company strives to offer a comprehensive range of services by continuously evaluating new and emerging technologies. As a full-service provider, the company believes that it can increase its revenues from existing clients as well as attract new clients. Toward this end, the company has opportunistically expanded its services beyond its core development, maintenance and re-engineering services. For example, the company has recently begun initiatives to develop practices focused on packaged applications implementation, e-commerce and internet/intranet services. E-commerce and internet/intranet services constituted 18.8% during fiscal 2000. The management believes that these services will increasingly become a significant part of the company's portfolio of services.

Increase business with existing clients. In fiscal 2000, the company provided software services for more than 190 clients in the United States, Europe, Australia, Asia and Japan. A key objective of the company's growth strategy is to expand the nature and scope of its engagements with existing clients both by increasing the volume of its projects and by expanding the breadth of services offered. Establishing broad, long-term relationships potentially increases the quality and efficiency of the company's service to a particular client since each project performed for a client increases the company's understanding of the client's systems, requirements and business practices. For the same reason, establishing broad, long-term relationships with a client also reduces the company's marketing costs, increases the client's reliance on the company and creates barriers to entry for competitors. The company seeks to foster such relationships by delivering high-quality services on time and on budget and, over the course of a relationship, by increasing the integration of its services with the client's internal IT operations. To date, this approach has been highly effective. Despite the company's high rate of growth during the last few years, over 85% of revenues in both fiscal 2000 and 1999 were generated from companies who were clients in the prior fiscal year.

Develop new clients. The company pursues several new client development strategies. First, the company offers a broad array of managed software solutions that provide an initial entry into a new client. Second, Infosys believes that it can leverage the industry-specific expertise it has developed in key vertical markets (financial services, manufacturing and distribution, retail, telecommunications and technology) to further develop its portfolio of clients in these targeted markets. This vertical market orientation continues to help Infosys design and develop re-usable software tools and processes which have specific applications to clients in these markets and which can improve the company's efficiency and productivity.

Finally, the company intends to expand its global sales and marketing infrastructure by hiring new sales and marketing personnel, opening additional regional sales offices and increasing its marketing expenditures. Infosys currently maintains sales and marketing offices in 20 locations and intends to add new offices in North America, Europe and Asia. The management believes that increasing the company's geographic presence will enhance its ability to establish and support new client relationships.

Increase revenue per IT professional. To increase its revenue per IT professional, the company continually focuses on building expertise in vertical markets, refining its software development tools and methodologies, and storing and disseminating experiential knowledge in order to improve efficiency and productivity. Additionally, to enhance productivity per IT professional, Infosys continually monitors client accounts for profitability and seeks to focus on select new clients and on those existing client relationships that have the potential for high long-term profitability. The company's policy is to decline or discontinue projects that do not offer the potential to meet its profitability targets. Finally, the company is seeking to increase the proportion of projects that are undertaken on a fixed-price, fixed-time frame rather than a time-and-materials basis. The management believes that effectively structured fixed-price, fixed-time frame projects benefit the client by reducing the client's risk, while offering the company the potential benefit of enhanced margins for projects that are performed efficiently.

Expand and diversify base of IT professionals. Management believes that a critical element of the company's growth strategy is its ability to increase its base of IT professionals. To address this issue, the company plans to build new software development facilities in locations where it can access local pools of talent as well as increase the number of professionals employed at its existing locations. In addition, the company looks at other fields of expertise, such as business school graduates and accountants, for recruiting. Accordingly, the company has approved plans to expand its facilities in Bangalore, Bhubaneswar, Chennai, Mangalore, Pune and has opened new facilities in Hyderabad, Mysore and Mohali, Punjab all in India and one global development center in Toronto, Canada. The company is also contemplating addition of facilities in the United States, Europe and Asia.

Pursue selective strategic acquisitions. The company believes that pursuing selective acquisitions of IT services and software applications firms could potentially expand the company's technical expertise, facilitate expansion into new vertical markets and increase its client base. Although no acquisitions are currently being contemplated, the company anticipates that it will seek to identify and acquire companies that have well-developed applications in vertical markets, extensive client bases, proprietary technical expertise, or other strengths that would complement the company's business.

4.B.2.3 The Infosys offshore development model

The Indian offshore development model became popular in the mid-1990's as a method of dividing software project activities between a service provider's offshore software development facility and a client's on-site location. This model contains many features that are attractive to IT consumers who are primarily located in the United States, Europe and Japan, including: (i) access to a large pool of highly skilled, English-speaking IT professionals; (ii) relatively low labor costs of IT professionals offshore; (iii) the ability to provide high-quality IT services at internationally recognized standards; (iv) the capability to work on specific projects on a 24-hour basis by exploiting time zone differences between India and client sites; and (v) the ability to accelerate the delivery time of larger projects by parallel processing different phases of a project's development. While some U.S. and European companies have commenced their own operations in India, most large corporations have opted to form strategic alliances with local Indian IT companies to reduce the risks and start-up costs of operations in India.

As one of the pioneers of the offshore development model, Infosys has a long history of successfully executing projects between its clients' sites in North America, Europe and Asia and the company's offshore software development facilities in India. In a typical software development or re-engineering assignment, the company assigns a small team of two to five IT professionals to visit a client's site and determine the scope and requirements of the project. Once the initial specifications of the engagement have been established, the project managers return to India to supervise a much larger team of 10 to 50 IT professionals dedicated to the development of the required software or system. A small team remains at the client's site to track changes in scope and address new requirements as the project progresses. The client's systems are then linked via satellite to the company's facilities enabling simultaneous processing in as many as four offshore software development facilities. Once the development stage of the assignment is completed and tested in India, a team returns to the client's site to install the newly developed software or system and ensure its functionality. At this phase of the engagement, the company will often enter into an ongoing agreement to provide the client with comprehensive maintenance services from one of its offshore software development facilities. In contrast to development projects, a typical maintenance assignment requires a larger team of 10 to 20 IT professionals to travel to the client's site to gain a thorough understanding of all aspects of the client's system. The majority of the maintenance team subsequently returns to the offshore software development facility, where it assumes full responsibility for day-to-day maintenance of the client's system, while coordinating with a few maintenance professionals who remain stationed at the client's site. By pursuing this model, the company completes approximately 68% of its project work at its offshore software development facilities in India.

The company's project management techniques, risk management processes and quality control measures enable it to complete projects seamlessly across multiple locations with a high level of client satisfaction. Certified under ISO 9001, TickIT and at Level 5 of the Capability Maturity Model, the company rigorously adheres to highly evolved processes. These processes govern all aspects of the software product life cycle, from requirements to testing and maintenance. The company seeks to prevent defects through its quality program, which includes obtaining early sign off on acceptance test scripts, project specifications and design documents, assigning software quality advisors to help each team set up appropriate processes for each project and adhering to a multi-level testing strategy. Defects are documented, measured, tracked and analyzed, and feedback is provided to the project manager. The company compiles metrics for not only defect density and size, but also actual effort as compared to project estimates, adherence to schedule and productivity. Frequent internal and external audits are conducted to assure compliance with procedures. All of these procedures have been continuously refined throughout the company's history of providing its clients with offshore software development services.

In addition to the processes and methodologies necessary to successfully execute the offshore model, the company has invested significant resources in its infrastructure to ensure uninterrupted service to its clients. The company has invested in redundant infrastructure with "warm" backup sites and redundant telecommunication capabilities with alternate routings to provide its clients with high service levels. Additionally, the company utilizes two telecommunications carriers in India and has installed in its principal facilities multiple international satellite links connecting with network hubs in Fremont, California and in Quincy, Massachusetts. A different ocean cable connecting Europe and the United States serves each of these hubs. Moreover, the company has installed wireless links among its facilities in Bangalore and intends to install wireless links among its other Indian facilities by the end of 2000.

4.B.3 Service offerings and products

The company's services include software development, maintenance and re-engineering services, e-commerce and internet/intranet consulting as well as dedicated OSDCs for certain clients. In each of its service offerings the company assumes full project management responsibility for each project it undertakes rather than providing supplemental personnel to work under a client's supervision. In addition to its IT services, the company as well as its minority-owned subsidiary, Yantra, also develop and market certain packaged applications software.

4.B.3.1 Software development

The company provides turnkey software development, typically pursuant to fixed-price, fixed-time frame contracts. The projects vary in size and may involve the development of new applications or new functions for existing software applications. Each development project typically involves all aspects of the software development process, including definition, prototyping, design, pilots, programming, testing, installation and maintenance. In the early stage of a development project, Infosys personnel often work at a client's site to help determine project definition and to estimate the scope and cost of the project. Infosys then performs design review, software programming, program testing, module testing, integration and volume testing, primarily at its own facilities in India. For example, for a telecommunications client facing deregulation and subsequent declining market share, the company partnered with a specialty marketing firm to design and implement a customer rewards program. Infosys was able to work with both the marketing firm and the client to complete this project within six months, ensuring the system's technical proficiency and enabling the client to reverse the trend of declining market share.

4.B.3.2 Software maintenance

The company provides maintenance services for large legacy software systems. Maintenance services include minor and major modifications and enhancements (including Year 2000 and Eurocurrency conversion) and production support. Such systems are either mainframe-based or client/server and are typically essential to a client's business, though over time they become progressively more difficult and costly for the client's internal IT department to maintain. By outsourcing the maintenance responsibilities to Infosys, clients can control costs and free their IT departments for other work. The company's IT professionals take an engineering approach to software maintenance, focusing on the long-term functionality and stability of the client's overall system and attempting to avoid problems stemming from "quick-fix" solutions. The company performs most of the maintenance work at its own facilities using satellite-based links to the client's system. In addition, the company maintains a small team at the client's facility to coordinate support functions. Infosys was a pioneer in managing time-zone differences between India and the United States to provide near 24-hour maintenance services. As an example, the IT department of a large retailer with inadequate and inflexible systems was overburdened by both building new systems and maintaining the current legacy infrastructure. The company was able to assume maintenance responsibilities for these systems in a short time frame and reduce maintenance costs to the client by utilizing its offshore facilities.

4.B.3.3 Software re-engineering

The company's re-engineering services assist clients in migrating to new technologies while extending the life cycle of existing systems that are rich in functionality. Projects include re-engineering software to migrate applications from mainframe to client/server architectures, to extend existing applications to the internet, to migrate from existing operating systems to UNIX or Windows NT, or to update from a non-relational to a relational database technology. For companies with extensive proprietary software applications, implementing such technologies may require rewriting and testing millions of lines of software code. As with its other services, the company has developed proven methodologies that govern the planning, execution and testing of the software re-engineering process. For instance, for a nationwide manufacturer and distributor experiencing operating inefficiency with a legacy system installed in its two call centers, the company re-engineered the system to run in a distributed processing environment with front-end internet browser-based capabilities allowing 24-hour internet access to the client's distribution systems. As a result, the client was able to consolidate its call center workforce into one location and reduce its workforce by over 50%.

4.B.3.4 Dedicated offshore software development centers

The company has pioneered the concept of dedicated OSDCs in which a software development team that is dedicated to a single client uses technology, tools, processes and methodologies unique to that client. Each dedicated OSDC is located at a company facility in India and is staffed and managed by the company. Once the project priorities are established by the client, the company, in conjunction with the client's IT department, manages the execution of the project. By focusing on a single client over an extended time frame, the dedicated OSDC team gains a deeper understanding of the client's business and technology and can begin to function as a virtual extension of the client's software team.

4.B.3.5 New services

The company is also focussed in certain new service areas such as (i) internet consulting, which includes developing e-commerce and internet/intranet solutions; (ii) Euro conversion, which assists clients in making their systems Euro compliant; and (iii) engineering services, which include software product design. For example, the company recently developed an intranet-based application to automate the sales order creation process of one of the world's largest office solution companies, using Java on an Oracle application server. Also, the company recently developed an intranet client service portal for a leading US life insurance firm that enables its agents to view customer policies, insurance history and rates, etc.

4.B.3.6 Software products

In addition to the IT services described above, the company develops and markets certain proprietary software applications. Bancs2000 is an online, retail and corporate banking system that offers rich functionality, scalability and flexibility for automation of banking operations. This product is used by banks in emerging markets that seek to implement state-of-the-art banking technology and achieve high levels of client service. Bancs2000 has been installed at more than 535 bank branches in India, Sri Lanka, Nepal, Indonesia and Tanzania. In addition, BankAway was implemented at four banks during the year.

4.B.4 Markets and sales revenue

The company markets its services primarily to large IT-intensive organizations in North America, Europe, and Japan The company focuses on certain market segments, including financial services, manufacturing and distribution, retail, telecommunications and technology. The company provides a wide range of IT services and maintains a disciplined focus on its business mix in an effort to avoid service or client concentration. Beginning in fiscal 1996, the company aggressively sought to minimize its client concentration and to accept as clients only those that met strict guidelines for overall revenue potential and profitability. For fiscal 2000, 1999 and 1998, the company's largest client accounted for 7.2%, 6.4% and 10.5%, respectively, of revenues. Revenues for the last three fiscal years by geographic area are as follows:

Year ended March 31,	2000	1999	1998
North America	$ 158,723,649	$ 99,203,989	$ 56,211,753
Europe	30,064,939	11,302,791	6,179,621
India	2,912,091	2,051,492	1,799,368
Rest of the world	11,743,075	8,396,954	4,139,219
	$ 203,443,754	$ 120,955,226	$ 68,329,961

4.B.5 Sales and marketing

The company sells and markets its services and products from 20 sales offices located in nine countries. In the United States, the company presently has sales offices located in Atlanta, Boston, Chicago, Dallas, Detroit, Fremont, Los Angeles, New

York and Seattle. Additionally, the company's international sales offices are located in Australia, Belgium, Canada, Germany, India, Japan, Sweden and the United Kingdom. With its global sales headquarters in Fremont, California and its corporate marketing group in Bangalore, India, the company targets its sales and marketing efforts towards IT-intensive organizations in North America, Europe and Japan. As of March 31, 2000, the company had 48 sales and marketing employees outside of India. To continue this focus on countries with sophisticated IT services needs, the company intends to expand its global sales and marketing infrastructure by opening additional regional sales and marketing offices in North America and Europe. In addition, the company has partnered with Teksels S.A., a Swiss firm, to assist its marketing efforts in Switzerland.

From its offices located around the world, the company's sales professionals contact prospective clients in developed markets and position the company as a leading IT services provider with operations in India. In many cases, potential clients in their search for offshore IT service providers submit a request for proposal from leading Indian software firms, including the company. The company's superior management team, quality of work, competence of its IT professionals, and competitive prices are often cited as reasons for the award of competitive contracts. In addition, the company's impressive client references and endorsements as well as its willingness to participate in trade shows and speaking engagements, have helped the company to generate greater awareness for its services. The company believes that its NASDAQ listing and its profile as a public company in the United States will further enhance its corporate marketing efforts. The company has focused its sales and marketing efforts on expanding the scope and depth of its relationships with existing clients. Although initially the company may only provide one service to a client, the company seeks to convince the client to expand and diversify the type of services the client outsources to the company. As a result, the company strengthens its relationships with its clients by closely integrating its services with its clients' IT operations. The success of this targeted strategy is reflected in the company's high rate of repeat business. Over 85% of the company's revenues in each of the last two fiscal years were generated from pre-existing clients.

4.B.6 Competition

The market for IT services is highly competitive. Competitors include IT services companies, large international accounting firms and their consulting affiliates, systems consulting and integration firms, temporary employment agencies, other technology companies and client in-house MIS departments. Competitors include international firms as well as national, regional and local firms located in the United States, Europe and India. The company expects that future competition will increasingly include firms with operations in other countries, potentially including countries with lower personnel costs than those prevailing in India. Part of the company's competitive advantage has historically been a cost advantage relative to service providers in the United States and Europe. Since wage costs in India are presently increasing at a faster rate than those in the United States, the company's ability to compete effectively will become increasingly dependent on its reputation, the quality of its services and its expertise in specific markets. Many of the company's competitors have significantly greater financial, technical and marketing resources and generate greater revenue than the company, and there can be no assurance that the company will be able to compete successfully with such competitors and will not lose existing clients to such competitors. The company believes that its ability to compete also depends in part on a number of factors outside its control, including the ability of its competitors to attract, train, motivate and retain highly skilled IT professionals, the price at which its competitors offer comparable services and the extent of its competitors' responsiveness to client needs.

4.B.7 Intellectual property

Ownership of software and associated deliverables created for clients is generally retained by or assigned to the client, and the company does not retain an interest in such software or deliverables. The company also develops software products and software tools which are licensed to clients and remain the property of the company. The company relies upon a combination of non-disclosure and other contractual arrangements and copyright, trade secret and trademark laws to protect its proprietary rights in technology. The company currently requires its IT professionals to enter into non-disclosure and assignment of rights agreements to limit use of, access to and distribution of its proprietary information. The source code for the company's proprietary software is generally protected as trade secrets and as unpublished copyrighted works. The company has obtained registration of "INFOSYS" as a trademark in India and in the United States. The company does not have any patents or registered copyrights in the United States. The company generally applies for trademarks and service marks to identify its various service and product offerings.

The laws of India may not, under some circumstances, permit the protection of the company's proprietary rights in the same manner or to the same extent as the laws of the United States. India is a member of the Berne Convention and the Universal Copyright Convention, as revised at Paris (1971), both international treaties. As a member of the Berne Convention, the Government of India has agreed to extend copyright protection under its domestic laws to foreign works, including works created or produced in the United States. The company believes that laws, rules, regulations and treaties in effect in the United States and India are adequate to protect it from misappropriation or unauthorized use of its copyrights. However, there can be no assurance that such laws will not change in ways that may prevent or restrict the protection of the company's proprietary rights. There can be no assurance that the steps taken by the company to protect its proprietary rights will be adequate to deter misappropriation of any of its proprietary information or that the company will be able to detect unauthorized use and take appropriate steps to enforce its intellectual property rights.

Although the company believes that its services and products do not infringe on the intellectual property rights of others, there can be no assurance that such a claim will not be asserted against the company in future. Assertion of such claims against the company could result in litigation, and there is no assurance that the company would prevail in such litigation or be able to obtain a license for the use of any infringed intellectual property from a third party on commercially reasonable terms. There can be no assurance that the company will be able to protect such licenses from infringement or misuse, or prevent infringement claims against the company in connection with its licensing efforts. The company expects that the risk of infringement claims against the company will increase if more of the company's competitors are able to obtain patents for software products and processes. Any such claims, regardless of their outcome, could result in substantial cost to the company and divert management's attention from the company's operations. Any infringement claim or litigation against the company could, therefore, have a material adverse effect on the company's results of operations and financial condition.

4.B.8 Government of India incentives and regulation.

The company benefits from a variety of incentives given to software firms in India, such as relief from import duties on hardware, a tax exemption for income derived from software exports, and tax holidays and infrastructure support for companies, such as Infosys, operating in specially designated "Software Technology Parks". There can be no assurance that these incentives will continue in future. Further, there is a risk that changes in tax rates or laws affecting foreign investment, currency exchange rates or other regulations will render the Government of India's regulatory scheme less favorable to the company and could adversely affect the market price of the company's equity shares and its ADSs. Should the regulations and incentives promulgated by the Government of India become less favorable to the company, the company's results of operations and financial condition could be adversely affected.

4.C Organizational structure

The company holds a minority interest in Yantra and is a joint venture member of the JASDIC Park Company ("JASDIC") which is an Indo-Japanese consortium founded by Kenichi Ohmae. Yantra's primary objectives are to develop, sell and support software products in the retail and distribution areas. When Infosys established Yantra, it transferred the intellectual property rights in Eagle (now known as WMSYantra), a software solution for warehouse management, to Yantra, for shares of common stock of Yantra. Subsequently, in September 1998, Yantra raised working capital funds from the company and U.S. venture capitalists through a private placement of its convertible preferred stock. In the third quarter of fiscal 1999, the company sold 1,363,637 shares of Yantra's preferred stock held by it to a U.S. venture capital fund based in Boston. As a result of this sale, the company reduced its economic interest in Yantra to less than one-half of the voting stock of Yantra. The company continues to own all of the outstanding common stock in Yantra but has no financial obligations or commitments to Yantra and does not intend to provide it with financial support, and therefore does not recognize Yantra's performance in financial statements after October 20, 1998. On June 14, 1999, Yantra sold Series C Convertible Preferred Stock for an aggregate purchase price of $ 15.0 million to various existing and new investors, which reduced Infosys' economic interest in Yantra to approximately 25%.

JASDIC was formed as a consortium of several Japanese companies and three Indian companies, including Infosys. JASDIC's primary objectives are to provide high-quality software services from India to the Japanese market. During fiscal 1999, the company invested 24 million Yen equivalent to $ 0.18 million in JASDIC with the purpose of promoting the company's strategy of diversifying its geographic customer base.

Additionally, the company has begun an incubation mechanism for its existing employees to launch their own ventures while continuing to derive benefits from a close association with Infosys. The company has piloted *Onscan* – a web-focused wireless-enabled notification service.

4.D Property, plants and equipment

The company's principal campus situated at Electronics City, Bangalore, India, is owned by Infosys and consists of its corporate office and two new software development facilities. The corporate office consists of 220,000 square feet of land with 150,000 square feet of landscaped area, a 160,000 square feet building with 32 conference rooms and leisure infrastructure, including cafeteria, sports facilities and gymnasium. The technological infrastructure at the corporate office includes over a 1,000 networked workstations, several Netware, UNIX and WINDOWS NT servers, systems from HP, IBM, SUN, DEC, COMPAQ, ACER and AST, a video-conferencing facility, and multiple 64 kbps data communication links. In addition, the company has set up "Infosys Park I", a new software development facility, consisting of 435,600 square feet of land with 323,400 square feet of building including one block of 77,000 square feet, currently under construction. The other new software development facility, "Infosys Park II", consisting of 693,900 square feet of land with proposed building of 290,000 square feet is under construction, of which, 120,000 square feet of building is ready for use.

As part of its strategy to provide high-quality services to its clients, the company has a detailed facility management plan. First, the company seeks to provide its Indian IT professionals with facilities that are comparable to those used by software companies in the United States and Europe. Second, the company seeks to establish facilities near large sources of technical talent. Third, the company equips its facilities to minimize vulnerability to interruptions in local utility and telecommunication services.

The company acquired the land where its corporate headquarters are located from the State of Karnataka in 1993 and has subsequently acquired parcels for various other offices, pursuant to certain lease cum sale agreements (the "Conditional Purchase Agreements"), which are used by the State of Karnataka to make land available to private companies for specific purposes. Under the Conditional Purchase Agreements, property is sold subject to a long-term (typically 25-year), rental-free lease which transfers ownership to the buyer at the end of the period provided that the buyer uses the land for specified purposes. The Conditional Purchase Agreements require the company to use the various parcels for software development facilities. Typically, the company pays 99% of the purchase price at the time the agreement is signed and pays the remaining 1% when the term is concluded.

The company has its worldwide sales headquarters in Fremont, California and branch sales offices in Atlanta, Bangalore, Boston, Brussels, Chennai, Chicago, Dallas, Detroit, Frankfurt, London, Los Angeles, Mumbai, New Delhi, New York, Seattle, Stockholm, Tokyo and Toronto. All sales offices, except the Mumbai office, are in leased facilities.

The company plans to expand its facilities to meet its anticipated growth. Currently, the company is planning new facilities in Bangalore, Bhubaneswar, Chennai, Mangalore and Pune. The table on the following page sets forth certain information as of March 31, 2000 relating to the company's principal facilities and proposed developments:

Location	Approximate Sq.ft.	Ownership	Type of facility
Bangalore, India (Plots 45, 46, Electronics City)	323,400 [1]	Conditional purchase	Software development facility
Bangalore, India (Plots 4/1, 4/2, 4/3, 4/4, 26/1, 26/2, 97C, 97D and 97E, Electronics City)	290,000 [2]	Conditional purchase	Proposed software development facility
Bangalore, India (Plots 44 and 97A, Electronics City)	160,000 [3]	Conditional purchase	Corporate headquarters, software development facility
Bangalore, India (Survey No. 8 and 9, Electronics City)	– [4]	Conditional purchase	Proposed software development facility
Bangalore, India (Dickenson Road)	7,000	Owned	Office premises
Bangalore, India (BTM Layout)	11,300	Leased	Software development facility
Bangalore, India (Koramangala)	22,000	Leased	Software development facility
Bangalore, India (J. P. Nagar, Phase II)	– [5]	Owned	Proposed office premises
Bangalore, India (J. P. Nagar, Phase III)	59,500	Leased	Software development facility
Bangalore, India (Adarsh Gardens)	78,700	Owned	Employee residence flats and guesthouses
Hyderabad, India	5,000	Leased	Software development facility
Mangalore, India, (Kankanady).	14,100	Leased	Software development facility
Mangalore, India, (MUDA Building)	33,900	Leased	Software development facility
Mangalore, India	5,100	Owned	Guesthouses
Mohali, Punjab, India	20,000	Leased	Software development facility
Mumbai, India	1,200	Owned	Sales and marketing office
Mysore, India	6,000	Leased	Software development facility
Pune, India	43,700	Leased	Software development facility
Pune, India	202,700 [6]	Conditional purchase	Software development facility
Pune, India	3,300	Owned	Employee residence flats
Bhubaneswar, India	52,900	Leased	Software development facility
Bhubaneswar, India	189,100 [7]	Conditional purchase	Proposed software development facility
Bhubaneswar, India (S/2, Jayadev Vihar Mouza)	– [8]	Conditional purchase	Proposed software development facility
Chennai, India	26,600	Leased	Software development facility
Chennai, India	23,200	Leased	Software development facility
Chennai, India	193,800 [9]	Conditional purchase	Proposed software development facility
Delhi, India	2,500	Leased	Sales and marketing office
Fremont, California	17,700	Leased	Worldwide sales headquarters and proximity development center
Toronto, Canada	13,000	Leased	Global development center
Boston, Massachusetts	7,400	Leased	Proximity development center

1. Total land parcel is 435,600 square feet. One block of 77,000 square feet is under construction.
2. Total land parcel is 693,911 square feet.
3. Total land parcel is 220,000 square feet.
4. The company has not yet determined the aggregate square feet of the proposed development. The land parcel is approximately 435,600 square feet.
5. The company has not yet determined the aggregate square feet of the proposed development. The land parcel is approximately 16,500 square feet.
6. Total land parcel is 1,089,000 square feet.
7. Total land parcel is 1,089,000 square feet.
8. The company has not yet determined the aggregate square feet of the proposed development. The land parcel is approximately 293,333 square feet.
9. Total land parcel is 577,607 square feet.

Material plans to construct, expand and improve facilities

The company intends to create new software development facilities in various places in India partly to shift the operations which are in the existing leased facilities and partly to expand the existing capacities to provide for the growth in business. Such expansions are planned in Bangalore, Bhubaneswar, Chennai, Mangalore and Pune. Most of these facilities would be operational in the next 24 months. As of March 31, 2000, the company had contractual commitments for capital expenditure of $ 18.4 million. The company has not yet made contractual commitments for the majority of its budgeted capital expenditure. The company intends to spend approximately $ 46.0 million on various capital expenditure during fiscal 2001 and the same would be met out of the internal accruals and existing cash balances of the company. In the opinion of the company, the working capital is sufficient for the company's present requirements.

Item 5. Operating and Financial Review and Prospects

5.A Operating results

This information is set forth under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 97 through 110 of the Infosys Annual Report for fiscal 2000 and such information is hereby incorporated herein by reference.

Investment in Yantra Corporation

Up to October 20, 1998, the company owned a majority of the voting stock of Yantra. Consequently, all of Yantra's operating losses through October 20, 1998 were recognized in the company's consolidated financial statements. For fiscal 1998 and fiscal 1999, Yantra's losses recognized in the company's financial statements were $ 1.6 million and $ 2.0 million, respectively. On October 20, 1998, the company sold a portion of Yantra's shares held by it, thereby reducing the its interest to less than one-half of the voting stock of Yantra. The company continues to own all of the outstanding common stock of Yantra but has no financial obligations or commitments to Yantra and does not intend to provide Yantra with financial support. Accordingly, Yantra's results subsequent to October 20, 1998 were not recognized in the company's financial statements under U.S. GAAP. Yantra's revenues were $ 1.3 million and $ 2.0 million for fiscal 1998 and for the period ended October 20, 1998, respectively, while gross profits were $ 574,000 and $ 546,000, respectively, for these same periods. Yantra's revenues were 1.9% and 2.3% of the company's revenues for fiscal 1998 and for the period ended October 20, 1998, respectively. Its gross profits were 2.0% and 1.4% of the company's gross profits for these same periods. Yantra currently provides e-commerce operations solutions through PureEcommerce™, a scalable web-based solution that facilitates real-time transaction management across the extraprise. On June 14, 1999, Yantra sold Series C Convertible Preferred Stock in the amount of $ 15.0 million to unrelated existing and new investors, further reducing the company's voting control to approximately 25%.

5.B Liquidity and capital resources

This information is set forth under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 97 through 110 of the Infosys Annual Report for fiscal 2000 and is incorporated herein by reference.

5.C Research and development, patents and licences, etc.

The company has committed and expects to continue to commit in the future, a material portion of resources to research and development. Research and development efforts are focused on development and refinement of methodologies, tools and techniques, implementation of metrics, improvement in estimation process, and the adoption of new technologies. The company's research and development expenses in fiscal 2000, 1999 and 1998 were $ 1.9 million, $ 2.8 million and $ 1.8 million, respectively which amounts to approximately 0.9%, 2.3% and 2.6% of total revenues, respectively.

