INFOSYS TECHNOLOGIES LIMITED

Annual Report 1994-95

Infosys

The World of Infosys

Customers, Infoscions, their families, vendor-partners and investors make up our cozy little world. This year's annual report is dedicated to the people who make up the "World of Infosys".

The world of Infosys

Customers, Infoscions, their families, vendor-partners and investors make up our cozy little world. At the center of this world are Infoscions and their objective to create wealth for the nation, the company, the investors and themselves by legal and ethical means. Satisfying customers is the way to create wealth. Customer satisfaction is the *raison d'être* of every Infoscion. All of us at Infosys believe and act on the basis that it is the birthright of our customers to receive quality products on time, within the budgeted cost. No Infoscion can succeed in this task without the unstinting support of the family — spouse, children, parents, sisters and brothers — essentially, people who sacrifice their time and energy, give their love and support, share the glory and the sorrow, and spur *their* Infoscion to perform better. Success, today, is a team effort and our vendor-partners play a significant role in adding value to our customers. Firm commitment by top management, backed by long hours of dedicated application, is what makes our vendor-partners unique. In these days of global competition and changing technology, we need heavy financial resources to succeed in the international market. Our investor community understands this and they are with us in our quest to reach greater heights. This year's annual report is dedicated to the people who make up the "World of Infosys."

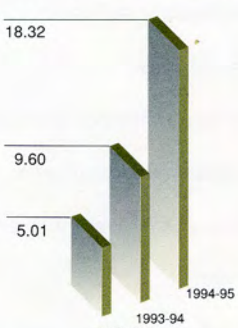
The new Infosys center at the Electronics City, Bangalore

Year at a glance

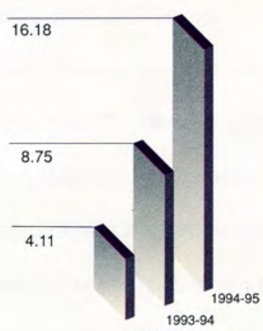
in millions except for Earnings per share

	March 31, 1995		March 31, 1994	
	Rs.	US$	Rs.	US$
For the year				
Total revenue	577.04	18.32	300.85	9.60
Exports	509.57	16.18	274.17	8.75
Operating profit (PBIDT)	198.60	6.31	97.07	3.10
Profit after tax (PAT)	133.24	4.23	80.92	2.58
PBIDT as a percentage of total revenue	34.41 %	34.41 %	32.26 %	32.26 %
PAT as a percentage of total revenue	23.09 %	23.09 %	26.90 %	26.90 %
Earnings per share	18.35 *	0.58	24.15	0.77
Dividend percentage	45.00 %	45.00 %	35.00 %	35.00 %
Dividend amount	23.14	0.73	11.73	0.37
Capital investment	252.30	8.01	71.27	2.27
PAT as a percentage of average net worth	29.71 %	29.71 %	39.61 %	39.61 %
At the end of the year				
Total assets	687.97	21.84	287.01	9.16
Fixed assets	300.20	9.53	95.10	3.03
Working capital	324.69	10.31	139.43	4.45
Total debt	63.39	2.01	Nil	Nil
Net worth	624.58	19.83	272.32	8.69
Equity	72.59	2.30	33.51	1.07
Market capitalization	3484.20	110.63	1910.15	60.95

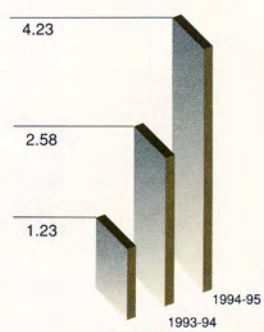
** On the enhanced equity*



Total revenue
(US$ in millions)



Exports
(US$ in millions)



Net Profit
(US$ in millions)

Management of growth - a critical success factor

I am happy to report yet another successful year for your company. The Infosys engine continued to run at full speed recording several excellent growth parameters. The sales and profit-after-tax (PAT) have both exceeded our target of 70% and 50% respectively. The sales grew to Rs. 57 70 crores (US$ 18.32 million) in 1994-95 from Rs. 30.08 crores (US$ 9.60 million) in 1993-94. The PAT grew to Rs. 13.32 crores (US$ 4.23 million) in 1994-95 from Rs. 8.09 crores (US$ 2.58 million) in 1993-94. The PBIDT grew most impressively to Rs. 19.86 crores (US$ 6.31 million) in 1994-95 from Rs. 9.70 crores (US$ 3.10 million) in 1993-94.

There are impressive growth statistics in other areas too. We added several new customers, new Offshore Software Development Facilities (OSDC) and opened several new offices across the globe.

We added 325 employees of whom 265 are software professionals. We created the biggest, single-location software center in India with the largest computer network in the country. We pressed into service 13 buses and a cafeteria facility to accommodate 400 people at a time.

Growth is a good thing if you can manage it. Indeed, in most developed economies, the mortality rate of hi-tech, high-growth companies is very pronounced. A good example is the list of *Fortune 500* companies. More than 30% of the companies that made it to the *Fortune 500* list in 1970, do not find a place in the *Fortune 500* list of 1990.

The smart companies manage growth in a seamless and painless way. I can identify five key parameters for managing growth. These are: retaining customer focus, leveraging technology, installing systems and procedures, obtaining and deploying financial resources at optimal cost, and creating an environment to sustain and enhance the creativity, enthusiasm and energy of the staff. Any organization that fails to do these will flounder and founder.

We are laser-focused on the needs and preferences of our customers. The repeat-business revenue, at 80% of the total revenue, is a result of our customer-oriented effort. Bringing on board 13 new customers during the year is an example of our effort to have a wide portfolio of customers, geographical regions, application areas and technologies.

Infosys has always been a leader in harnessing state-of-the-art technology for better productivity. The recent inauguration of the new, 125,000 square feet building with the country's largest computer network of 1043 nodes, 54 hubs, 6 switches and 30 servers, is an example of the preparedness of our staff to install and absorb new technologies. The new building has two 64 kbps data communication lines and will soon have a full facility, video-conferencing system. The year also saw the installation of several new servers including those from IBM, HP, SUN, AST and COMPAQ.

Systems and procedures aimed at institutionalizing the individual knowledge base, skills and decision-making capability are a must for any high-growth company. I am glad to report that several new systems in marketing, delivery systems, quality, productivity, HRD, finance, technical support services and planning have been implemented during the year. These systems will enable us to handle the scorching pace that we have set ourselves for the coming years.

Raising financial resources optimally and deploying them efficiently has been the hallmark of Infosys all these years. The recent private placement of shares to financial institutions and FII's is a case in point. Such access to equity markets requires a very high degree of transparency at the global level. I am glad to report that your company's balance sheet complies substantially with GAAP and SEC disclosure norms.

We are a knowledge-oriented company. Creating an environment where knowledge professionals are enthused, encouraged and rewarded is a necessary condition for our success. The Employee Stock Offer Plan, the open, informal environment and meritocracy are instruments that will retain Infosys as the *company-of-choice* for employees in the coming decade. Infoscions are men and women of high quality, productivity, commitment and dedication. On your behalf, on behalf of the Board of Directors and the Management Council, I place on record our appreciation and gratitude to these high achievers.

Bangalore
April 18, 1995

N. R. Narayana Murthy
Chairman and Managing Director

As I see Infosys

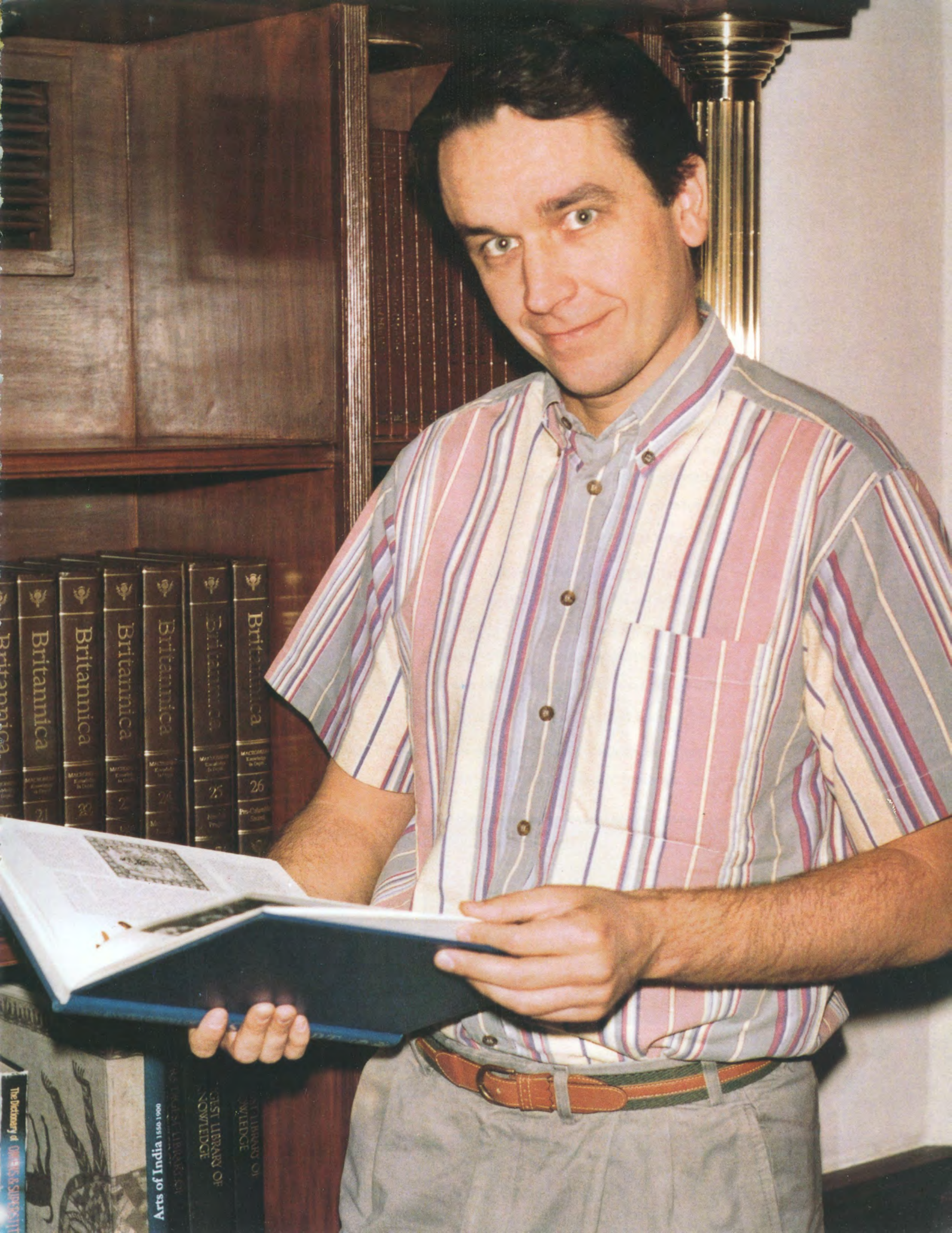
I first met Infosys when they were working on the implementation of DMAP (Distribution Management Application Package) at Reebok, France. Subsequently, the Reebok-Infosys relationship broadened as Infosys did work for Reebok, UK and Reebok, USA. Recently, they installed the EAGLE warehouse management system in Reebok, Russia, and are currently working on a study of the IT requirements of our new subsidiaries, including Reebok, India.

What I like about Infosys is that they stick to their commitments to get the job done. All the team members are personally involved in the project. There may be a few missteps on the way, but, at the end of the day, the Infoscion makes every attempt to deliver value to the customer, on time. This perseverance has led to Infosys getting a lot of repeat business from Reebok. Their intimate knowledge of the apparel and shoe distribution businesses, especially within Reebok, is a tremendous asset.

A company, growing as rapidly as Infosys, has the risk of tearing apart. I must say that, in the several years that I have known Infosys, they have been able to manage their growth effectively. They have made all the right moves - building infrastructure, investing in hardware, software and communications, and strengthening quality processes, HRD practices and training facilities. All these initiatives are signs to us that Infosys is going to be a long-term player, focused on developing high-quality software for its customers. This gives us the confidence that we can build on the relationship and consider Infosys as one of our worldwide potential partners for any forthcoming project.

Infosys is now planning to become an important player in the world software products market. To be internationally successful, product business needs tremendous investment, marketing and, most important of all, a product mind-set. This is not an easy task. Seeing how Infosys has risen to several challenges in the past, I believe that they have the determination and skill to succeed here too.

Pascal Wattiaux
Head - Application Infrastructure
Reebok International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Arts of India 1550-1900

Evolution and the value chain

As organizations grow and mature, they go through different phases of evolution. The shift in phases may be caused by changes in the external world. Or, they may be caused by internal impulses. Whatever be the impetus, change and evolution are a way of life and successful organizations transcend and transform themselves at appropriate times. Infosys, too, has gone through one transformation and is now on the verge of another phase-shift. Thus, the evolution of Infosys can be divided into three distinct periods.

Emerging Infosys 1981-92

Infosys began at a time when the concept of software being sourced from India was still new. It was a period when the focus was on getting a foothold in the world market. India had to be sold before Infosys could be sold. The services provided were predominantly on-site. There was no independent sales organization and the business depended on a few, large customers. Investment in infrastructure was low. This phase saw revenue grow from zero to Rs. 100 million.

The period of consolidation 1991-95

The nineties saw a dramatic change in the external environment. India became accepted as a source for global software development needs. Large buyers with multimillion dollar software needs emerged on the horizon. A reform-oriented government introduced several initiatives like tax holidays, software technology parks, and inexpensive telecom infrastructure. Financial deregulations allowed companies to raise capital on more equitable terms. Simultaneously, the countries from where the business originated tightened up on visa regulations and the provision of on-site services.