5.D Trend information

This information is set forth under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 97 through 110 of the Infosys Annual Report for fiscal 2000 and is incorporated herein by reference This information is set forth.

Item 6. Directors, Senior Management and Employees

6.A Directors, senior management

The directors and executive officers of the company, their respective ages as of March 31, 2000, and their respective positions with the company are as follows:

Name	Age	Position
N. R. Narayana Murthy	53	Chairman and Chief Executive Officer
Nandan M. Nilekani[4]	44	Managing Director, President and Chief Operating Officer
Susim M. Datta* [1,2,3]	63	Non-executive director
Deepak Satwalekar [1,2]	51	Non-executive director
Ramesh Vangal [1,2,3]	45	Non-executive director
Marti G. Subrahmanyam, Prof. [1 2 3]	53	Non-executive director
Philip Yeo[3]	54	Non-executive director
Gopalakrishnan S.	44	Deputy Managing Director – Customer Service & Technology
Dinesh K.[4]	45	Director – Human Resources Development, Information Systems, Quality & Productivity and Communication Design Group
Shibulal S. D.[4]	45	Director – Customer Delivery
Ajay Dubey	42	Vice President – Delivery – Europe
Balasubramanian P., Dr.	50	Senior Vice President – Domain Competency Group
Balakrishnan V.	35	Associate Vice President – Finance
Basab Pradhan	34	Regional Manager and Vice President – Sales – West North America
Deepak Sinha, Gp. Capt. (Retd.)	52	Senior Manager – Computers & Communications Division
Girish Vaidya	49	Senior Vice President – Banking Business Unit
Hema Ravichandar	38	Senior Vice President – Human Resources Development
Jan DeSmet	41	Vice President – Infosys Business Consulting Services
Mohandas Pai T. V.	41	Senior Vice President – Finance & Administration and Chief Financial Officer
Phaneesh Murthy	36	Senior Vice President – Sales & Marketing and Communication & Product Services
Prabhu M. S. S., Dr.	52	Senior Vice President – Engineering Services and Consultancy Practice
Raghavan S.	38	Associate Vice President – Quality & Productivity
Raghupathi G. Bhandi	39	Senior Vice President – Delivery – Enterprise Solutions
Rajiv Kuchhal	34	Associate Vice President – Communication & Product Services – Nortel and PCC, Development Center – Mohali
Sobha Meera P. R.	32	Regional Manager and Vice President – Sales – Canada & East North America
Srinath Batni	45	Senior Vice President and Head – West North America
Vasudeva L. Rao	38	Senior Vice President – Delivery – Canada & East North America
Yegneshwar S., Dr.	39	Vice President – Education & Research

* Mr. S. M. Datta is due for retirement by rotation at the ensuing Annual General Meeting of the company and is not seeking re-election.

1. Member of the Compensation Committee
2. Member of the Audit Committee
3. Member of Nomination Committee
4. Member of Investor Grievance Committee

N. R. Narayana Murthy has served as Chairman of the Board and Chief Executive Officer of Infosys since 1981, when he founded the company with six software professionals. Mr. Murthy also served as Managing Director of Infosys until February 1999. While at Infosys, from 1992 to 1994, Mr. Murthy also served as the President of National Association of Software and Service Companies ("NASSCOM"). Mr. Murthy is on the Governing Council of the National Information Technology Task Force of India and was voted "IT Man of the Year" for 1996 by Dataquest India. In 1998, Mr. Murthy was awarded the prestigious J.R.D. Tata Corporate Leadership Award. Since 1998, Mr. Murthy has served as a director of ICICI Ltd. and as a director of Videsh Sanchar Nigam Ltd. ("VSNL") and since 1999 he has served as a director of India Growth Fund, New York. He is a Fellow of the All India Management Association ("AIMA") and the Computer Society of India ("CSI"). Mr. Murthy received a B.E. in Electrical Engineering from the University of Mysore and a M.Tech. from the Indian Institute of Technology ("IIT") Kanpur.

Nandan M. Nilekani is a co-founder of Infosys and has served as a director since 1981, Head – Marketing and Sales of Infosys since 1987, Head – Banking Business Unit since 1997 and Managing Director, President and Chief Operating Officer since February 1999. From 1981 to 1987, Mr. Nilekani was in the United States managing the marketing and development efforts of Infosys. Mr. Nilekani is a co-founder of NASSCOM and received a B.Tech. in Electrical Engineering from IIT Bombay.

Susim M. Datta has served as a Director of Infosys since 1997. He is Chairman of Castrol India Ltd., Philips India Ltd., Albright & Wilson Chemicals India Ltd. and IL&FS Venture Corporation Ltd. He is a director of EID Parry Ltd., TIL Ltd., Bells Control Ltd., Indian Petrochemicals Corporation Ltd., Zodiac Clothing Company Ltd., Tata Trustee Company Ltd. and various unlisted corporations in India. From 1990 to 1996, he was Chairman of Hindustan Lever Ltd. and all Unilever Group companies in India and Nepal. Mr. Datta is a Trustee of the government-sponsored India Brand Equity Fund Trust and a member of the Advisory Board of the Council for Fair Business Practices, Mumbai. He is also Chairman of the Board of Governors of the Indian Institute of Management ("IIM") Bangalore and the Goa Institute of Management. Mr. Datta received an M.Sc. from Calcutta University.

Deepak M. Satwalekar has served as a director of Infosys since 1997. He has been Managing Director of Housing Development Finance Corporation Ltd. since 1993, and was Deputy Managing Director since 1990. He was a member of the Managing Committee of the Bombay Chamber of Commerce and Industry from 1996 to 1998. Mr. Satwalekar was also a Member of the Economic Affairs Committee of the Indo-American Chamber of Commerce from 1993 to 1994 and 1996 to 1997. He is a director of Tata Housing Development Corporation Ltd., HDFC Bank Ltd., HDFC Holdings Ltd., HDFC Investments Ltd., Indian Opportunities Fund (Mauritius) Ltd., Iridium India Telecom Ltd., Maruti Countrywide Auto Financial Service Ltd., Mahindra Holidays & Resorts India Ltd., SchoolNet India Ltd., Tube Investments of India Ltd., Chemplast Sanmar Ltd. and Templeton Asset Management India Private Ltd. Mr. Satwalekar received a B.Tech. in Mechanical Engineering from IIT Bombay and an M.B.A. from the American University.

Prof. Marti G. Subrahmanyam has served as a director of Infosys since April 1998. He has served as the Charles E. Merrill Professor of Finance and Economics at the Stern School of Business at New York University since 1991 and has been a visiting professor at IIT Madras, INSEAD, IIM Ahmedabad and Manchester Business School, among other academic institutions. Prof. Subrahmanyam has written several books and published numerous articles in the areas of finance and economics. He is a director of ICICI Ltd., Dextrous Faber Ltd., Hindalco Industries Ltd., Aventine Investment Management, Inc., Nippon Performance Fund Ltd., Indiaserver.com, Inc., SpeedMerchant.com, Inc., Usha Communications, Inc., RMAS Ltd., Sanwa International plc., Nomura Asset Management, Inc. and Deutsche Software India Ltd., a subsidiary of Deutsche Bank AG. Dr. Subrahmanyam received a B.Tech. from IIT Madras, a Diploma in Business Administration, from IIM Ahmedabad and a Ph.D. in Finance and Economics from the Massachusetts Institute of Technology.

Ramesh Vangal has served as a director of Infosys since 1997. He has served as the President of Seagram Asia Pacific since 1998 and is currently the Chairman of Seagram India Ltd., Asia Net Media, BL.com, and is a director in Indo Bio Care, CEBECO India, Kirin Seagram, and several other private companies. From 1994 to 1997, he was a member of the Worldwide Operating Council of PepsiCo and was President of PepsiCo Foods International, Asia Pacific. From 1985 to 1994, he served in various management capacities for PepsiCo. Mr. Vangal received a B.Tech. from IIT Bombay and a M.Sc. in Business from the London Business School. He also holds a Certificate Diploma, Accounting and Finance from the Institute of Chartered Accountants in England and Wales.

Mr. Philip Yeo has served as a director of Infosys since October 29, 1999. Mr. Yeo has served as the Executive Chairman of the Singapore Economic Development Board since January 1986 and as Deputy Chairman of Singapore's National Science and Technology Board since June 1999. He is also the Chairman of the Institute for Molecular & Cell Biology, Pidemco Land and Singapore Aerospace Manufacturing and is a Board member in INSEAD, Paris. Mr. Yeo was the first Chairman of Singapore's National Computer Board from 1981 to 1987. Mr. Yeo joined the Administrative Service in 1970 and served in the Ministry of Defence where he held several appointments including the appointment of Permanent Secretary for logistics, technology research & development and defence industries upto January 1986. He retired from the Administrative Service on March 31, 1999. Mr. Yeo graduated in 1970 in Applied Science (Industrial Engineering) from the University of Toronto, Canada under a Colombo Plan Scholarship. He later obtained a Master of Science (Systems Engineering) from the University of Singapore in 1974. In 1976, he obtained a Master in Business Administration from Harvard University, under a Fulbright scholarship. He is the recipient of many international awards, and was conferred an Honorary Doctorate in Engineering from the University of Toronto.

S. Gopalakrishnan is a co-founder of Infosys and has served as a director from 1981 to 1987. From 1987 to 1994, he was Technical Vice President and managed all projects at the US-based KSA/Infosys, a former joint venture between the company and Kurt Salmon Associates. From 1994 to date he has served as a director of Infosys. Mr. Gopalakrishnan was head of Technical Support Services from 1994 to 1996, Head – Client Delivery and Technology of Infosys from 1996 to 1999 and has served as Head – Customer Service & Technology from 1999 to date. Mr. Gopalakrishnan received an M.Sc. in Physics and an M.Tech. in Computer Science from IIT Madras. Mr. Gopalakrishnan is a director in Yantra Corporation.

K. Dinesh is a co-founder of Infosys and has served as a director since 1985. He has served as Head – Quality, Productivity and MIS of Infosys since 1996. From 1991 to 1996, Mr. Dinesh served in various project management capacities and was responsible for worldwide software development efforts for Infosys. From 1981 to 1990, he managed projects for Infosys in the United States. Mr. Dinesh received an M.Sc. degree in Mathematics from Bangalore University.

S. D. Shibulal is a co-founder of Infosys and has served as a director from 1984 to 1991 and since 1997. He has served as Head – Manufacturing, Distribution and Year 2000 Business Unit, and Head – Internet and Intranet Business Unit of Infosys since 1998. From 1991 to 1996, Mr. Shibulal was on sabbatical from Infosys and served as Senior Information Resource Manager at Sun Microsystems, Inc. From 1981 to 1991, he worked for Infosys in the United States on projects in the retail and manufacturing industries. Mr. Shibulal received an M.Sc. in Physics from the University of Kerala and an M.S. in Computer Science from Boston University.

Ajay Dubey has served as Vice President – Financial Services and Transportation Business Unit of Infosys since April 1999. From 1995 to 1999, he was an Associate Vice President working in the Financial Services and Transportation Business Unit. He joined the company in 1993 as a Senior project manager. From 1990 to 1993, he served as a Technical Team leader in ANZ Grindlays, New Zealand. Mr. Dubey received a B.Tech. from IIT Kanpur in 1980.

Dr. P. Balasubramanian has served as Senior Vice President and Head – Financial Services and Transportation Business Unit of Infosys since 1995. From 1989 to 1992, Dr. Balasubramanian was Chief Executive Officer and Technical Director of Hitek Software Engineers Ltd. ("Hitek"), Jamaica, West Indies. From 1992 to 1994, he was a Technical Director of Hitek. From 1986 to 1989, Dr. Balasubramanian was Chief Executive Officer of Cholamandalam Software Ltd., Chennai. Dr. Balasubramanian has been invited as guest faculty to several executive training programs in India as well as at the University of West Indies. Dr. Balasubramanian received a B.Tech. and M.Tech from IIT Madras and a Ph.D. in Operations Research and Financial Management from Purdue University.

V. Balakrishnan has served as Associate Vice President – Finance, since 1999. After joining Infosys in 1991, he has served in various capacities in the Finance department of the company. Prior to joining Infosys, he was Senior Accounts Executive for Amco Batteries Ltd.. Mr. Balakrishnan received a B.Sc. from the University of Madras and is an Associate Member of the Institute of Chartered Accountants of India, a Member of the Institute of Company Secretaries of India and an Associate Member of the Institute of Cost & Works Accountants of India.

Basab Pradhan has served as Regional Manager since 1998. After joining Infosys in 1994, Basab served in various capacities for the company, including as Business Development Manager between 1995-98. Prior to joining Infosys, he was Area Sales Manager for Lipton India Ltd. Basab received a B.Tech. in Mechanical Engineering from IIT Kanpur in 1987 and a Post Graduate Diploma in Management from IIM Ahmedabad in 1989.

Group Captain (Retd) Deepak Sinha has served as Head - Computer and Communications Division (CCD) of Infosys since April 1998. Prior to joining Infosys, he was Director - IMMOLS Project for The Indian Air Force. Group Captain (Retd.) Sinha graduated from IIT Kharagpur in 1968.

Girish Vaidya has served as Senior Vice President and Head – Banking Business Unit of Infosys since April 1999. Prior to that, Mr. Vaidya was Director and Head – Operations India for ANZ Grindlays with whom he had been since 1975. Mr. Vaidya received a B.E. from S.P College of Engineering, Mumbai in 1973 and a Post Graduate Diploma in Management from IIM Calcutta in 1975.

Hema Ravichandar has served as Senior Vice President and Head – Human Resources of Infosys since 1998. From 1996 to 1998, Ms. Ravichandar was an independent consultant. From 1992 to 1995, she served as Head – Human Resources at Infosys. From 1983 to 1992, Ms. Ravichandar was Deputy Manager – Human Resource Development at Motor Industries Company Ltd.. Ms. Ravichandar received a B.A. in Economics and a Post Graduate Diploma in Management from IIM Ahmedabad.

Jan DeSmet has served as Vice President – Consulting Services and Head – Strategic Business Unit-4 since January 1999 and is currently Vice President – Business Consulting Services. From 1996 to 1998, Mr. DeSmet was Senior Principal with Diamond Technology Partners in Chicago. Mr. DeSmet received a M.B.A from the University of Dallas in 1982.

T. V. Mohandas Pai has served as Senior Vice President, Head – Finance and Administration and Chief Financial Officer of Infosys since 1996. From 1994 to 1996, he served as Vice President of Finance at Infosys. From 1988 to 1994, Mr. Pai was Executive Director of Prakash Leasing Ltd.. He was also a member of the Capital Markets Committee of the Institute of Chartered Accountants of India. Mr. Pai received a B.Com. from St. Joseph's College of Commerce, Bangalore and an LL.B. from the University Law College, Bangalore. Mr. Pai is a Fellow Member of the Institute of Chartered Accountants of India.

Phaneesh Murthy has served as Senior Vice President and Head – Worldwide Sales of Infosys since 1996. From 1992 to 1996, Mr. Murthy was a Marketing Manager for Infosys based in the United States. From 1987 to 1992, he worked in sales and marketing for Sonata, the software division of Indian Organic Chemicals Ltd. Mr. Murthy received a B.Tech. in Mechanical Engineering from IIT Madras and a post graduate diploma in business administration from IIM Ahmedabad.

Dr. M. S. S. Prabhu has served as Senior Vice President and Head – Engineering Services Business Unit of Infosys since 1997. From 1994 to 1997, Dr. Prabhu served as head of CAD/CAM group at Tata Consultancy Services. From 1972 to 1994, he served in various capacities for the Indian Satellite Research Organization. Dr. Prabhu received a B.E. in Civil Engineering from Bangalore University and a Ph.D. in Aeronautical Engineering from Indian Institute of Science, Bangalore.

Raghavan S. has served as Associate Vice President and Head – Quality & Productivity since April 1999. From 1987 to 1999 Mr. Raghavan has served in various capacities for the company, starting as a Software Engineer in 1987 upto a Senior Project Manager in 1999. Mr. Raghavan received a B.E. from Osmania University in 1983.

Raghupathi G. Bhandi has served as Vice President of Infosys since April 1998. From 1995 to 1998, he started and developed the company's first software development facility outside of Bangalore. From 1991 to 1995, Mr. Bhandi worked in the Quality Department of Infosys with attention to ISO 9000 certification. From 1988 to 1991, he was an Assistant Manager on projects in the United States and Europe. Mr. Bhandi received a B.E. from Mysore University and an M.Tech. in Industrial Management and Engineering from IIT Kanpur.

Rajiv Kuchhal has served as Associate Vice President of Infosys since 1998 and Head—Nortel OSDC Business Unit of Infosys since April 1998. From 1990 to 1998, Mr. Kuchhal served in various capacities for the company, including projects relating to an electronic telex interface and management of the Nortel OSDC before it became a separate business unit. Mr. Kuchhal received a B.Tech. in Electrical and Electronics Engineering from IIT Delhi.

Srinath Batni has served as Senior Vice President and Head – Retail and Telecommunications Business Unit of Infosys since 1996. After joining Infosys in 1992, Mr. Batni was a Project Manager. From 1990 to 1992, he was Manager of Technical Support for PSI Bull, an Indian software development subsidiary of Bull, S.A., a French company. Mr. Batni received a B.E. in Mechanical Engineering from Mysore University and an M.E. in Mechanical Engineering from the Indian Institute of Science, Bangalore.

Sobha Meera P. R. has served as Regional Manager - Canada & East North America since 1998. After joining Infosys in 1995 Ms. Meera served as Branch Manager between 1995 and 1998. Prior to joining Infosys, she worked in various Sales & Marketing positions for HCL Ltd. & Sonata, the software division of Indian Organic Chemicals Ltd. Ms. Meera received her Post Graduate Diploma in Management from the IIM Ahmedabad in 1995 and a B.E. from Osmania University in 1989.

Vasudeva L. Rao has served as Vice President of Infosys since April 1998, operating in the distribution and logistics domains of the Manufacturing and Distribution Business Unit. From 1994 to 1996, he was an Associate Vice President working in the Manufacturing and Distribution Unit. From 1991 to 1994, he served as a project manager in the retail industry at Software Sourcing Company, formerly KSA/Infosys. From 1985 to 1991, Mr. Rao was a software engineer for Infosys based in the United States. Mr. Rao received a B.E. in Mechanical Engineering from Bangalore University.

Dr. S. Yegneshwar has served as Associate Vice President and Head – Education and Research of Infosys since 1996. From 1993 to 1996, Dr. Yegneshwar was a group leader of the Software Engineering group in the Education and Research Department of Infosys. From 1990 to 1993, he was an Assistant Professor of Computers and Information Systems at IIM Ahmedabad, where he taught courses in software engineering and management to postgraduate and doctoral students. Dr. Yegneshwar received a B.E. in Mechanical Engineering from the Birla Institute of Technology and Science, Pilani and a Ph.D. in Computer Science and Engineering from IIT Bombay.

6.B Compensation

In fiscal 2000, the company's five non-employee directors were paid an aggregate of $ 110,500. Directors who are also employees of the company do not receive any additional compensation for their service on the board of directors. Directors are also reimbursed for certain expenses in connection with their attendance at the board and the committee meetings.

The table below sets forth the compensation for the officers and directors of the company, for the fiscal year ended March 31, 2000.

Name	Annual compensation awards			Stock options			Amount accrued for long-term benefits
	Salary	Bonus	Other annual compensation	No. of options granted during the year	Grant price	Expiration date	
N. R. Narayana Murthy	$ 14,986	$ 3,747	$ 9,741	–	–	–	4,767
Nandan M. Nilekani	14,986	3,747	11,333	–	–	–	4,767
Gopalakrishnan S.	14,986	3,747	9,741	–	–	–	4,767
Dinesh K.	14,986	3,747	11,146	–	–	–	4,767
Shibulal S. D.	14,986	3,747	9,741	–	–	–	4,767
Susim M. Datta	–	–	25,000	–	–	–	–
Deepak Satwalekar	–	–	25,000	–	–	–	–
Ramesh Vangal	–	–	25,000	–	–	–	–
Marti G. Subrahmanyam, Prof.	–	–	25,000	–	–	–	–
Philip Yeo	–	–	10,500	–	–	–	–
Options to purchase equity shares							
Ajay Dubey	9,529	–	9,592	8,000	$ 99.12	November 10, 2008	3,031
Balasubramanian P., Dr.	14,072	–	14,437	8,000	93.66	November 10, 2008	4,476
Balakrishnan V.	7,620	–	10,899	10,000	93.66	November 10, 2008	2,424
Deepak Sinha, Gp. Capt. (Retd.)	5,327	1,065	10,422	4,000	93.66	November 10, 2008	1,694
Girish Vaidya	14,072	–	14,105	8,000	93.66	November 10, 2008	4,476
Hema Ravichandar	11,385	–	10,201	8,000	93.66	November 10, 2008	3,622
Jan DeSmet	165,000	–	–	–	–	–	–
Mohandas Pai T. V.	17,756	–	9,289	14,000	93.66	November 10, 2008	5,648
Prabhu M. S. S., Dr.	13,321	–	13,329	6,000	93.66	November 10, 2008	4,238
Raghavan S.	8,695	–	10,118	10,000	93.66	November 10, 2008	2,766
Raghupathi G. Bhandi	9,150	–	11,337	8,000	93.66	November 10, 2008	2,910
Rajiv Kuchhal	8,033	–	8,120	–	–	–	2,555
Srinath Batni	16,094	–	6,130	12,000	93.66	November 10, 2008	5,120
Vasudeva L. Rao	8,637	–	8,957	12,000	93.66	November 10, 2008	2,747
Yegneshwar S., Dr.	7,529	–	7,959	10,000	93.66	November 10, 2008	2,395
Options to purchase ADSs							
Basab Pradhan	86,004	–	38,832	5,000	89.50	November 10, 2008	–
Phaneesh Murthy	230,004	–	33,128	8,000	89.50	November 10, 2008	–
Sobha Meera P. R.	86,004	–	25,800	5,000	89.50	November 10, 2008	–

6.C.1 Board practices

Name	Expiration of current term of office	Term of office
N. R. Narayana Murthy	April 30, 2002	5 years [1]
Nandan M. Nilekani	April 30, 2002	5 years [1]
Gopalakrishnan S.	October 17, 2004	5 years [1 2]
Dinesh K.	April 30, 2002	5 years [1]
Shibulal S. D.	April 30, 2002	5 years [1]
Susim M. Datta	May 27, 2000	Retirement by rotation [3]
Deepak Satwalekar		Retirement by rotation
Ramesh Vangal		Retirement by rotation
Marti G. Subramanyam, Prof.		Retirement by rotation
Philip Yeo		Retirement by rotation

1. The period of appointment as an executive director is for five years. However, these directors customarily retire by rotation once in three years and are to be re-elected by the stockholders.
2. Mr. S. Gopalakrishnan's Contract of Service with the company as Deputy Managing Director, ended on October 18, 1999. He was re-appointed by the board for a new term of five years ending on October 17, 2004 and his re-appointment has been recommended for the approval of the stockholders in the ensuing Annual General Meeting and forms part of the Items of Special Business of the Notice to the stockholders, which is attached as an exhibit to this Form 20-F.
3. Mr. S. M. Datta is due for retirement by rotation at the ensuing Annual General Meeting of the company and is not seeking re-election.

4. The board constantly evaluates the contribution of its members, and recommends to stockholders their re-appointment periodically as per statute. The Indian Companies Act mandates that two-thirds of the members of the board should retire by rotation, of which, one-third of such members should retire every year, and qualifies the retiring members for re-appointment. However all the directors of the company customarily retire by rotation. The executive directors are appointed by the stockholders for a maximum period of five years at one time but are eligible for re-appointment upon completion of their term. The nominations committee of the board, composed entirely of independent directors, recommends such appointment / re-appointment. However, the membership term is limited by the retirement age for members. The board has adopted a retirement policy for its members. Under this policy, the maximum age of retirement of executive directors, including the CEO, is 60 years, which is the age of superannuation for the employees of the company. Their continuation as members of the board upon superannuation / retirement is determined by the nominations committee. The age limit for retirement from the board is 65 years. The directors' contracts do not contain material severance packages.

6.C. 2 Employment contracts

Under the Indian Companies Act, the company's stockholders must approve the salary, bonus and benefits of all employee directors at an Annual General Meeting of stockholders. Each employee director of the company has signed an agreement containing the terms and conditions of employment, including a monthly salary, performance bonus and benefits including vacation, medical reimbursement and pension fund contributions. These agreements are made for a five year period, but either the company or the employee director may terminate the agreement upon six months notice to the other party.

6.C.3 Board committee information

The details relating to the company's audit committee and remuneration committee, including the names of committee members and a summary of the terms of reference under which the committee operates is on pages 45 through 54 of the Infosys Annual Report for fiscal 2000 and is incorporated herein by reference.

6.D Employees

As of March 31, 2000, the company had approximately 5,390 employees, including approximately 4,625 IT professionals, up from approximately 3,770 and approximately 3,160, respectively, as of March 31, 1999 and approximately 2,190 and approximately 2,610, respectively as of March 31, 1998. The company invests heavily in its programs to recruit, train and retain qualified employees, and management believes the company has established a reputation as one of the most preferred employers for software engineers in India.

The company focuses its recruiting efforts on the top 20% of students from engineering departments of Indian schools and relies on a rigorous selection process involving a series of tests and interviews to identify the best applicants. Because the company emphasizes flexibility and innovation, applicants are selected on the basis of their ability to learn as well as their academic achievement, conceptual knowledge and their temperament for, and fit with, the company's culture. The company's reputation as a premier employer enables it to select from a large pool of qualified applicants. For example, in fiscal 2000, the company received approximately 184,000 job applications, tested approximately 36,610, interviewed approximately 10,180 and extended job offers to approximately 3,330 of whom approximately 2,050 accepted. The company seeks to attract and motivate IT professionals by offering: an entrepreneurial environment that empowers IT professionals; programs that recognize and reward performance; challenging assignments; a continuous updating of skills; and a culture that emphasizes openness, integrity and respect for the employee. IT professionals receive competitive salaries and benefits and are eligible to participate in the company's stock option plans. In addition, the company spends significant resources on training and continuing education. To conduct training, the company employs a 50-person faculty, including 20 with doctorate or master's degrees. The faculty conducts three-month training sessions for new recruits and a variety of two-week continuing education courses in technology and management skills.

At any given time, approximately 30% of the company's IT professionals are working on-site at client facilities in the United States and elsewhere while the balance are working off-site in India. On average, approximately 980, 530 and 330 of the company's IT professionals worked on-site in the United States and elsewhere per month in fiscal 2000, fiscal 1999 and fiscal 1998, respectively. On average, approximately 3,100, 2,630 and 1,780 of the company's IT professionals and support staff worked off-site in India per month in fiscal 2000, fiscal 1999 and fiscal 1998, respectively.

The company's professionals that work on-site at client facilities in the United States on temporary and extended assignments are typically required to obtain visas. As of March 31, 2000, substantially all of the company's personnel in the United States were working pursuant to H-1B visas (745 persons) or L-1 visas (218 persons). Both H-1B and L-1 visas require that recipients meet certain education requirements; however, only employees who have worked for the company for at least one year are eligible to obtain L-1 visas. The company is generally able to obtain H-1B and L-1 visas within two to four months of applying for such visas, which remain valid for three years. Although there is no limit to new L-1 petitions, there is a limit to the number of new H-1B petitions that the United States Immigration and Naturalization Service may approve in any government fiscal year. In the years in which this limit is reached, the company may be unable to obtain H-1B visas necessary to bring critical Indian IT professionals to the United States on an extended basis. The H-1B limit was reached in March 2000 by the U.S. Government for its fiscal year ending September 30, 2000 and in

May 1999 for its fiscal year ending September 30, 1999. The company planned for the H-1B limit being reached prior to the end of the U.S. Government's current fiscal year primarily by forecasting its annual needs for such visas early in the U.S. Government's fiscal year and applying for such visas as soon as practicable. In addition, the company utilizes L-1 visas whenever available and redeploys existing H-1B visa holders in order to minimize the number of new H-1B visas needed by the company. While the company anticipated that such limit would be reached prior to the end of the U.S. government's fiscal year and has made efforts to plan accordingly, there can be no assurance that the company will continue to be able to obtain a sufficient number of H-1B visas.

The market for hiring software professionals is highly competitive. Competing employers include multinational corporations that perform software development in India through subsidiaries and joint ventures with Indian companies; a number of well-known Indian IT services and software product companies; and a large number of small and medium regional companies, many with affiliates or parent companies in the United States and Europe.

6.E.1 Share ownership (As of March 31, 2000)

The following table sets forth the options to purchase securities, granted to executive officers and directors, that were outstanding as of March 31, 2000.

Class of securities	Total securities	Exercise price	Expiration dates
Equity shares	1,14,000	$93.66	November 2003-2008
American Depositary Shares	18,000	$89.50	November 2003-2008

The following table sets forth for each director and executive officer, the total number of equity shares, ADSs and Options to purchase equity shares and ADSs held as of March 31, 2000.

Name	Shares beneficially owned	% of shares beneficially owned	Shares underlying options granted	Exercise price	Expiration
N. R. Narayana Murthy [1]	4,931,300	7.45	–	–	–
Nandan M. Nilekani [1]	3,334,900	5.04	–	–	–
Dinesh K. [1]	2,143,400	3.24	–	–	–
Gopalakrishnan S. [1]	3,090,000	4.67	–	–	–
Shibulal S. D. [1]	2,124,500	3.21	–	–	–
Susim M. Datta	–	–	–	–	–
Deepak Satwalekar	–	–	–	–	–
Ramesh Vangal [2]	–	–	–	–	–
Marti G. Subrahmanyam, Prof. [2]	–	–	–	–	–
Philip Yeo	–	–	–	–	–
Ajay Dubey [2]	–	–	–	–	–
Balasubramanian P., Dr. [2]	–	–	–	–	–
Balakrishnan V. [2]	–	–	–	–	–
Basab Pradhan [2]	–	–	–	–	–
Deepak Sinha, Gp. Capt. (Retd.) [2]	–	–	–	–	–
Girish Vaidya [2]	–	–	–	–	–
Hema Ravichandar [2]	–	–	–	–	–
Jan DeSmet [2]	–	–	–	–	–
Mohandas Pai T. V. [2]	–	–	–	–	–
Phaneesh Murthy [2]	–	–	–	–	–
Prabhu M. S. S., Dr. [2]	–	–	–	–	–
Raghavan S. [2]	–	–	–	–	–
Raghupathi G. Bhandi [2]	–	–	–	–	–
Rajiv Kuchhal [2]	–	–	–	–	–
Srinath Batni [2]	–	–	–	–	–
Sobha Meera P. R. [2]	–	–	–	–	–
Vasudeva L. Rao [2]	–	–	–	–	–
Yegneshwar S., Dr. [2]	–	–	–	–	–

1. Number of shares and percentage ownership is based on 66,15,0700 equity shares outstanding as of March 31, 2000. Beneficial ownership is determined in accordance with rules of the SEC and includes voting and investment

power with respect to such shares. Shares subject to options that are currently exercisable or exercisable within 60 days of March 31, 2000 are deemed to be outstanding and to be beneficially owned by the person holding such options for the purpose of computing the percentage ownership of such person, but are not deemed to be outstanding and to be beneficially owned for the purpose of computing the percentage ownership of any other person. All information with respect to the beneficial ownership of any principal shareholder has been furnished by such shareholder and, unless otherwise indicated below, the company believes that persons named in the table have sole voting and sole investment power with respect to all the shares shown as beneficially owned, subject to community property laws, where applicable. The shares beneficially owned by the directors include the equity shares owned by their family members to which such directors disclaim beneficial ownership.

2. Hold less than one percent of the class of shares and individual share ownership has not previously been disclosed to shareholders or otherwise made public.

6. E. 2 Option plans

The company has three Option plans in operation the 1994 Employee Stock Offer Plan, the 1998 Stock Option Plan and the 1999 Stock Option Plan, a description of which is provided below:

1994 Employees Stock Offer Plan. In September 1994, the company established the Employees Stock Offer Plan ("ESOP") which provides for the issuance of 6,000,000 warrants (as adjusted for the stock split effective June 1997, December 1998 and February 2000) to eligible employees. The warrants were issued to an employee welfare trust ("Trust") at Rs. 1 each. The warrants were purchased by the Trust using the proceeds of a loan obtained from the company. The Trust holds the warrants and transfers them to eligible employees. The warrants are transferred to employees at Re. 1 each and each warrant entitles the holder to purchase one of the company's equity shares at a price of Indian Rs. 100 per share. The warrants and the equity shares received upon the exercise of warrants are subject to a five-year aggregate vesting period from the date of issue of warrants to employees. The warrants expire upon the earlier of five years from the date of issue or September 1999. The fair market value of each warrant is the market price of the underlying equity shares on the date of the grant.

In 1997, in anticipation of a share dividend to be declared by the company, the Trust exercised all warrants held by it and converted them into equity shares with the proceeds of a loan obtained from the company. In connection with the warrant exercise and the share dividend, on an adjusted basis, 3,011,200 equity shares were issued to employees of the company who exercised stock purchase rights and 2,988,800 equity shares were issued to the Trust for future issuance to employees pursuant to the ESOP. Following such exercise, there were no longer any rights to purchase equity shares from the company in connection with the ESOP. Only equity shares held by the Trust remained for future issues to employees, subject to vesting provisions. The equity shares acquired upon the exercise of the warrants vests 100% upon the completion of five years of service. The warrant holders were entitled to exercise early, but the shares received are subject to the five year vesting period. As of March 31, 2000, the company's outstanding equity shares included 509,800 equity shares held by the Trust of which 341,400 equity shares were allotted to employees, subject to vesting provisions and have been included in the calculation of basic and diluted earnings per share. The 168,400 equity shares were not considered outstanding for purposes of calculating diluted earnings per share calculations. The warrants allotted and the underlying equity shares are not subject to any repurchase obligations by the company.

The company has elected to use the intrinsic value-based method of APB Opinion No. 25 to account for its employee stock-based compensation plan. During the years ended March 31, 2000, 1999 and 1998, the company recorded deferred compensation of \$ 1,029,649, \$ 30,407,892 and \$ 6,890,343, respectively, for the difference, on the grant date, between the exercise price and the fair value as determined by quoted market prices of the common stock underlying the warrants. The deferred compensation is amortized on a straight-line basis over the vesting period of the warrants/equity shares.

In fiscal 1998, the company declared a stock split of two equity shares for each equity share outstanding in the form of a stock dividend to all its shareholders including participants in the ESOP. Under the terms of the ESOP, the additional equity shares issued to ESOP participants as a result of the stock dividend were not subject to vesting. Consequently, the amortization of deferred stock compensation of \$ 1,519,739 relating to these shares was accelerated at the time of the stock dividend. Similarly, in fiscal 1999, the company declared a stock split of two equity shares for each equity share outstanding to all its shareholders including participants in the ESOP in the form of a stock dividend and consequently recognized an accelerated compensation charge at the time of the stock dividend amounting to \$ 12,906,962.

1998 Stock Option Plan. The company's 1998 Stock Option Plan ("1998 Plan") provides for the grant of nonstatutory stock options and incentive stock options (within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), to employees of the company. The establishment of the 1998 Plan was approved by the board of directors in December 1998 and by the shareholders in January 1998. The Government of India has approved the 1998 Plan, subject to maximum limit of 1,470,000 equity shares issuable under the 1998 Plan. A total of 1,600,000 equity shares are currently reserved for issuance pursuant to the 1998 Plan. Unless terminated sooner, the 1998 Plan will terminate automatically in January 2008. All options under the 1998 Plan will be exercisable for ADSs represented by ADRs.

The 1998 Plan is administered by a committee of the Board (the "Committee"). The Committee has the power to determine the terms of the options granted, including the exercise price, the number of ADSs subject to each option, the exercisability thereof, and the form of consideration payable upon such exercise. In addition, the Committee has the authority to amend, suspend or terminate the 1998 Plan, provided that no such action may affect any ADS previously issued and sold or any option previously granted under the 1998 Plan.

Options granted under the 1998 Plan are not generally transferable by the optionee, and each option is exercisable during the lifetime of the optionee only by such optionee. Options granted under the 1998 Plan must generally be exercised within three months of the end of optionee's status as an employee of the company, but in no event later than the expiration of the option's term. In the event of optionee's termination as a result of death or disability, the vesting and exercisability of the optionee's option will accelerate in full and the option must be exercised within 12 months after such optionee's termination by death or disability, but in no event later than the expiration of the option's term. The exercise price of incentive stock options granted under the 1998 Plan must be at least equal to the fair market value of the ADSs on the date of grant. The exercise price of nonstatutory stock options granted under the 1998 Plan must be at least equal to 90% of the fair market value of the ADSs on the date of grant. With respect to any participant who owns stock possessing more than 10% of the voting power of all classes of the company's outstanding capital stock, the exercise price of any incentive stock option granted must equal at least 110% of the fair market value on the grant date and the term of such incentive stock option must not exceed five years. The term of all other options granted under the 1998 Plan may not exceed 10 years.

The 1998 Plan provides that in the event of a merger of the company with or into another corporation, a sale of substantially all of the company's assets or a like transaction involving the company, each option shall be assumed or an equivalent option substituted by the successor corporation. If the outstanding options are not assumed or substituted as described in the preceding sentence, the vesting and exercisability of each option will accelerate in full.

1999 Stock Option Plan (the 1999 Plan) The 1999 Plan was approved by the shareholders and the board of directors in June 1999. The 1999 Plan provides for the issue of 6,600,000 equity shares to employees. The 1999 Plan is administered by a compensation committee comprising a maximum of seven members, the majority of whom are independent directors on the board of directors. Under the 1999 Plan, options will be issued to employees at an exercise price not less than the Fair Market Value. Fair Market Value means the closing price of the company's shares on the stock exchange where there is the highest trading volume on a given date and if the shares are not traded on that day, the closing price on the next trading day. Under the 1999 Plan, options may also be issued to employees at exercise prices that are less than Fair Market Value only if specifically approved by the members of the company in a general meeting.

Options granted under the 1999 Plan are not generally transferable by the optionee, and each option is exercisable during the lifetime of the optionee only by such optionee. Options granted under the 1999 Plan must generally be exercised within three months of the end of optionee's status as an employee of the company, but in no event later than the expiration of the option's term. In the event of optionee's termination as a result of death or disability, the vesting and exercisability of the optionee's option will accelerate in full and the option must be exercised within 12 months after such optionee's termination by death or disability, but in no event later than the expiration of the option's term.

The 1999 Plan provides that in the event of a merger of the company with or into another corporation, a sale of substantially all of the company's assets or a like transaction involving the company, each option shall be assumed or an equivalent option substituted by the successor corporation. If the outstanding options are not assumed or substituted as described in the preceding sentence, the vesting and exercisability of each option will accelerate in full.

Item 7 Major Shareholders and Related Party Transactions

7.A Major shareholders

The following table sets forth certain information regarding the beneficial ownership of the equity shares at March 31, 2000 of (i) each person or group known by the company to own beneficially 5% or more of the outstanding equity shares and (ii) the beneficial ownership of all officers and directors as a group, in each case as reported to Infosys by such persons.

Name of the beneficial owner	Class of security	No of shares beneficially held [1 2]	% of class	No of shares beneficially held [1 2]	% of class	No of shares beneficially held [1 2]	% of class
		2000		1999		1998	
N. R. Narayana Murthy	Equity shares	4,931,300	7.45	5,047,200	7.63	5,107,200	7.97
Nandan M. Nilekani	Equity shares	3,334,900	5.04	3,376,400	5.10	3,432,400	5.36
N. S. Raghavan*	Equity shares	3,467,860	5.24	3,531,200	5.33	3,572,400	5.57
Shareholding of all directors and officers as a group (29 persons)		20,194,562	25.03				

* Ceased to be director of the company effective as of February 7, 2000.

1. Number of shares and percentage ownership is based on 66,15,0700 equity shares outstanding as of March 31, 2000. Beneficial ownership is determined in accordance with rules of the SEC and includes voting and investment power with respect to such shares. Shares subject to options that are currently exercisable or exercisable within 60 days of March 31, 2000 are deemed to be outstanding and to be beneficially owned by the person holding such options for the purpose of computing the percentage ownership of such person, but are not deemed to be outstanding and to be beneficially owned for the purpose of computing the percentage ownership of any other person. All information with respect to the beneficial ownership of any principal shareholder has been furnished by such shareholder and, unless otherwise indicated below, the company believes that persons named in the table have sole voting and sole investment power with respect to all the shares shown as beneficially owned, subject to community property laws, where applicable. The shares beneficially owned by the directors include the equity shares owned by their family members to which such directors disclaim beneficial ownership.
2. As adjusted to reflect the company's 2-for-1 stock splits in 1998 and 2000.

The major shareholders of the company do not have a differential voting right in respect of the equity shares of the company.

The company's American Depositary Shares listed on the NASDAQ National Market® each representing one-half of one equity share of par value Rs. 5 per share are registered pursuant to Section 12(g) of the Securities Exchange Act of 1934 and are held by approximately 13,500 holders of record in the United States of America ("USA"), as of March 31, 2000.

The company's equity shares can be held by Foreign Institutional Investors ("FIIs"), Overseas Corporate Bodies ("OCBs") and Non-resident Indians ("NRIs") who are registered with the Securities and Exchange Board of India ("SEBI") and the Reserve Bank of India ("RBI"). Currently over 25.13% of the Company's equity shares are held by these FIIs, OCBs and NRIs of which some of them may be residents or bodies corporate registered in the United States of America and elsewhere. The company is not aware which of these FIIs, OCBs and NRIs hold these equity shares as residents of or bodies corporates registered in the USA and is not aware of the portion of these equity shares held by these FIIs, OCBs and NRIs in the USA.

To the best of its knowledge, the company is not owned or controlled directly or indirectly by any government or by any other corporation. The company is not aware of any arrangement, the operation of which may at a subsequent date result in a change in control of the company

The above shares are issued and traded within India and is held, directly or indirectly, in the beneficial name of the holders.

7.B Related party transactions

The Company had no material transaction with any shareholders owning more than 10% of the equity of the company.

Yantra Corporation

In December 1996, the company transferred all rights, title and interest in and to the WMSYantra (formerly known as EAGLE) software product to Yantra, then a majority-owned subsidiary of the company. Yantra granted Infosys a non-exclusive right to reproduce, distribute and service the product to the extent necessary to fulfill the company's pre-existing contractual obligations for the product. In consideration for this transaction Infosys received 7,500,000 shares of common stock of Yantra, which had a fair market value at the time of $ 0.20 per share. In September 1997, the company purchased 2,000,000 shares of Series A Preferred Stock of Yantra at $ 0.75 per share. Certain of the company's directors or officers are directors of Yantra. As of March 31, 1998, Mr. Phaneesh Murthy, an executive officer of the company, held options to purchase 100,000 shares of common stock of Yantra at an exercise price of $ 0.10 per share, all of which were granted on September 29, 1997. Other than Mr. Phaneesh Murthy, none of the company's directors or officers beneficially owns any shares or options of Yantra. On October 20, 1998, the company sold 1,363,637 shares of Series A Preferred Stock of Yantra for $ 1.10 per share to an unaffiliated purchaser. As a result, the company reduced its interest in Yantra to less than one-half of voting stock of Yantra. On June 14, 1999, Yantra issued Series C Preferred Stock amounting to $ 15.0 million to various existing and new investors. Sales to Yantra in fiscal 2000 were $ 2.6 million.

7.B.1 Employment agreements

The company has entered into agreements with its employee directors containing a monthly salary, performance bonus and benefits including vacation, medical reimbursement and pension fund contributions. These agreements are made for a five-year period, but either the company or the employee director may terminate the agreement upon six months notice to the other party.

7.B.2 Loans to employees

Pursuant to an employee loan program, the company grants loans to employees to acquire certain assets such as property, vehicles or for personal needs. Such loans are made at interest rates ranging from 0% to 4% and are repayable over fixed periods ranging from one to 100 months. The loans generally are secured by the assets acquired by the employees. As of March 31, 2000, there were $ 12 million in loans outstanding to employees, of which $ 163,881 were loans receivable from executive officers of the company in amounts less than $ 60,000. The largest outstanding loan during fiscal 2000 was a housing loan for $ 34,404 given to Mr. Ajay Dubey, Vice President – Europe. The loan, made on June 23, 1999 carried no interest and was outstanding in the amount of $ 33,257 as of March 31, 2000.

7.C Interests of experts and counsel

Not applicable.

Item 8. Financial Information

8.A.1 Consolidated statements and other financial information

The following financial statements of the company and the auditors' report appearing on pages 112 through 131 of the Infosys Annual Report for fiscal 2000 are incorporated herein by reference:

- Independent auditors' report.
- Balance Sheets as of March 31, 2000 and 1999.
- Statements of Income for the years ended March 31, 2000, 1999 and 1998.
- Statements of Shareholders' Equity for the years ended March 31, 2000, 1999 and 1998.
- Statements of Cash Flows for the years ended March 31, 2000, 1999 and 1998.
- Notes to financial statements.

The Infosys Annual Report for fiscal 2000, except for those portions which are expressly incorporated by reference in this filing, is furnished for the information of the Securities and Exchange Commission and is not to be deemed as filed as a part of this report on Form 20-F.

8.A.2 Legal proceedings

The company, its directors, senior executive officers and affiliates are not currently a party to any material legal proceedings.

8.A.3 Dividends

Dividends

Under Indian law, a corporation pays dividends upon a recommendation by the Board of Directors and approval by a majority of the shareholders, who have the right to decrease but not increase the amount of the dividend recommended by the Board of Directors. Under the Indian Companies Act, dividends may be paid out of profits of a company in the year in which the dividend is declared or out of the undistributed profits of previous fiscal years. In the last three fiscal years, the company declared an aggregate of approximately $ 0.24 per equity share, as adjusted to reflect the company's two-for-one stock split in November 1999, in cash dividends (equivalent to approximately $ 0.12 per ADS). Although the company has no current intention to discontinue dividend payments, there can be no assurance that any future dividends will be declared or paid or that the amount thereof will not be decreased. Owners of ADSs will be entitled to receive dividends payable in respect of the equity shares represented by such ADSs. The equity shares represented by ADSs will rank pari passu with existing equity shares of the company in respect of dividends. Cash dividends in respect of the equity shares represented by the ADSs will be paid to the Depositary in rupees and except as otherwise described in the Deposit Agreement dated March 11, 1999 (the "Deposit Agreement") will be converted by the Depositary into U.S. dollars and distributed, net of Depositary fees and expenses, to the holders of such ADSs.

With respect to equity shares issued by the company during a particular fiscal year (including the equity shares underlying the ADSs issued to the Depositary, dividends declared and paid for such fiscal year generally will be prorated from the date of issuance to the end of such fiscal year. Once a cash dividend is declared, equity shares entitled to prorated dividends are quoted on the Indian stock exchanges at the same price as equity shares entitled to full dividends. However, upon sale of and payment for equity shares entitled to a prorated dividend, the selling broker will deduct the difference between the full dividend and the prorated dividend from the sale price of such shares. Holders of ADSs will only receive dividends prorated from the date of issuance of the underlying equity shares to the end of the fiscal year for which such dividends are declared and paid.

The following table sets forth the annual dividends paid per equity share for each of the years indicated.

Year ended March 31,	Dividend paid per equity share [1]	
	Indian rupee	$
2000	4.50	0.11
1999	3.75	0.09
1998	3.00	0.04
1997	2.75	0.02
1996	2.50	0.02

1. Dividends are retroactively adjusted to reflect the effect of the two-for-one stock split in November 1999.

8.B Significant changes

None.

Item 9. The Offer and Listing

9.1 General

The company's equity shares are traded on The Stock Exchange, Mumbai ("BSE"), the Bangalore Stock Exchange ("BGSE") and The National Stock Exchange ("NSE") in India ("Indian Stock Exchanges"). The company's American Depositary Shares as evidenced by American Depositary Receipts ("ADRs") are traded in the U.S. on the NASDAQ National Market® under the ticker symbol "INFY". Each equity share of the company is represented by two American Depositary Shares ("ADSs"). The ADRs evidencing ADSs began trading on the NASDAQ from March 11, 1999 when they were issued by the depositary Bankers Trust Company (the "Depositary"), pursuant to the Deposit Agreement.

The number of outstanding equity shares in the company, as of March 31, 2000, were 66,150,700. As of March 31, 2000, there were approximately 13,500 record holders of ADRs evidencing 4,163,800 ADSs (equivalent to 2,081,900 equity shares). As of March 31, 2000, there were 43,000 record holders of the 66,150,700 equity shares listed and traded on the stock exchanges in India.

The following table sets forth for the periods indicated the price history of the equity shares and the ADSs on the Indian Stock Exchanges and the NASDAQ respectively:

Annual high-low price history for previous five years

	BSE Price per equity share in $		NSE Price per equity share in $		BGSE Price per equity share in $		NASDAQ Price per American Depositary Shares in $	
Fiscal Year	High	Low	High	Low	High	Low	High	Low
2000	316.84	29.29	319.57	28.90	320.55	55.24	375.00	19.63
1999	40.73	11.16	40.82	10.84	13.18	7.21	25.00	18.69
1998	11.56	3.54	11.89	3.32	9.85	3.76	–	–
1997	4.10	1.67	4.18	1.76	4.08	1.65	–	–
1996	2.02	1.33	2.00	1.35	1.94	1.33	–	–

Stock price per share have been restated to reflect a two-for-one stock-split in fiscal 1998, 1999 and 2000.

Source: The Economic Times

Quarterly high-low price history for previous two years

	BSE Price per equity share in $		NSE Price per equity share in $		BGSE Price per equity share in $ [1]		NASDAQ Price per American Depositary Shares in $	
Fiscal Year	High	Low	High	Low	High	Low	High	Low
2000								
First quarter	44.04	29.29	43.39	28.90	–	–	30.63	19.63
Second quarter	91.56	41.69	91.61	41.91	86.32	55.24	73.88	28.69
Third quarter	168.75	78.70	167.35	78.85	168.19	79.49	180.00	65.50
Fourth quarter	316.84	130.74	319.57	129.88	320.55	131.89	375.00	133.00
1999								
First quarter	14.75	11.16	15.30	10.84	13.18	7.21	–	–
Second quarter	15.96	12.76	16.17	12.48	–	–	–	–
Third quarter	17.46	13.03	18.28	12.58	–	–	–	–
Fourth quarter	40.73	17.35	40.82	14.35	–	–	25.00	18.69

1. The company's shares were not traded on the BGSE between May 1998 and July 1999.

Stock price per share have been restated to reflect a two-for-one stock-split in February 2000.

Source: The Economic Times for Indian quotes and http://finance.yahoo.com for ADS quotes

Monthly high-low price history for previous six months

Month	BSE Price per equity share in $		NSE Price per equity share in $		BGSE Price per equity share in $		NASDAQ Price per American Depositary Shares in $	
	High	Low	High	Low	High	Low	High	Low
Oct 1999	100.65	78.86	102.44	79.01	98.68	79.64	179.50	65.50
Nov 1999	112.33	75.92	112.59	76.04	112.33	74.31	117.50	71.50
Dec 1999	168.42	103.48	167.02	103.83	167.85	104.62	180.00	102.07
Jan 2000	194.17	130.73	193.52	129.87	192.66	131.88	201.00	133.00
Feb 2000	246.85	163.13	247.76	164.03	250.06	166.90	340.50	159.25
Mar 2000	316.81	201.83	319.54	195.21	320.53	208.85	375.00	180.00

Stock price per share have been restated to reflect a two-for-one stock-split in February 2000
Source: The Economic Times for Indian quotes and http://finance.yahoo.com for ADS quotes

9.2 Trading practices and procedures on the Indian Stock Exchanges

The Stock Exchange, Mumbai ("BSE") and the National Stock Exchange ("NSE") together account for more than 80% of the total trading volume on the Indian Stock Exchanges. Trading on both of these exchanges is accomplished through online execution. These two stock exchanges handle over 398,000 trades per day. Trading takes place on a five-day fixed settlement basis on most of the exchanges, including the BSE and NSE. Any outstanding amount at the end of the settlement period is settled by delivery and payment. However, institutional investors are not permitted to "net out" their transactions and must trade on a delivery basis only.

The BSE permits carry forwards of trades in certain securities by non-institutional investors with an associated charge. In addition, orders can be entered with a specified term of validity that may last until the end of the session, day or settlement period. Dealers must specify whether orders are for a proprietary account or for a client. The BSE specifies certain margin requirements for trades executed on the exchange, including margins based on the volume or quantity of exposure that the broker has on the market, as well as mark-to-market margins payable on a daily basis for all outstanding trades. Trading on the BSE takes place from 10:00 a.m. to 3:30 p.m. on all weekdays, except holidays. The NSE does not permit carry forwards of trades. It has separate margin requirements based on the net exposure of the broker on the exchange. The NSE trades from 9:30 a.m. until 4:00 p.m. on weekdays, except holidays. The NSE and BSE have separate online trading systems and separate clearing houses. The BSE was closed from January 11 through January 13, 1993 due to a riot in Mumbai. It was also closed on March 12, 1993 due to a bomb explosion within the premises of the BSE. From December 14 through December 23, 1993, the BSE was closed due to a broker's strike, and from March 20 through March 22, 1995, the Governing Board of the BSE closed the market due to a default of one of the broker members. There have been no closures of the Indian Stock Exchanges in response to "panic" trading or large fluctuations. The equity shares of the Company were not traded on the BGSE between May 1998 and July 1999 owing to the absence of quotes for trades in the BGSE.

Item 10. Additional Information

10.A Share capital

Not applicable.

10.B Memorandum and Articles of association

Description of equity shares

Set forth below is a brief summary of the material provisions of the company's Articles of Association ("AOA") and the Indian Companies Act, all as currently in effect. The company is registered under the Indian Companies Act with the Registrar of Companies, Karnataka, India with Company No. 13115. The following description of the company's Articles does not purport to be complete and is qualified in its entirety by the AOA and Memorandum of Association ("MOA") of the company that are included as exhibits to the company's quarterly report on Form 6-K filed with the Commission on January 21, 2000 and is incorporated herein by reference.

Share capital

The company's authorized share capital is 100,000,000 shares, par value Rs. 5 per share. As of March 31, 2000, 66,150,700 equity shares (as adjusted to reflect the company's stock split effective, February 11, 2000) were issued and outstanding. The equity shares are the only class of share capital of the company. There are no convertible debentures or warrants of the company currently in existence. For the purposes of this Annual Report, "shareholder" means a shareholder who is registered as a member in the register of members of the company.

Dividends

Under the Indian Companies Act, unless the Board of Directors of the Company (the "board") recommends the payment of a dividend, the company has no power to declare a dividend. Similarly, under the AOA, although the shareholders may, at the annual general meeting, approve a dividend in an amount less than that recommended by the board, they cannot increase the amount of the dividend. Dividends generally are declared as a percentage of the par value of the company's shares. The dividend recommended by the Board, and subject to the limitations described above, is distributed and paid to shareholders in proportion to the paid up value of their shares within 42 days of the approval by the shareholders at the annual general meeting. Pursuant to the company's AOA, the board has discretion to declare and pay interim dividends without shareholder approval. With respect to equity shares issued by the company during a particular fiscal year (including the equity shares underlying the ADSs issued to the Depositary), cash dividends declared and paid for such fiscal year generally will be prorated from the date of issuance to the end of such fiscal year. Under the Indian Companies Act, dividends can only be paid in cash to the registered shareholder at a record date fixed on or prior to the annual general meeting or to his order or his banker's order.

Under the Indian Companies Act, dividends may be paid out of profits of a company in the year in which the dividend is declared or out of the undistributed profits of previous fiscal years. Before declaring a dividend greater than 10%, a company is required under the Indian Companies Act to transfer to its reserves a minimum percentage of its profits for that year, ranging from 2.5% to 10% depending upon the dividend percentage to be declared in such year. The Indian Companies Act further provides that, in the event of an inadequacy or absence of profits in any year, a dividend may be declared for such year out of the company's accumulated profits, subject to the following conditions: (i) the rate of dividend to be declared shall not exceed 10% of its paid up capital or the average of the rate at which dividends were declared by the company in the prior five years, whichever is less; (ii) the total amount to be drawn from the accumulated profits earned in the previous years and transferred to the reserves shall not exceed an amount equivalent to 10% of its paid up capital and free reserves, and the amount so drawn is to be used first to set off the losses incurred in the fiscal year before any dividends in respect of preference or equity shares are declared; and (iii) the balance of reserves after withdrawals shall not fall below 15% of its paid-up capital. A dividend tax of 10% of the total dividend declared, distributed or paid for a relevant period is payable by the company.

Bonus shares

In addition to permitting dividends to be paid out of current or retained earnings as described above, the Indian Companies Act permits the company to distribute an amount transferred from the general reserve or surplus in the company's profit and loss account to its shareholders in the form of bonus shares (similar to a stock dividend). The Indian Companies Act also permits the issuance of bonus shares from a share premium account. Bonus shares are distributed to shareholders in the proportion recommended by the Board. Shareholders of record on a fixed record date are entitled to receive such bonus shares.

Preemptive rights and issue of additional shares

The Indian Companies Act gives shareholders the right to subscribe for new shares in proportion to their respective existing shareholdings unless otherwise determined by a special resolution passed by a general meeting of the shareholders. Under the Indian Companies Act, in the event of an issuance of securities, subject to the limitations set forth above, the company must first offer the new shares to the shareholders on a fixed record date. The offer must include: (i) the right, exercisable by the shareholders of record, to renounce the shares offered in favor of any other person; and (ii) the number of shares offered and the period of the offer, which may not be less than 15 days from the date of offer. If the offer is not accepted it is deemed to have been declined. The board is authorized under the Indian Companies Act to distribute any new shares not purchased by the preemptive rights holders in the manner that it deems most beneficial to the company.

Annual general meetings of shareholders

The company must convene an annual general meeting of its shareholders within six months after the end of each fiscal year and may convene an extraordinary general meeting of shareholders when necessary or at the request of a shareholder or shareholders holding at least 10% of the company's paid up capital carrying voting rights. The annual general meeting of the shareholders is generally convened by the company secretary pursuant to a resolution of the board. Written notice setting out the agenda of the meeting must be given at least 21 days (excluding the days of mailing and receipt) prior to the date of the general meeting to the shareholders of record. Shareholders who are registered as shareholders on the date of the general meeting are entitled to attend or vote at such meeting.