Infosys was able to detect and respond to these changes and challenges. A clear marketing strategy, with a proper definition of products and services, was articulated. The base of customers was widened. The emphasis was on building a quality offshore infrastructure, with a state-of-the-art facility, fully equipped with the computing platforms and telecom technology required to service the demanding needs of large, global customers. Conditions were created to attract and retain the best and the brightest. Capital was raised to fund the large investments required. Infosys was successfully positioned as the *company-of-choice* for customers, employees and investors. This phase will carry the organization to the Rs. one billion bracket.

The period of maturity 1996 -

Infosys will soon enter the most demanding, yet most exciting period of its evolution. The value proposition so far was, '*Quality software delivered by productive people at an affordable cost*'. The emergence of other software developing nations, coupled with internal cost pressures where wages are going up 25% each year, will put the current value proposition under a grave threat. This will require the organization to function differently in the coming years.

First of all, Infosys will have to move up the value chain. This simply means that the revenue generated per employee will have to rise sharply. This will only come about when there are clearly focused products and services, each with its own value proposition. The value that a customer obtains will not be measured in terms of man-hours spent, but in terms of function points delivered or maintained, and in terms of the business leverage that a customer obtains from a product.

This also means that the organization will have to be aligned on different value propositions. Business units will have to be formed to focus on separate products or service offerings. Each unit will need a single-minded focus on improving the productivity of its offering, and sharing the consequent benefits with the customer.

The 'hard' infrastructure that has been created will have to be buttressed by the 'soft' infrastructure — be it the systematic accumulation of intellectual property, a company-wide metrics program, or an increase in the internal velocity of ideas. The good thing about improving the 'soft' infrastructure is that it does not cost money. It does, however, require people to change the way they function. In some ways, it is a harder challenge than setting up a physical infrastructure.

Finally, growth should be thought of, not in percentage terms, but in terms of market share. This will highlight the fact that though we have come so far, there is still so far to go. And that should provide the impetus for Infosys to look for its rightful place in the sun. The revenue growth, during this phase, will be limited only by our imagination and our capacity to work.

Bangalore
April 18, 1995

Nandan M. Nilekani
Deputy Managing Director and Head - Marketing

Oracle and Infosys - a global partnership

When I have to identify our 'top three' partners to Oracle's customers outside India or to my counterparts in other Oracle subsidiaries, with whom they could be comfortable, I can hardly fail to mention Infosys.

Oracle believes in delivering the "best of breed" solutions to its customers through its Business Alliance Partners.

Using Oracle technology, Infosys' BANCS 2000 and EAGLE application software incorporate functionalities and features that are easily the best in the world in their field.

With the market for legacy systems shrinking, the open platform, client/server architecture of BANCS 2000 and EAGLE give them a head start in their respective niche markets of retail banking and warehouse management for apparel and appliances.

Quite naturally, our Open Software Alliance has resulted in substantial business for both Oracle and Infosys. Canara Bank selected Infosys' BANCS 2000 for all their total branch automation projects and simultaneously selected ORACLE as their RDBMS standard. Their Parliament Street branch, whose totally computerized operations were inaugurated by the Honourable Finance Minister, Shri Manmohan Singh in 1993, should perhaps be the benchmark for branch automation in Indian banks. Among the new private sector banks, the Global Trust Bank (with equity participation from IFC and ADB) was another success for BANCS 2000 and ORACLE, with Infosys also being their Technology Partner.

Reebok, Russia is an international success story, where Oracle and Infosys worked closely together for mutual success. The EAGLE warehouse management system, based on ORACLE, is the backbone of Reebok, Russia's warehousing operations.

A successful partnership has to be continually nurtured to meet the changing environment and newer opportunities, both in India and overseas. We are forging ahead with new technology and marketing initiatives.

I am confident that, together, we can achieve a great deal.

Anil Kaul
Managing Director
Oracle Software India Pvt. Ltd.

Delivering software systems for an ever-accelerating world

The world around us is changing at a rapid pace. Changes in the world order, shifting of the economic center of gravity from America/Europe to Asia-Pacific, changes in business practices and technology, and the ever-increasing expectations of customers are both a boon and a bane — a boon for the prepared competitors and a bane for the laggards. Infosys has capitalized on this opportunity and has been growing at a scorching pace.

Management of growth in delivery systems is a much-debated topic at Infosys. The generic wisdom at the Production Management Council is that there are four core issues of growth management that have a permanent place on our radar screen. They are :

• Focused customer orientation • Timely forecasting, planning, review and corrective action • Institutionalization of a culture that promotes innovation, excellence in quality, productivity and competition amongst Infoscions, while retaining respect, dignity and cooperation • Recognition, absorption and utilization of emerging technologies.

Customer focus is ever on the increase among the delivery professionals. A quantum leap has been made in attitudes and systems to improve customer service. The recent restructuring of the Delivery Systems group to create *Customer Service Co-ordinators* (CSC) is an example. A CSC is a customer-surrogate within Infosys and is an effective force for moving us further towards customer orientation. The installation of a customer hot line is another instrument in this effort. We expect to extend this facility to a 24-hour facility soon.

As we grow, and as the order-to-project-start cycle keeps shrinking, the need for effective forecasting, planning, flexibility and quick response in deploying delivery experts to projects has become a prerequisite for success. The recent decision of our Joint Managing Director to take over the responsibility of the Delivery Systems Planning group is a harbinger of further focus in this area. The Resource Planning group's focus on systems and procedures, to provide early warning and quick response, is very critical to our success.

Quality is not just filling up forms or blindly following procedures, but creating an environment that engenders, respects and glorifies producing the best products and services. Quality requires the best brains in the organization to constantly innovate, and sell the innovation to all Infoscions to improve customer satisfaction. Infosys has recognized this need and has put in a framework to attract the best and the brightest into this area. A prime need for improvement is to know where we are, before we can go where we want to. In this context, we, in the delivery systems area, fully support and practise the metrics program of the Quality group.

Productivity is a key instrument for success in these days of fierce competition and shrinking margins. The Delivery Systems group has been pro-active in enhancing reusability, creating body-of-knowledge (BOK) topics and in using tools. The restructuring of the Delivery Systems group into technology units, industry units and Offshore Software Development Centers (OSDC) is an attempt to enhance the assimilation and retention rate of technology and business expertise. The creation, installation and practice of methodologies for development and maintenance have become a science at Infosys.

Leadership in technology is a key success factor in our effort to envision applications ahead of the rest of the competition, and in shaping these applications. A shining example of the preparedness of Infosys in the installation, assimilation and leveraging of technology, in a seamless and painless way, was best demonstrated when we shifted to the new software center at the Electronics City.

As Prof. C. K. Prahalad of the University of Michigan, Ann Arbor, USA said during his visit to Infosys, the real key to future market leadership resides in Infosys' ability to envision tomorrow's reality today. Ever-increasing communication bandwidth, CPU power, memory and disk capacity are advances in hardware. The software area has seen advances in multimedia, object orientation, networking and graphical user orientation. I see an opportunity to populate the information highway by developing and marketing truly distributed , user-oriented OLTP applications, blurring the distinction between corporate and home-user applications. Will we be prepared to seize this opportunity? From what I know of my colleagues in the Delivery Systems group, the answer is an unequivocal *Yes*.

K. Dinesh
Director and Head-Delivery Systems

Bangalore
April 18, 1995

The drivers of India's economic destiny

The reason we are very optimistic about Infosys' future can be summarized in a word — management. Our optimism has less to do with the software industry (the stock in the Indian economy is so high that lots of industries have high growth potential), and more to do with the fact that the management of this company represents the new, emergent breed of professional entrepreneurs who will dominate the Indian services industry. As India opens up, there will be a sea-change in entrepreneurial demographics, and Infosys is a classic example of the potential blue-chips of the coming century.

India's competitive advantage lies, not in its low cost labor, but in its large, high quality, English-speaking, trainable, technical manpower. In my view, this edge has not been exploited, and the reasons for this are too lengthy to delve into at this point. However, as liberalization erodes the profit margins of the Indian industry, managements which understood and set up systems to exploit this edge, will be winners. Increasingly, the true assets of companies will not be its fixed assets, but its mobile ones — employees. Infosys has shown remarkable foresight by being amongst the first companies to introduce stock options to employees. This is the most efficient way to motivate employees — by making them owner-employees.

The ability to manage and sustain a high growth environment with mobile assets is a real managerial challenge. Infosys is one of the few companies which have succeeded in rising up to this challenge.

At the end of the day, pro-active managements will be the drivers of India's economic destiny. This is the fundamental reason for our optimism about Infosys.

Vinod R. Sethi
Vice President
Morgan Stanley Asset Management Inc.

Just another manic Monday

Monday morning — fresh, alert and rearing to go — I walk down to the bus-stop, 5 minutes from home, eager to start another day. The bus comes up on the dot, and the latecomers come panting and scramble in. We set off, making a few more stops on the way, and finally we're headed to Electronics City. The swipe-in machine reads 7.40 a. m. as we enter. My friends and I walk down to the canteen, the aroma of hot coffee tickling our noses. The canteen quickly fills up with people exchanging "hi's" everywhere, catching up after the weekend. We finish and start heading back, while the smokers enjoy a few puffs in the open — it's 'no smoking' indoors.

I go to my work space and turn on my PC. I login to my cc-mail, looking for replies to my messages on Friday. I feel a surge of satisfaction as I read one, appreciating some work done. Of course, the one that follows promptly gives me work for another week with a deadline of yesterday!

Next, I check the Alan Turing room to see if it's ready for our prospective customer visit later. Facilities has done a good job as usual. I've to rush out a questionnaire for a magazine article, so I call my colleagues from HRD, Planning and Production for the various inputs I need. Everyone is pressed for time, but they fit me in, nonetheless, and in two hours, the filled-in questionnaire is ready to be sent. Quick turnaround made possible by good teamwork!

Tea is served — a welcome break! I walk down to the library for a quick peek at the day's *Economic Times*, whispering hello every now and then, as someone I know walks by. I pass the notice board and see a list of Infoscions whose birthdays fall in that month. Almost missed a friend's birthday! I gather his friends and we encircle the blushing chap singing "Happy Birthday" and wangle a birthday treat from him!

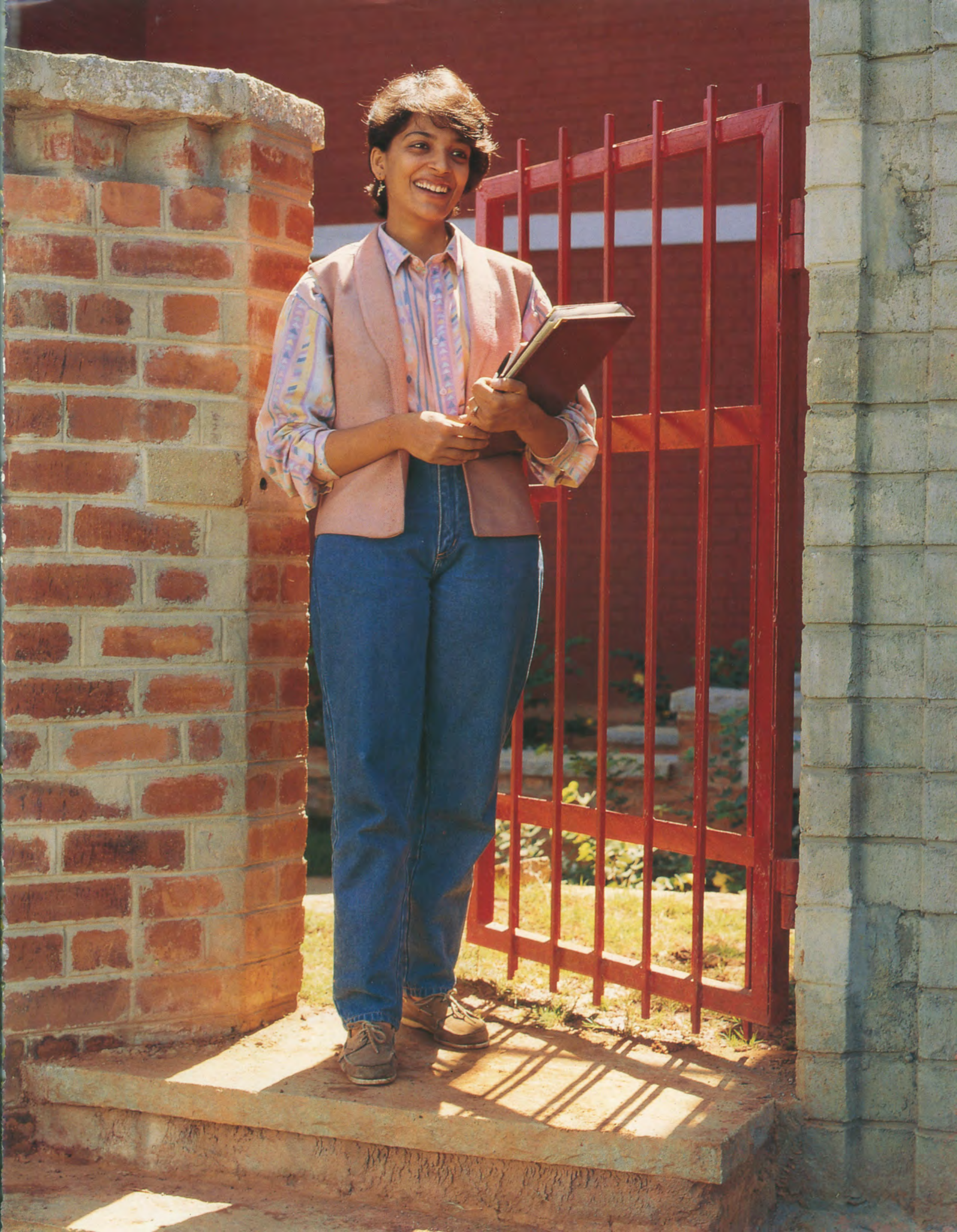
The prospective customers arrive and I hurry to ensure everything is in order. The meeting proceeds smoothly, and later I take them for a tour of the building. They are extremely impressed with the state-of-the-art facilities — the 1043-node LAN, the latest file-servers, the up-to-date library — and for a moment I feel the pride of an owner which I am, partially, for I own some shares in the company. The customer visit, in all, is a total success.