The annual general meeting of shareholders must be held at the registered office of the company or at such other place within the city in which the registered office is located; meetings other than the annual general meeting may be held at any other place if so determined by the board. The company's registered office is located at Electronics City, Hosur Road, Bangalore, 561 229, Karnataka, India.

The AOA provide that a quorum for a general meeting is the presence of at least five shareholders in person.

Voting rights

At any general meeting, voting is by show of hands unless a poll is demanded by a shareholder or shareholders present in person or by proxy holding at least 10% of the total shares entitled to vote on the resolution or by those holding shares with an aggregate paid up capital of at least Rs. 50,000. Upon a show of hands, every shareholder entitled to vote and present in person has one vote and, on a poll, every shareholder entitled to vote and present in person or by proxy has voting rights in proportion to the paid up capital held by such shareholders. The chairman of the board has a deciding vote in the case of any tie.

Any shareholder of the company may appoint a proxy. The instrument appointing a proxy must be delivered to the company at least 48 hours prior to the meeting. A proxy may not vote except on a poll. A corporate shareholder may appoint an authorized representative who can vote on behalf of the shareholder, both upon a show of hands and upon a poll. Ordinary resolutions may be passed by simple majority of those present and voting at any general meeting for which the required period of notice has been given. However, certain resolutions such as amendments of the AOA and the MOA, commencement of a new line of business, the waiver of preemptive rights for the issuance of any new shares and a reduction of share capital, require that votes cast in favor of the resolution (whether by show of hands or poll) are not less than three times the number of votes, if any, cast against the resolution.

Register of shareholders; record dates; transfer of shares

The company maintains a register of shareholders of the company. For the purpose of determining the shares entitled to annual dividends, the register is closed for a specified period prior to the annual general meeting. To determine which shareholders are entitled to certain shareholder rights, the company, pursuant to a board resolution, may close the register of shareholders. The Indian Companies Act and each of the company's listing agreements with the Indian Stock Exchanges require the company to give at least 30 days' prior notice to the Indian Stock Exchanges and at least seven days' prior notice to the public. The Company may not close the register of shareholders for more than 30 consecutive days, and in no event more than 45 days in a year. Trading of equity shares may, however, continue while the register of shareholders is closed.

Following the introduction of the Depositories Act, 1996, and the repeal of Section 22A of the Securities Contracts (Regulation) Act, 1956, which enabled companies to refuse to register transfers of shares in certain circumstances, the shares of the company are freely transferable, subject only to the provisions of Section 111A of the Indian Companies Act. The AOA currently contain provisions which give the directors discretion to refuse to register a transfer of shares in certain circumstances. In accordance with the provisions of Section 111A(2) of the Indian Companies Act, the directors may exercise this discretion if they have sufficient cause to do so. Pursuant to Section 111A(3), if the transfer of shares contravenes any of the provisions of the Securities and Exchange Board of India Act, 1992 or the regulations issued thereunder or the Sick Industrial Companies (Special Provisions) Act, 1985 or any other similar laws, the Company Law Board (the "CLB") may, on application made by the company, a depositary incorporated in India, an investor, the SEBI or certain other parties, direct the rectification of the register of records. The CLB may, in its discretion, issue an interim order suspending the voting rights attached to the relevant shares before making or completing its investigation into the alleged contravention. Notwithstanding such investigation, the rights of a shareholder to transfer the shares will not be restricted.

Under the Indian Companies Act, a transfer of shares is effected by an instrument of transfer in the form prescribed by the Indian Companies Act and the rules thereunder together with delivery of the share certificates. The transfer agent of the company is Karvy Consultants Limited, Bangalore, Karnataka, India.

The company has entered into listing agreements with each of the Indian Stock Exchanges. Clause 40A of each of the listing agreements provides that if an acquisition of a listed company's shares results in the acquiror and its associates holding 5% or more of the company's outstanding equity shares or voting rights, the acquiror must report its holding to the company and the relevant stock exchange(s). If an acquisition results in the acquiror and its associates holding equity shares that have 15% or more of the voting rights, then the acquiror must, before acquiring such equity shares, make an offer (in accordance with Clause 40B of the listing agreements) on a uniform basis to all remaining shareholders of the company to acquire equity shares that have at least an additional 20% of the voting rights of the total equity shares of the company at a prescribed price. The acquisition of shares of a company listed on an Indian stock exchange beyond certain threshold amounts is subject to regulations governing takeovers of Indian companies. Although clauses 40A and 40B and such regulations will not apply to the equity shares so long as they are represented by ADSs, holders of ADSs may be required to comply with such notification and disclosure obligations pursuant to the provisions of the Deposit Agreement to be entered into by such holders, the company and a depositary.

Disclosure of ownership interest

Section 187C of the Indian Companies Act requires beneficial owners of shares of Indian companies who are not holders of record to declare to the company details of the holder of record and the holder of record to declare details of the beneficial owner. Any person who fails to make the required declaration within 30 days may be liable for a fine of up to Rs. 1,000 for each day the declaration is not made. Any lien, promissory note or other collateral agreement created, executed or entered into with respect to any share by the registered owner thereof, or any hypothecation by the registered owner of any share, pursuant to which a declaration is required to be made under Section 187C, shall not be enforceable by the beneficial owner or any person claiming through the beneficial owner if such declaration is not made. Failure to comply with Section 187C will not affect the obligation of the company to register a transfer of shares or to pay any dividends to the registered holder of any shares pursuant to which such declaration has not been made. While it is unclear under Indian law whether Section 187C applies to holders of ADSs of the company, investors who exchange ADSs for the underlying equity shares of the company will be subject to the restrictions of Section 187C. Additionally, holders of ADSs may be required to comply with such notification and disclosure obligations pursuant to the provisions of the Deposit Agreement to be entered into by such holders, the company and a depositary.

Audit and annual report

At least 21 days before the annual general meeting of shareholders, the company must distribute a detailed version of the company's audited balance sheet and profit and loss account and the reports of the board and the auditors thereon. Under the Indian Companies Act, the company must file the balance sheet and annual profit and loss account presented to the shareholders within 30 days of the conclusion of the annual general meeting with the Registrar of Companies. The company must also file an annual return containing a list of the company's shareholders and other company information, within 60 days of the conclusion of the meeting.

Company acquisition of equity shares

Under the Indian Companies Act, the company may not acquire its own equity shares because of the resulting reduction in the company's capital. Such a reduction in capital is permitted only in certain circumstances and requires compliance with specific buy-back regulations, a special resolution passed by the shareholders and approval by the high court of the state in which the registered office of the company is situated. The Government of India has recently published guidelines that would permit a company to form a separate trust specifically for the purpose of buying odd lots of shares and disposing of such shares through a stock exchange.

Liquidation rights

Subject to the rights of creditors, employees and the holders of any shares entitled by their terms to preferential repayment over the equity shares, if any, in the event of the winding-up of the company, the holders of the equity shares are entitled to be repaid the amounts of paid up capital or credited as paid up on such equity shares. All surplus assets after payments due to the holders of any preference shares at the commencement of the winding-up shall be paid to holders of equity shares in proportion to their shareholdings.

Voting rights of deposited equity shares represented by ADSs

Under Indian law, voting of the equity shares is by show of hands unless a poll is demanded by a member or members present in person or by proxy holding at least one-tenth of the total shares entitled to vote on the resolution or by those holding an aggregate paid up capital of at least Rs. 50,000. A proxy may not vote except on a poll.

As soon as practicable after receipt of notice pursuant to the Deposit Agreement of any meeting of holders of equity shares or other deposited securities, the Depositary shall fix a record date for determining the holders entitled to give instructions for the exercise of voting rights, if any, as provided in the Deposit Agreement and shall mail to the holders a record notice which shall contain: (i) such information as is contained in such notice of meeting; (ii) a statement that the holders of record at the close of business on a specified record date will be entitled, subject to any applicable provisions of Indian law and of the MOA and AOA of the company governing the deposited securities represented by their respective ADSs evidenced by their respective ADRs; (iii) a brief statement as to the manner in which such instructions may be given including (a) an express indication that the Depositary should demand a poll or instruct the chairman of the meeting (the "Chairman") or a person designated by the Chairman to demand a poll in the event that a poll is not otherwise demanded pursuant to Indian law and (b) an express indication that instructions may be given to the Depositary to give a discretionary proxy to a person designated by the company; and (iv) a statement that if the Depositary does not receive instructions from a holder, such holder may under certain circumstances be deemed to have instructed the Depositary to give a discretionary proxy to a person designated by the company to vote such deposited securities. Upon the written request of a holder on such record date, received on or before the date established by the Depositary for such purpose, the Depositary shall endeavor, insofar as is practicable and permitted under the applicable provisions of Indian law and of the MOA and AOA of the company governing the deposited securities, to vote or cause to be voted the amount of deposited securities represented by such ADSs evidenced by such ADRs in accordance with the instructions set forth in such request. In the event that the Depositary receives express instructions from holders to demand a poll with respect to any matter to be voted on by holders, the Depositary may notify the Chairman or a person designated by the Chairman of such instructions and request the Chairman or such designee to demand a poll with respect to such matters and the company agrees that the Chairman or such designee will make their reasonable best efforts to so demand a poll at the meeting at which such matters are to be voted on and to vote such equity shares in accordance with such holders' instructions; provided, however, that prior to any demand of a poll or request to demand a poll by the Depositary upon the terms set forth herein, the company is required, at its own expense, to use its best efforts to obtain and deliver to the Depositary an opinion of Indian counsel, reasonably satisfactory to the Depositary, stating that such action is in conformity with all applicable laws and regulations and that such demand for a poll by the Depositary or a person designated by the Depositary will not expose the Depositary to any liability to any person. The Depositary shall not have any obligation to demand a poll or request the demand of a poll if the company shall not have delivered to the Depositary the local counsel opinion set forth in this paragraph.

The Depositary agrees not to, and shall ensure that the custodian and each of their nominees does not vote, attempt to exercise the right to vote, or in any way make use of, for purposes of establishing a quorum or otherwise, the equity shares or other deposited securities represented by the ADSs evidenced by an ADR other than in accordance with such instructions from the holder or as provided below. The Depositary may not itself exercise any voting discretion over any equity shares. If the Depositary does not receive instructions from any holder with respect to any of the deposited securities represented by the ADSs evidenced by such holder's ADRs on or before the date established by the Depositary for such purpose, such holder shall be deemed, and the Depositary shall deem such holder, to have instructed the Depositary to give a discretionary proxy to a person designated by the company to vote such deposited securities; provided that: (i) no such discretionary proxy shall be given with respect to any matter as to which the company informs the Depositary (and the company agrees to provide such information as promptly as practicable in writing) that (a) the company does not wish such proxy given, (b) substantial opposition exists or (c) the rights of the holders of equity shares will be adversely affected; and (ii) the Depositary shall not have any obligation to give such discretionary proxy to a person designated by the company if the company shall not have delivered to the Depositary the local counsel opinion and representation letter set forth in the next paragraph.

Prior to each request for the delivery of a discretionary proxy upon the terms set forth herein, the company shall, at its own expense, deliver to the Depositary: (i) an opinion of Indian counsel, reasonably satisfactory to the Depositary, stating that such action is in conformity with all applicable laws and regulations; and (ii) a representation letter from the company (executed by a senior officer of the company) which (a) designates the person to whom any discretionary proxy should be given, (b) confirms that the company wishes such discretionary proxy to be given and (c) certifies that the company has not and shall not request the discretionary proxy to be given as to any matter as to which substantial opposition exists or which may adversely affect the rights of holders of equity shares.

10.C Material contracts

None.

10.D Exchange controls

Foreign investment in the Indian securities is generally regulated by the Foreign Exchange Regulation Act, 1973 ("FERA"). Under Section 29(1)(b) of FERA, no person or company resident outside India that is not incorporated in India (other than a banking company) can purchase the shares of any company carrying on any trading, commercial or industrial activity in India without the permission of the RBI. Also, under Section 19(1)(d) of FERA, the transfer and issuance of any security of any Indian company to a person resident outside India requires the permission of the RBI. Under Section 19(5) of FERA, no transfer of shares in a company registered in India by a non-resident to a resident of India is valid unless the transfer is confirmed by the RBI upon application filed by the transferor or the transferee. Under guidelines issued by the RBI, the RBI will approve such transfers if such transfer is transacted on an Indian Stock Exchange through a registered stock broker. Furthermore, the issuance of rights and other distributions of securities to a non-resident also require the prior consent of the RBI.

10.D.1 General

Shares of Indian companies represented by ADSs may be approved for issuance to foreign investors by the Government of India under the Issue of Foreign Currency Convertible Bonds and Equity Shares (through Depositary Receipt Mechanism) Scheme, 1993 (the "1993 Regulation"), as modified from time to time, promulgated by the Government of India. The 1993 Regulation is distinct from other policies or facilities, as described below, relating to investments in Indian companies by foreign investors. The issuance of ADSs pursuant to the 1993 Regulation also affords to holders of the ADSs the benefits of Section 115AC of the Indian Income Tax Act, 1961 for purposes of the application of Indian tax law.

10.D.2 Foreign direct investment

In July 1991, the Government of India raised the limit on foreign equity holdings in Indian companies from 40% to 51% in certain high priority industries. The RBI gives automatic approval for such foreign equity holdings. The Foreign Investment Promotion Board (the "FIPB"), currently under the Ministry of Industry, was thereafter formed to negotiate with large foreign companies wishing to make long-term investments in India. Foreign equity participation in excess of 51% in such high priority industries or in any other industries up to Rs. six billion is currently allowed only with the approval of the FIPB. Proposals in excess of Rs. six billion require the approval of the Cabinet Committee on Foreign Investment. Proposals involving the public sector and other sensitive areas require the approval of Cabinet Committee on Economic Affairs. These facilities are designed for direct foreign investments by non-residents of India who are not NRIs, OCBs or FIIs (as each term is defined below) ("Foreign Direct Investors"). The Department of Industrial Policy and Promotion, a part of the Ministry of Industry, issued detailed guidelines in January 1997 for consideration of foreign direct investment proposals by the FIPB (the "Guidelines"). Under the Guidelines, sector specific guidelines for foreign direct investment and the levels of permitted equity participation have been established. In January 1998, the RBI issued a notification that foreign ownership of up to 50%, 51% or 74%, depending on the category of industry, would be allowed without prior permission of the RBI. The issues to be considered by the FIPB, and the FIPB's areas of priority in granting approvals are also set out in the Guidelines. The basic objective of the Guidelines is to improve the transparency and objectivity of the FIPB's consideration of proposals. However, because the Guidelines are administrative guidelines and have not been codified as either law or regulations, they are not legally binding with respect to any recommendation made by the FIPB or with respect to any decision taken by the Government of India in cases involving foreign direct investment.

In May 1994, the Government of India announced that purchases by foreign investors of ADSs as evidenced by ADRs and foreign currency convertible bonds of Indian companies will be treated as direct foreign investment in the equity issued by Indian companies for such offerings. Therefore, offerings that involve the issuance of equity that results in Foreign Direct Investors holding more than the stipulated percentage of direct foreign investments (which depends on the category of industry) would require approval from the FIPB. In addition, in connection with offerings of any such securities to foreign investors, approval of the FIPB is required for Indian companies whether or not the stipulated percentage limit would be reached, if the proceeds therefrom are to be used for investment in non-high priority industries. With respect to the activities of the company, FIPB approval is required for any direct foreign investment in the company which exceeds 51% of the total issued share capital of the company.

In July 1997, the Government of India issued guidelines to the effect that foreign investment in preferred shares will be considered as part of the share capital of a company and will be processed through the automatic RBI route or will require the approval of the FIPB, as the case may be. Investments in preferred shares are included as foreign direct investment for the purposes of sectoral caps on foreign equity, if such preferred shares carry a conversion option. If the preferred shares are structured without a conversion option, they would fall outside the foreign direct investment limit but would be treated as debt and would be subject to special Government of India guidelines and approvals.

10.D.3 Investment by NRIs and OCBs

A variety of special facilities for making investments in India in shares of Indian companies is available to individuals of Indian nationality or origin residing outside India and to OCBs , at least 60% owned by such persons. These facilities permit NRIs and OCBs to make portfolio investments in shares and other securities of Indian companies on a basis not generally available to other foreign investors. These facilities are different and distinct from investments by Foreign Direct Investors described above.

10.D.4 Investment by Foreign Institutional Investors

In September 1992, the Government of India issued guidelines which enable FIIs, including institutions such as pension funds, investment trusts, asset management companies, nominee companies and incorporated/institutional portfolio managers, to invest in all the securities traded on the primary and secondary markets in India. Under the guidelines, FIIs are required to obtain an initial registration from the SEBI and a general permission from the RBI to engage in transactions regulated under FERA. FIIs must also comply with the provisions of the SEBI Foreign Institutional Investors Regulations, 1995. When it receives the initial registration, the FII also obtains general permission from the RBI to engage in transactions regulated under FERA. Together, the initial registration and the RBI's general permission enable the registered FII to buy (subject to the ownership restrictions discussed below) and sell freely securities issued by Indian companies, to realize capital gains on investments made through the initial amount invested in India, to subscribe or renounce rights offerings for shares, to appoint a domestic custodian for custody of investments held and to repatriate the capital, capital gains, dividends, income received by way of interest and any compensation received towards sale or renunciation of rights offerings of shares.

10.D.5 Ownership restrictions

SEBI and RBI regulations restrict investments in Indian companies by Foreign Direct Investors. Under current SEBI regulations applicable to the company, subject to the requisite approvals of the shareholders in a general meeting, Foreign Direct Investors in aggregate may hold no more than 40% of the company's equity shares, excluding the equity shares underlying the ADSs, and NRIs and OCBs in aggregate may hold no more than 10% of the company's equity shares, excluding the equity shares underlying the ADSs. Furthermore, SEBI regulations provide that no single FII may hold more than 10% of the company's total equity shares and no single NRI or OCB may hold more than 5% of the company's total equity shares.

FIIs may only purchase securities of public Indian companies (other than the ADSs) through a procedure known as a "preferential allotment of shares", which is subject to certain restrictions. These restrictions will not apply to equity shares issued as stock dividends or in connection with rights offerings applicable to the equity shares underlying the ADSs.

There is uncertainty under Indian law about the tax regime applicable to FIIs which hold and trade ADSs. FIIs are urged to consult with their Indian legal and tax advisers about the relationship between the FII guidelines and the ADSs and any equity shares withdrawn upon surrender of ADSs.

More detailed provisions relating to FII investment have been introduced by the SEBI with the introduction of the SEBI Foreign Institutional Investors Regulations, 1995. These provisions relate to the registration of FIIs, their general obligations and responsibilities, and certain investment conditions and restrictions. One such restriction is that the total investment in equity and equity-related instruments should not be less than 70% of the aggregate of all investments of an FII in India. The SEBI has also permitted private placements of shares by listed companies with FIIs, subject to the prior approval of the RBI under FERA. Such private placement must be made at the average of the weekly highs and lows of the closing price over the preceding six months or the preceding two weeks, whichever is higher.

Under the Securities and Exchange Board of India (Substantial Acquisition of shares and Takeovers) Regulations, 1997 approved by the SEBI in January 1997 and promulgated by the Government of India in February 1997 (the "Takeover Code"), which replaced the 1994 Takeover Code (as defined herein), upon the acquisition of more than 5% of the outstanding shares of a public Indian company, a purchaser is required to notify the company and all the stock exchanges on which the shares of the company are listed. Upon the acquisition of 15% or more of such shares or a change in control of the company, the purchaser is required to make an open offer to the other shareholders offering to purchase at least 20% of all the outstanding shares of the company at a minimum offer price as determined pursuant to the rules of the Takeover Code. Upon conversion of ADSs into equity shares, an ADS holder will be subject to the Takeover Code.

Open market purchases of securities of Indian companies in India by Foreign Direct Investors or investments by NRIs, OCBs and FIIs above the ownership levels set forth above require Government of India approval on a case-by-case basis.

10.E Taxation

10.E.1 Indian taxation

10.E.1.1 General

The following summary is based on the provisions of the Income Tax Act, 1961 (the "Indian Tax Act"), including the special tax regime contained in Section 115AC (the "Section 115AC Regime") and the 1993 Regulation. The Indian Tax Act is amended every year by the Finance Act of the relevant year. Some or all of the tax consequences of the Section 115 AC Regime may be amended or changed by future amendments of the Indian Tax Act.

THE SUMMARY SET FORTH BELOW IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF THE INDIVIDUAL TAX CONSEQUENCES TO NON-RESIDENT HOLDERS UNDER INDIAN LAW FOR THE ACQUISITION, OWNERSHIP AND SALE OF ADSS AND EQUITY SHARES BY NON-RESIDENT HOLDERS. PERSONAL TAX CONSEQUENCES OF AN INVESTMENT MAY VARY FOR INVESTORS IN VARIOUS CIRCUMSTANCES AND POTENTIAL INVESTORS SHOULD THEREFORE CONSULT THEIR OWN TAX ADVISERS ON THE TAX CONSEQUENCES OF SUCH ACQUISITION, OWNERSHIP AND SALE, INCLUDING SPECIFICALLY THE TAX CONSEQUENCES UNDER THE LAW OF THE JURISDICTION OF THEIR RESIDENCE AND ANY TAX TREATY BETWEEN INDIA AND THEIR COUNTRY OF RESIDENCE.

10.E.1.2 Residence

For purposes of the Indian Tax Act, an individual is considered to be a resident of India during any financial year if he: (i) is in India in that year for a period or periods amounting to 182 days or more; or (ii) is in India in that year for 60 days or more and, in case of a citizen of India or a person of Indian origin, who, being outside India, comes on a visit to India, is in India for more than 182 days effective April 1, 1995 and in each case within the four preceding years has been in India for a period or periods amounting to 365 days or more. A company is resident in India if it is registered in India or the control and the management of its affairs is situated wholly in India.

10.E.1.3 Taxation of distributions

Pursuant to the Finance Act, 1997, withholding tax on dividends paid to shareholders no longer applies. Distributions to Non-resident Holders of additional ADSs or equity shares or rights to subscribe for equity shares ("Rights") made with respect to ADSs or equity shares are not subject to Indian tax.

10.E.1.4 Taxation of capital gains

Any gain realized on the sale of ADSs or equity shares by a non-resident holder to another Non-resident holder outside India is not subject to Indian capital gains tax. However, as Rights are not expressly covered by the Indian Income Tax Act, 1961, it is unclear, as to whether capital gain derived from the sale of Rights by a non-resident holder (not entitled to an exemption under a tax treaty) to another non-resident holder outside India will be subject to Indian capital gains tax. If such Rights are deemed by the Indian tax authorities to be situated within India, the gains realized on the sale of such Rights will be subject to customary Indian taxation as discussed below.

Since the issuance of the ADSs has been approved by the Government of India under the Section 115AC Regime, non-resident holders of the ADSs will have the benefit of tax concessions available under the Section 115AC Regime. However, the 1993 Regulation provides that if the equity shares are sold on an Indian Stock Exchange against payment in Indian rupees, they will no longer be eligible for such concessional tax treatment. The Section 115AC Regime is unclear, as to whether such tax treatment is available to a non-resident who acquires equity shares outside India from a non-resident holder of equity shares after receipt of the equity shares upon surrender of the ADSs. If concessional tax treatment is not available, gains realized on the sale of such equity shares will be subject to customary Indian taxation as discussed below.

Subject to any relief provided pursuant to an applicable tax treaty, any gain realized on the sale of equity shares to an Indian resident or inside India generally will be subject to Indian capital gains tax which is to be deducted at the source by the buyer. For the purpose of computing capital gains tax, the cost of acquisition of equity shares received in exchange for ADSs will be determined on the basis of the prevailing price of the shares on any of the Indian Stock Exchanges on the date that the Depositary gives notice to the custodian of the delivery of the equity shares in exchange for the corresponding ADSs. A non-resident holder's holding period (for purposes of determining the applicable Indian capital gains tax rate) in respect of equity shares received in exchange for ADSs commences on the date of the notice of the redemption by the Depositary to the custodian. The Indo-U.S. Treaty does not provide an exemption from the imposition of Indian capital gains tax.

Taxable gain realized on equity shares (calculated in the manner set forth in the prior paragraph) for more than 12 months (long-term gain) is subject to tax at the rate of 10%. Taxable gain realized on equity shares held for 12 months or less (short-term gain) is subject to tax at variable rates with a maximum rate of 48%. The actual rate of tax on short-term gain depends on a number of factors, including the legal status of the non-resident holder and the type of income chargeable in India.

10.E.1.5 Stamp duty and transfer tax

Upon issuance of the equity shares, the company is required to pay a stamp duty of 0.1% per share of the issue price of the underlying equity shares. A transfer of ADSs is not subject to the Indian stamp duty. However, upon the acquisition of equity shares from the Depositary in exchange for ADSs, the holder will be liable for Indian stamp duty at the rate of 0.5% of the market value of the ADSs or equity shares exchanged. A sale of equity shares by a registered holder will also be subject to Indian stamp duty at the rate of 0.5% of the market value of the equity shares on the trade date, although customarily such tax is borne by the transferee.

10.E.1.6 Gift and Wealth tax

ADSs held by non-resident holders and the underlying equity shares held by the Depositary as a fiduciary and the transfer of ADSs between non-resident holders and the Depositary will be exempt from Indian gift tax and Indian wealth tax. Although Indian gift tax was abolished effective October 1, 1998, a gift tax may apply to transfers by way of gift of equity shares or ADSs in the future. Investors are advised to consult their own tax advisers in this context.

10.E.1.7 Estate duty

Under current Indian law, there is no estate duty applicable to a non-resident holder of ADSs or equity shares.

10.E.2 United States federal taxation

The following is a summary of the material U.S. federal income and estate tax matters that may be relevant with respect to the acquisition, ownership and disposition of equity shares or ADSs. This summary addresses only the U.S. federal income and estate tax considerations of holders that are citizens or residents of the United States, partnerships or corporations created in or under the laws of the United States or any political subdivision thereof or therein, estates, the income of which is subject to U.S. federal income taxation regardless of its source and trusts ("U.S. Holders") or are not U.S. Holders ("Non-U.S. Holders") and that will hold equity shares or ADSs as capital assets. This summary does not address tax considerations applicable to holders that may be subject to special tax rules, such as banks, insurance companies, dealers in securities or currencies, tax-exempt entities, persons that will hold equity shares or ADSs as a position in a "straddle" or as part of a "hedging" or "conversion" transaction for tax purposes, persons that have a "functional currency" other than the U.S. dollar or holders of 10% or more (by voting power or value) of the stock of the company. This summary is based on the tax laws of the United States as in effect and on United States Treasury Regulations in effect (or, in certain cases, proposed), as well as judicial and administrative interpretations thereof available on or before such date and is based in part on representations of the Depositary and the assumption that each obligation in the Depositary Agreement and any related agreement will be performed in accordance with its terms. All of the foregoing are subject to change, which change could apply retroactively and could affect the tax consequences described below.

EACH INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR WITH RESPECT TO THE U.S. FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF ACQUIRING, OWNING AND DISPOSING OF EQUITY SHARES OR ADSs.

10.E.2.1 Ownership of ADSs

For U.S. federal income tax purposes, holders of ADSs will be treated as the owners of equity shares represented by such ADSs.

10.E.2.2 Dividends

Distributions of cash or property (other than equity shares, if any, distributed pro rata to all shareholders of the company, including holders of ADSs) with respect to equity shares will be includible in income by a U.S. Holder as foreign source dividend income at the time of receipt, which in the case of a U.S. Holder of ADSs generally will be the date of receipt by the Depositary, to the extent such distributions are made from the current or accumulated earnings and profits of the company. Such dividends will not be eligible for the dividends received deduction generally allowed to corporate U.S. Holders. To the extent, if any, that the amount of any distribution by the company exceeds the company's current and accumulated earnings and profits as determined under U.S. federal income tax principles, it will be treated first as a tax-free return of the U.S. Holder's tax basis in the equity shares or ADSs and thereafter as capital gain.

A U.S. Holder will not be eligible for a foreign tax credit against its U.S. federal income tax liability for Indian taxes paid by the company and deemed under Indian law to have been paid by the shareholders of the company, unless it is a U.S. company holding at least 10% of the Indian company paying the dividends.

U.S. Holders should be aware that dividends paid by the company generally will constitute "passive income" for purposes of the foreign tax credit. The Internal Revenue Code applies various limitations on the amount of foreign tax credit that may be available to a U.S. taxpayer. U.S. Holders should consult their own tax advisors with respect to the potential consequences of those limitations.

A Non-U.S. Holder of equity shares or ADSs generally will not be subject to U.S. federal income tax or withholding tax on dividends received on equity shares or ADSs unless such income is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the United States

10.E.2.3 Sale or exchange of equity shares or ADSs

A U.S. Holder generally will recognize gain or loss on the sale or exchange of equity shares or ADSs equal to the difference between the amount realized on such sale or exchange and the U.S. Holder's tax basis in the equity shares or ADSs, as the case may be. Such gain or loss will be capital gain or loss, and will be long-term capital gain or loss if the equity shares or ADSs, as the case may be, were held for more than one year. Gain, if any, recognized by a U.S. Holder generally will be treated as U.S. source passive income for U.S. foreign tax credit purposes.

A Non-U.S. Holder of equity shares or ADSs generally will not be subject to U.S. federal income or withholding tax on any gain realized on the sale or exchange of such equity shares or ADSs unless: (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the U.S.; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale and certain other conditions are met.