Lunch time sees everyone stretching their legs towards the canteen again — the more enterprising ones set up lunch meetings so work still carries on. It's relaxing and energizing as well, and we return refreshed for the afternoon session.

I have a project proposal to submit to a customer overseas, by the evening. I send it on time thanks to the satellite link which relays information in a jiffy.

It's 5.15 p. m. and the last minute crisis inevitably crops up. I rush to wrap things up before the buses leave. As I race towards the bus, I smile with satisfaction, for I know I've done a good day's work at Infosys.

Bindu Srinath
Senior Marketing Executive - Infosys



Through the eyes of a nine-year old

Hi. Let me introduce myself. My name is Gaurav Dubey, but everyone calls me Bittu. I'm nine years old and I like listening to music, playing on the computer and as you can obviously see, writing is my passion.

It has been nearly two years since my family and I moved to Bangalore and everything was quite different. It was a new place with new people and a different atmosphere. I am happy that my father started working with a company whose people are nice, friendly and helpful. The company is Infosys.

Infosys is a software company which has a whole lot of people working for them and their work takes them to exciting places like America, and Russia. Wow !

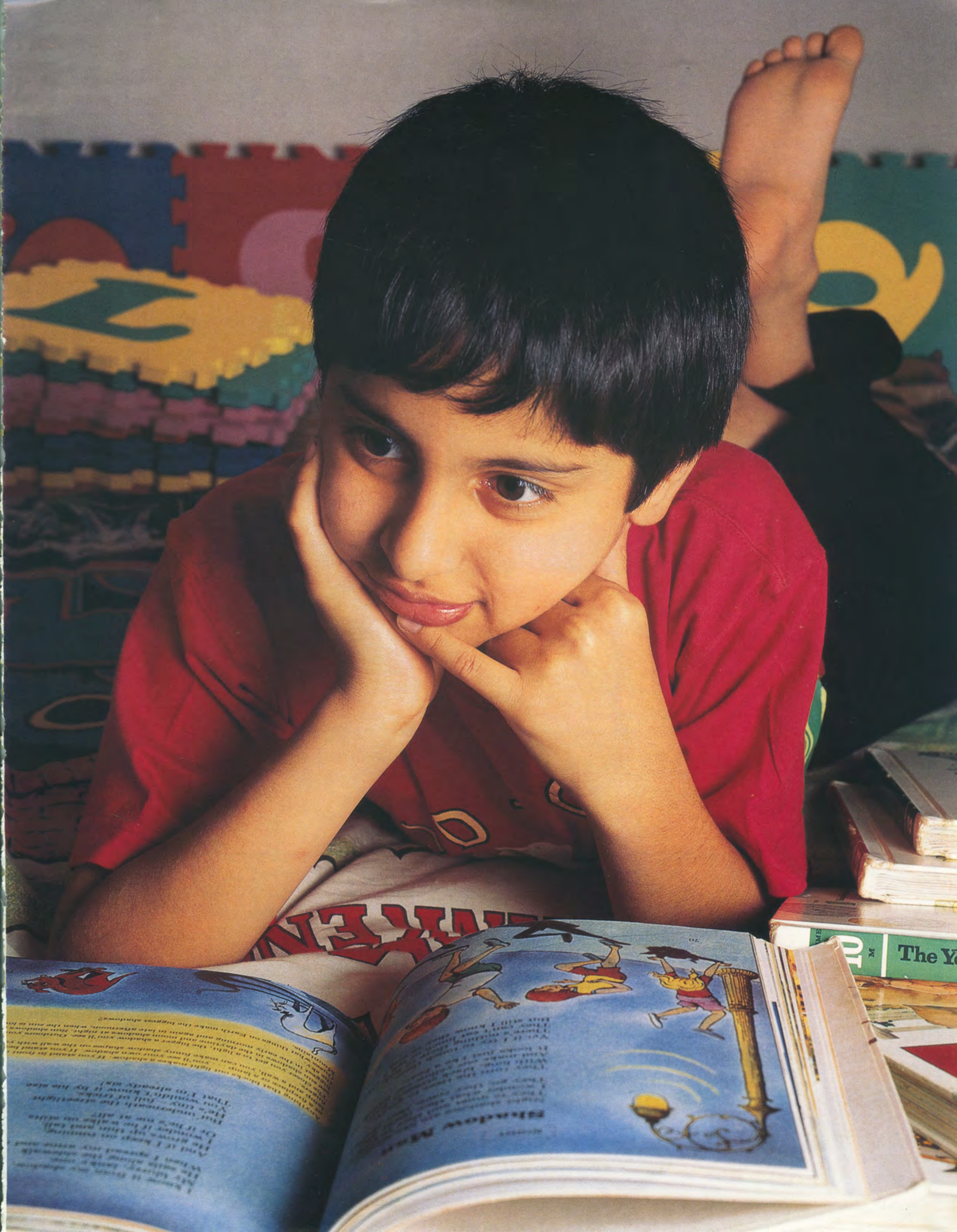
There are many events organized by Infosys which periodically take place. I recall one of my favorites was a game where men and women went up on a stage and talked on interesting, silly and funny topics. Most of them were silly topics. For example, "The Hole in the Vada" and "Ants in your pants". I had fun on the Sports Day and the Family Day as well.

I got to see the new office at Electronics City and the computers are simply scattered around. I was very happy about that since one of my favorite hobbies is playing with computers. The building is very impressive.

I can even tell you an example of the kindness of the employees of Infosys. One day, my mother, my sister, and I had a car accident. My mother was very tense. In fact, not only was my mother tense, but so were all of us. My mother had a lot of work to take care of, but some friends of my father who were all employees of Infosys, helped and got the whole thing sorted out. My mother, and all of us, were very relieved.

I have made friends with some children of Infoscions and I am glad that my father works there, because he teaches me lots of new things about computers which he learns himself.

Gaurav Dubey
Son of Ajay Dubey
Associate Vice President - Infosys



The Management Council

Narayana Murthy N. R.

Narayana Murthy N. R.
Chairman, Management Council

Nayak G. R.
Head - Finance and Administration and Secretary, Management Council

Ashwani Kumar Khurana
Executive Director and Head - Domestic Marketing

Devdutt D. Yellurkar
Senior Vice President and Head - Americas

Dinesh K.
Head - Delivery Systems

Gopalakrishnan S.
Head - Technical Support Services

Hema Ravichandar
Associate Vice President and Head - Human Resources Development

Mohandas Pai T. V.
Vice President - Finance

Nandan M. Nilekani
Head - Marketing

Prahlad D. N.
Senior Vice President - Delivery Systems

Raghavan N. S.
Head - Production Planning and Coordination

Sastry V. A.
Head - Quality

Sharad K. Hegde
Senior Vice President - Delivery Systems

Shrikant S. Pandit
Executive Director - Delivery Systems

L to R : Devdutt D. Yellurkar, Shrikant S. Pandit, Mohandas Pai T. V.

L to R : Ashwani Kumar Khurana, Nandan M. Nilekani, Hema Ravichandar

The Board of Directors

Narayana Murthy N. R.
Chairman and Managing Director

Raghavan N. S.
Joint Managing Director

Nandan M. Nilekani
Deputy Managing Director

Gopalakrishnan S.
Deputy Managing Director

Dinesh K.
Director

Sastry V. A.
Director

Raghavan N. S.

Audit Committee

Raghavan N. S.
Chairman

Dinesh K.
Member

Sastry V. A.
Member

L to R : Nayak G. R., Dinesh K., Sastry V. A., Sharad K. Hegde

L to R : Prahlad D. N., Gopalakrishnan S., Narayana Murthy N. R., Raghavan N. S.

Directors' report

To the Members

Your directors have pleasure in presenting their report on the business and operations of the company for the year ended March 31, 1995.

Financial results

** Rs. in crores*

Item	Year ended March 31, 1995	Year ended March 31, 1994
Gross revenue	57.70	30.08
Operating profit (PBIDT)	19.86	9.70
Interest	-	0.05
Depreciation	4.60	0.80
Profit before tax	15.26	8.85
Provision for tax	1.94	0.76
Profit after tax	13.32	8.09
Appropriation		
Interim dividend paid	0.77	0.50
Dividend recommended - final	1.54	0.67
Total dividend	2.31	1.17
Transferred to general reserves	11.01	6.92

* Rs. one crore is equal to Rs. ten million.

Dividend

An interim dividend of Rs. 1.50 per share pro-rata (subject to deduction of tax at source) was paid in December, 1994. Your directors now recommend a final dividend of Rs. 3.00 per share pro-rata (subject to deduction of tax at source) making, in all, a total dividend of Rs. 4.50 per share pro-rata for the year ended March 31, 1995. The total amount of dividend for the current year is considerably higher at Rs. 2.31 crores than Rs. 1.17 crores for the previous year.

Operations

Your company continued its stellar performance this year as well. The company's gross revenue has grown from Rs. 30.08 crores in 1993-94 to Rs. 57.70 crores during the current year, registering a growth rate of 92%. The operating profit has grown faster than the growth in gross revenues to Rs. 19.86 crores from Rs. 9.70 crores in the previous year, registering a growth rate of 105%. The company has provided substantially higher depreciation during the current year at Rs. 4.60 crores as against Rs. 0.80 crores for the previous year, due to the operationalization of the new software development center. In keeping with its conservative style of accounting, your company has provided Rs. 2.35 crores as depreciation on assets costing less than Rs. 5000 each, at 100% of cost. It is gratifying to note that even after such conservative accounting, the profit-after-tax (PAT) has grown to Rs. 13.32 crores, resulting in a growth rate of 65% over the PAT for 1993-94. The PAT has exceeded our initial projections of Rs. 9.94 crores, as stated in the public issue prospectus, due to a better mix of service offerings and effective cost control.

Exports

The export revenue grew from Rs. 27.42 crores in 1993-94 to Rs. 50.96 crores this year, registering a growth rate of 86%. The emphasis on offshore software development from India has continued with the addition of several new clients. Infosys continues to be the benchmark for efficiency and effectiveness of India-based software development. Your company's new center has been acclaimed as a unique center by its overseas clients. The year saw emphasis on object orientation. The Infosys product architecture for the remainder of the nineties was published by the Technical Specialists Group. There are encouraging signs that BANCS 2000, your company's total branch automation package, will have a good market among banks in Africa.

Domestic market

The banking sector has been revitalized by the entry of private banks and the determination of the public sector banks to be second-to-none in their service levels. I am glad to report that 50 branches of various banks have been computerized during the year using BANCS 2000. The unprecedented reception that BANCS 2000 has received from the new, highly competitive private banks has reinforced the premier position of BANCS 2000 in the Indian market. During the year 1995-96, your company hopes to increase the sales of BANCS 2000 substantially.

Overseas branches

The software export business from the US has grown considerably. Your company is strengthening its marketing efforts in the US by opening full-fledged marketing offices at Cincinnati, San Francisco, New York and Dallas. The necessary RBI approvals for the same have already been received. These new branches, along with the existing one at Boston, will provide the necessary impetus to the marketing efforts in the US.

Your company is also strengthening its marketing efforts in Europe by opening a full-fledged marketing office at Maastricht and a proposed, second European office in France. The necessary RBI approvals are in place.

Quality

Quality improvement at Infosys is a continuous process and the ISO 9001/TickIT is not an end in itself. Work towards Level 4 of the Capability Maturity Model of the Software Engineering Institute of Carnegie Mellon University, Pittsburgh, USA is in full progress. The quality department has been strengthened by bringing it under the leadership of Mr. S. Gopalakrishnan, Deputy Managing Director. Mr. S. Gopalakrishnan is one of the finest experts in software engineering in the country.

BS EN ISO 9001: 1994
APPROVED BY BVQI

Project

The new center at Electronics City was officially inaugurated on February 11, 1995. This is the largest, single-location, software development center available in India. The new center was completed in a record time of twelve months. It has a campus-like atmosphere and includes employee-friendly facilities like a cafeteria for 400 people, a sports area and a gymnasium. Various investments towards technology, infrastructure and human resources have been made in this center to enhance the productivity of our staff to world-class levels.

Comparison of projections made during the initial public offer and achievement

As per clause 43 of the listing agreement, your directors give overleaf the comparison of the projections made during the company's initial offer with the actual performance, along with the statement on utilization of funds raised through that offer.

Projections and achievements

Rs. in crores except EPS and Book value

Year	1993 Projections	1993 Actual	1994 Projections	1994 Actual	1995 Projections	1995 Actual
Exports	12.00	11.72	20.72	27.42	45.94	50.96
Total revenue	14.94	14.33	24.69	30.08	51.60	57.70
PBIDT	5.14	4.30	7.57	9.70	13.77	19.86
PAT	2.78	3.51	4.64	8.09	9.94	13.32
Equity capital	3.35	1.98	3.35	3.35	3.35	7.26
Reserves	17.63	6.74	21.26	25.35	30.19	55.20
EPS (Rs.)	8.29	17.76	13.83	24.15	29.64	18.35 *
Book value (Rs.)	62.60	44.08	73.43	81.26	100.07	86.04 *

* The EPS and book value on the basis of the original capital of Rs. 3.35 crores are Rs. 39.76 and Rs. 114.00 respectively.

Utilization of public issue funds

Your directors are happy that your company has redeemed the pledge made to the investors at the time of the public issue. Your company had raised a sum of Rs. 13.07 crores to fund a capital expenditure program of Rs. 16.58 crores. The project has been completed with an expenditure of Rs. 18.76 crores, with the increase in project cost being funded from internal accruals.

Employees Stock Offer Plan (ESOP)

Today, the challenge for a software company is to recruit and retain the best and the brightest professionals who have world-class skills. The path to success lies in making the creators of wealth, stakeholders in the company. At the last annual general meeting, you had approved the setting up of an ESOP scheme to strengthen the bond between the employees and your company.

During the year, your directors proposed and made a preferential issue of 7,50,000 warrants convertible into shares to the Infosys Technologies Limited Employees Welfare Trust, to form the basis of the Employee Stock Offer Plan. An Advisory Committee was formed with Dr. N. Krishna Murthy, a noted educationist, as the Chairman. This committee is responsible for administering the scheme. An Appraisal Committee under the leadership of Mr. N. S. Raghavan, Joint Managing Director, finalized the initial recommendations for issue of warrants to the employees. The Advisory Committee has approved the award of warrants to the recommended employees. The ESOP is highly appreciated by the employees and has, indeed, started the industry thinking on the same lines.

Subsidiary in USA

Pursuant to your approval last year, and the subsequent approval by the Government of India and other statutory authorities, the planning for the subsidiary has started. Efforts are on to ensure that the subsidiary's operations are not hampered by any conflict of interest with our joint venture in the US. The subsidiary is expected to become operational during the third quarter of 1995-96.

Bonus issue

The bonus issue of 1:1 approved by the members in the last annual general meeting was completed during the year.

Preferential offer

Your directors have successfully placed 5,55,000 equity shares at the rate of Rs. 450 per share, on a preferential basis, with FII's, FI's, mutual funds and institutional funds.

Fixed deposits

The company has not accepted any deposits and, as such, no amount of principal or interest was outstanding on the date of the Balance Sheet.

Directors

In terms of Article 122 of the Articles of Association, Dr. V. A. Sastry retires by rotation in the forthcoming annual general meeting and is eligible for reappointment. Being a researcher in the area of software quality, he intends to continue his focus on research without the added burden of office, and is therefore not seeking reappointment. Your directors place on record their appreciation of his contribution in the area of software quality. The quality initiative marches on under the brilliant leadership of Mr. S. Gopalakrishnan, Deputy Managing Director.

Subject to the approval of the members, Mr. S. Gopalakrishnan has been appointed as a Deputy Managing Director of the company for a period of five years with effect from October 18, 1994. Mr. S. Gopalakrishnan has a Master's degree in Computer Science from the Indian Institute of Technology, Madras, and over fifteen years of professional experience in software engineering. He is one of the founders of your company and was, till recently, the Vice President (Technical) at Software Sourcing Company, the company's joint venture with Kurt Salmon Associates (KSA), Atlanta. The necessary resolution for obtaining approval of the members has been incorporated in the notice of the ensuing annual general meeting.

Software Sourcing Company (SSC)

Your directors wish to place on record their appreciation of the support received from Kurt Salmon Associates (KSA), Atlanta, partners in SSC, your company's joint venture in USA. There have been several rounds of discussion among the senior staff of your company on providing an unfettered channel of growth for your company's proposed subsidiary. The unanimous recommendation was that your company should sacrifice any short-term benefits that may accrue from the partnership in favor of the long-term growth objectives of your company's proposed subsidiary. Hence, subject to statutory approvals, your directors have resolved to relinquish your company's interest in SSC in favor of KSA.

Auditor

The auditor, Mr. A. M. Bhatkal, retires at the forthcoming annual general meeting and has confirmed his eligibility and willingness to accept the office, if reappointed.

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.

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

The particulars as prescribed under sub-section (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.

Acknowledgements

Your directors thank the customers, vendors, investors and bankers for their continuing support to 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 phenomenal growth during the year.

Your directors thank the Government of India, particularly the Department of Electronics and Software Technology Park, Bangalore, Ministry of Commerce, RBI, VSNL, the State Government and other governmental agencies for their support during the year, and look forward to their continued support.

On behalf of the Board of Directors

Bangalore
April 18, 1995

N. R. Narayana Murthy
Chairman and Managing Director

Annexure to the Directors' report

a) Particulars pursuant to Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988

1. Conservation of energy

The operations of the company involve only low energy consumption. Adequate measures have, however, been taken to reduce energy consumption.

2. Technology absorption

Research and Development (R and D)

R and D is very crucial to the success of an enterprise operating in the world market. R and D in software development is a key instrument in retaining margins in these days of lingering recession and aggressive competition.

a. Specific areas for R and D at Infosys

The research work on productivity in offshore software development and on employee motivation, started in 1993-94, continued through 1994-95 and has shown encouraging results.

b. Benefits derived as a result of the above R and D

Improvement of productivity leads to cost reduction for customers, better margin for Infosys and better employee morale due to fewer working hours per day. Better employee morale leads to higher retention of employees.

c. Future plan of action

Continuation of research in productivity and employee motivation will be supplemented by work in the areas of multimedia, metrics and requirement specifications.

d. Expenditure on R and D

R and D expenditure is about 3.5% of the sales revenue during the year.

Technology absorption, adaptation and innovation

The Technical Specialists Group has released Version 1.0 of the Infosys architecture for client/server systems based on graphical user interface, object orientation, broadband networks and distributed databases. This seminal work is expected to be an effective instrument in your company's quest towards market leadership in the client/server area.

The use of CASE tools has become very popular with most project teams at Infosys.

3. Foreign exchange earnings and outgo

	Rs. in crores
Foreign Exchange earnings	46.02
Foreign Exchange outgo (including capital goods and imported software packages)	25.59

On behalf of the Board of Directors

Bangalore
April 18, 1995

N. R. Narayana Murthy
Chairman and Managing Director

Management statement

The financial statements are in full conformity with the requirements of the Companies Act, 1956 and the Generally Accepted Accounting Principles (GAAP) of India. These financial statements have also been reformatted to comply substantially with the requirements of GAAP of the US and the SEC disclosure norms. The management of Infosys Technologies Limited accepts responsibility for the integrity and objectivity of these financial statements, as well as, for estimates and judgments 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 reported on an ongoing basis. Our internal auditors have conducted periodic audits to provide reasonable assurance that the company's established policies and procedures have been followed. However, there are inherent limitations that should be recognized in weighing the assurances provided by any system of internal controls.

These financial statements have been audited by Mr. A. M. Bhatkal, Chartered Accountant, the independent auditor.

The Audit Committee, at Infosys Technologies Limited, meets periodically with the Board of Directors, the internal auditors and the independent auditor 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, Mr. A. M. Bhatkal has full and free access to members of the Audit Committee, to discuss any matter of substance.

The Audit Committee for 1994-95 is :

N. S. Raghavan, Joint Managing Director	- Chairman of the committee
K. Dinesh, Director	- Member
V. A. Sastry, Director	- Member

Bangalore
April 18, 1995

N. R. Narayana Murthy
Chairman and Managing Director

Auditor's report

I have audited the attached Balance Sheet of Infosys Technologies Limited, Bangalore, as at March 31, 1995 and the Profit and Loss Account of the company for the year ended on that date annexed thereto and report that in accordance with the provisions of section 227 of the Companies Act, 1956 :

1. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of my audit.
2. In my opinion, proper books of accounts, as required by law, have been kept by the company so far as appears from my examination of those books.
3. The said Balance Sheet and Profit and Loss Account are in agreement with the books of account.
4. In my opinion, and to the best of my information and according to the explanations given to me, the said accounts read together with the notes thereon give the information as required by the Companies Act, 1956, in the manner so required, and give a true and fair view :
   a) In the case of the Balance Sheet, of the state of affairs of the company as at March 31, 1995, and
   b) In the case of Profit and Loss Account, of the profit for the year ended on that date.

The required report, under the Manufacturing and Other Companies (Auditor's report) Order, 1988, is annexed herewith.

A. M. Bhatkal
Chartered Accountant

Bangalore
April 18, 1995

Annexure to Auditor's report

As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, issued by the Central Government under section 227(4A) of the Companies Act, 1956, and in terms of the information and explanations given to me and on the basis of such checks as I considered appropriate, I report as under:

1. The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets. These fixed assets have been physically verified by the management and, in my opinion, the program of verification carried out is reasonable having regard to the size of the company and the nature of its assets and no discrepancies have been noticed on such verification.
2. None of the fixed assets of the company have been revalued during the period.
3. a. During the year, the principal activity of the company has been that of development and production of computer software for its clients. Stocks of computer stationery, ribbons, floppies, magnetic tapes and disks, required for this activity, have been physically verified by the management at reasonable intervals during the period. Stocks of imported software, a commodity that the company trades in, have also been physically verified by the management at reasonable intervals during the period.
   b. As explained to me, the procedures for physical verification of the above referred stocks followed by the management are, in my opinion, reasonable and adequate in relation to the size of the company.
   c. No material discrepancies were noticed on physical verification of stocks as compared to book records and the same have been properly dealt with in the books of accounts.
   d. On the basis of my examination of the stock records, I am of the opinion that the valuation of stock is fair and proper and is in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
4. The company has not accepted any loan from companies, firms or other parties listed in the register maintained under sections 301 and 370(I-C) of the Companies Act, 1956.
5. The company has given interest free loans to some of its employees. The said employees are repaying the loans regularly.
6. In my opinion and according to the information and explanations given to me, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to the purchase of components, plant and machinery, equipment and other assets.

7. During the year, the company has not purchased any stores or components exceeding Rs. 50,000 in value for each type thereof from subsidiaries, firms, or companies, or other parties in which the directors are interested, as listed in the register maintained under section 301 of the Companies Act, 1956.

8. As explained to me, there have been no unserviceable and damaged materials during the year.

9. The company has not accepted any deposit from any person and, therefore, the question of compliance with the provisions of section 58A of the Companies Act, 1956, and the rules framed thereunder does not arise.

10. I have been given to understand that the operations in which the company is engaged do not result in any realizable scrap or by-product.

11. In my opinion, the company's present internal audit system is commensurate with its size and nature of business.

12. The Central Government has not prescribed maintenance of cost records under section 209(1)(d) of the Companies Act, 1956, for the products of the company.

13. According to the records of the company, the Provident Fund and the Employees State Insurance dues, wherever applicable, have been regularly deposited during the period with the appropriate authorities.

14. According to the information and explanations given to me, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty, and excise duty were outstanding as at March 31, 1995, for a period of more than six months from the date they became payable.

15. According to the information and explanations given to me and on the basis of books and records of the company examined by me, no personal expenses of employees or directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practices.

16. The company does not fall within the purview of clause(O) of section 3(1) of the Sick Industrial Companies (Special Provisions) Act, 1985.

17. In respect of the trading activities, there are no damaged goods in the possession of the Company at the end of the year.

Bangalore
April 18, 1995

A. M. Bhatkal
Chartered Accountant

Balance Sheet as at March 31,

	Schedule	1995 Rs.	1994 Rs.
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	1	7,25,87,500	3,35,11,500
Reserves and surplus	2	55,19,92,211	25,35,00,299
LOAN FUNDS			
Secured loans		-	-
Unsecured loans	3	6,33,91,171	-
		68,79,70,882	28,70,11,799
APPLICATION OF FUNDS			
FIXED ASSETS	4		
Gross block		25,32,01,097	8,27,37,879
Less : Depreciation		6,14,51,082	1,99,05,613
Net block		19,17,50,015	6,28,32,266
Add : Capital work-in-progress		10,84,48,296	3,22,66,323
		30,01,98,311	9,50,98,589
INVESTMENTS	5	6,30,78,049	3,77,85,246
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	6	17,19,138	44,90,836
Sundry debtors	7	7,30,91,260	4,33,30,745
Cash and bank balances	8	5,79,43,078	3,04,04,710
Loans and advances	9	25,23,34,937	9,35,44,796
		38,50,88,413	17,17,71,087
Less : Current liabilities	10	1,79,66,525	1,04,86,465
Provisions	11	4,24,27,366	2,18,50,200
NET CURRENT ASSETS		32,46,94,522	13,94,34,422
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)	12	-	1,46,93,542
		68,79,70,882	28,70,11,799
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	16		

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 my report of even date.

A. M. Bhatkal
Chartered Accountant

N. R. Narayana Murthy
Chairman and Managing Director

N. S. Raghavan
Jt. Managing Director

S. Gopalakrishnan
Dy. Managing Director

K. Dinesh
Director

Bangalore
April 18, 1995

V. A. Sastry
Director

G. R. Nayak
Sr. Vice President (Finance & Admn.)

V. Viswanathan
Company Secretary

Profit and Loss Account for the year ending March 31,

	Schedule	1995 Rs.	1994 Rs.
INCOME			
Software development charges			
Overseas		50,95,72,010	27,41,76,067
Domestic		3,32,29,573	70,01,527
Sale of imported software packages		1,13,92,775	78,07,671
Other income	13	2,28,48,504	1,18,62,191
		57,70,42,862	30,08,47,456
EXPENDITURE			
Cost of imported software packages sold		76,99,783	53,16,732
Software development expenses	14	31,04,23,591	15,69,81,157
Administration and other expenses	15	6,03,22,361	3,98,42,765
Preliminary and public issue expenses		-	16,35,411
		37,84,45,735	20,37,76,065
Operating profit (PBIDT)		19,85,97,127	9,70,71,391
Interest		-	4,64,379
Depreciation		4,59,52,861	80,87,580
Profit before tax		15,26,44,266	8,85,19,432
Provision for tax		1,94,00,000	76,00,000
Profit after tax		13,32,44,266	8,09,19,432
AMOUNT AVAILABLE FOR APPROPRIATION		13,32,44,266	8,09,19,432
Dividend (subject to deduction of tax)			
Interim		77,11,948	50,28,150
Final (proposed)		1,54,27,366	67,04,200
Amount transferred to general reserve		11,01,04,952	6,91,87,082
		13,32,44,266	8,09,19,432
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	16		

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 my report of even date.