If dividends are paid in Indian rupees, the amount of the dividend distribution includible in the income of a U.S. Holder will be in the U.S. dollar value of the payments made in Indian rupees, determined at a spot exchange rate between Indian rupees and U.S. dollars applicable to the date such dividend is includible in the income of the U.S. Holder, regardless of whether the payment is in fact converted into U.S. dollars. Generally, gain or loss (if any) resulting from currency exchange fluctuations during the period from the date the dividend is paid to the date such payment is converted into U.S. dollars will be treated as ordinary income or loss.

10.E.2.4 Estate taxes

An individual shareholder who is a citizen or resident of the United States for U.S. federal estate tax purposes will have the value of the equity shares or ADSs owned by such holder included in his or her gross estate for U.S. federal estate tax purposes.

An individual holder who actually pays Indian estate tax with respect to the equity shares will, however, be entitled to credit the amount of such tax against his or her U.S. federal estate tax liability, subject to certain conditions and limitations.

10.E.2.5 Backup withholding tax and information reporting requirements

Under current U.S. Treasury Regulations, dividends paid on equity shares, if any, generally will not be subject to information reporting and generally will not be subject to U.S. backup withholding tax. Information reporting will apply to payments of dividends on, and to proceeds from the sale or redemption of, equity shares or ADSs by a paying agent (including a broker) within the United States to a U.S. Holder (other than an "exempt recipient", including a corporation, a payee that is a Non-U.S. Holder that provides an appropriate certification and certain other persons). In addition, a paying agent within the United States will be required to withhold 31% of any payments of the proceeds from the sale or redemption of equity shares or ADSs within the United States to a holder (other than an "exempt recipient") if such holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with such backup withholding requirements.

10.E.2.6 Passive foreign investment company

A non-U.S. corporation will be classified as a passive foreign investment company (a "PFIC") for U.S. Federal income tax purposes if it satisfies either of the following two tests: (i) 75% or more of its gross income for the taxable year is passive income; or (ii) on average for the taxable year (by value or, if the company so elects, by adjusted basis) 50% or more of its assets produce or are held for the production of passive income.

The company does not believe that it satisfies either of the tests for PFIC status. If the company were to be a PFIC for any taxable year, U.S. Holders would be required to either: (i) pay an interest charge together with tax calculated at maximum ordinary income rates on certain "excess distributions" (defined to include gain on a sale or other disposition of equity shares); or (ii) if a Qualified Electing Fund election is made, to include in their taxable income their pro rata share of certain undistributed amounts of the company's income.

10.G Statement by experts

The U.S. GAAP financial statements of Infosys Technologies Limited as of March 31, 2000 and 1999, and for each of the years in the three-year period ended March 31, 2000, have been included herein in reliance upon the report of KPMG, India, independent accountants, appearing elsewhere herein, and upon the authority of said firm as experts in auditing and accounting.

10.H Documents on display

This report and other information filed or to be filed by the company can be inspected and copied at the public reference facilities maintained by the SEC at:

- Judiciary Plaza
450 Fifth Street, N.W.
Room 1024
Washington, D.C. 20529
- Seven World Trade Center
13th Floor,
New York, New York 10048; and
- Northwestern Atrium Center
500 West Madison Street
Suite 1400
Chicago, Illinois 60661-2511

Copies of these materials can also be obtained from the Public Reference Section of the SEC, 450th Street, N.W., Washington, DC 20549, at prescribed rates.

The SEC maintains a website at http://www.sec.gov that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system. As a foreign private issuer, we are not required to use the EDGAR system, but currently intend to do so in order to make our reports available over the Internet.

Additionally, documents referred to in this Form 20-F may be inspected at the corporate offices of the company which are located at Electronics City, Hosur Road, Bangalore –561229.

10.I Subsidiary information

Not applicable.

Item 11. Quantitative and Qualitative Disclosure About Market Risk

This information is set forth under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 97 through 110 of the Infosys Annual Report for fiscal 2000 and is incorporated herein by reference.

Item 12. Description of Securities Other than Equity Securities

Not applicable.

Part II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

None.

Item 17

Not Applicable.

Part III

Item 18. Financial Statements

The following financial statements of the company included in Item 18 of this Report on Form 20-F are hereby incorporated by reference from the Infosys Annual Report for fiscal 2000, filed as Exhibit 13.1 to this Report on Form 20-F.

- Independent auditors' report.
- Balance Sheets as of March 31, 2000 and 1999.
- Statements of Income for the years ended March 31, 2000, 1999 and 1998.
- Statements of Shareholders' Equity for the years ended March 31, 2000, 1999 and 1998.
- Statements of Cash Flows for the years ended March 31, 2000, 1999 and 1998.
- Notes to financial statements.

Item 19. Exhibits

Exhibit number	Description of document
**3.1	Articles of Association of the Registrant, as amended
**3.2	Memorandum of Association of the Registrant, as amended
*3.3	Certificate of Incorporation of the Registrant, as currently in effect
*4.1	Form of Deposit Agreement among the Registrant, Bankers Trust Receipts issued thereunder (including as an exhibit, the form of American Depositary Receipt)
*4.2	Registrant's Specimen Certificate for Equity Shares
*10.1	Registrant's 1998 Stock Option Plan
*10.2	Registrant's Employee Stock Offer Plan
*10.3	Employees Welfare Trust Deed of Registrant Pursuant to Employee Stock Offer Plan
*10.4	Form of Indemnification Agreement
***10.5	Registrant's 1999 Stock Option Plan
13.1	Infosys Annual Report for fiscal 2000
23.1	Consent of KPMG, India
27.1	Financial Data Schedule
99.1	Proxy Information Statement to holders of American Depositary Shares
99.2	Proxy Information Statement to holders of Equity Shares
99.3	Proxy Form to holders of Equity Shares
99.4	Proxy Form to holders of American Depositary Shares

* Incorporated by reference to exhibits filed with the Registrant's Registration Statement on Form F-1 (File No. 333-72195) in the form declared effective on March 10, 1999.

** Incorporated by reference to exhibits filed with the Registrant's Quarterly Report on Form 6-K filed on January 21, 2000

*** Incorporated by reference to exhibits filed with the Registrant's Quarterly Report on Form 6-K filed on August 4, 1999

Signatures

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

for Infosys Technologies Limited

	Nandan M. Nilekani	N. R. Narayana Murthy
Bangalore	*Managing Director, President*	*Chairman*
April 28, 2000	*and Chief Operating Officer*	*and Chief Executive Officer*

Shareholder information

- Shareholder information
- Frequently asked questions (FAQ)
- Additional information to shareholders
  - Share performance chart
  - Intangible assets scoresheet
  - Human resources accounting
  - Value-added statement
  - Brand valuation
  - Balance sheet (including intangible assets)
  - Economic value-added (EVA) statement
  - Ratio analysis
  - Statutory obligations / segment reporting
- Management structure
- A historical perspective
- Infosys Foundation

Shareholder information

1.	Dates of book closure	May 16, 2000 to May 27, 2000 (both days inclusive)
2.	Date and venue of the annual general meeting	3.00 p.m. on May 27, 2000, at Hotel Taj Residency, No. 41/3, M.G. Road, Bangalore – 560 001, India.
3.	Dividend payment	On or after May 27, 2000, but within the statutory time limit.
4.	Listing on stock exchanges in India at	Bangalore Stock Exchange Ltd. Stock Exchange Towers, No. 51, 1st Cross, J.C. Road, Bangalore – 560 027, India. Tel.: +91-80-299 5234, Fax: +91-80-299 5242 The Stock Exchange, Mumbai Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001, India. Tel.: +91-22-265 5581, Fax: +91-22-265 8121 National Stock Exchange of India Ltd. Trade World, Senapati Bapat Marg, Lower Parel, Mumbai – 400 013, India. Tel.: +91-22-497 2950, Fax: +91-22-491 4275 / 85
5.	Listing fees	Paid for all the above stock exchanges for 1999-2000 and 2000-2001.
6.	Listing on stock exchanges outside India	NASDAQ National Market in the United States 33 Whitehall Street, New York, NY-1004-4087 Tel.: +1-212-709-2400, Fax: +1-212-709-2496
7.	Registered office	Electronics City, Hosur Road, Bangalore – 561 229, India. Tel.: +91-80-852 0261, Fax: +91-80-852 0362 Homepage: www.infy.com
8.	Share transfers in physical form and other communication regarding share certificates, dividends, and change of address, etc., in India may be addressed to	Karvy Consultants Limited Registrars and Share Transfer Agents T.K.N. Complex, No. 51/2, Vanivilas Road, Opp. National College, Basavanagudi, Bangalore – 560 004, India. Tel.: +91-80-662 1184, Fax: +91-80-662 1169 e-mail: bangalore@karvy.com

9. Share transfer system

Shares sent for physical transfer are generally registered and returned within a period of 15 days from the date of receipt, if the documents are clear in all respects. The share transfer committee of the company meets as often as required.

The total number of shares transferred in physical form during the year 1999-2000 was 3,35,878 (previous year – 19,79,276). 99.16% of transfers (previous year – 85.53%) were completed within 15 days.

	Year ended March 31,							
	2000				1999			
Transfer period in days	No. of transferees (folios) New	No. of transferees (folios) Existing	No. of shares	%	No. of transferees (folios) New	No. of transferees (folios) Existing	No. of shares	%
1 – 10	87	36	3,25,068	96.78	1,609	152	14,33,242	72.41
11 – 15	22	7	8,010	2.38	237	76	2,59,601	13.12
16 – 20	5	0	1,400	0.42	291	103	2,26,857	11.46
* 21 and above	5	3	1,400	0.42	108	37	59,576	3.01
	119	46	3,35,878	100.00	2,245	368	19,79,276	100.00

* Delays beyond 21 days were due to compliance with legal requirements.

10. Stock market data relating to shares listed in India

a. The company's market capitalization is included in the computation of the BSE-30 Sensitive Index (Sensex), the BSE Dollex and S&P CNX NIFTY Index.

b. Monthly high and low quotations as well as the volume of shares traded at Mumbai, National and Bangalore Stock Exchanges for 1999-2000 are:

	BSE			NSE			BgSE		
	High Rs.	Low Rs.	Volume Nos.	High Rs.	Low Rs.	Volume Nos.	High Rs.	Low Rs.	Volume Nos.
April, 1999	2,910	2,510	18,14,254	2,910	2,511	21,59,195	*	*	*
May	3,325	2,580	21,08,934	3,319	2,579	20,81,333	*	*	*
June	3,774	3,032	18,95,197	3,770	3,015	17,16,361	*	*	*
July	5,960	3,622	27,22,986	5,515	3,641	24,76,873	*	*	*
August	5,715	4,820	17,65,916	5,740	4,780	16,50,790	5,775	4,800	570
September	7,955	5,400	15,64,028	7,960	5,406	15,77,086	7,500	5,600	147
October	8,720	6,832	23,81,639	8,875	6,845	23,23,938	8,550	6,900	4,601
November	9,750	6,590	21,87,553	9,773	6,600	26,66,213	9,750	6,450	2,126
December	14,649	9,001	23,08,042	14,527	9,031	20,80,825	14,600	9,100	1,707
January, 2000 #	16,932	11,400	27,10,915	16,875	11,325	29,20,047	16,800	11,500	3,655
February #	10,760	7,111	33,47,454	10,800	7,150	37,97,729	10,900	7,275	11,886
March #	13,813	8,800	25,96,276	13,932	8,511	29,27,328	13,975	9,106	26,087
Total			2,74,03,194			2,83,77,718			50,779
% of volume traded to average		1999-00	76.27% **			78.09% **			0.10%
shares outstanding		1998-99	102.41%			131.42%			–
		1997-98	25.49%			51.67%			–

* There was no trading in the shares of Infosys on the Bangalore Stock Exchange during the period April 1999 to July 1999.

\# Trading in the equity shares of par value of Rs. 5 each consequent to the 2-for-1 stock split (i.e., a sub-division of every equity share of par value of Rs. 10 each into two equity shares of par value of Rs. 5 each) commenced on The Stock Exchange, Mumbai from January 27, 2000 and on National and Bangalore Stock Exchanges from January 24, 2000. Consequently, the quotations from these dates are considered on the equity shares of par value of Rs. 5 each. The monthly high and low quotations for January 2000 are based on both the pre and post-split shares.

** The number of shares outstanding is 3,20,34,400 for 10 months up to January 2000 and 6,40,68,800 for February and March 2000. The American Depositary Shares (ADSs) have been excluded for the purpose of this calculation.

11. Investors' services – complaints received during the year

Nature of complaints		Year ended March 31,			
		2000		1999	
		Received	Attended to	Received	Attended to
1.	Non-receipt of share certificates	9	9	78	78
2.	Non-receipt of bonus shares	67	67	10	10
3.	Letters from Stock Exchanges, SEBI, etc.	1	1	1	1
4.	Non-receipt of dividend warrants	45	45	44	44
		122	122	133	133

The company has attended to most of the investors' grievances/correspondence within a period of 10 days from the date of receipt of the same, during the years 1999-2000 and 1998-1999, except in cases which are constrained by disputes or legal impediments.

12. Legal proceedings

There are some pending cases relating to disputes over title to shares, in which the company is made a party. These cases are however not material in nature.

13. Distribution of shareholding as on March 31

No. of equity shares held	2000				1999			
	No. of share-holders	% of share-holders	No. of shares	% of share-holding	No. of share-holders	% of share-holders	No. of shares	% of share-holding
1 – 100	34,563	74.63	8,15,853	1.27	2,270	23.83	60,666	0.19
101 – 200	2,560	5.53	7,29,086	1.14	1,661	17.44	3,25,240	1.02
201 – 500	2,845	6.14	12,54,656	1.96	1,884	19.78	7,43,110	2.32
501 – 1000	2,695	5.82	21,81,550	3.41	2,077	21.80	15,92,225	4.97
1001 – 5000	2,972	6.42	63,90,248	9.97	1,235	12.96	26,85,624	8.38
5001 – 10000	340	0.73	25,38,044	3.96	154	1.62	11,16,090	3.48
10001 and above	338	0.73	4,99,07,070	77.90	245	2.57	2,55,11,445	79.64
NSDL transit	–	–	2,52,293	0.39	–	–	–	–
	46,313	100.00	6,40,68,800	100.00	9,526	100.00	3,20,34,400	100.00
Equity shares underlying American Depositary Shares	1*		20,81,900		1*		10,35,000	
Total	46,314		6,61,50,700		9,527		3,30,69,400	

* Held by beneficial owners outside India.

14. Categories of shareholders as on March 31

Category	2000			1999		
	No. of shareholders	Voting strength (%)	No. of shares held	No. of shareholders	Voting strength (%)	No. of shares held
Individuals	43,364	26.87	1,77,74,390	8,923	25.14	83,14,380
Companies	2,220	1.78	11,75,866	323	3.60	11,89,070
FIIs	270	24.38	1,61,27,027	142	24.79	81,96,512
OCBs and NRIs	299	0.75	4,95,267	47	0.52	1,74,034
Founders and their families	23	29.30	1,93,81,960	18	29.69	98,19,600
Mutual funds, banks, FIs	137	13.39	88,61,997	73	13.13	43,40,804
NSDL transit	–	0.38	2,52,293	–	–	–
Equity shares underlying American Depositary Shares	1*	3.15	20,81,900	1*	3.13	10,35,000
Total	46,314	100.00	6,61,50,700	9,527	100.00	3,30,69,400

* Held by beneficial owners outside India.

15. Shares under lock-in

Employee Stock Offer Plan (ESOP) 1994

Details of shares of par value of Rs. 5 each held by employees under the Employee Stock Offer Plan (ESOP) 1994 subject to lock-in are given below. These shares are also included in the categories of shareholders given in (14) above.

No. of shares subject to lock-in as on March 31,

Period of lock-in	2000		1999	
	No. of shares	No. of employees	No. of shares	No. of employees
4-5 years	–	–	4,07,100	1,106
3-4 years	7,82,000	1,033	2,57,200	348
2-3 years	5,00,400	340	1,06,200	156
1-2 years	2,04,000	151	1,32,600	110
0-1 years	2,57,200	105	1,11,100	76

As on March 31, 2000, 556 employees hold rights to 3,11,400 shares of par value of Rs. 5 each which are subject to a lock-in of 3-4 years and 14 employees hold rights to 30,000 shares of par value of Rs. 5 each which are subject to a lock-in of 4-5 years. Currently, 1,629 employees hold shares under the 1994 Stock Offer Plan. Shares subject to lock-in held by the employees will be transferred back to the ITL Employees Welfare Trust if such employees leave the services of the company before the vesting period. As on March 31, 2000, the ITL Employees Welfare Trust holds 1,68,400 shares of par value of Rs. 5 each. The 1994 Stock Offer Plan has since been terminated.

Employee Stock Offer Plan (ESOP) 1998

The company established the 1998 Stock Offer Plan which provides for the grant of non-statutory stock options and incentive stock options to the employees of the company. This plan was approved by the board of directors in December 1997 and by the shareholders in January 1998. The Government of India has approved the 1998 plan, subject to a limit of 14,70,000 equity shares of par value of Rs. 5 each representing 29,40,000 ADSs to be issued under the plan. During the year, options were granted to 72 employees to acquire 2,94,300 ADSs corresponding to 1,47,150 equity shares of par value of Rs. 5 each. During the year, 17 employees exercised the options to acquire 23,800 ADSs corresponding to 11,900 shares of par value of Rs. 5 each. As on March 31, 2000, 96 employees hold options to acquire 6,89,500 ADSs corresponding to 3,44,750 equity shares of par value of Rs. 5 each. Details of the number of ADSs options granted and exercised are given below.

No. of options granted and exercised

	Granted		Exercised		
Year	No. of employees	ADSs (Net)	No. of employees	ADSs	Balance
1999	34	4,19,000	17	23,800	3,95,200
2000	72	2,94,300	–	–	2,94,300
Total		7,13,300		23,800	6,89,500

Employee Stock Offer Plan (ESOP) 1999

The 1999 plan was approved by the board of directors and the shareholders in June 1999 and was instituted in fiscal 2000. The plan provides for the issue of 66,00,000 equity shares of par value of Rs. 5 each to the employees. During the year, options were granted to 1,228 employees to acquire 10,14,500 equity shares of par value of Rs. 5 each. As on March 31, 2000, 1,216 employees hold options to acquire 10,06,800 shares of par value of Rs. 5 each. Details of shares of par value of Rs. 5 each held by employees under the Employee Stock Offer Plan (ESOP) 1999 are given below.

No. of options granted and forfeited

	Granted		Forfeited		
Year	No. of employees	No. of shares	No. of employees	No. of shares	Balance
2000	1,228	10,14,500	12	7,700	10,06,800
Total		10,14,500		7,700	10,06,800

16. Dematerialization of shares and liquidity

Your company was the first in India to pay a one-time custodial fee of Rs. 44.43 lakhs to National Securities Depositary Limited (NSDL). Consequently, the company's shareholders do not have to pay depositary participants the custodial fee charged by the NSDL on their holding. Over 96% of the company's shares are now held in electronic form.

17. Financial calendar (tentative and subject to change)

Annual General Meeting	May 27, 2000
Financial reporting for the first quarter ending June 30, 2000	July 11, 2000
Financial reporting for the second quarter ending September 30, 2000	October 10, 2000
Interim dividend payment (if any)	November 2000
Financial reporting for the third quarter ending December 31, 2000	January 9, 2001
Financial results for the year ending March 31, 2001	April 11, 2001
Annual General Meeting for the year ending March 31, 2001	May 2001

18. Investors' correspondence in India may be addressed to:
The Company Secretary,
Investors' Service Cell,
Infosys Technologies Ltd., Electronics City,
Hosur Road, Bangalore – 561 229, India.
Tel.: +91-80-852 1518, Fax: +91-80-852 0362
(e-mail: invest@infy.com)

Any queries relating to the financial statements of the company may be addressed to:
Mr. T. V. Mohandas Pai,
Senior Vice President (F&A) and CFO,
Infosys Technologies Ltd., Electronics City,
Hosur Road, Bangalore – 561 229, India.
Tel.: +91-80-852 0396, Fax: +91-80-852 0362
(e-mail: mdpai@infy.com)

19. Reuters code – INFY.BO (BSE)
– INFY.NS (NSE)
– INFY.O (NASDAQ)

Bridge code – IN;INF (BSE)
– IN;INFN (NSE)
– US;INFY (NASDAQ)

Bloomberg code – INFO IN (BSE)
– NINFO IN (NSE)

20. Stock market data relating to American Depositary Shares (ADSs)

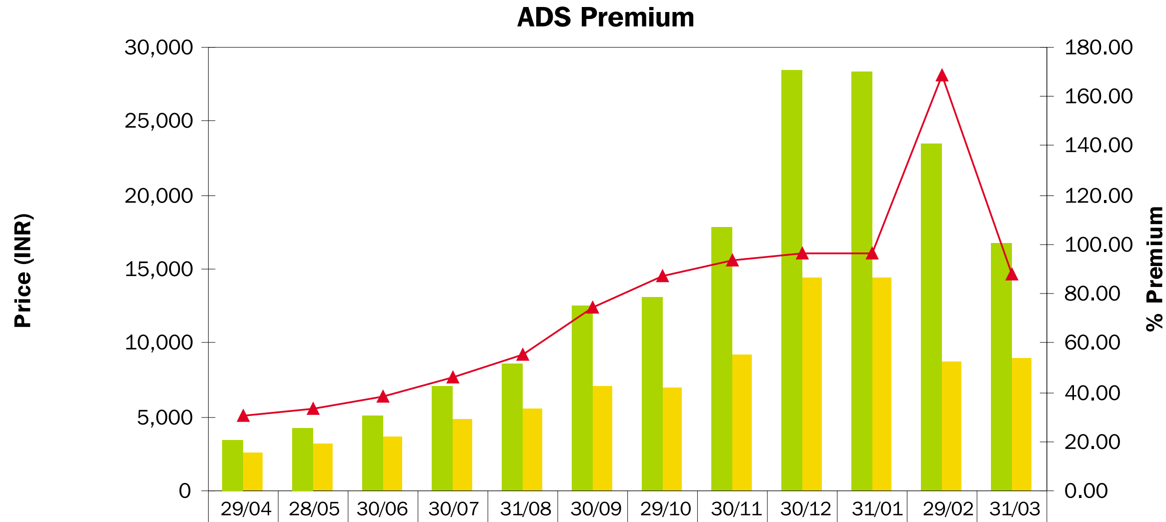
a. ADS listed at	NASDAQ National Market in the United States
b. Ratio of ADS to equity shares	2 ADS for one equity share
c. ADS symbol	INFY

d. The American Depositary Shares issued under the ADS program of the company were listed on the NASDAQ National Market in the United States on March 11, 1999. The monthly high and low quotations as well as the volume of ADSs traded at the NASDAQ National Market for the year ended March 31, 2000 are:

	High		Low		Volume
	$	Rs.	$	Rs.	Nos.
April, 1999	45.81	3,901	39.25	3,343	1,377,200
May	50.38	4,295	41.38	3,528	1,391,700
June	61.25	5,309	48.50	4,204	1,164,400
July	121.88	10,550	57.38	4,966	2,340,200
August	107.75	9,368	79.75	6,933	853,700
September	147.75	12,878	97.81	8,525	1,201,900
October	179.50	15,552	131.00	11,350	1,712,400
November	235.00	20,398	143.00	12,412	1,314,600
December	360.00	31,313	204.13	17,755	1,479,100
January, 2000	402.00	35,054	266.00	23,195	1,648,800
February #	681.00	59,370	318.50	27,767	3,349,400
March #	375.00	32,700	180.00	15,696	4,077,500
Total					21,910,900
% of volume traded to total float					914.35%

* 2 ADS = 1 equity share
$ have been converted into Indian rupees at the monthly closing rates.
# The 2-for-1 stock split was effective for the ADS from February 15, 2000 and the ADS quotes reflect the same from such date. The monthly high and low quotations for February 2000 are based on both the pre and post-split shares.

e. Premium of American Depositary Shares over the shares traded on the Indian stock exchanges
The ADS price quoted below is in Indian rupees and has been converted at the monthly closing rates. The NSE Share Price as on January 31, 2000 is on the equity shares of par value of Rs. 5 each and ADS price is on the equity shares of par value of Rs. 10 each. The NSE share price on January 31, 2000 has been doubled to enable comparison with the ADS price.



	29/04	28/05	30/06	30/07	31/08	30/09	29/10	30/11	30/12	31/01	29/02	31/03
ADS Price *	3428	4242	5027	7076	8623	12464	13083	17881	28442	28329	23560	16830
NSE Share Price	2630	3178	3641	4844	5551	7133	6977	9227	14468	14443	8779	8970
% Premium	30.33	33.47	38.08	46.08	55.35	74.74	87.51	93.79	96.59	96.14	168.37	87.62

* 2 ADS = 1 equity share (*Source: Bloomberg*)

f. Investor correspondence in the US may be addressed to

P. R. Ganapathy
Investor Relations Officer
Infosys Technologies Limited
34760, Campus Drive
Fremont CA 94555, USA.
Tel.: +1-510-742-3030, Mobile: +1-510-872-4412,
Fax: +1-510-742-2930, e-mail: guns@infy.com

g. Name and address of the depositary bank

Deutsche Bank A.G.
Corporate Trust and Agency Services
4 Albany Street
New York, NY 10006, USA.
Tel.: +1-212-250-8500, Fax: +1-212-250-5644

Corporate Trust and Agency Services
Deutsche Bank A.G.
1 st Floor, Kodak House
222, Dr. D. N. Road
Fort, Mumbai – 400 001, India.
Tel.: +91-22-207 3262, Fax: +91-22-207 9614

i. Name and address of the custodian in India

ICICI Limited
ICICI Towers
Bandra Kurla Complex
Mumbai – 400 051, India.
Tel.: +91-22-653 1414, Fax: +91-22-653 1164/65

Frequently asked questions

1. What is an American Depositary Share ("ADS")?

   Ans: An ADS is a negotiable certificate evidencing ownership of an outstanding class of stock in a non-US company. ADSs are created when ordinary shares are delivered to a custodian bank in the domestic market, which then instructs a depositary bank in the US to issue ADSs based on a predetermined ratio. ADSs are SEC registered securities and may trade freely, just like any other security, either on an exchange or in the over-the-counter market.

2. What is the difference between an ADS and a GDR?

   Ans: ADSs and GDRs (Global Depositary Receipts) are the same in their functionality – they both evidence ownership of foreign securities deposited with a custodian bank. ADSs represent securities that are listed in the United States, while GDRs represent securities listed outside of the United States, typically in London.

3. Do the ADSs have voting rights?

   Ans: Yes. In the event of a matter submitted to the holders of ordinary shares for a vote, the ADS holders on record as at a particular date will be allowed to instruct the depositary bank to exercise the vote in respect of the equity shares representing the ADS held by them.

4. Are the ADSs entitled to cash dividends?

   Ans: Yes, whenever dividends are paid to ordinary shareholders. Cash dividends to ADS holders are declared in local currency and paid in dollars (based on the prevailing exchange rate) by the depositary bank, net of the depositary's fees and expenses. The dividends are paid on a pro rata basis.

5. Where and in which year was Infosys incorporated?

   Ans: Infosys was incorporated at Mumbai, in the state of Maharashtra, in India on July 2, 1981.

6. When did Infosys have its initial public offer (IPO) and what was the initial listing price? Was there any follow-on offering?

   Ans: Infosys made an initial public offer in February 1993 and was listed on stock exchanges in India in June 1993. Trading opened at Rs. 145 per share compared to the IPO price of Rs. 95 per share. In October 1994, Infosys made a private placement of 5,50,000 shares at Rs. 450 each to Foreign Institutional Investors (FIIs), Financial Institutions (FIs) and Corporates. During March 1999, Infosys issued 2,070,000 ADSs (equivalent to 10,35,000 equity shares of par value of Rs. 10 each) at $ 34 per ADS under the American Depositary Shares Program and the same were listed on the NASDAQ National Market.

7. Which are the stock exchanges where Infosys shares are listed and traded?

   Ans: Shares of Infosys are listed and traded in India on the Bangalore Stock Exchange, The Stock Exchange, Mumbai, and the National Stock Exchange. The ADSs of Infosys are traded on the NASDAQ National Market in the US.

8. What are the Reuters, Bridge and Bloomberg codes for Infosys stock?

   Ans:

Exchange	Reuters code	Bridge code	Bloomberg code
The Stock Exchange, Mumbai, India	INFY.BO	IN;INF	INFO IN
National Stock Exchange, India	INFY.NS	IN;INFN	NINFO IN
NASDAQ, USA	INFY.O	US;INFY	–

9. What is the Infosys ADS ratio?

   Ans: Each Infosys ADS represents one-half of one ordinary equity share of Infosys.

10. What is the symbol for Infosys ADS and where is it traded ?

    Ans: The symbol is "INFY" and the same is traded on the NASDAQ National Market in the US.

11. When is the next earnings release? What is the fiscal year of Infosys?

    Ans: The tentative dates of earnings releases are given below. The earnings release date will also be posted on the website www.infy.com, after announcement to the stock exchanges.

	Earnings release date (tentative and subject to change)
First quarter ending June 30, 2000	July 11, 2000
Second quarter ending September 30, 2000	October 10, 2000
Third quarter ending December 31, 2000	January 9, 2001
Year ending March 31, 2001	April 11, 2001

The fiscal year of the company is the period of 12 months starting April 1, every year.