A. M. Bhatkal
Chartered Accountant

N. R. Narayana Murthy
Chairman and Managing Director

N. S. Raghavan
Jt. Managing Director

S. Gopalakrishnan
Dy. Managing Director

K. Dinesh
Director

Bangalore
April 18, 1995

V. A. Sastry
Director

G. R. Nayak
Sr. Vice President (Finance & Admn.)

V. Viswanathan
Company Secretary

Schedules to the Balance Sheet as at March 31,

	1995 Rs.	1994 Rs.
1. SHARE CAPITAL		
Authorized		
1,00,00,000 (previous year 40,00,000) equity shares of Rs. 10 each.	10,00,00,000	4,00,00,000
Issued, subscribed and paid-up		
72,58,600 (previous year 33,52,100) equity shares of Rs. 10 each fully paid-up. (Of the above 49,18,300 equity shares of Rs. 10 each fully paid up have been issued as bonus shares by capitalization of general reserve.)	7,25,86,000	3,35,21,000
Less : Calls in arrears - by others	-	9,500
Add : Forfeited shares	1,500	-
	7,25,87,500	3,35,11,500
2. RESERVES AND SURPLUS		
Share premium account as per last Balance Sheet	12,55,46,500	12,55,46,500
Add : Received during the year	-	-
On calls in arrears	78,500	-
On issue of shares	24,42,00,000	-
	36,98,25,000	12,55,46,500
Less : Preliminary and public issue expenses written off	2,23,73,540	-
	34,74,51,460	12,55,46,500
Investment allowance reserve (utilized) as per last Balance Sheet	9,55,800	25,43,900
Less : Transferred to general reserve	-	15,88,100
	9,55,800	9,55,800
General reserve		
As per last Balance Sheet	12,69,97,999	5,62,22,817
Less : Capitalized for issue of bonus shares	3,35,18,000	-
	9,34,79,999	5,62,22,817
Add : Transferred during the year		
From investment allowance reserve	-	15,88,100
From Profit and Loss Account	11,01,04,952	6,91,87,082
	20,35,84,951	12,69,97,999
	55,19,92,211	25,35,00,299
3. UNSECURED LOANS		
From Housing Development Finance Corporation Ltd. towards purchase of staff quarters (Amount due within a year is Rs. 1,93,70,205)	6,33,91,171	-
	6,33,91,171	-

Schedules to the Balance Sheet as at March 31,

4. FIXED ASSETS

		GROSS BLOCK				DEPRECIATION				NET BLOCK	
SL. NO.	ASSETS	COST AS ON 1.4.94 Rs.	ADDITIONS DURING THE YEAR Rs.	DEDUCTION DURING THE YEAR Rs.	COST AS ON 31.3.95 Rs.	AS ON 1.4.94 Rs.	FOR THE YEAR Rs.	DEDUCTION DURING THE YEAR Rs.	AS ON 31.3.95 Rs.	AS ON 31.3.95 Rs.	AS ON 31.3.94 Rs.
1.	Land-leasehold	42,00,000	6,51,170	-	48,51,170	-	-	-	-	48,51,170	42,00,000
2.	Building	36,82,029	4,20,32,985	-	4,57,15,014	1,95,353	8,46,359	-	10,41,712	4,46,73,302	34,86,676
3.	Plant and Machinery	75,53,870	2,97,94,264	-	3,73,48,134	15,54,147	74,39,763	-	89,93,910	2,83,54,224	59,99,723
4.	Computer systems	6,14,94,732	8,25,02,121	56,59,449	13,83,37,404	1,75,75,839	1,80,10,184	44,07,392	3,11,78,631	10,71,58,773	4,39,18,893
5.	Furniture and fixtures	44,53,382	1,79,80,654	-	2,24,34,036	5,49,334	1,90,59,029	-	1,96,08,363	28,25,673	39,04,048
6.	Vehicles	13,53,866	31,61,473	-	45,15,339	30,940	5,97,526	-	6,28,466	38,86,873	13,22,926
		8,27,37,879	17,61,22,667	56,59,449	25,32,01,097	1,99,05,613	4,59,52,861	44,07,392	6,14,51,082	19,17,50,015	6,28,32,266
	Previous year	4,38,91,782	3,90,05,031	1,58,934	8,27,37,879	1,19,21,484	80,87,580	1,03,451	1,99,05,613	6,28,32,266	3,19,70,298

		1995 Rs.	1994 Rs.
5. INVESTMENTS - at cost			
TRADE (UNQUOTED)			
Software Sourcing Company, Atlanta, USA, a partnership with Kurt Salmon Associates, USA. (50% in the capital amounting to US$ 78,819)		13,30,016	55,03,766
NON -TRADE (QUOTED)	No. of units/ debentures/shares		
Mutual Funds			
Centurion Quantum Growth Fund	2,00,000	20,00,000	20,00,000
Morgan Stanley Mutual Fund	5,00,500	43,51,350	6,56,850
Debentures			
Kotak Mahindra Finance Ltd.		-	50,10,580
Torrent Pharmaceuticals Ltd.	300	22,500	-
Equity Shares			
Akai Impex Ltd.	8,300	4,98,000	-
Atlas Gears Ltd.	6,900	69,000	-
Balaji Distilleries Ltd.	100	7,000	-
Bharat Earth Movers Ltd.	5,100	8,41,500	-
Bright Brothers Ltd.	5,000	3,25,000	-
Cals Ltd.	20,000	5,90,580	-
Centum Electronics Ltd.	7,300	73,000	-
Cholamandalam Investment & Finance Co. Ltd.	33,450	33,45,000	-
Credence Sound & Vision Ltd.	4,800	48,000	-
DCM Financial Services Ltd.	13,500	2,70,000	-
Dugar Housing Development Finance India Ltd.	3,700	37,000	-
Ecoplast Ltd.	9,900	3,96,000	-
GIC Housing Finance Ltd.	8,200	4,10,000	-
HB Portfolio Leasing Ltd.	24,600	15,99,000	-
Herren Drugs & Pharmaceuticals Ltd.	1,500	75,000	-
Hindustan Organic Chemicals Ltd.	8,300	4,15,000	-
India Lease Development Ltd.	50,000	15,00,000	-
Indo-Dutch Proteins Ltd.	11,900	1,19,000	-
Jai Corp Ltd.	2,700	2,97,000	-
Kalpataru Power Transmission Ltd.	1,700	1,19,000	-
Kandagiri Spinning Mills Ltd.	5,000	2,50,000	-
K. J. International Ltd.	6,300	1,57,500	-
Kongarar Textiles Ltd.	2,600	1,17,000	-
LML Ltd.	8,500	11,07,365	-
Mafatlal Finance Company Ltd. (partly paid)	11,100	2,77,500	-
Mardia Steel Ltd.	45,100	22,55,000	-
Motul Mafatlal Lubricants Ltd.	600	6,000	-
Onward Technologies Ltd.	1,300	65,000	-
Oriental Bank of Commerce	5,400	3,24,000	-
Prime Securities Ltd.	1,700	1,71,700	-
Punjab Communications Ltd.	200	50,000	-
Punjab Woolcombers Ltd.	1,200	1,08,000	-
Recon Ltd.	3,400	3,40,000	-
Reliance Capital Ltd. (partly paid)	19,600	13,72,000	-
Reliance Chemotex Industries Ltd.	33,850	11,84,750	-
Sambandam Spinning Mills Ltd.	7,000	3,50,000	-
Samrat Ashoka Exports Ltd.	6,200	3,72,000	-

		1995 Rs.	1994 Rs.
5. INVESTMENTS - at cost (contd.)			
Shaw Wallace Gelatines Ltd.	1,600	96,000	-
Shilp Gravures Ltd.	3,800	38,000	-
Shreyas Shipping Ltd.	10,700	2,14,000	-
Software Solution Integrated Ltd.	2,900	29,000	-
Stiefel Und Schuh (India) Ltd.	5,300	53,000	-
Suashish Diamonds Ltd.	3,300	6,43,500	-
Sun Pharmaceutical Industries Ltd.	1,000	1,50,000	-
Surana Telecom Ltd.	3,000	90,000	-
Tatia Intimate Exports Ltd.	9,300	93,000	-
The Lakshmi Vilas Bank Ltd.	7,400	10,26,338	-
The Morarjee Goculdas Spinning & Weaving Co. Ltd.	11,600	30,16,000	-
The Sandesh Ltd.	3,100	3,10,000	-
The Sri Ganapathy Mills Company Ltd.	3,500	3,15,000	-
NON-TRADE (UNQUOTED)			
Debentures			
Bharat Earth Movers Ltd.	5,100	1,53,000	-
Equity Shares			
IFB Securities Ltd.	4,000	40,000	-
Sri Nachammai Cotton Mills Ltd.	3,400	2,38,000	-
Thambi Modern Spinning Mills Ltd.	3,100	1,55,000	-
The Saraswat Co-operative Bank Ltd.	1,035	10,350	10,350
Mutual Funds			
Unit Trust of India	18,48,000	2,91,62,100	2,46,03,700
		6,30,78,049	3,77,85,246
Aggregate of quoted investments - cost		3,19,89,583	6,56,850
- market value		3,14,44,200	7,32,350
Aggregate of unquoted investments - cost		3,10,88,466	3,71,28,396
6. INVENTORIES			
(at lower of historic cost or net realizable value, as certified by a director of the company)			
Stock of imported software packages		17,19,138	34,47,179
Stock of consumables		-	10,43,657
		17,19,138	44,90,836
7. SUNDRY DEBTORS			
Debts outstanding for a period exceeding six months			
Unsecured, considered good		4,72,627	1,03,909
Considered doubtful		6,64,694	-
Other debts - unsecured, considered good		7,26,18,633	4,32,26,836
		7,37,55,954	4,33,30,745
Less : Provision for doubtful debts		6,64,694	-
		7,30,91,260	4,33,30,745

Schedules to the Balance Sheet as at March 31,

	1995 Rs.	1994 Rs.
8. CASH AND BANK BALANCES		
Cash on hand	59,790	2,83,841
Balances with scheduled banks - in current accounts	3,91,67,689	52,42,757
- in deposit accounts		26,05,350
1,98,78,032		
Balances with non-scheduled banks - in current accounts		
Bay Bank, Burlington, USA	16,11,514	6,31,448
Bank of Boston, Boston, USA	1,21,93,882	39,11,211
Fifth Third Bank, Cincinnati, USA	5,02,987	1,11,581
ABN Amro Bank, Heerlen, Netherlands	10,32,861	-
Bank of America, Milpitas, USA	7,69,005	3,45,840
	5,79,43,078	3,04,04,710
Maximum balance held during the year:		
Bay Bank, Burlington, USA	30,55,744	35,93,841
Bank of Boston, Boston, USA	2,33,27,799	2,47,23,873
Fifth Third Bank, Cincinnati, USA	9,51,866	1,11,581
ABN Amro Bank, Heerlen, Netherlands	18,14,663	-
Bank of America, Milpitas, USA	10,28,934	7,21,289
9. LOANS AND ADVANCES		
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	1,99,00,635	1,33,43,021
Advance income tax	3,19,86,563	1,73,58,305
Deposits with companies	8,50,00,000	5,00,00,000
Other advances	11,54,47,739	1,28,43,470
	25,23,34,937	9,35,44,796
10. CURRENT LIABILITIES		
Sundry creditors - for goods	21,05,878	19,90,769
- for accrued salaries	59,26,544	52,26,273
- for other liabilities	88,40,282	21,15 643
Advances received from clients	9,02,239	6,83,875
Unclaimed dividend	1,91,582	4,69,905
	1,79,66,525	1,04,86,465
11. PROVISIONS		
Provision for taxation	2,70,00,000	1,51,46,000
Proposed dividend	1,54,27,366	67,04,200
	4,24,27,366	2,18,50,200
12. MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
Preliminary expenses	-	82,480
Public issue expenses	-	1,46,11,062
	-	1,46,93,542

Schedules to the Profit and Loss Account for the year ending March 31,

	1995 Rs.	1994 Rs.
13. OTHER INCOME		
Income from investments		
Trade investments - share of profit/ (loss) from the partnership, Software Sourcing Company, USA	(27,22,945)	7,21,563
Other investments	1,62,90,683	99,88,977
Tax deducted at source - Rs. 29,03,299 (previous year - Rs. 21,26,593)		
Interest received on deposits with banks	6,96,677	5,45,397
Profit on sale of shares	25,44,060	83,795
Refund of Foreign Exchange Conservation Tax	56,22,622	-
Miscellaneous income	4,17,407	5,22,459
	2,28,48,504	1,18,62,191
14. SOFTWARE DEVELOPMENT EXPENSES		
Salaries and bonus	20,72,79,931	8,82,50,017
Staff welfare	1,06,36,456	56,49,545
Contribution to provident and other funds	41,55,925	22,12,911
Foreign tour and travel	4,80,45,279	4,17,59,206
Consumables	39,81,238	30,93,930
Cost of software packages		
- for own use	1,40,27,353	51,15,530
- for domestic software development	99,38,750	37,39,853
Computer maintenance	38,29,745	23,47,920
Communication expenses	85,28,914	48,12,245
	31,04,23,591	15,69,81,157
15. ADMINISTRATION AND OTHER EXPENSES		
Travelling and conveyance	1,33,16,673	67,35,987
Rent	45,03,051	31,17,444
Telephone and telex	63,82,067	39,90,197
Legal and professional charges	82,35,706	76,52,518
Printing and stationery	44,88,473	25,33,464
Advertisements	26,22,147	22,67,735
Office maintenance	26,94,259	17,56,581
Power and fuel	26,66,258	13,82,365
Insurance charges	12,90,502	7,25,966
Rates and taxes	6,42,870	3,63,833
Donations	78,142	50,173
Auditor's remuneration - audit fees	45,000	30,000
- tax audit	31,000	25,000
- out-of-pocket expenses	1,16,000	32,500
Bad debts written off	2,98,268	67,113
Provision for bad and doubtful debts	6,64,694	-
Bank charges and commission	8,54,447	11,81,975
Miscellaneous expenses	1,13,92,804	79,29,914
	6,03,22,361	3,98,42,765

16. SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

Significant accounting policies

Basis for preparation of financial statements

The financial statements have been prepared under the historical cost convention in accordance with the Generally Accepted Accounting Principles (GAAP) 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 accrual basis.

Revenue recognition

Revenue from software development is recognized based on software developed and billed to the clients as per the terms of specific contracts. Revenue from the sale of software products is recognized when the sale has been completed with the passing of title. 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.

Expenditure

Expenses are accounted on accrual basis and provision is made for all known losses and liabilities. Expenses incurred on development of software are charged to revenue in the same year.

Fixed assets

Fixed assets are stated at 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, attributable to fixed assets.

Depreciation

Depreciation on fixed assets is provided using the straight line method based on the useful life 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 life for various fixed assets is given below.

Buildings - Software center	28	years
- Others	58	years
Furniture and fixtures	6	years
Computer equipments	6	years
Plant and machinery	6	years
Vehicles	6	years

Inventories

Inventories are valued at the lower of historic cost or the net realizable value. A periodic review is made of slow-moving stock and appropriate provisions are made for anticipated losses, if any. Cost is determined using the first-in, first-out (FIFO) method.

Retirement benefits to employees

The company's liability towards retirement benefits in the form of provident fund, gratuity and superannuation, is fully funded and charged to revenue expenditure. The company contributes to the employees' provident fund maintained under the Employees Provident Fund Scheme by the Central Government. The company has a gratuity fund, maintained by the LIC, to which transfers are made every year based upon actuarial valuation. The company also contributes to a superannuation fund, maintained by the LIC, for its managerial staff, based upon actuarial valuation.

Research and development

Revenue expenditure on research and development is charged off in the year during which it is incurred. Fixed assets purchased for research and development purposes are capitalized and depreciated as per the company's policy.

Investments

Investments are carried at cost. Overseas investment is carried at the original rupee cost. In case of any decline, other than temporary, in the value of investments, appropriate provision is made to recognize such decline.

Foreign currency transactions

In the case of sales made to clients outside India, income is accounted on the basis of a standard exchange rate. Adjustments are made for any change in the sale proceeds on conversion into Indian currency upon actual receipt. Expenditure in foreign currency is accounted at the conversion rate prevalent when such expenditure is incurred. In the case of overseas offices, such expenditure is translated at the rate prevalent at the end of the month of expenditure. In the case of current assets and current liabilities of overseas offices, the exchange rate prevalent at the year end is taken for purposes of translation and accounting in the books. Any overall gain or loss upon such conversion is recognized in the same period. Fixed assets purchased at overseas offices are accounted on the basis of actual cost incurred at the exchange rate prevalent at the time of purchase. Depreciation is charged as per the company's policy.

Income tax

Provision is made for income tax on a yearly basis, under the tax-payable method, based on 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.

Notes on accounts

Previous year's figures : The previous year's figures have been recast/restated, where necessary.

Contingent liabilities

i. Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs. 2,33,03,707. The amount of contracts for the previous year was Rs. 2,50,47,027.

ii. The company has given counter guarantees for Rs. 77,10,103 to various banks in respect of guarantees given by the said banks in favor of various government authorities. The counter guarantees outstanding during the previous year amounted to Rs. 46,50,990.

iii. Claims against the company, not acknowledged as debts, totalled Rs. 31,38,183. There were no such claims for the previous year.

iv. The uncalled liability on partly-paid shares amounted to Rs. 16,49,500. There was no such liability in the previous year.

Changes in accounting policies

Depreciation — Till last year, depreciation had been provided on the straight line method at the rates specified in Schedule XIV to the Companies Act, 1956. During the year, the company has revised its policy of providing depreciation based on the management's estimate of the useful life of the assets. Due to this change, the provision for depreciation is higher by Rs. 36,37,126 and the profits lower by the same amount.

Preliminary and public issue expenses — Till last year, the company used to amortize preliminary and public issue expenses equally over a period of 10 years. During the year, the company has revised its policy and accordingly, the outstanding balance in these accounts has been written off against the share premium account shown under Reserves and Surplus in the Balance Sheet. Due to this change, the profits for the year have increased by Rs. 24,07,131 and the share premium account shown under Reserves and Surplus is reduced by Rs. 2,23,73,540.

Employees Stock Offer Plan (ESOP)

The company has instituted an Employees Stock Offer Plan for all eligible employees. Under the plan, warrants are issued 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. The warrants are issued at Re. 1 each and entitles the holder thereof to apply for and be issued one share of the company at a price of Rs. 100 during a period of 5 years from the date of issue. The warrants and the shares to be issued thereon are subject to a lock-in period of 5 years from the date of issue of the warrants. During the year, 1,44,100 warrants were transferred to the eligible employees by the trust. The warrant expires on September 30, 1999. The amount received on issue of warrants amounting to Rs. 7,50,000 has been grouped under current liabilities.

Inventories

The company has written off 325 obsolete software packages amounting to Rs. 13,99,386. This has been included in the Cost of imported software packages sold disclosed in the Profit and Loss Account. The company has written off obsolete consumables amounting to Rs. 11,92,832 and the same has been included in the Consumables disclosed under Software development expenses.

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

During the year, the company has charged depreciation at one hundred percent in respect of assets costing less than Rs. 5,000 each, amounting to Rs. 2,35,88,399. For the previous year, this amounted to Rs. 2,33,260.

Interest on loans

The company has paid a sum of Rs. 23,72,917 as interest towards the amount borrowed from the Housing Development Finance Corporation Limited for construction of quarters for its staff. The interest paid has been capitalized and shown under Capital work-in-progress in the Balance Sheet.

Other income

Other income includes an amount of Rs. 56,22,622, which is the refund of Foreign Exchange Conservation Tax received by the company during the year, from Reserve Bank of India (RBI). This represents the amounts paid by the company to the RBI during earlier years.

Registration of lease-hold land

The registration of lease-hold land at Electronics City, Bangalore is in the process of completion.

Quantitative details

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

in Rs.

	1995	1994
Managerial remuneration		
The managerial remuneration paid to the Managing Director and other whole-time directors during the last two years was :		
Salary	17,13,194	7,20,000
Contribution to provident fund and other funds	5,10,703	2,14,632
Perquisites	15,45,879	6,48,120
Imports on CIF basis		
Capital goods	7,78,71,348	2,33,83,960
Imported software packages	59,71,741	65,88,363
Expenditure in foreign currency		
Travel (including maintenance allowances)	4,14,22,752	2,81,16,129
Professional charges	60,22,883	41,98,158
Others (including overseas salaries)	12,46,07,391	6,15,85,656
Earnings in foreign exchange		
Income from software development charges	46,02,20,780	24,91;71,555

Particulars in respect of traded items (imported software packages)

	Qty	Rs.	Qty	Rs.
Opening stock	803	34,47,179	499	21,75,548
Purchases	963	59,71,742	1,480	65,88,363
Closing stock	282	17,19,138	803	34,47,179
Turnover	1,484	76,99,783	1,176	53,16,732

Statement of cash flows for the year ending March 31,

in Rs.

	1995	1994	1993
Cash flows from operations			
Profit after tax	13,32,44,266	8,09,19,432	3,50,87,680
Other income	(2,28,48,504)	(1,18,62,191)	(61,61,307)
Reconciliation of net income to cash provided from operating activities			
Depreciation, depletion and amortization	4,59,52,861	80,87,580	36,19,529
Charge of intangible assets	-	16,35,411	11,960
Decrease (increase) in sundry debtors	(2,97,60,515)	(2,21,15,586)	52,691
Decrease (increase) in inventories	27,71,698	(23,15,288)	99,616
Decrease (increase) in loans and advances	(2,33,14,948)	53,61,391	(1,82,51,060)
Increase (decrease) in sundry creditors	2,80,57,226	51,09,548	44,49,241
Decrease (increase) in investments	41,73,750	(41,13,612)	(13,90,154)
Net cash from operations	13,82,75,834	6,07,06,685	1,75,18,196
Cash flows from financing			
Cash received from issuance of share capital (net)	24,23,36,500	13,06,17,000	1,04,31,000
Proceeds of long-term borrowing (net)	6,33,91,171	(39,92,488)	(71,65,326)
Dividends paid	(2,31,39,314)	(1,17,32,350)	(59,28,300)
Preliminary expenses	(1,80,000)	(1,01,85,167)	(60,49,346)
Net cash from financing	28,24,08,357	10,47,06,995	(87,11,972)
Cash flows from investing			
Income from investments	1,61,11,798	1,07,10,540	-
Income from short-term deposits	6,96,677	5,45,397	19,51,479
Proceeds of sale of fixed assets	14,71,751	1,39,278	38,788
Purchase of fixed assets	(25,23,04,640)	(7,12,71,354)	(1,77,52,196)
Other income	58,20,334	5,22,459	42,09,828
Net cash from investing	(22,82,04,080)	(5,93,53,680)	(1,15,52,101)
Total increase (decrease) in cash and equivalents during the year	19,24,80,111	10,60,60,000	(27,45,877)
Cash and equivalents at the beginning of the year	12,26,75,840	1,66,15,840	1,93,61,717
Cash and equivalents at the end of the year	31,51,55,951	12,26,75,840	1,66,15,840

Note : Cash and cash equivalents include short-term investments which can be converted into cash within three months

Annexure to 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, 1995.

Sl. No.	Name	Designation	Qualification (Years)	Age	Date of Joining	Experience	Gross Remuneration Rs.	Previous Employment
1.	Ashwani Kumar Khurana	Executive Director	B.Tech. (IITD)	44	01.02.1994	22	3,92,826.00	Infosys Digital Systems Pvt.Ltd. *Managing Director*
2.	Dinesh K.	Director	M.Sc.	41	01.09.1981	19	5,92,800.00	Patni Computer Systems Pvt.Ltd. *Senior Software Engineer*
3. *	Gopalakrishnan S.	Deputy Managing Director	M.Tech. (IITM)	39	18.10.1994	15	2,79,668.00	Software Sourcing Company, Atlanta, USA *Vice President (Technical)*
4.	Hema Ravichandar	Associate Vice President - Human Resources Dev.	B.A., PGDM (IIMA)	34	15.05.1992	11	3,46,633.00	Motor Industries Company Ltd. *Deputy Manager - HRD*
5.	Kanthimathinathan S.	Associate Vice President - Financial Systems	B.Tech., (IITM) PGDM (IIMB)	42	18.05.1990	18	3,20,367.00	PSI Data Systems Ltd. *Industry Manager - Banking*
6. *	Mohandas Pai T. V.	Vice President (Finance)	B.Com, LLB., FCA	36	17.10.1994	15	1,71,458.00	Prakash Leasing Ltd. *Executive Director*
7.	Nandan M. Nilekani	Deputy Managing Director	B.Tech. (IITB)	40	01.09.1981	17	6,15,600.00	Patni Computer Systems Pvt.Ltd. *Assistant Project Manager*
8.	Narayana Murthy N. R.	Chairman & Managing Director	M.Tech. (IITK)	49	01.04.1982	26	6,61,200.00	Patni Computer Systems Pvt.Ltd. *Head - Software Group*
9.	Nayak G. R.	Senior Vice President Finance & Administration	B.Com., Dip.in Costing & Personnel Management	58	16.10.1987	39	4,77,523.00	Dubon Project Engg.Pvt.Ltd. Manager (Finance & Administration)
10.	Prahlad D. N.	Senior Vice President	B.E. (IISc)	39	01.04.1989	12	4,70,927.00	Datacons Pvt. Ltd. *Project Leader*
11.	Raghavan N. S.	Joint Managing Director	B.E.	52	01.09.1981	31	6,38,400.00	Patni Computer Systems Pvt.Ltd. *Assistant Manager*
12.	Sastry V. A.	Director	M.E. (IISc), Ph.D (Waterloo)	53	19.02.1992	24	4,71,401.00	Macmet India Pvt. Ltd. *Senior General Manager*
13.	Sharad K. Hegde	Senior Vice President	B.Tech. (IITM) PGDIE (NITIE)	37	01.07.1983	14	5,16,267.00	Patni Computer Systems Pvt.Ltd. *Software Engineer Trainee*
14.	Shrikant S. Pandit	Executive Director	B.Tech. (IITK)	39	01.06.1993	17	3,55,780.00	Infosys Manufacturing Systems Pvt.Ltd. - *Managing Director*
15.	Sudheer K.	Associate Vice President	B.Tech. (IITM)	34	14.11.1986	10	3,03,615.00	Indian Organic Chemicals Ltd. *Programmer Analyst*
16. *	Vishwanathan K. V.	Associate Vice President - Education & Training	M.M.S., FIM (IIMC)	37	01.06.1991	16	3,28,439.00	Indian Institute of Management Calcutta - *Assistant Professor*

NOTE : 1. Remuneration comprises basic salary, allowances and taxable value of perquisites.

* 2. Employed for part of the year.

For and on behalf of the Board of Directors

N. R. Narayana Murthy
Chairman and Managing Director

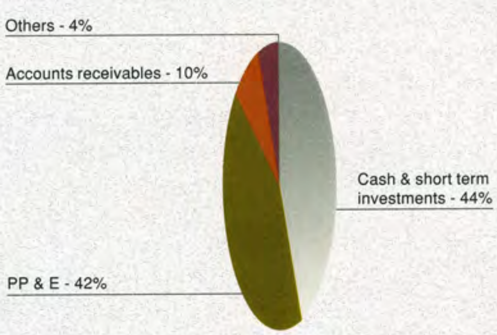
Financial Statements
prepared in substantial compliance with the
Generally Accepted Accounting Principles of the US
and the SEC Disclosure norms

"The only vaccine for success is a renewed sense of stretch. Industry leadership is something to be aimed for; neither janitor nor sales rep nor chief executive should ever believe it has been achieved."