12. What is the employee strength of Infosys?

Ans: As of March 31, 2000, Infosys had 5,389 employees, as compared to 3,766 on March 31, 1999, on a full-time basis. The distribution of the employees is:

	2000		1999	
Software development including trainees	4,623	85.79%	3,158	83.86%
Support services	766	14.21%	608	16.14%
Total	5,389	100.00%	3,766	100.00%

The gender classification of employees is:

Male	4,558	84.58%	3212	85.29%
Female	831	15.42%	554	14.71%
Total	5,389	100.00%	3,766	100.00%

The age profile of employees is:

	2000		1999	
Between 20 and 25 years	3,057	57%	1,955	52%
Between 26 and 30 years	1,659	31%	1,286	34%
Between 31 and 40 years	579	11%	448	12%
Between 41 and 50 years	83	1%	68	2%
Between 51 and 60 years	11	–	9	–
Total	5,389	100.00%	3,766	100.00%

13. Does Infosys issue quarterly reports?

Ans: Yes. Infosys issues audited quarterly reports conforming to the Indian GAAP and unaudited quarterly reports conforming to the US GAAP and the same are mailed to all shareholders.

14. How do I transfer my shares in India or change my address with the transfer agent?

Ans: To transfer shares in physical form, you have to write to the company's registrars:

Karvy Consultants Limited, Registrars and Share Transfer Agents, T.K.N. Complex, No. 51/2, Vanivilas Road, Opp. National College, Basavanagudi, Bangalore – 560 004, India. Tel.: +91-80-662 1184, Fax: +91-80-662 1169, e-mail: bangalore@karvy.com

or write to:

The Company Secretary,
Infosys Technologies Limited,
Electronics City, Hosur Road,
Bangalore – 561 229, India.
Tel.: +91-80-852 1518, Fax: +91-80-852 0362.

You can also address your queries to the e-mail id: invest@infy.com.

Transfer of shares in electronic form are effected through your depositary participant.

General correspondence regarding shares may be addressed to the company's registrars, Karvy Consultants Limited, or to The Company Secretary, Infosys Technologies Limited.

15. Who are the depositary and custodian for the ADS program?

Ans:	Depositary	Deutsche Bank A.G. Corporate Trust and Agency Services 4 Albany Street New York, NY 10006, USA. Tel.: +1-212-250-8500, Fax: +1-212-250-5644
	Custodian	ICICI Limited, ICICI Towers Bandra Kurla Complex Mumbai – 400 051, India. Tel.: +91-22-653 1414, Fax: +91-22-653 1164/65

16. What is the history of bonus issues (equivalent to stock split in the form of stock dividend) and stock split at Infosys?

Ans:

Year	1986	1989	1991	1992	1994	1997	1999	2000
Bonus issue ratio	1:1	1:1	1:1	1:1	1:1	1:1	1:1	–
Stock split ratio	2 for 1	2 for 1	2 for 1	2 for 1	2 for 1	2 for 1	2 for 1	2 for 1

The company completed a 2-for-1 stock split (i.e., a subdivision of every equity share of par value of Rs. 10 each into two equity shares of par value of Rs. 5 each) during fiscal 2000.

17. How many software development centers does Infosys have?

Ans: Infosys has 18 development centers, of which 17 are in India – seven in Bangalore, two each in Chennai, Mangalore and Pune, and one each in Bhubaneswar, Hyderabad, Mohali and Mysore. Infosys has a Global Development Center in Toronto, Canada. In addition, there are two Proximity Development Centers in Fremont and Boston in the US.

18. How many marketing offices does Infosys have?

Ans: There are 20 marketing offices, of which 9 are located in the US, one each in the UK, Germany, Canada, Japan, Belgium, Sweden and Australia, and four in India.

19. What was the employee strength and revenue growth since 1995?

Ans: The employee strength and revenue growth since 1995 were as follows:

As per US GAAP

Fiscal year ended March 31	Total no. of employees	Growth %	Net revenues in $	Growth %	Net income in $	Growth %
1995	903	58	18,105,010	90	3,963,367	48
1996	1,172	30	26,607,009	47	6,823,637	72
1997	1,705	45	39,585,919	49	8,642,002	27
1998	2,605	53	68,329,961	73	13,863,927*	60
1999	3,766	45	120,955,226	77	30,353,050*	119
2000	5,389	43	203,443,754	68	61,344,528	102

* This excludes a one-time deferred stock compensation expense arising from stock split amounting to $ 12,906,962 and $ 1,519,739 in fiscal 1999 and 1998, respectively.

As per Indian GAAP

Fiscal year ended March 31	Total no. of employees	Growth %	Revenue in Rs. lakhs	Growth %	PAT* in Rs. lakhs	Growth %
1995	903	58	57,70.43	92	13,32.44	65
1996	1,172	30	93,41.34	62	21,00.94	58
1997	1,705	45	143,80.77	54	33,68.06	60
1998	2,605	53	260,36.57	81	60,36.33	79
1999	3,766	45	512,73.84	97	132,91.54	120
2000	5,389	43	921,46.48	80	285,94.86	115

* From ordinary activities

20. Does Infosys pay dividend? What is the dividend payment policy of Infosys?

Ans: Currently, Infosys pays dividend to its shareholders. The current dividend policy is to distribute up to 20% of the PAT as dividend. The board of directors reviews the dividend policy periodically.

21. How do I contact Infosys by telephone, mail or in person?

Ans: Members of the press can contact the following members of Infosys' management for any information.

N. R. Narayana Murthy, *Chairman and Chief Executive Officer*	Tel: +91-80-852 0363/ 852 0399
Nandan M. Nilekani, *Managing Director, President and Chief Operating Officer*	Tel: +91-80-852 0351
T. V. Mohandas Pai, *Senior Vice President (Finance & Administration) and Chief Financial Officer*	Tel: +91-80-852 0396

The Infosys corporate mailing address is:

Infosys Technologies Limited,
Electronics City, Hosur Road,
Bangalore – 561 229, India.
Tel.: +91-80-852 0261, Fax: +91-80-852 0362

For direct correspondence, the general electronic address is infosys@infy.com.

22. Is there any investor relations contact in the US?

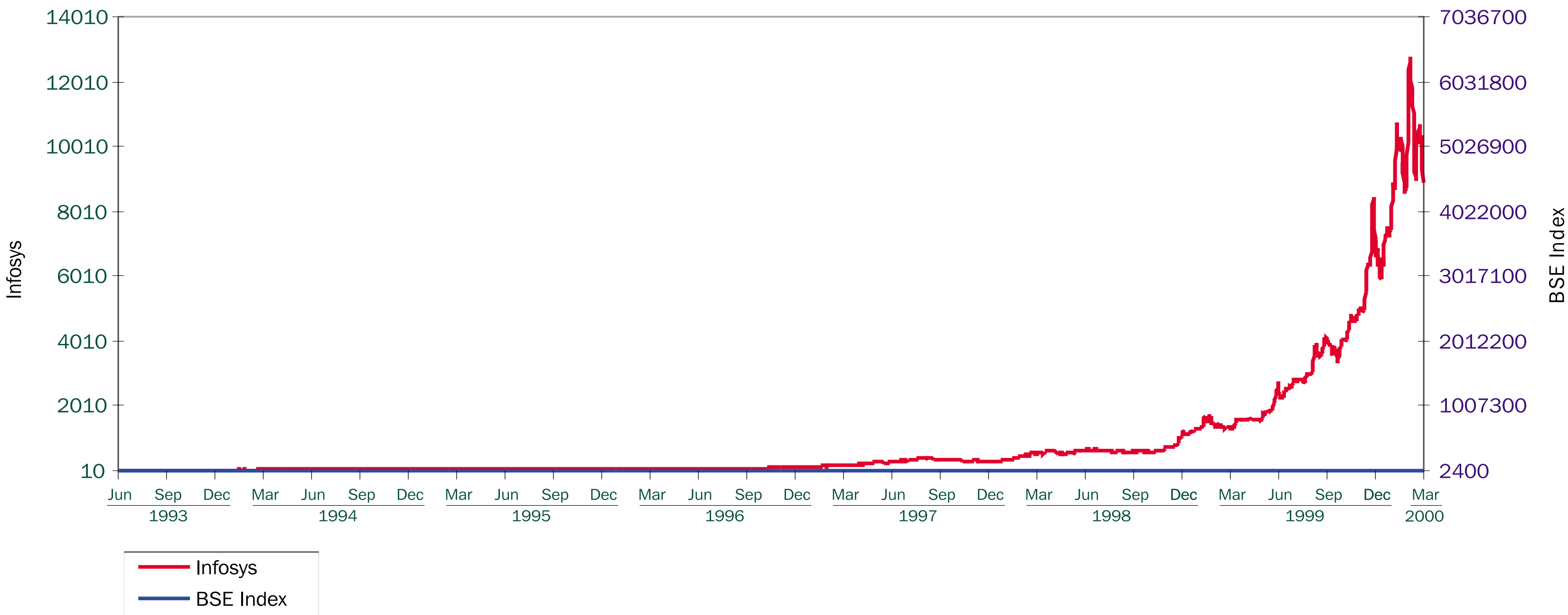
Ans: Mr. P. R. Ganapathy, Investor Relations Officer, is based at the company's Fremont office and will be available at the following address to answer any queries from investors.

Infosys Technologies Limited
34760, Campus Drive
Fremont CA 94555, USA.

Tel.: +1-510-742-3030, Mobile: +1-510-872-4412
Fax: +1-510-742-2930, e-mail: guns@infy.com

Additional information to shareholders
Share performance chart

Infosys management consistently cautions that the stock price performance shown in the graph below should not be considered indicative of potential future stock price performance.



The share price has been adjusted for three bonus issues of 1:1 during October 1994, October 1998 and March 1999 and a stock split of 2-for-1 in February 2000.

Intangible assets scoresheet

A knowledge-intensive company leverages know how, innovation and reputation for success in the marketplace. Hence, these attributes should be measured and improved, year after year, to achieve the best performance. The profitability of a knowledge firm depends on its ability to leverage the learnability of its professionals, and in enhancing the re-usability of their knowledge and expertise.

The stock price of a company is the result of the market's valuation of the future earnings and growth potential of the company. Thus, the market provides a value to the off-balance-sheet assets of the company – that is, those assets which are invisible or which are not accounted for in the traditional financial statements. The intangible assets of a company include its brand, products and the ability to attract, develop and nurture a cadre of competent professionals, and the ability to attract and retain marqué clients.

Today's discerning investors take a critical look at the financial and non-financial parameters that determine the long-term success of a company. These new non-financial parameters challenge the usefulness of evaluating companies solely on the traditional measures, as they appear in the financial reports of a company. Thus, the intangible assets of the company have been receiving considerable attention from corporate leaders.

The intangible assets of a company can be classified into four major categories – human resources, intellectual property assets, internal assets and external assets.

Human resources

Human resources represent the collective expertise, innovation, leadership, entrepreneurial and managerial skills endowed in the employees of an organization.

Intellectual property assets

Intellectual property assets include know how, copyright, patent, products and tools that are owned by a corporation. These assets are valued based on their commercial potential. A corporation derives its revenues by licensing these assets to outside users.

Internal assets

Internal assets are systems, technologies, methodologies, processes and tools that are specific to the organization. These assets give the organization a unique advantage over its competitors in the marketplace. These assets are not licensed to outsiders. Examples of internal assets include methodologies for assessing risk, methodologies for managing projects, risk policies, and communication systems.

External assets

External assets are the market-related intangibles that enhance the fitness of an organization for succeeding in the marketplace. Examples are customer loyalty (reflected by the repeat business of the company) and brand value.

The score sheet

Infosys published models for valuing the two most valuable, intangible assets of the company – human resources and the "Infosys" brand. The score sheet published is broadly adopted from the *Intangible asset score sheet* provided in the book titled *The New Organizational Wealth* written by Karl Erik Sveiby and published by Berrett-Koehler Publishers Inc., San Francisco. We believe such representation of intangible assets provides a tool to our investors for evaluating the market-worthiness of the company.

The Infosys management cautions investors that these data are provided only as additional information to investors. Using such reports for predicting the future of Infosys, or any other company, is risky. The Infosys management is not responsible for any direct, indirect or consequential losses suffered by any person using these data.

The Infosys intangible sssets scoresheet

			Knowledge capital					
Our clients (External structure)			Our organization (Internal structure)			Our people (Competence)		
	1999-2000	1998-99		1999-2000	1998-99		1999-2000	1998-99
Growth/renewal								
Revenue growth over previous year (%)	80	97	IT investment/ value added (%)	7.47	11.71	Education index of all staff	15,544	10,731
Percentage of revenue from image-enhancing clients	47	49	R&D/ value added (%)	1.14	2.62			
Percentage of revenue from exports	94	98	Total investment in organization/ value added (%)	22.10	19.16			
No. of new clients added during the year	99	39						
Efficiency								
Sales/client (in Rs. lakhs)	455	407	Average proportion of support staff (%)	12.70	14.90	Value added per software engineer (in Rs. lakhs)	17.71	13.69
			Sales per support staff (in Rs. lakhs)	155	107	Value added per employee (in Rs. lakhs)	15.46	11.65
Stability								
Repeat-business revenue/ total revenue (%)	87	90	Average age of support staff (Years)	31.14	30.88	Average age of all employees (Years)	26.14	26.14
Sales from the five largest clients/total revenue (%)	30.2	28.4						
Sales from the ten largest clients/total revenue (%)	45.7	44.0						

The figures above are based on Indian GAAP financial statements.

Notes:

- Marqué or image-enhancing clients are those who enhance the company's market-worthiness. These are *Fortune 500* clients, and are reference clients for Infosys.
- Sales per client is calculated by dividing total revenue, excluding other income, by the total number of clients.
- Repeat-business revenue is the revenue during current year from those clients who contributed to the revenue of the company during the previous year also.
- Value-added is the revenue of the company less payment to all outside resources. The value-added statement is provided elsewhere in this report.
- IT investment includes all investments in hardware and software by the company.
- Total investment in the organization is the investment in the fixed assets of the company.
- Average proportion of support staff is the average number of support staff to average total staff strength of the company during the year.
- Sales per support staff is Infosys revenue divided by the average number of support staff during the year (support staff exclude technical support staff).
- Education index is shown as at the year-end, with primary education calculated as 1, secondary education as 2, and tertiary education as 3.

Clients

The growth in revenue is 80% this year, compared to 97%, in the previous year. The most valuable intangible asset of Infosys is its client base. Marqué clients or image-enhancing clients contributed around 47% of revenue this year as compared to 49% in the previous year. They reduce our marketing costs.

The high percentage – 87% – of revenue from repeat orders during the current year is an indication of the satisfaction and loyalty of the clients. The top 5 and 10 clients contributed around 30% and 46% respectively, of the company's revenue during the current year as compared with 28% and 44% respectively, during the previous year. The company's strategy is to increase its client base, and reduce the risk of depending on a few large clients. During 1999-2000, the company added 99 new clients.

Organization

During the current year, Infosys invested around 7.47% of the value-added on its IT infrastructure and 1.14% of the value-added on R&D activities. However, due to increased value addition by Infosys employees during the current year, the investment on IT and R&D has decreased in percentage terms.

A young, fast-growing organization requires efficiency in the area of support services. The sales per support staff, as well as the proportion of support staff to the total organizational staff, have shown improvements over the previous year.

The average age of the support employees is 31.14 years, as against the previous year average age of 30.88 years. This parameter is an indicator of the stability of support staff.

People

Infosys is in a people-oriented business. The education index of employees has gone up substantially to 15,544 from 10,731. This reflects the quality of employees at Infosys. The value-added per software engineer and the value-added per employee show an increasing trend. Moreover, the efficiency of the support staff has increased, as seen by the reduction in the proportion of support staff to total staff. The average age of employees remained same as in the previous year at 26.14 years.

Human resources accounting

The dichotomy in accounting between human and non-human capital is fundamental. The latter is recognized as an asset and is therefore recorded in the books and reported in the financial statements, whereas, the former is totally ignored by accountants. The definition of wealth as a source of income inevitably leads to the recognition of human capital as one of several forms of wealth such as money, securities and physical capital.

The *Lev & Schwartz* model has been used by Infosys to compute the value of the human resources as at March 31, 2000. The evaluation is based on the present value of the future earnings of the employees and on the following assumptions:

1. Employee compensation includes all direct and indirect benefits earned both in India and abroad.
2. The incremental earnings based on group/age have been considered.
3. The future earnings have been discounted at 22.29% (previous year – 25.32%), this rate being the cost of capital for Infosys. Beta has been assumed at 1.48 based on average beta for software stocks in the US.

As of March 31	2000		1999	
	No. of employees	Value of human resources (in Rs. lakhs)	No. of employees	Value of human resources (in Rs. lakhs)
Production	4,292	1,96,513.84	2,854	769,84.25
Support - technical*	450	8,165.20	389	71,68.97
- others	647	19,062.73	523	104,16.52
	5,389	2,23,741.77	3,766	945,69.74

* Note: Support - technical includes trainees, employees in R&D activities and support personnel allocated to production.

	2000	1999
Number of employees	5,389	3,766
Value of human resources	2,23,741.77	945,69.74
Total revenue	921,46.48	512,73.84
Software revenue	882,32.37	508,89.12
Employee cost	334,55.91	166,05.64
Value-added excluding extraordinary income	723,30.70	374,11.49
Net profits excluding extraordinary income	285,94.86	132,91.54
Total revenue/human resources value (ratio)	0.41	0.54
Total software revenue/human resources value (ratio)	0.39	0.54
Value-added/human resources value (ratio)	0.32	0.40
Value of human resources per employee	41.52	25.11
Employee cost/human resources value (%)	14.95%	17.56%
Return on human resources value (%)	12.78%	14.05%

Value-added statement

in Rs. lakhs

Year ending March 31	2000	1999
Total revenue	921,46.48	512,73.84
Less:		
Software development expenses (other than employee costs and provision for post-sales client support)	129,61.31	93,26.92
Administration expenses (other than provisions)	68,54.47	45,35.43
Sub-total	198,15.78	138,62.35
Total value-added	723,30.70	374,11.49
Applied to meet		
Employee costs	334,55.91	166,05.64
Provision for post-sales client support	209.63	219.19
Provision for bad and doubtful debts and doubtful loans and advances	94.03	39.87
Provision for contingencies	333.00	666.00
Provision for e-inventing the company	350.00	–
Provision for investment in subsidiary	–	705.96
Income tax	39,70.00	2,294.00
Dividend (including dividend tax)	33,03.65	13,31.83
Retained in business	306,14.48	155,49.00
	723,30.70	374,11.49

The figures above are based on Indian GAAP financial statements.

Brand valuation

The strength of the invisible

A balance sheet discloses the financial position of a company. The financial position of an enterprise is influenced by the economic resources it controls, its financial structure, liquidity and solvency, and its capacity to adapt to changes in the environment. However, it is becoming increasingly clear that intangible assets have a significant role in defining the growth of a hi-tech company. So quite often the search for the added value invariably leads us back to understanding, evaluating and enhancing the intangible assets of the business.

From time to time, Infosys has used various models for evaluating assets off the balance sheet to bring certain advances in financial reporting from the realm of research to the notice of the shareholders. Such an exercise also helps the Infosys management in understanding the components that make up goodwill. The aim of such modeling is to lead the debate on the balance sheet of the next millennium. The Infosys management cautions the investors that these models are still the subject of debate among researchers, and using such models and data in predicting the future of Infosys, or any other company, is risky, and that the Infosys management is not responsible for any direct, indirect or consequential losses suffered by any person using these models or data.

Valuing the brand

A brand is much more than a trademark or a logo. It is a "trustmark" – a promise of quality and authenticity that clients can rely on. Brand equity is the value addition provided to a product or company by its brand name. It is the financial premium that a buyer is willing to pay for the brand over a generic or less worthy brand. Brand equity is not created overnight. It is the result of relentless pursuit of quality in manufacturing, selling, service, advertising and marketing. It is the integral of client experiences in dealing with the company and its services over a sustained period.

Corporate brands and service brands are often perceived to be interchangeable. Both types of brands aim at the enhancement of confidence and the reduction of uncertainty in the quality of what the company offers. Therefore, companies rely heavily on the image and personality they create for their brands, to communicate these qualities to the marketplace.

The task of measuring brand value is a complex one. Several models are available for accomplishing this. The most widely used one is the brand-earnings-multiple model. There are several variants of this model. For example, the *Financial World* magazine has used a variant of this model in the July 1996 issue and valued the *Microsoft* brand at $ 5.63 billion, while the market capitalization of the company was around $ 60 billion on the date of brand valuation.

Goodwill is a nebulous accounting concept that is defined as the premium paid to tangible assets of a company. It is an umbrella concept that transcends components like brand equity and human resources, and is the result of many corporate attributes including core competency, market leadership, copyrights, trademarks, brands, superior earning power, excellence in management, outstanding work-force, competition, longevity and so on.

The management has adapted the generic *brand-earnings-multiple* model (given in the article on *Valuation of Trademarks and Brand Names* by Michael Birkin in the book *Brand Valuation,* edited by John Murphy and published by Business Books Limited, London) to value its corporate brand "Infosys". The methodology followed for valuing the brand is as given below:

1. Determine brand earnings

   To do this,

   - Determine brand profits by eliminating the non-brand profits from the total profits of the company
   - Restate the historical profits at present-day values
   - Provide for the remuneration of capital to be used for purposes other than promotion of the brand
   - Adjust for taxes.

2. Determine the brand-strength or brand-earning multiple

   Brand-strength multiple is a function of a multitude of factors like leadership, stability, market, internationality, trend, support and protection. These factors have been evaluated on a scale of 1 to 100, internally by the Infosys management, based on the information available within the company.

3. Compute the brand value by multiplying the brand earnings with the multiple derived in step 2 above.

The computation is as follows:

in Rs.

Year ended March 31,	2000	1999	1998
PBIT	325,64,85,819	155,85,53,560	65,86,33,079
Less: non-brand income	35,22,69,985	3,46,24,650	2,43,75,414
Adjusted profit	290,42,15,834	152,39,28,910	63,42,57,665
Inflation compound factor at 8%	1.000	1.087	1.181
Present value of profits for the brand	290,42,15,834	165,65,10,725	74,90,58,302
Weightage factor	3	2	1
Weighted profits	871,26,47,501	331,30,21,451	74,90,58,302
Three-year average weighted profits	212,91,21,209		
Remuneration of capital			
(5% of average capital employed)	35,19,33,487		
Brand-related profits	177,71,87,722		
Tax at 38.5%	68,42,17,273		
Brand earnings	109,29,70,449		
Multiple-applied	48.00		
Brand value	5246,00,00,000		

Assumptions

1. Total revenue excluding the other income after adjusting for cost of earning such income is brand revenue, since this is an exercise to determine the brand value of Infosys as a company and not for any of its products or services.
2. Inflation is assumed at 8% per annum.
3. 5% of the average capital employed is used for purposes other than promotion of the brand.
4. Tax rate is at 38.5%.
5. The earnings multiple is based on the ranking of Infosys against the industry average based on certain parameters (exercise undertaken internally and based on available information).
6. The figures above are based on Indian GAAP financial statements.

Thus, it is interesting to note that while Infosys has a market capitalization of Rs. 59,338.17 crore as on March 31, 2000, the value of the "Infosys" brand alone is estimated at Rs. 5,246.00 crore.

Balance sheet (including intangible assets) as at March 31, 2000

	in Rs.
SOURCES OF FUNDS	
SHAREHOLDERS' FUNDS	
Share capital	33,07,55,000
Reserves and surplus	
Share premium account	318,37,81,595
Capital reserves	7483,42,00,000
Other reserves	481,84,91,653
	8316,72,28,248
APPLICATION OF FUNDS	
FIXED ASSETS	
Tangible assets – at cost	284,03,05,143
Less : Depreciation	133,65,20,594
Net block	150,37,84,549
Add : Capital work-in-progress	56,96,03,505
	207,33,88,054
Intangible assets	
Brand equity	5246,00,00,000
Human resources	2237,42,00,000
INVESTMENTS	13,83,48,469
CURRENT ASSETS, LOANS AND ADVANCES	
Sundry debtors	136,17,81,253
Cash and bank balances	431,79,35,730
Loans and advances	210,12,77,161
	778,09,94,144
Less : Current liabilities	67,15,06,459
Provisions	98,81,95,960
Net current assets	612,12,91,725
	8316,72,28,248

Notes:

1. This balance sheet is provided for the purpose of information only. The management accepts no responsibility for any direct, indirect or consequential losses or damages suffered by any person relying on the same.
2. Capital reserves include the value of the "Infosys" brand and human resources.
3. The figures above are based on Indian GAAP financial statements.

Economic value-added (EVA) statement

Economic value-added, measures the profitability of a company after taking into account the cost of all capital including equity. It is the post-tax return on capital employed (adjusted for the tax shield on debt) minus the cost of capital employed. It is those companies which earn higher returns than cost of capital, that create value. Those companies which earn lower returns than cost of capital are deemed destroyers of shareholder value.

Economic value-added analysis

Year ended March 31,	2000	1999	1998	1997
1. Average capital employed (Rs. in lakhs)	70,386.70	245,41.61	142,89.67	98,46.75
2. Average debt/total capital (%)	–	–	–	2.16
3. Beta variant	1.48	1.48	1.48	1.48
4. Risk-free debt cost (%)	10.45	12.00	12.15	13.60
5. Market premium	8.00	9.00	10.00	10.00
6. Cost of equity (%)	22.29	25.32	26.95	28.40
7. Cost of debt (post tax) (%)	NA	NA	NA	7.70
8. Weighted average cost of capital (WACC) (%)	22.29	25.32	26.95	27.97
9. PAT as a percentage of average capital employed (%)	40.63	54.16	42.24	33.91
10. Economic value-added (EVA)				*(in Rs. lakhs)*
Operating profit				
(PBT excluding extraordinary income)	325,64.86	155,85.54	65,86.33	38,93.03
Less: tax	39,70.00	22,94.00	5,50.00	5,54.00
Less: cost of capital	156,89.19	62,13.94	38,51.07	27,54.34
Economic value-added	129,05.67	70,77.60	21,85.26	5,84.69
11. Enterprise value				*(in Rs. lakhs)*
Market value of equity	59338,17.00	9672,79.95	2963,42.20	731,04.17
Less: cash and cash equivalents	508,37.38	416,65.91	51,14.20	28,77.82
Add: debt	–	–	–	–
Enterprise value	58829,79.62	9256,14.04	2912,28.00	702,26.35
12. Ratios				
EVA as a percentage of average capital employed (%)	18.34	28.84	15.29	5.94
Enterprise value / average capital employed	83.58	37.72	20.38	7.13

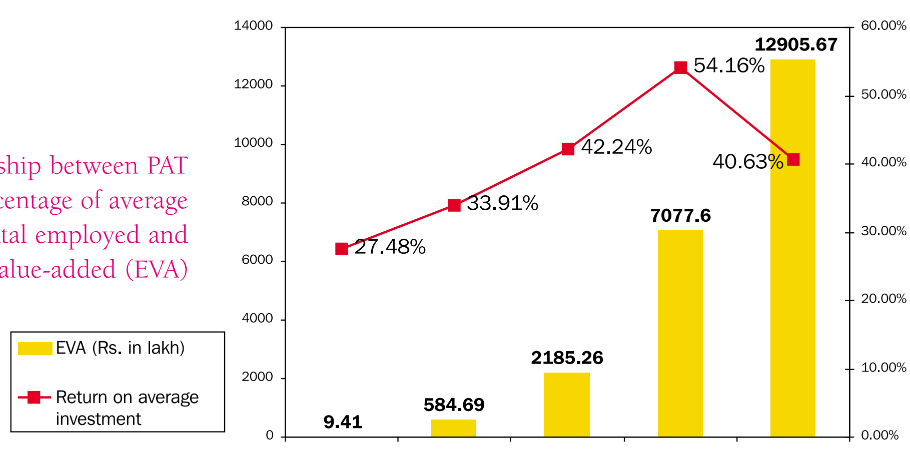
Notes:

1. The cost of equity is calculated by using the following formula:

$$\frac{\text{return on risk-free investment + expected risk premium on equity investment}}{\text{adjusted for the average beta variant for software stocks in the US}}$$

2. The figures above are based on Indian GAAP financial statements.

Relationship between PAT as a percentage of average capital employed and economic value-added (EVA)



Additional information to shareholders (contd.)

Ratio analysis for the year ended March 31

	2000	1999	1998
Ratios – financial performance			
Export revenue / total revenue (%)	94.38	97.57	96.38
Domestic revenue / total revenue (%)	1.37	1.68	2.57
Other income / total revenue (%)	4.25	0.75	1.04
Employee costs / total revenue (%)	36.31	32.39	36.00
Administration expenses / total revenue (%)	7.54	8.92	11.73
Operating expenses / total revenue (%)	58.88	62.60	65.97
Depreciation / total revenue (%)	5.78	7.00	8.74
Tax / total revenue (%)	4.31	4.47	2.11
Tax / PBT (%)	12.19	14.72	8.35
EBIDTA / total revenue (%)	41.12	37.40	34.03
PAT from ordinary activities / total revenue (%)	31.03	25.92	23.18
PAT from ordinary activities / average net worth (%)	40.63	54.16	42.24
ROCE (PBIT / average capital employed) (%)	46.27	63.51	46.09
Return on invested capital (%)	111.68	86.30	57.64
Capital output ratio	1.31	2.09	1.82
Invested capital output ratio	3.82	3.39	2.53
Value-added / total revenue (%)	78.50	72.96	71.36
Enterprise-value / total revenue	63.84	18.06	11.19
Ratios – balance sheet			
Debt-equity ratio	0.00	0.00	0.00
Debtors revenue (days)	56	61	57
Current ratio	4.69	6.57	4.78
Cash and equivalents / total assets (%)	61.00	72.51	29.57
Cash and equivalents / total revenue (%)	55.17	81.26	19.64
Depreciation for the year / average gross block (%)	23.50	26.19	25.79
Technology investment / total revenue (%)	5.86	8.55	10.08
Ratios – growth			
Growth in export revenue (%)	73.85	99.35	100.30
Growth in total revenue (%)	79.71	96.93	81.05
Operating expenses growth (%)	69.03	86.89	83.20
Operating profit growth (%)	97.59	116.39	77.02
Net profit (from ordinary activities) growth (%)	115.14	120.19	79.22
Per share data			
Earnings per share (Rs.) (excluding extraordinary income)	43.23	20.10	9.13
Earnings per share (Rs.) (including extraordinary income)	44.37	20.45	9.13
Cash earnings per share (Rs.) (excluding extraordinary income)	51.27	25.53	12.56
Cash earnings per share (Rs.) (including extraordinary income)	52.42	25.88	12.56
Dividend (%)	90.00	75.00	60.00
Dividend per share (Rs.)	4.50	3.75	3.00
Book value (Rs.)	125.97	86.84	26.14
Dividend payout (%)	11.55	10.02	12.81
Price / earnings, end of year	207.50	72.76	50.66
Price / cash earnings, end of year	174.96	57.29	36.83
Price / book value, end of year	71.21	16.84	17.69
Price / total revenue, end of year	64.40	18.90	11.75
EPS growth (%)	115.07	120.15	79.37
PE / EPS growth	1.80	0.61	0.64
Dividend / adjusted public offer price (%)	76.00	63.00	51.00
Market price / adjusted public offer price (%)	151076	24632	7790

Note: The ratio calculations are based on Indian GAAP and exclude extraordinary income.

Ratio analysis

Ratio analysis is amongst the best tools available to analyze the financial performance of a company. It allows inter-company and intra-company comparison and analysis. Ratios also provide a bird's eye view of the financial condition of the company. The ratios analyzed are based on Indian GAAP.

Financial performance

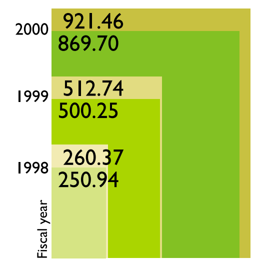
Exports have grown by 74% during the year, as against 99% in the previous year. Export revenue is from various parts of the globe and is well-segmented. Segmental analysis of the revenue is provided elsewhere in this report. During the year ended March 31, 2000, exports constituted 94% of total revenue as compared to 98% during the previous year. USA continued to be a major market. Domestic revenue was 1% of total revenue as compared to 2% during the previous year.

Manpower costs were approximately 36% of total revenue as against 32% during the previous year. Administration expenses were approximately 8% and 9% during the years ended March 31, 2000 and 1999.

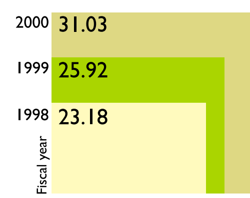
Depreciation was at 6% of total revenue as compared to 7% during the previous year. Depreciation to average gross block was at 24% as compared to 26% during the previous year.

Income tax expense was approximately 4% of total revenue during the years ended March 31, 2000 and 1999. Income tax expense includes a provision of Rs. 24 lakhs for earlier years.

Profit after tax from ordinary activities was 31% of total revenue as against 26% during the previous year.



Revenue & exports
in Rupees crore
REVENUE
EXPORTS



Net profit as a
% of total revenue
Percentage

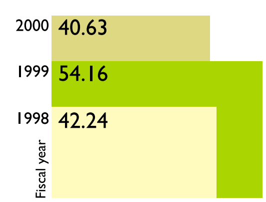
Balance sheet analysis

The key ratios affecting the performance of the company's financial condition are discussed below:

1. Return on average net worth

Return on average net worth is 41% as against 54% during the previous year.

As the company is maintaining around 61% of its assets in liquid funds, where the returns are less, the above figures need further analysis. If the average liquid assets are adjusted against the average net worth and revenue earned from liquid assets after tax are adjusted against net profit, return on invested capital stands at 112% as compared to 86% during the previous year.



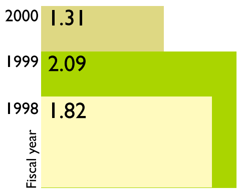
Return on
average net worth
Percentage

2. Debt-equity ratio

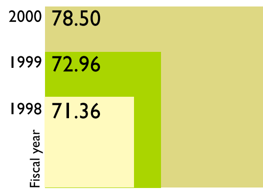
The company funds its short-term and long-term cash requirements primarily out of internal accruals. As on March 31, 2000, the company was debt-free.

3. Current ratio

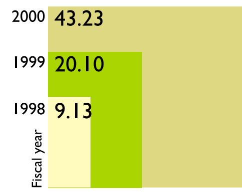
Current ratio is 4.69 as compared to 6.57 as on March 31, 1999.



Capital output ratio



Value-added to total revenue
Percentage



Earnings per share
in Rupees

4. Capital output ratio

Capital output ratio is 1.31 compared to 2.09 for the previous year. Invested capital output ratio is 3.82 compared to 3.39 for the previous year.

5. Value-added to total revenue

Value-added to total revenue is 79% compared to 73% for the previous year. This is primarily due to higher margins. Details are given elsewhere in this report.

6. Enterprise value to total revenue

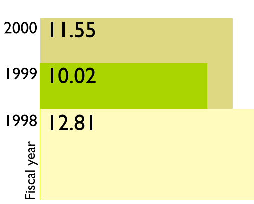
Enterprise value to total revenue is 64 times as compared to 18 times in the previous year.

Per share data

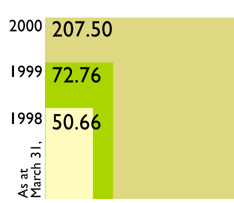
Per share data for the years 2000, 1999 and 1998 have been restated on par value of Rs. 5 per share, and adjusted for bonus issues during the previous years. Earnings per share (EPS) is Rs. 43.23 compared to Rs. 20.10 for the previous year. Cash earnings per share is Rs. 51.27 compared to Rs. 25.53 during the previous year. This is due to higher cash generation due to higher value addition. Book value per share has also increased to Rs. 126 as against Rs. 87 on March 31, 1999. Dividend payout ratio for the years ended March 31, 2000 and 1999, was 12% and 10%.

The P/E to EPS growth was approximately 1.80 compared to 0.61 for the previous year. This represents the valuation of the company in comparison to its growth in earnings.

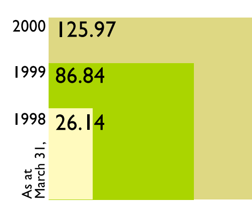
Appreciation in the Infosys share price (adjusted for bonus issues in 1994, 1997 and 1999 and stock split of two for one in 2000), over the public issue price, is more than 151076%. Since the public issue, the market capitalization of the company has grown to Rs. 59,338 crore, as on March 31, 2000, from the public issue valuation of Rs. 31.84 crore during February 1993.



Dividend payout
Percentage



Price earnings multiple
in Nos.



Book value
in Rupees

Statutory obligations

The company has established Software Technology Parks – 100% export-oriented units – for the development of software at Electronics City, Koramangala, BTM Layout, J. P. Nagar and Manipal Center at Bangalore as well as at Mangalore, Pune, Chennai, Bhubaneswar, Hyderabad, Mohali and Mysore (all in India). Certain capital items purchased for these centers are eligible for 100% customs and excise duty exemption, subject to fulfillment of stipulated export obligations, namely, five times the value of duty-free imports of capital goods, or duty-free purchase of goods subject to excise, over a period of 5 years on a yearly basis. The export obligation on the wage bill was removed recently.

The non-fulfillment of export obligations may result in penalties as stipulated by the government which may have an impact on future profitability. The table showing the export obligation, and the export obligation fulfilled by the company, on a global basis, for all its STP units together, is given here under:

in Rs.

Year ended March 31	Export obligation	Export obligation fulfilled	Excess/ (shortfall)	Cumulative excess/ (shortfall)
1993	11,07,019	28,25,575	17,18,556	17,18,556
1994	2,69,45,277	8,04,57,379	5,35,12,102	5,52,30,658
1995	7,70,12,146	15,63,56,751	7,93,44,605	13,45,75,263
1996	28,42,90,379	47,64,44,106	19,21,53,727	32,67,28,990
1997	39,67,03,285	68,93,56,837	29,26,53,552	61,93,82,542
1998	73,55,63,113	142,41,27,171	68,85,64,058	130,79,46,600
1999	124,97,81,528	305,51,10,194	180,53,28,666	311,32,75,266
2000	106,87,69,005	493,45,83,400	386,58,14,395	697,90,89,661
	384,01,71,752	1081,92,61,413	697,90,89,661	

The total customs duty exempted on both computer software and hardware imported by the company since 1993 amounts to Rs. 56.28 crore.

The company has fulfilled its export obligations on a global basis for all its operations under the Software Technology Park Scheme (STP). However, in case of STPs operationalized during the year, the export obligation will be met in the future years. On a forward basis, the company's management is confident of fulfilling all its export obligations.

Taxation

The economic reforms program of the government has enhanced the velocity of business for companies in India. Being one of the signatories to the World Trade Organization, India is committed to reducing import tariff levels, thereby exposing the Indian entrepreneurs to global competition. The present Indian corporate tax rate is 38.5% (comprising a base rate of 35% and a surcharge of 10% on the base rate). Export profits are entitled to benefits under two schemes of the government. Under the first scheme (Section 80HHE), the profits of the company attributable to export activities are deductible from the total taxable income. Under the second scheme (STP Scheme), the profits attributable to operations of the company under the 100% export-oriented unit scheme are entitled to a tax holiday during the first ten years, starting from the date of commencement of operations.

In the budget for fiscal 2001, the Government of India proposed changes in the tax rules relating to benefits under Section 80HHE by reducing the amount of export profits that may be deducted for purposes of computing taxable income, by an incremental 20% every year over the next five years. The government has also proposed restricting the eligibility for tax exemption for units operating under the Software Technology Park Scheme to only those units which are operational on or before March 31, 2000. The details of the operationalization of various software development centers and the year to which the exemption under the Software Technology Park Scheme is available is provided hereunder:

Location of the STP	Year of commencement	Exemption claimed from	Exemption available upto
Electronics City, Bangalore	1994-1995	1996-1997	2003-2004
Mangalore	1995-1996	1998-1999	2004-2005
Pune	1996-1997	1998-1999	2005-2006
Bhubaneswar	1996-1997	1998-1999	2005-2006
Chennai	1996-1997	1998-1999	2005-2006
Bannerghatta Road, Bangalore	1997-1998	1998-1999	2006-2007
Phase I, Electronics City, Bangalore	1998-1999	1998-1999	2007-2008
Phase II, Electronics City, Bangalore	1999-2000	1999-2000	2008-2009
Hinjewadi, Pune	1999-2000	1999-2000	2008-2009
Mysore	1999-2000	1999-2000	2008-2009
Hyderabad	1999-2000	1999-2000	2008-2009
Mohali	1999-2000	1999-2000	2008-2009

The government may reduce or eliminate the tax exemptions provided to Indian exporters in the near future. This may result in the export profits of the company being fully taxed, and may adversely affect the post-tax profits of the company in the future. This is expected to be tackled by increasing the per capita revenue productivity and moving up the value chain. On a full-tax-paid basis, without any duty concessions on equipment, hardware and software, the company's post-tax profits for the relevant years is estimated as given below.

in Rs.

Year ended March 31	2000	1999	1998
Profit before tax (excluding extraordinary items)	325,64,85,819	155,85,53,560	65,86,33,079
Less: Additional depreciation to be provided on duty waiver for computer equipment	12,74,89,362	8,43,54,215	6,60,77,136
Reduction in other income	3,24,71,664	1,52,47,181	98,21,728
Adjusted profit before tax	309,65,24,793	145,89,52,164	58,27,34,215
Less: Income tax on full tax basis	128,00,91,259	63,07,51,956	24,53,97,021
Adjusted profit after tax	181,64,33,534	82,82,00,208	33,73,37,194
Adjusted earnings per share [1]	27.46	12.52	5.10

1. The earnings per share for earlier years has been restated on par value of Rs. 5 per share and adjusted for bonus issues during the previous years.
2. The figures above are based on Indian GAAP financial statements.

   However, it may be noted that this is only an academic exercise. The company has provided for income tax in full in the respective years and there is no carried-forward liability on this account.

Segment reporting

The geographical segment information given below is on the basis of markets and not on the source of revenue.

By geographical area

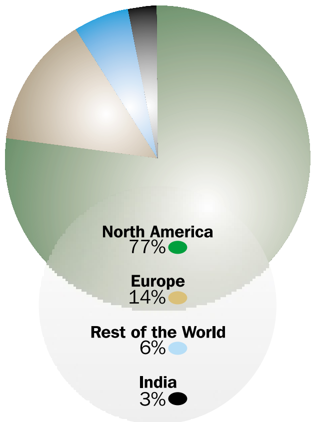
in Rs. lakhs

	2000	%	1999	%	1998	%
Revenue						
North America	71,327.35	77	41,739.11	82	21,224.46	81
Europe	12,909.74	14	4,753.03	9	2,317.20	9
Rest of the World	5,240.03	6	3,533.26	7	1,552.10	6
India	2,669.36	3	1,248.43	2	942.81	4
	92,146.48	100	51,273.83	100	26,036.57	100

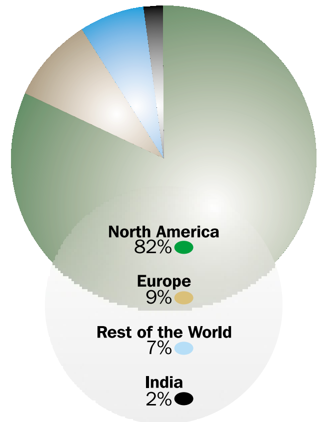
The figures above are based on Indian GAAP financial statements.

Approximately 77% of Infosys revenue comes from North America, which includes USA and Canada, and the remaining from Europe and other markets. Revenue from North America increased by 71% during the year, compared with the previous year. Revenue from the European markets have increased by 172% compared to the previous year. As a percentage of total revenue, the contribution from European markets has increased to 14% compared with the previous year. Revenue from India represented 3% of the total revenue compared with 2% of the total revenue during the previous year. Revenue from the rest of the world has decreased to around 6% of the total revenue for the current year from 7% of the total revenue for the previous year.

By geographical area – 2000



By geographical area – 1999



The dependence on a single market for substantial part of the revenue is prone to risk. Infosys has a de-risking strategy to increase its share of business from the European, Japanese and other markets, thereby, reducing its predominant dependence on the American market.

By business segments

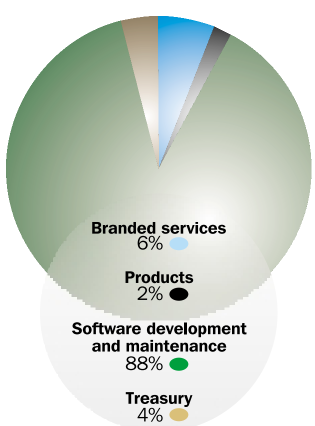
in Rs. lakhs

	2000	%	1999	%	1998	%
Revenue						
Branded services	5,895.00	6	11,321.57	22	6,646.09	26
Products	2,290.12	2	1,444.89	3	1,045.62	4
Software development and maintenance	80,047.26	88	38,122.66	74	18,074.03	69
Treasury	3,914.10	4	384.71	1	270.83	1
	92,146.48	100	51,273.83	100	26,036.57	100

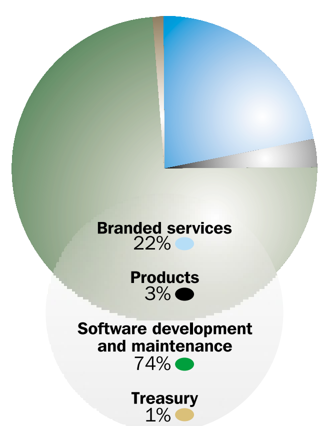
Today, a major part of the company's revenue comes from software development and maintenance services. Revenue from branded services is around 6% of the total revenue, compared to around 22% of the total revenue during the previous year. The company's policy is not to depend on any single business segment for a large part of its business. In line with this de-risking strategy, the company has limited its revenue from Year 2000 service to 25% of the total revenue for a given year. During the year, the contribution from Year 2000 projects is around 6%. Revenue from products were approximately around 2% of the total revenue compared to 3% during the previous year. Revenue from software development and maintenance have shown substantial growth at more than 110% compared with the previous year.

The figures above are based on Indian GAAP financial statements.

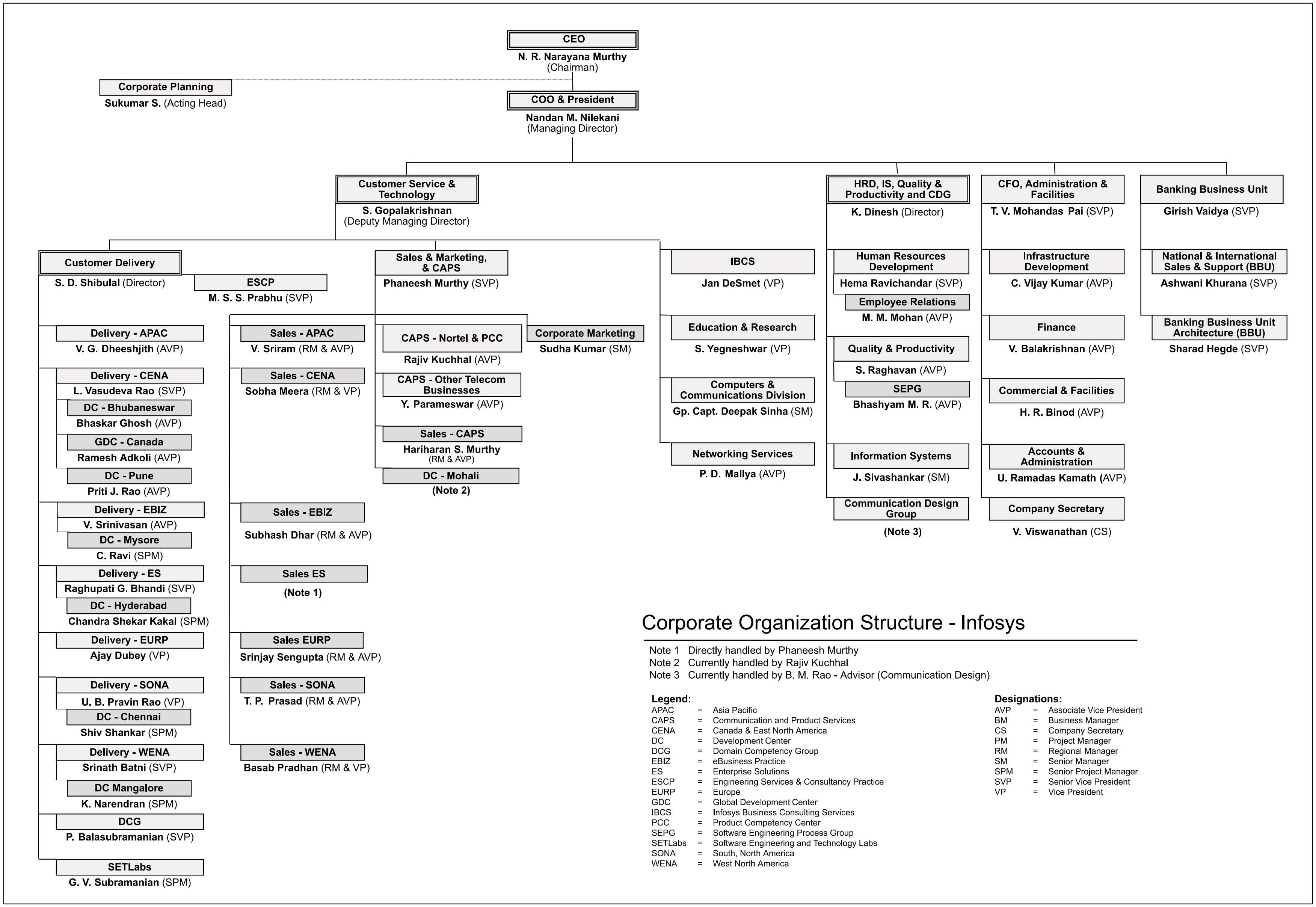
By business segments – 2000



By business segments – 1999



Management structure



A historical perspective

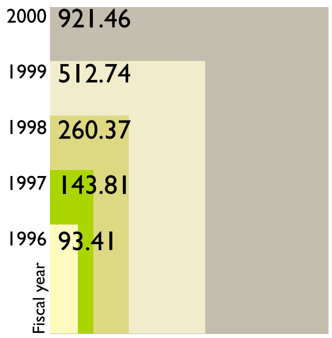
in Rs. crore except per share data, other information and ratios

Particulars	1981-82	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000
For the year								
Revenue	0.12	30.08	57.70	93.41	143.81	260.37	512.74	921.46
Operating profit (PBIDT)	–	9.71	19.86	33.95	50.06	88.61	191.75	378.88
Interest	–	0.05	–	–	0.61	–	–	–
Depreciation	–	0.81	4.60	8.63	10.52	22.75	35.89	53.23
Provision for taxation	–	0.76	1.94	4.31	5.25	5.50	22.94	39.70
Profit after tax from ordinary activities	0.04	8.09	13.32	21.01	33.68	60.36	132.92	285.95
Dividend	–	1.17	2.31	3.63	3.99	7.03	12.11	29.76
Return on average networth (%)	96.88	39.61	29.71	29.53	34.96	42.24	54.16	40.63
Return on average capital employed (PBIT/ average capital employed) (%)	96.88	43.14	31.79	33.12	40.16	46.09	63.51	46.27
As at the end of the year								
Share capital	–	3.35	7.26	7.26	7.26	16.02	33.07	33.08
Reserves and surplus	0.04	25.35	55.20	72.58	105.58	156.94	541.36	800.23
Loan funds	–	–	6.34	4.26	–	–	–	–
Gross block	–	8.27	25.32	46.86	71.29	105.14	168.92	284.03
Capital investment	–	7.13	25.23	15.55	27.31	34.41	71.68	159.87
Net current assets	0.06	13.94	32.47	41.17	54.20	97.23	472.96	612.13
Debt-equity ratio	–	–	0.10	0.05	–	–	–	–
Market capitalization	NA	191.02	348.42	355.67	731.04	2,963.42	9,672.80	59,338.17
Per share data								
Earnings from ordinary activities (Rs.)*	–	1.22	2.01	3.18	5.09	9.13	20.10	43.23
Dividend per share (Rs.)**	–	1.75	2.25	2.50	2.75	3.00	3.75	4.50
Book value (Rs.)*	–	4.34	9.44	12.07	17.06	26.15	86.84	125.97
Other information								
Number of shareholders	7	6,033	6,526	6,909	6,414	6,622	9,527	46,314
Credit rating from CRISIL								
Commercial paper	–	–	"P1+"	"P1+"	"P1+"	"P1+"	"P1+"	"P1+"
Non-convertible debentures	–	–	"AA"	"AA"	"AA"	"AA"	"AA"	"AA"

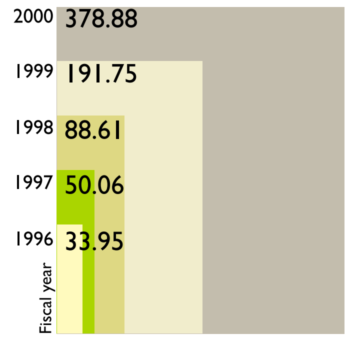
Note: The above figures are based on Indian GAAP.

* Figures for the earlier years have been restated on par value of Rs. 5 per share and adjusted for bonus issues in previous years.

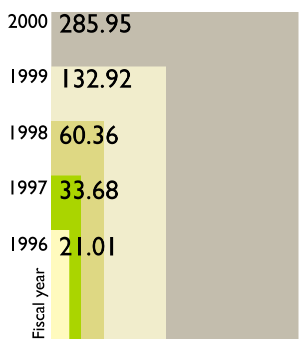
** Calculated on a per share basis, not adjusted for bonus issues in previous years.



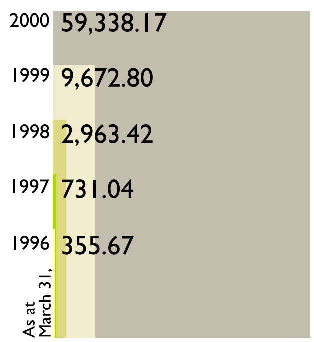
Revenue
in Rs. crore



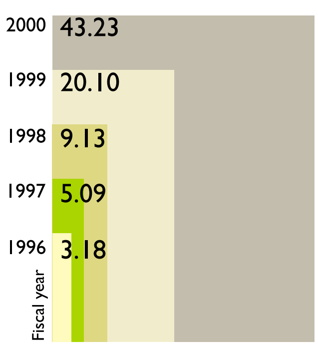
Operating profit
in Rs. crore



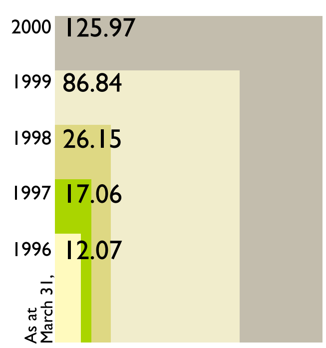
Profit after tax
from ordinary activities
in Rs. crore



Market capitalization
in Rs. crore



Earning per share
from ordinary activities
in Rs.



Book value
in Rs.

Infosys Foundation

A strong sense of responsibility is among the core values of Infosys. This translates to a commitment to help people and communities, a commitment to enhance the living conditions of the rural population, and a commitment to improve education.

In fiscal 2000, Infosys Foundation kept up its commitment to the rural poor, the underprivileged and to the cause of education. Besides, it also helped promote Indian arts and culture.

The following are some of the projects undertaken by the Infosys Foundation during the year.

1. Initiatives for the rural poor and the underprivileged

   Construction of an orphanage commenced at the Maharshi Karve Stree Shikshana Samsthe, Karvenagar, Pune.

   Construction of an orphanage at Kalahandi, Orissa is progressing satisfactorily and is expected to be completed by December 2000. The cyclone in Orissa devastated the state and left several hundreds homeless. Based on inputs from Infosys' office in Bhubaneswar, the Foundation released funds for the construction of shelters.

   The Foundation has worked hard to rehabilitate destitutes in Athani and Mysore. The Foundation has also released a sum of Rs. 30 lakhs for the upliftment of destitutes in four states – Karnataka, Tamil Nadu, Orissa and Maharashtra. Destitutes, tribals, platform-dwelling children and blind students are the beneficiaries of this ongoing program. A substantial sum has been spent in distributing sewing machines to destitutes in Bangalore, Gulbarga and Belgaum.

   The Foundation also contributed substantially to the Bangalore Hospice Trust which works to ease the suffering of terminally ill cancer patients.

2. Healthcare for the poor

   The 6000 sq. ft. Mahabodhi Casualty and Burns Ward at Victoria Hospital, Bangalore was air-conditioned. The new ward was inaugurated by the then Karnataka Governor H. E. Kurshed Alam Khan. This hospital, run by the Government of Karnataka, caters to poor patients from all over the state.

   Ultrasound scanners were donated to the Bowring Hospital, Bangalore and the Ramakrishna Sevashram, Ponnampet.

   Two ambulances were donated this year – one to Kalahandi in Orissa and the other to the Swami Shivananda Memorial Trust at Pattamadai in Tamil Nadu.

   A hearse was donated to Gadag District in Karnataka.

   Construction of a *dharmashala* – a free ward – for cancer patients availing treatment at the Kidwai Memorial Institute of Oncology was launched during the year.

   An Iris Green Laser Photocoagulator was donated to The Lions Club at Miraj, which helps destitutes get medical treatment.

3. Education

   More often than not, rural children do not have access to high-quality facilities for education. The Foundation believes that every school should have its own library. The *Shalegondu Granthalaya* program has been extremely successful since it was started in 1997-98. Zealous volunteers in Maharashtra and Orissa have been identified to help coordinate the project. The 2222nd Library was recently set up by the Foundation – which also celebrated the setting up of libraries in more than 2400 schools across the country.

   Most rural schools can barely boast of a blackboard. The Infosys Foundation and the National Education Society have, in the course of the year, begun setting up the first *Infosys Science Center* at Hosur Village near Gauribidanur in Kolar district.

   The Foundation has also donated Rs. 5 lakhs for the construction of a *Shishuvihar* for the Vidyananda Gurukula school which works to improve the lot of destitute children. A number of scholarships have been awarded to children coming from economically backward families.