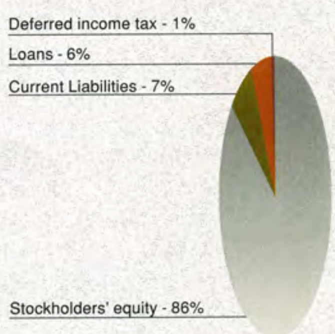
- Gary Hamel and C. K. Prahalad
in *Competing for the Future*

Balance Sheet as at March 31,

	1995	1994
		in US$
Assets		
Current assets		
Cash and short-term investments	10,116,529	3,914,354
Accounts receivables	2,320,726	1,382,602
Inventories	54,584	143,294
Others	948,079	587,071
Total current assets	13,439,918	6,027,321
Property, plant and equipment - net	9,659,422	3,190,986
Investments	45,570	181,923
Other assets	-	496,820
Total assets	23,144,910	9,897,050
Liabilities and Stockholders' equity		
Current liabilities		
Accounts payable	66,864	63,523
Accrued compensation	188,174	166,761
Other liabilities	1,420,278	318,239
Total current liabilities	1,675,316	548,523
Deferred income tax	309,408	-
Long-term loans	1,397,714	-
Stockholders' equity		
Common stock and paid-in capital, par value US$ 0.32 shares authorized 10,000,000 issued and outstanding 7,258,600	13,834,169	5,075,239
Retained earnings	5,928,303	4,273,288
Total stockholders' equity	19,762,472	9,348,527
Total liabilities and stockholders' equity	23,144,910	9,897,050



Assets - 1995



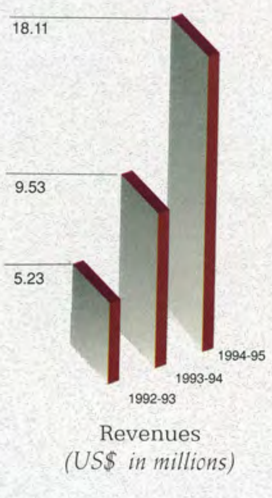
Liabilities and Stockholders' Equity - 1995

Income statement for the year ending March 31,

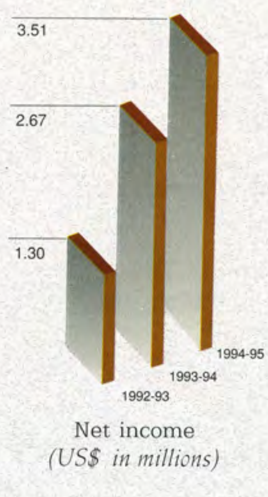
in US$

	1995	1994	1993
Revenues	18,105,010	9,534,321	5,232,967
Cost of revenues	11,894,029	5,621,428	3,061,787
Gross profit	6,210,981	3,912,893	2,171,180
Operating expenses			
Selling, general and administrative	1,970,675	1,314,509	785,064
Total operating expenses	1,970,675	1,314,509	785,064
Operating income	4,240,306	2,598,384	1,386,116
Non-operating income	746,439	391,362	72,224
Interest charges	-	15,321	36,184
Other non-operating expenses	-	53,956	443
Income from continuing operations before income tax and accounting changes	4,986,745	2,920,469	1,421,713
Provision for income tax	892,593	250,742	123,131
Income from continuing operations before accounting changes	4,094,152	2,669,727	1,298,582
Cumulative effect of accounting changes (net of tax)	581,720	-	-
Net income	3,512,432	2,669,727	1,298,582
Weighted average common stock outstanding	5,305,050 *	3,352,100	1,912,767
Earnings per share			
Earnings before accounting changes	0.77	0.80	0.68
Cumulative effect of accounting changes	0.11	-	-
Net earnings per share	0.66	0.80	0.68
Dividend declared per share	0.15	0.12	0.11

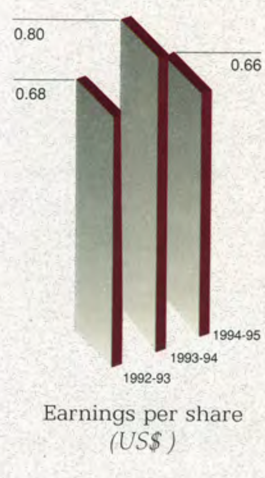
* Includes increase in weighted average stock due to stock split of 1:1.



Revenues
(US$ in millions)



Net income
(US$ in millions)



Earnings per share
(US$)

Statement of cash flows for the year ending March 31,

in US$

	1995	1994	1993
Cash flows from operations			
Net income	3,512,432	2,669,727	1,298,582
Non-operating income	(746,439)	(391,362)	(72,224)
Reconciliation of net income to net cash provided by operating activities			
Depreciation, depletion and amortization	1,501,237	266,829	133,957
Charge of intangible assets	485,905	53,956	443
Decrease (increase) in accounts receivables	(938,124)	(664,976)	1,950
Decrease (increase) in inventories	88,710	(67,252)	3,687
Decrease (increase) in other current assets	(361,008)	389,342	(675,465)
Increase (decrease) in current liabilities	1,126,793	4,229	164,665
Deferred tax	258,813	-	-
Net cash from operations	4,928,319	2,260,493	855,595
Cash flows from financing			
Net cash received from issuance of common stock	7,694,698	4,444,704	386,047
Net proceeds of long-term borrowing	1,397,714	-	(265,186)
Dividends paid	(755,940)	(387,079)	(219,404)
Intangible assets	(5,880)	(336,033)	(223,884)
Net cash from financing	8,330,592	3,721,592	(322,427)
Cash flows from investing			
Decrease (increase) in investments	136,353	(126,993)	(51,449)
Non-operating income	739,262	388,598	72,224
Proceeds of sale of property, plant and equipment	48,081	4,595	1,436
Purchase of property, plant and equipment	(8,242,556)	(2,351,413)	(657,003)
Net cash from investing	(7,318,860)	(2,085,213)	(634,792)
Total increase (decrease) in cash and equivalents during the year	5,940,051	3,896,872	(101,624)
Cash and equivalents at the beginning of the year	3,914,354	580,770	716,570
Unrealised gains on short-term investments	109,989	-	-
Effect of translation difference	152,135	(563,288)	(34,176)
Cash and equivalents at the end of the year	10,116,529	3,914,354	580,770

Notes to financial statements

SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention in substantial compliance with the Generally Accepted Accounting Principles (GAAP) of the US. All income and expenditure having a material bearing on the financial statements are recognized on accrual basis.

Revenue recognition

Revenue from software development is recognized based on software developed and billed to the clients as per the terms of specific contracts. Revenue from the sale of software products is recognized when the sale has been completed with the passing of title. 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.

Expenditure

Expenses are accounted on accrual basis and provisions are made for all known losses and liabilities. Expenses incurred on development of software are charged to revenue expenditure in the same year.

Earnings per share

Earnings per share is computed on the basis of weighted average number of shares outstanding on the Balance Sheet date. In view of the uncertainty with respect to exercise date, in respect of warrants issued, under the Employees Stock Offer Plan, the effects of dilution, if any, have not been considered.

Cash and short-term investments

The company considers short-term investments with a maturity of three months or less, at the date of purchase, to be cash equivalents. Short-term investments are revalued at the market value as on the Balance Sheet date and the resulting gains accounted in the financial statements.

Property, plant and equipment

Property, plant and equipment are stated at 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 attributable to fixed assets.

Depreciation

Depreciation on fixed assets is provided using the straight line method based on the useful life as estimated by the management. Depreciation is charged on a pro-rata basis for assets purchased/sold during the year. The management's estimate of useful life of various fixed assets is given below.

Buildings - Software center	28	years
- Others	58	years
Furniture and fixtures	6	years
Computer equipment	6	years
Plant and machinery	6	years
Vehicles	6	years

Individual assets costing less than US$ 163 are depreciated in full in the year of purchase.

Inventories

Inventories are valued at the lower of historic cost or the net realizable value. A periodic review is made of slow-moving stock and appropriate provisions are made for anticipated losses, if any. Cost is determined using the first-in, first-out (FIFO) method.

Retirement benefits to employees

The company's liability towards retirement benefits in the form of provident fund, gratuity and superannuation is fully funded and charged to expenditure. The company contributes to the employees' provident fund maintained under the Employees Provident Fund Scheme by the Indian Government. The company has a gratuity fund, maintained by the Life Insurance Corporation of India (LIC), to which transfers are made every year based upon actuarial valuation. The company also contributes to a superannuation fund, maintained by the LIC, for its managerial staff, based upon actuarial valuation.

Research and development

Expenditure on research and development is charged off in the year during which it is incurred. Fixed assets purchased for research and development are capitalized and depreciated as per the company's policy.

Foreign currency transactions

In the case of sale made to clients outside India, income is accounted on the basis of a standard exchange rate. Adjustments are made for any change in the sale proceeds on conversion into Indian currency, upon actual receipt. Expenditure in foreign currency is accounted at the conversion rate prevalent when such expenditure is incurred. In the case of overseas offices, such expenditure is translated at the rate prevalent at the end of the month of expenditure. In the case of current assets and current liabilities of overseas offices, the exchange rate prevalent at the year end is taken for purposes of translation and accounting in the books. Any overall gain or loss upon such conversion is recognized in the same period. Fixed assets purchased at overseas offices are accounted on the basis of actual cost incurred at the exchange rate prevalent at the time of purchase. Depreciation is charged as per the company's policy.

Foreign currency translation

The company's financial statements are prepared in Indian rupees, the reporting currency. These financial statements have been prepared by translating income and expenditure at the average rate during the year; current assets, current liabilities, long-term loans and stockholders' equity at the year end rate; fixed assets at the rate prevalent at the time of acquisition and long-term investments at the rate prevalent at the time of investment. The difference arising on translation is disclosed as a part of retained earnings.

Long-term investments

Long-term investments are carried at cost. Overseas investment is carried at the original rupee cost. In case of any decline, other than temporary, in the value of investments, appropriate provision is made to recognize such decline.

Income tax

Provision is made for income tax on a yearly basis, under the tax-deferral method, based on 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. Any variance between values of assets, reported in tax returns and in the financial statements, is accrued as deferred income tax.

Notes on accounts

Reclassification

Certain items in the financial statements have been reclassified for better presentation.

Contingent liabilities

The company has a contingent liability of US$ 1,136,555 on various contracts entered into in the normal course of business.

Financial instruments

Foreign exchange contracts

The company enters into forward foreign exchange contracts to manage its exposure to changes in foreign currency rates. The gains or losses at market value are recognized in the financial statements. These contracts are entered into in the normal course of business and the company does not hold any trading positions.

Letters of credit

The company has various letters of credit outstanding, issued to different vendors, amounting to US$ 65,327 on the Balance Sheet date.

Guarantees

The company has outstanding guarantees for various statutory purposes amounting to US$ 244,804. These guarantees carry a margin requirement and, accordingly, an amount of US$ 82,723 has been deposited as margin money with the issuers. These guarantees are in the nature of performance guarantees, and are subject to the risk of performance by the company.

Changes in accounting policies

Depreciation

Till last year, depreciation had been provided using the straight-line method at the rates specified in the Indian Companies Act, 1956. During the year, the company has revised its policy of providing depreciation based on the management's estimate of the useful life of the asset. Due to this change, the provision for depreciation is higher by US$ 95,815 and the profit is lower by the same amount.

Cost of raising common stock

Till last year, the company used to amortize the cost of raising common stock equally over a period of 10 years. During the year, the company has revised its policy and, accordingly, the outstanding balance of such cost in the accounts amounting to US$ 485,905 has been charged off in the Income statement as an extraordinary item.

Unrealized gains on short-term investments

During the year, the company valued its short-term investments at market value, on the Balance Sheet date, as against the earlier policy of valuing at cost. Due to this, unrealized gains of US$ 59,394 (net of deferred tax) has been added to Retained earnings and deferred tax provision increased by US$ 50,595.

Deferred income tax

Hitherto, the company was following the tax payable method for accruing its income tax liability. During the year, the company has accrued for tax, liabilities arising out of timing differences under the deferred tax accounting method, resulting in an increase in provision for income tax of US$ 258,813.

Employees Stock Offer Plan (ESOP)

The company has instituted an Employees Stock Offer Plan for all eligible employees. Under the plan, warrants will be issued to employees deemed eligible by the Advisory Board constituted for the purpose. Accordingly, 750,000 warrants were issued by the company to the Infosys Technologies Limited Employees Welfare Trust to be held in trust and transferred to the selected employees from time to time. The warrants are issued at US$ 0.03 each, and entitles the holder thereof to apply for and be issued one share of the company at a price of US$ 3.18 during a period of 5 years from the date of issue. The shares vest in the employee fully only after 5 years from the date of issue of the warrants. During the year, 144,100 warrants were transferred to eligible employees by the trust. The warrants expire on September 30, 1999.

Inventories

The company has written off 325 obsolete software packages amounting to US$ 45,717. This has been included in Cost of revenues in the Income statement.

The company has written off obsolete consumables amounting to US$ 38,969 and the same has been included in Cost of revenues in the Income statement.

Depreciation on assets costing less than US$ 163 each

During the year, the company has charged depreciation at one hundred percent in respect of assets costing less than US$ 163 each, amounting to US$ 770,611.

Interest on loans

The company has paid an amount of US$ 75,342 as interest towards the amount borrowed from the Housing Development Finance Corporation Limited, India, for construction of quarters for its staff. The interest paid has been capitalized and included as a part of cost of construction shown under *Property, plant and equipment* in the Balance Sheet.

Non-operating income

Non-operating income includes an amount of US$ 183,686, being the refund of Foreign Exchange Conservation Tax received by the company during the year from the Reserve Bank of India (RBI). This represents amounts paid by the company to RBI during earlier years.

Provision for income tax

The provision for income tax comprises :	in US$
Current income tax	633,780
Deferred tax	258,813
Provision for income tax	892,593

Deferred income tax

Deferred tax relating to timing differences comprises :

Reported amount of capital assets on the Balance Sheet date	6,325,358
Tax basis of capital assets	5,762,721
Timing difference	562,637
Deferred tax liability	258,813
Deferred tax liability on unrealized gains on short-term investments	50,595

Research and development expenses

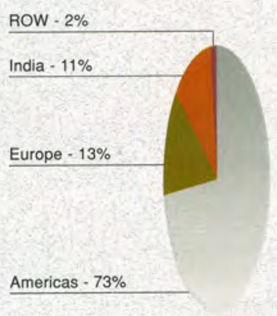
The cost incurred is approximately 3.50% of the revenues during the year and is included in *Selling, general and administrative expenses* in the Income statement.