4. Arts and culture

   The Infosys Foundation strongly believes in preserving those arts and cultural activities of India which are under threat of fading out. A puppet show was conducted in January 2000 to help promote and preserve this dying art. Besides this, the Foundation was also involved in promoting the art of *Gamaka*. Kavya Pushpanjali, a *Gamaka contest* was conducted by the Gamaka Kala Parishat at the Gayana Samaja in Bangalore in association with the Foundation. The Foundation also helped the Dr. Kota Shivram Karanth Memorial trust promote Kannada literature. Yoga, the art of living a healthy life, is also being promoted by the Foundation.

Bangalore April 11, 2000	G. R. Nayak Trustee	Sudha N. Murty Trustee	N. S. Raghavan Trustee

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Financial statements prepared in substantial compliance with GAAP requirements of various countries

Thanks to the opening up of the financial sectors in most nations and the integration of the world economy, investors today have a wide choice of capital markets to invest in across the globe. Thus, the global investor must have access to information about the performance of any company, in any market that he/she chooses to invest in. Advances in technology provide desktop access to all companies that have a desire to source capital from the global capital pool. However, differences in language, accounting practices and reporting in various countries make a performance evaluation of the investee company rather investor-unfriendly.

The strength of a global company is its ability to access capital at the lowest cost from investors globally. Companies that are successful in sourcing global capital are very global-investor-friendly. Such companies study the needs of global investors and publish the company's financial information in a language and form which is understood by investors in their language and as per their standards. In the process, financial statistics may have to be restated and financial terminology may need to be translated. In a globalized world, financial information of such successful corporations moves rapidly across national boundaries. Indeed, a key issue in international financial analysis is the restatement and translation of financial reports that describe operations conducted in one environment, but which are the subject of review and analysis in another.

As an investor-friendly company committed to high-quality of disclosure to our global investors, we have voluntarily reformatted our financial statements to be in substantial compliance with the local GAAP requirements of 6 countries, besides that of USA and India (which information appears separately elsewhere). We have also translated the financial reports into the national language of these countries (where applicable). The countries are – Australia, Canada, France, Germany, the United Kingdom and Japan. These reports are unaudited.

These unaudited *consolidated profit and loss accounts* and *balance sheets* have been prepared by converting the various financial parameters reported in the audited *income statement of Infosys* (according to the Indian GAAP), including a consolidation of subsidiary financial information, into respective currencies. In addition, adjustments have been made for differences in accounting principles and in formats, between India and these countries, if any.

In the event of a conflict in interpretation, the audited Indian version of the financial statements should be considered. The Infosys management cautions the investors that these reports are provided only as additional information to our global investors. Using such reports for predicting the future of Infosys, or any other company, is risky. The Infosys management is not responsible for any direct, indirect or consequential losses suffered by any person using these financial statements or data.

Financial statements prepared in substantial compliance with GAAP requirements of various countries – Australia

Financial statements prepared in substantial compliance with Australian GAAP (Unaudited):

Balance sheet

Infosys Technologies Limited as at March 31 — *Australian dollars*

	2000	1999
CURRENT ASSETS		
Cash	193,445,114	156,462,296
Receivables	51,818,160	31,738,206
Investments	–	–
Other	14,726,981	7,563,247
TOTAL CURRENT ASSETS	259,990,255	195,763,749
NON-CURRENT ASSETS		
Receivables	–	–
Investments	5,264,401	2,934,440
Property, plant and equipment	78,896,045	37,820,474
Intangibles	–	–
Other	15,696,107	7,773,479
TOTAL NON-CURRENT ASSETS	99,856,553	48,528,393
TOTAL ASSETS	359,846,808	244,292,142
CURRENT LIABILITIES		
Trade creditors	1,620,633	119,165
Unearned revenues	6,684,626	7,276,962
Provisions	31,278,580	13,321,368
TOTAL CURRENT LIABILITIES	39,583,839	20,717,495
NON-CURRENT LIABILITIES		
Borrowings	–	–
Provisions	–	–
TOTAL NON-CURRENT LIABILITIES	–	–
TOTAL LIABILITIES	39,583,839	20,717,495
NET ASSETS	320,262,969	223,574,647
SHAREHOLDERS' EQUITY		
Share capital	12,990,002	12,987,854
Reserves	307,272,967	210,586,793
Retained profits	–	–
Shareholders' equity attributable to members of the company	320,262,969	223,574,647
Convertible preferred stock	–	–
TOTAL SHAREHOLDERS' EQUITY	320,262,969	223,574,647

Financial statements prepared in substantial compliance with GAAP requirements of various countries – Australia

Financial statements prepared in substantial compliance with Australian GAAP (Unaudited):

Profit and loss account

Infosys Technologies Limited for the year ended March 31 *Australian dollars*

	2000	1999
Operating revenue	332,658,775	196,753,013
Operating profit before abnormal items and Income tax	116,864,622	65,070,961
Abnormal items	–	1,007,448
Operating profit before income tax	116,864,622	66,078,409
Income tax expense/ (benefit) attributable to		
Operating profit	13,001,320	7,787,615
Abnormal items	–	–
Income tax expense/ (benefit) for the year	13,001,320	7,787,615
Operating profit after income tax	103,863,302	58,290,794
Outside equity interests in operating profit after income tax	–	3,364,954
Operating profit after income tax attributable to members of Infosys Technologies Limited	103,863,302	54,925,840
Dividend on preferred stock	–	–
Retained profits at the beginning of the financial year	–	–
Aggregate of amounts transferred from reserves	–	–
Total available for appropriation	103,863,302	54,925,840
Dividends provided for or paid	11,926,546	5,110,641
Aggregate of amounts transferred to reserves	91,936,756	49,815,199
Retained profits at the end of the financial year	–	–
Basic earnings per share	1.58	0.95
Diluted earnings per share	1.58	0.95

Notes:

1. The company's financial statements are prepared in Indian rupees, the reporting currency. These financial statements have been prepared by translating revenue and expenditure at average rate during the year; current assets, current liabilities, Property, plant and equipment, long-term borrowings at year-end rate; and accretions to stockholders' equity at an average rate for the year. The difference arising on translation is shown under Reserves.

2. Exchange rates used:

Exchange rates used:	2000	1999
Average exchange rate used	1 AUD = Rs. 27.70	1 AUD = Rs. 26.06
Closing exchange rate used	1 AUD = Rs. 26.28	1 AUD = Rs. 26.63

3. Reconciliation between the Indian GAAP and the Australian GAAP statements: *Australian dollars*

		2000	1999
Net income as per Indian GAAP in Rs.		2,935,156,665	1,352,607,663
Net income as per Indian GAAP in A$		105,962,334	51,903,594
Less :	Net income of subsidiary included on consolidation	–	(3,364,954)
	Provision for gratuity	(1,166,339)	–
	Extra-ordinary income	(2,731,799)	–
	Expenses against provisions for contingencies and e-inventing the company	(1,997,407)	–
Add :	Provision for deferred taxes	1,330,810	1,122,592
	Provision for contingencies and e-inventing the company	2,465,703	2,555,641
	Provision for investment in subsidiary	–	2,708,967
Net income as per Australian GAAP		103,863,302	54,925,840

Financial statements prepared in substantial compliance with GAAP requirements of various countries – Canada

Financial statements prepared in substantial compliance with Canadian GAAP (Unaudited)

Balance sheet

Canadian dollars

March 31	2000	1999
ASSETS		
Current assets		
Cash and cash equivalents	169,457,920	150,854,125
Accounts receivable	45,392,708	30,600,595
Inventories	–	–
Prepaid expenses and other assets	12,900,836	7,292,153
	227,751,464	188,746,873
Property, plant and equipment	69,112,935	36,464,852
Investments	4,611,616	2,829,259
Deferred taxes	3,729,640	2,617,158
Other assets	10,020,149	4,877,691
	315,225,804	235,535,833
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	1,419,675	114,894
Accrued liabilities	26,781,318	12,815,626
Current portion of long-term obligations	–	–
Advances received from clients	618,718	28,257
Unearned revenue	5,855,732	7,016,129
	34,675,443	19,974,906
Long-term obligations	–	–
	34,675,443	19,974,906
Minority interest	–	–
Share capital		
Common shares – 66,150,700 outstanding (1999 – 66,138,800 outstanding)	12,363,410	12,361,388
Additional paid-in capital	116,801,747	117,349,958
Accumulated foreign currency translation adjustment	(25,621,031)	(4,624,266)
Retained earnings	177,006,235	90,473,847
	315,225,804	235,535,833

Financial statements prepared in substantial compliance with GAAP requirements of various countries – Canada

Financial statements prepared in substantial compliance with Canadian GAAP (Unaudited)

Statement of earnings and retained earnings

Canadian dollars

Year ended March 31	2000	1999
Sales	299,804,179	183,186,165
Cost of sales	163,705,072	99,014,126
Gross margin	136,099,107	84,172,039
EXPENSES		
Selling, general and administration expenses	39,403,933	24,514,825
Income from operations	96,695,174	59,657,214
Equity in loss of deconsolidated subsidiary	–	3,156,612
Interest and other income	13,299,731	2,329,947
Interest expense	–	–
Earnings before income taxes	109,994,905	58,830,549
Provision for income taxes	12,237,056	7,305,444
Dividend on preferred stock	–	–
Net earnings	97,757,849	51,525,105
Cash dividend declared	11,225,461	4,794,216
	86,532,388	46,730,889
Retained earnings, beginning of the year	90,473,847	42,177,401
Adjustment on deconsolidation of subsidiary	–	7,331,288
Capitalization of profits	–	(5,765,731)
Retained earnings, end of the year	177,006,235	90,473,847
EARNINGS PER SHARE		
Net earnings		
Basic	1.49	0.84
Fully diluted	1.48	0.84
Weighted average number of shares		
Basic	65,659,625	61,378,850
Fully diluted	65,863,990	61,507,380

Notes:

1. The company's financial statements are prepared in Indian rupees, the reporting currency. These financial statements have been prepared by translating revenue and expenditure at an average rate for the year; current assets, current liabilities, Property, plant and equipment, long-term borrowings at year-end rate; and accretions to stockholders' equity at an average rate for the year. The difference arising on translation is shown under Accumulated foreign currency translation adjustment.
2. Exchange rate used:

	2000	1999
Average exchange rate used	1 CAD = Rs. 29.43	1 CAD = Rs. 27.78
Closing exchange rate used	1 CAD = Rs. 30.00	1 CAD = Rs. 27.62

3. Reconciliation between the Indian GAAP and the Canadian GAAP statements:

		2000	1999
Net income as per Indian GAAP in Rs.		2,935,156,665	1,352,607,663
Net income as per Indian GAAP in Canadian dollars		99,733,492	48,689,981
Less :	Net income/ (loss) of subsidiary included on consolidation	–	(3,156,612)
	Provision for gratuity	(1,097,778)	–
	Extra-ordinary income	(2,571,215)	–
	Expenses against provisions for contingencies And e-inventing the company	(1,879,992)	–
Add :	Provision for deferred taxes	1,252,580	1,053,087
	Provision for contingencies	2,320,762	2,397,408
	Provision for investment in subsidiary	–	2,541,241
Net earnings as per Canadian GAAP		97,757,849	51,525,105

Financial statements prepared in substantial compliance with GAAP requirements of various countries - France

Etats financiers préparés selon les principes comptables français (non vérifiés)

Compte de résultat

FRF

	2000	1999
Produits d'exploitation		
Vente de marchandises achetées	–	–
Production vendues (biens et services)	1,307,146,219	709,750,581
Montant net du chiffres d'affaires	1,307,146,219	709,750,581
Production stockée	–	–
Production immobilisée	–	–
Subventions d'exploitation	–	–
Reprises sur amortissements, provisions et transfert de charges	–	–
Autres produits	–	–
Total des produits d'exploitation (I)	1,307,146,219	709,750,581
Charges d'exploitation		
Achat de marchandises	4,214,578	2,485,340
Variation de stocks des biens achetés	–	–
Achat de matières premières et autres approvisionnements	–	–
Variations de stocks de matières premières et approvisionnements	–	–
Autres achats et charges externes	–	–
Salaires et traitements	495,643,041	231,598,931
Dotations aux amortissements et aux provisions	–	–
Sur immobilisations : Dotation aux amortissements	78,863,317	50,059,983
Sur immobilisations : Dotations aux provisions	–	–
Sur actif circulant : Dotations aux provisions	–	–
Pour risques et charges: dotation sur provisions	–	–
Autres charges	306,834,328	194,465,826
Total des charges d'exploitation (II)	885,555,264	478,610,080
Résultat d'exploitation (I-II)	421,590,955	231,140,501
Quotes-parts de résultat sur opérations faites en commun :		
Bénéfice attribué ou perte transférée (III)	–	–
Perte attribuée ou bénéfices transférés (IV)	–	–
Produits financières		
De participations	–	–
D'autres valeurs mobilières	–	–
Intérêts et produits similaires	57,986,829	5,365,668
Reprises sur provisions et transfert de charges	–	–
Différences positives de change	–	–
Produits nets sur cessions de valeurs immobilières de placements	–	–
Total des produits financiers (V)	57,986,829	5,365,668
Charges financières		
Dotations aux amortissements et aux provisions	–	–
Intérêt et charges similaires	–	–
Différences négatives de change	–	–
Charges nettes sur cessions de valeurs mobilières de placements	–	–
Total des charges financières (VI)	–	–
Résultat financier (V-VI)	57,986,829	5,365,668
Résultat courant avant impôts (I-II + III-IV + V-VI)	479,577,784	236,506,169

Financial statements prepared in substantial compliance with GAAP requirements of various countries - France

	2000	1999
		FRF
Produits exceptionnels		
Sur opérations de gestion	–	3,661,660
Sue opérations en capital	–	–
Reprises sur provisions et transfert de charges	–	–
Total des produits exceptionnels (VII)	–	3,661,660
Charges exceptionnelles		
Sur opérations de gestion	–	–
Sur opérations en capital	–	–
Dotations aux amortissements et aux provisions	–	–
Total des charges exceptionnelles (VIII)	–	–
Résultat exceptionnel (VII-VIII)	–	3,661,660
Participation des salariés aux fruits de l'expansion (IX)	–	–
Impôt sur les bénéfices (X)	53,353,565	28,304,776
Total des produits (I + III + V + VII)	1,365,133,048	718,777,909
Total des charges (II + IV + VI + VII + IX + X)	938,908,829	506,914,856
Dividendes préciputaires	–	–
Participation à la perte de filiale déconsolidées	–	12,230,222
Bénéfice ou perte	426,224,219	199,632,831

Notes:

1. Conversion en monnaie étrangère

Les états financiers de la société sont préparés en roupies indiennes. Ces états financiers ont été préparés par la conversion des revenues et des dépenses au taux moyen mensuel pendant l'année; les actif et passif circulants, les immobilisations, le matériel, les emprunts à long terme et accroissements des fonds propres sont calculés au taux à la fin de l'année et les placements à long terme sont calculés selon le taux au moment du placement. La différence provenant des conversions se trouve sous la rubrique *Reserves.*

2. Taux de change utilisé

Taux moyen de change utilisé	1 FRF= Rs. 6.75	1 FRF=Rs. 7.17
Taux de change de clôture utilisé	1 FRF= Rs. 6.32	1 FRF=Rs. 6.84

3. Rapprochement entre les états financiers établis selon les principes comptables indiens et français *FRF*

	2000	1999
Résultat net selon les principes comptables indiens en Rs.	2,935,156,665	1,352,607,663
Résultat net selon les principes comptables indiens en FFR	434,838,024	188,648,210
Soustraction du revenu net de la filiale inclus en consolidation en FFR	–	(12,230,222)
Moins: Approvisionnements pour primes de démobilisation	(4,786,311)	–
Moins: Revenue extraordinaire	(11,210,496)	–
Moins: Dépenses contre approvisionnements pour éventualités et pour "e-inventaire" de la société	(8,196,767)	–
Addition des provisions pour impôts différés en FFR	5,461,250	4,080,162
Approvisionnements pour éventualités et pour "e-inventaire" de la société	10,118,519	9,288,701
Addition des provisions pour placements à la filiale en FFR	–	9,845,980
Résultat net selon les principes comptables français en FFR	426,224,219	199,632,831

Financial statements prepared in substantial compliance with GAAP requirements of various countries – France

Etats financiers préparés selon les principes comptables français (non vérifiés)

Bilan le 31 mars, *FRF*

	2000			1999
Actif	Brut	Amortissements ou Provisions	Net	Net
Actif immobilisé				
Immobilisations incorporelles				
Frais d'établissements	–	–	–	–
Frais de recherche et de développement	–	–	–	–
Fonds comercial	–	–	–	–
Autres	–	–	–	–
Avance et acomptes	–	–	–	–
	–	–	–	–
Immobilisations corporelles				
Terrains	33,347,003	–	33,347,003	15,900,607
Constructions	93,197,823	8,277,568	84,920,255	38,660,769
Installations techniques, matériel	259,488,426	164,497,195	94,991,231	62,281,869
Autres	63,382,119	38,700,014	24,682,105	8,642,633
Immobilisations corporelles en cours	90,127,137	–	90,127,137	21,759,620
Avances et acomptes				
	539,542,508	211,474,777	328,067,731	147,245,498
Immobilisations financières				
Placements évalués selon la participation	–	–	–	–
Autres participations	–	–	–	–
Créances rattachées à des participations	–	–	–	–
Autres titres immobilisés	21,890,581	–	21,890,581	11,424,582
Prêts	–	–	–	–
Autres	–	–	–	–
	21,890,581	–	21,890,581	11,424,582
Total de l'actif (I)	561,433,089	211,474,777	349,958,312	158,670,080
Actif circulant				
Stocks et en-cours				
Matières premières et autres Approvisionnements	–	–	–	–
En cours de production (biens)	–	–	–	–
En cours de production (services)	–	–	–	–
Produits intermédiaires et finis	–	–	–	–
Marchandises	–	–	–	–
	–	–	–	–
Prêts aux employés	82,845,865	–	82,845,865	31,915,040
Créances				
Créances clients et comptes rattachés	–	–	–	–
Autres	218,972,738	3,501,020	215,471,718	123,565,559
Capital souscrit-appelé, non versél	–	–	–	–
Valeurs immobilières de placement	–	–	–	–
Disponibilités	804,388,860	–	804,388,860	609,150,723
	1,023,361,598	3,501,020	1,019,860,578	732,716,282
Charges constatées d'avance	25,956,280	–	25,956,280	17,226,932
Total d'actif circulant (II)	1,132,163,743	3,501,020	1,128,662,723	781,858,254
Impôts et taxes à répartir sur plusieurs exercices (III)	17,703,987	–	17,703,987	10,568,116
Primes de remboursement des obligations (IV)	–	–	–	–
Ecart de conversion actif (V)	–	-	-	–
Total Général (I + II + III + IV + V)	1,711,300,819	214,975,797	1,496,325,022	951,096,450

Financial statements prepared in substantial compliance with GAAP requirements of various countries - France

FRF

Passif	2000	1999
Capitaux propres		
Capital social	49,251,619	49,242,804
Primes d'émission (de fusion, d'apport)	452,306,585	454,696,785
Ecart de réevaluation		
Réserves (bénéfices non distribués)		
Réserve légale		
Réserve statuaires		
Réserves réglementées	–	–
Autres	807,197,531	430,296,053
Report à nouveau	–	–
Résultat de l'exercice (Bénéfice ou perte)	–	–
Subventions d'investissement	–	–
Provisions réglementées	–	–
Total des capitaux propres (I)	1,308,755,735	934,235,642
Autres capitaux propres		
Bénéfice provenant de participation subordonnée	–	–
Avances et acomptes conditionnels	–	–
Total des autres capitaux propres	–	–
Intérêts minoritaires	–	–
Provisions		
Provision pour risques	–	–
Provisions pour charges	–	–
Total des provisions (II)	–	–
Dettes		
Dettes financières		
Emprunts obligatoires convertibles	–	–
Autres emprunts obligatoires	–	–
Emprunts et dettes auprès d'établissements de crédit	–	–
Emprunts et dettes financiers divers	–	–
Avances et acomptes reçus sur commande en cours	30,733,151	28,445,313
Dettes d'exploitation		
Dettes fournisseurs et comptes rattachés	6,738,962	463,942
Dettes ficcales et sociales	–	–
Autres dettes		
Dettes sur immobilisations et comptes Rattachés	–	–
Autres dettes	127,126,510	51,749,648
Produits constatés d'avance	–	–
Total des dettes (III)	164,598,623	80,658,902
Intérêt minoritaire	–	–
Ecart de conversion passif (IV)	22,970,664	(63,798,094)
Total Général (I + II + III + IV)	1,496,325,022	951,096,450

Financial statements prepared in substantial compliance with GAAP requirements of various countries – Germany

Nach den allgemeingültigen Buchführungsmethoden (GAAP) erfaßter Finanzbericht (ungeprüft):

Bilanz 31. März

Zahlen in DM

	2000	1999
AKTIVA		
Immaterielle Werte	–	–
Reale Aktiva	97,893,676	43,468,244
Finanzielle Aktiva	6,532,033	3,372,643
Feste Anlagen	104,425,709	46,840,887
Inventare	–	–
Außenstände	64,295,621	36,477,705
Andere Forderungen und vermischte Aktiva	18,273,138	8,692,674
Marktbare/verkaufbare Wertschriften und Scheine	–	–
Flüssige Mittel	240,025,382	179,826,972
Umlaufvermögen	322,594,141	224,997,351
Vorbezahlte Ausgaben und Steuerrückstellung	19,475,622	8,934,300
Aktiva Gesamt	446,495,472	280,772,538
STAMMAKTIEN UND VERBINDLICHKEITEN		
Zeichnungskapital	14,554,818	14,552,189
Kapitalreserven	133,930,344	134,643,284
Einkünftereserven	248,894,952	107,765,806
Stammaktien	397,380,114	256,961,279
Einlösbare Vorzugsaktien	–	–
Gewinnbeteiligungsscheine (Nominale/Namensscheine)	–	–
Rückstellungen/Vorbehalte für Rente	–	–
andere Vorbehalte und Verbindlichkeiten	37,933,878	15,276,979
Vorbehalte und Verbindlichkeiten	37,933,878	15,276,979
Geschäftsschulden	2,010,870	136,960
Andere Verbindlichkeiten	876,372	33,683
Passiva	2,887,242	170,643
Transitorische Passiva	8,294,238	8,363,637
Passiva Gesamt	446,495,472	280,772,538

Financial statements prepared in substantial compliance with GAAP requirements of various countries – Germany

Nach den allgemeingültigen Buchführungsmethoden (GAAP) erfaßter Finanzbericht (ungeprüft):

Gewinn und verlustrechnung für das geschäftsjahr beendet am 31. März

Zahlen in DM

	2000	1999
Nettoverkäufe	389,891,161	210,808,271
Verkaufskosten	212,896,168	113,944,176
Bruttogewinn	176,994,993	96,864,095
Verkaufs-, Verwaltungskosten und allgemeine Kosten	51,244,267	28,211,344
Andere Betriebseinkommen	–	–
Andere Betriebskosten	–	–
Betriebsgewinn	125,750,726	68,652,751
Finanzartikel	17,296,116	1,593,697
Ergebnisse der gewöhnlichen Aktivitäten	143,046,842	70,246,448
Außerordentliches Einkommen	–	1,087,577
Einkommen vor der Steuerung	143,046,842	71,334,025
Einkommenssteuer	15,914,121	8,407,011
Dividende zu Vorzugsaktien	–	–
Eigenkapital in Verlust der dekonsolidierten Tochtergesellschaft	–	3,632,589
Nettoeinkommen	127,132,721	59,294,425
Zuordnung zu Reserven für Einkünfte	112,534,165	53,777,303
Dividenden an Aktienbesitzer	14,598,556	5,517,121
Nicht zugeordnetes Gewinn	–	–

Anmerkungen:

1. Fremdwährungumsetzung/-konvertierung

   Die Rechnung der Firma wird in indische Rupien dargestellt, welche die Währung für Berichte ist. Diese Finanzauszüge werden nach der Umsetzung der Einkünfte und Ausgaben um den durchschnittlichen Satz während des Jahres, bereitgestellt. Umlaufvermögen, kurzfristige Verbindlichkeiten, Eigentum, Werke und Anlagen, langfristige Verpflichtungen und Ablagerungen an den Stammaktien zum Zinssatz, der am Jahresende besteht und langfristige Anlagen zum Zinssatz, der zur Zeit des Investitions besteht. Der Unterschied nach der Umsetzung wird unter Reserven gezeigt.

2. Verwendete wechselkurse

	2000	1999
Durchschnittswechselkurs	1 DM = Rs. 22.63	1 DM = Rs. 24.14
Schlußwechselkurs	1 DM = Rs. 21.18	1 DM = Rs. 23.17

3. Beilegung zwischen indischen GAAP und deutschen GAAP Auszüge

Zahlen in DM

	2000	1999
Nettoeinkommen nach indischen GAAP in Rupien	2,935,156,665	1,352,607,663
Nettoeinkommen nach indischen GAAP in DM	129,702,018	56,031,800
Abzüglich: Nettoeinkommen/ (Verlust) der Tochtergesellschaft eingeschlossen Konsolidierung	–	(3,632,589)
Weniger: Bereitstellung für Gratifikation	(1,427,645)	–
Weniger: Außerordentliches Einkommen	(3,343,829)	–
Weniger: Aufwendungen gegen Bereitstellungen für Eventualität und das e-Erfindung der Firma	(2,444,904)	–
Hinzufügen: Vorbehalte für Steuerrückstellung	1,628,963	1,211,879
Hinzufügen: Bereitstellung für Eventualität und das e- Erfindung der Firma	3,018,118	2,758,907
Hinzufügen: Vorbehalte für Investition in Tochtergesellschaft	–	2,924,428
Gewinn des Geschäftsjahres nach dem deutschen GAAP	127,132,721	59,294,425

Financial statements prepared in substantial compliance with GAAP requirements of various countries – Japan

Financial statements prepared in substantial compliance with GAAP requirements of various countries – United Kingdom

Financial statements prepared in substantial compliance with the UK GAAP (Unaudited):

Balance sheet as at March 31

	2000	1999
		£
Fixed assets		
Tangible fixed assets	29,828,630	14,907,626
Investments	1,990,339	1,156,663
	31,818,969	16,064,289
Current assets		
Stocks	–	–
Debtors	19,591,156	12,510,190
Cash at bank and in hand	73,136,780	61,672,453
Others - advances and prepayments	9,892,527	2,981,191
Deferred tax asset	1,609,685	1,069,951
	104,230,148	78,233,785
Creditors – amounts falling due within a year		
Creditors	612,721	46,971
Dividend	2,895,846	1,338,573
Provisions and other liabilities	11,457,097	6,780,631
	14,965,664	8,166,175
Net current assets	89,264,484	70,067,610
Loans and advances more than one year	–	1,994,106
Total assets less current liabilities	121,083,453	88,126,005
Capital and reserves		
Called-up share capital	5,249,675	5,248,820
Share premium account	47,895,413	48,127,222
Retained profits	67,938,365	34,749,963
Equity shareholders' funds	121,083,453	88,126,005
Convertible preferred stock	–	–
	121,083,453	88,126,005

Financial statements prepared in substantial compliance with GAAP requirements of various countries – United Kingdom

Financial statements prepared in substantial compliance with the UK GAAP (Unaudited):

Profit and loss account for the years ended March 31

£

	2000	1999
Turnover	126,770,646	73,295,573
Operating expenses	85,883,592	49,425,814
Operating profit	40,887,054	23,869,759
Interest receivable	5,623,722	554,110
Interest payable	–	–
Net interest (payable)/receivable	5,623,722	554,110
Profit on ordinary activities before taxation and exceptional items	46,510,776	24,423,869
Exceptional items	–	378,138
Profit on ordinary activities before taxation	46,510,776	24,802,007
Taxation on profit on ordinary activities	5,174,376	2,923,019
Profit on ordinary activities after taxation	41,336,400	21,878,988
Dividend on preferred stock	–	–
Equity in loss of deconsolidated subsidiary	–	1,263,009
Profit for the financial year	41,336,400	20,615,979
Dividends	4,746,628	1,918,239
Retained profits for the financial year	36,589,772	18,697,740
Earnings per ordinary share:		
Undiluted	0.63	0.34
Diluted	0.63	0.34

Notes:

1. The company's financial statements are prepared in Indian rupees, the reporting currency. These financial statements have been prepared by translating revenue and expenditure at an average rate for the year; current assets, current liabilities, Property, plant and equipment, long-term borrowings at year-end rate; and accretions to stockholders' equity at an average rate for the year. The difference arising on translation is shown under Retained profits.

2. Exchange rates used:

	2000	1999
Average exchange rate used	1£ = Rs. 69.60	1£ = Rs. 69.43
Closing exchange rate used	1£ = Rs. 69.51	1£ = Rs. 67.56

3. Reconciliation between the Indian GAAP and the UK GAAP statements:

£

	2000	1999
Net income as per Indian GAAP in Rs.	2,935,156,665	1,352,607,663
Net income as per Indian GAAP in £	42,171,791	19,481,603
Less : Net income of subsidiary included on consolidation	–	(1,263,009)
Provision for gratuity	(464,190)	–
Expenses against provisions for contingency and e-inventing The company	(794,945)	–
Extraordinary income	(1,087,225)	–
Add : provision for deferred taxes	529,647	421,356
provision for contingency and e-inventing the company	981,322	959,240
provision for investment in subsidiary	–	1,016,789
Profit for the financial year as per the UK GAAP	41,336,400	20,615,979

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