Segment reporting

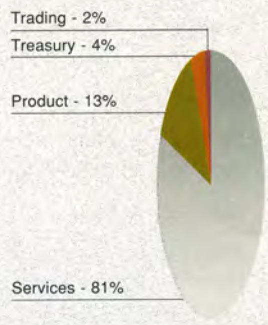
The geographical segment information given below is on the basis of markets and not on the source of revenue.

in US$

	1995	1994	1993
By geographical area			
Americas	13,753,779	7,328,507	2,744,429
Europe	2,457,360	1,714,564	1,744,489
Rest of the world (ROW)	436,102	26,465	5,020
India	2,204,208	856,147	811,253
Total revenue	18,851,449	9,925,683	5,305,191
By business segments			
Software products	2,406,282	1,297,927	1,760,213
Software services	15,326,536	7,978,800	2,916,639
Software trading	372,192	257,594	556,115
Treasury	746,439	391,362	72,224
Total revenue	18,851,449	9,925,683	5,305,191



By geographical area - 1995



By business segment - 1995

Management's discussion and analysis

Business

Infosys' business strategy is focused on fixed-price developmental projects and maintenance projects from India, products, systems integration and business consulting.

Overview

The financial statements have been prepared in substantial compliance with the Generally Accepted Accounting Principles (GAAP) of the US and the SEC disclosure norms for listed companies. The company's stocks are listed only in India. The company's financial statements have been audited in India as per the applicable Indian laws. The financial statements, given here, are based on the audited accounts and have been prepared by the management using the available information, and applying such judgements to estimates, as deemed necessary. The responsibility for the objectivity and integrity of the financial statements rests solely with the management.

Cash and short-term investments

The company considers short-term investments which can be converted to cash within three months as cash equivalents. Short-term investments are stated at market value.

in millions

	March 31, 1995		March 31, 1994	
	Rs.	US$	Rs.	US$
Investment in units of Unit Trust of India	29.16	1.03	24.87	0.78
Debentures and mutual fund units	6.53	0.21	7.70	0.25
Deposits in limited companies	85.00	2.70	50.00	1.60
Short-term advances	110.47	3.51	10.00	0.32
Investment in common stock	26.05	0.83	0.00	0.00
Cash and deposits with banks	57.94	1.84	30.10	0.96
	315.15	10.12	122.67	3.91

The company has credit lines worth US$ 1.58 million (Rs. 50 million) available from its bankers for working capital requirements. The management believes that existing cash and short-term investments, together with funds generated from operations, will be sufficient to meet the company's operating requirements and the capital expenditure program for 1996.

The company's cash resources are invested in a manner so as to enhance yields keeping in mind the safety of such investments and the company's requirements of funds.

Accounts receivables

The accounts receivables is US$ 2.32 million (Rs. 73.09 million) on the Balance Sheet date as against US$ 1.38 million (Rs. 43.33 million) for the previous year. The receivables are considered good and realizable. The level of accounts receivables is normal and is in tune with business trends. The age profile is as given below.

Period in days	March 31, 1995 %	March 31, 1994 %
0 - 30	76.19	36.59
31 - 60	15.32	57.21
60 - 91	4.35	3.87
More than 91	4.14	2.33
	100.00	100.00

The management believes that the overall condition of customer receivables is satisfactory. As a measure of asset utilization, receivables, as a percentage of revenue, is 12.31% as compared to 13.93% in 1994.

Inventories

The company's stock of inventory consists of software products purchased for sale. A periodic review is made of slow-moving stock and appropriate provisions are made for anticipated losses, if any.

Other current assets

The other current assets represent advances paid to various vendors, deposits with various government organizations towards provision of telephones, electricity, etc.

Property, plant and equipment

The company added the following property, plant and equipment during the year.

in millions

	March 31, 1995		March 31, 1994	
	Rs.	US$	Rs.	US$
Land	0.65	0.02	0.20	0.01
Building	42.03	1.37	0.07	0.00
Computers	82.50	2.70	35.40	1.13
Vehicles	3.16	0.10	1.31	0.04
Plant and machinery	29.79	0.97	1.21	0.03
Furniture and fixtures	17.98	0.58	0.81	0.03
	176.11	5.74	39.00	1.24

Additions exclude property under construction and plant pending capitalization amounting to US$ 2.50 million (Rs. 76.18 million). The company's new, 125,000 square feet software development center at Electronics City, Bangalore with a LAN network of 1043 nodes, 54 hubs, 6 switches and 30 servers was completed and occupied during the year. The capital expenditure budgeted for 1995-96 is around US$ 9.80 million (Rs. 308.70 million). The company has adequate cash resources to meet this requirement.

Other assets

Other assets, as on March 31, 1994, represent the balance amount of the cost of raising common stock relating to the initial public offer made during February, 1993.

Investments

The company has a joint venture headquartered in Atlanta, USA in the form of a partnership with Kurt Salmon Associates, USA. These investments were made over a period of years out of the revenues derived from the joint venture.

Accounts payable

Accounts payable represent the amounts payable to various vendors towards purchase of services and goods in the normal course of business.

Accrued compensation

Accrued compensation represents the compensation payable to the employees and paid subsequent to the Balance Sheet date.

Other current liabilities

Other current liabilities include dividend payable by the company to its stockholders, amount received in advance from clients, amount received for issue of stock options and other current liabilities.

Long-term borrowings

During the year, the company has borrowed an amount of US$ 2.06 million (Rs. 65 million) towards purchase of quarters for its staff from the Housing Development Finance Corporation Limited, India. The borrowing has a tenure of three years with a coupon rate of 12.50% per annum. The repayment schedule of this borrowing for the next three years is given below.

	1996	1997	1998
Repayment in US$	615,025	691,948	705,766
in Rs.	19,370,205	21,792,892	22,228,074

Common stock

The company, has at present, only one class of common stock. The issued and outstanding common stock increased due to a stock split of 1:1 during the year. The company has also placed its common stock with institutional investors to raise US$ 7.69 million (Rs. 242.25 million) for its capital expansion program.

Credit rating

During the year, the company has received a 'P1+' rating for its commercial paper and an 'AA' rating for its non-convertible debenture issue program from CRISIL, India's premier credit rating agency.

Reconciliation between the US and Indian GAAP

Indian GAAP does not require deferred tax provisions. Deferred tax has been provided as required under US GAAP to the tune of US$ 0.31 million. Short-term investments have been valued at market rates on the Balance Sheet date and the resulting gains, net of tax on unrealized gains, amounting to US$ 0.06 million has been shown under Stockholders' equity in the Balance Sheet. Indian GAAP requires valuation of such investments at lower of cost and market value. The balance of the cost of raising common stock as at March 31, 1994 has been charged off to the Income statement, whereas they have been adjusted against capital reserves in the Indian financial statements. To that extent, there is a difference in profits reported in the financial statements under the US and Indian GAAP.

Outlook : issues and risks

The company's 1994-95 annual report includes discussions on its long-term growth outlook. The following issues and risks, among others, should also be considered in evaluating its outlook.

Rapid technological change

The computer software industry is characterized by rapid technological change and uncertainty in the success of new products.

Infosys is committed to adapting to new technologies quickly by redefining its investment priorities and rapidly enabling its staff to meet the new demand. The company has created expertise in various technical platforms to meet dynamic changes in technology.

Prices

The future prices that the company is able to obtain for its products/services may decrease from historic levels depending upon market and other factors. The long-term inflation in India is expected to be around 8% to 10%, whereas it is substantially lower in countries from where Infosys derives revenue. This difference has the potential to create pressure on the margins of the company.

Infosys' emphasis on quality, customer satisfaction, technical excellence, ability to deliver on time, and strict cost control enables the company to protect its margins.

Foreign exchange revenues

A large percentage of the company's revenues are derived in currencies other than the Indian rupee. As a result, the company's revenues are subject to foreign exchange rate fluctuations. The Indian rupee remained steady against the dollar during 1994, due to the Reserve Bank of India's commitment to buy dollars in the market to prevent an undue appreciation in its value. However, the outlook for the future exchange rate of the rupee against the dollar is difficult to predict due to dynamic market conditions.

The company covers the risk of exchange rate fluctuations through forward cover.

Accounting standards

Accounting standards promulgated by the Financial Accounting Standards Board change periodically. These changes may have an impact on the company's future reported earnings. Infosys has substantially complied with the US GAAP requirements. It has also fully complied with all the accounting standards promulgated by the Institute of Chartered Accountants of India.

Growth rates

The company has grown rapidly in the recent past. The growth rate in future may be less than that achieved earlier. Operating expenses may grow faster than the growth in operating income. Operating expenses are subjected to strict control to retain margins.

Statutory obligations

The company has established a Software Technology Park, a 100% exported-oriented unit for the development of computer software at Electronics City, Bangalore, India. All capital items purchased for this center are eligible for 100% duty exemption, subject to fulfillment of stipulated export obligations. The non-fulfillment of export obligations may result in penalties as stipulated by the Government which may have an impact on future profitability.

The management is of the opinion that the company has completely fulfilled its export obligations as on the Balance Sheet date and is confident of fulfilling its export obligations in future.

Marketing investments

New investments will be made in sales and marketing to have a large portfolio of customers, geographical regions and technologies. This will reduce risks in business prospects.

Litigation

Litigation regarding intellectual property rights, patents and copyrights is increasing in the software industry. In addition, there are other general corporate legal risks. To date, the company has no litigation pending against it in any court in India or abroad. The company has formulated a comprehensive risk policy to protect itself against any future litigation.

Results of operations

Overview

The company's business strategy is focused on fixed-price developmental projects and maintenance projects from India, products, systems integration and business consulting.

Revenue

Year ending March 31		1995	Change	1994	Change	1993
Revenue	in US$	18,105,010	90%	9,534,321	82%	5,232,967
	in Rs.	554,194,358	92%	288,985,265	104%	141,394,761

The growth in revenue has been very significant in the last two years. The company may not grow at the same rate in future.

Marketing channels

The company develops software for several *Fortune 500* companies.

The company has a marketing presence at Boston, USA. During the year, the company will upgrade its offices at San Francisco, Cincinnati and New York in the US into full-fledged branches. The company plans to convert its liaison office at Maastricht into a full-fledged branch. During the ensuing year, Infosys proposes to open branch offices at Lyons, France and Dallas, USA.

Products

Distribution Management Application Package (DMAP) is an integrated application package that addresses the MIS needs of a country distributor of consumer products. This package handles sales order processing, customer service, accounts receivables, allocation, invoicing, warehouse management, etc. This package has already been installed at several locations in the US and Europe.

EAGLE is an integrated warehouse management package which has been installed at several customer sites in the US and Europe.

BANCS 2000 is a branch automation package developed for use by commercial banks in India. It has been successfully installed at over 60 branches of public and private sector banks in India.

Cost of revenues

Year ending March 31		1995	Change	1994	Change	1993
Cost of revenues	in US$	11,894,029	111%	5,621,428	84%	3,061,787
	in Rs.	364,076,235	113%	170,385,469	106%	82,729,481
Cost as a percentage of revenues		66 %		59 %		59 %

Cost as a percentage of revenues was 66% in 1995 as against 59% during 1994. The increase is due to substantially higher depreciation during the year resulting from the operationalization of the new software development center.

Operating expenses

Year ending March 31		1995	Change	1994	Change	1993
Operating expenses	in US$	1,970,675	50%	1,314,509	67%	785,064
	in Rs.	60,322,361	51%	39,842,765	88%	21,212,427
As a percentage of revenues		11 %		14 %		15 %

The operating expenses as a percentage of revenues has shown a declining trend due to strict cost control and the benefits of economies of scale.

Non-operating income

Year ending March 31		1995	Change	1994	Change	1993
Non-operating income	in US$	746,439	91%	391,362	441%	72,224
	in Rs.	22,848,504	93%	11,862,191	508%	1,951,479

The primary component of non-operating income is the income derived from deployment of short-term surplus funds.

Provision for income tax

Year ending March 31		1995	Change	1994	Change	1993
Provision for income tax	in US$	892,593	256%	250,742	103%	123,131
	in Rs.	27,322,271	260%	7,600,000	128%	3,327,000
Effective tax rate		17.90 %		8.59 %		8.66 %

The normal income tax rate is 46%. In India, income from exports enjoy exemption from income tax. However, income from local sales and non-operating income is subject to normal income tax rates. The effective tax rate increased due to higher non-operating income and the deferred tax provided during the year, as per the US GAAP requirements.

Net income and earnings per share

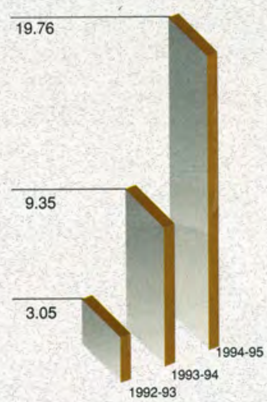
Year ending March 31		1995	Change	1994	Change	1993
Net income	in US$	3,512,432	32%	2,669,727	106%	1,298,582
	in Rs.	107,515,544	33%	80,919,432	135%	35,087,680
Earnings per share	in US$	0.66		0.80		0.68
	in Rs.	20.20		24.24		18.37
Percentage of net income to revenues		19 %		28 %		25 %

The earning per share during 1995 is lower due to the increase in common stock on account of the stock split of 1:1, further issue of common stock and the effect of accounting changes. Net income as a percentage of revenues decreased in 1995 primarily due to increased depreciation, provision for deferred tax and change in accounting policies.

Statement of stockholders' equity as at March 31,

in US$

	1995	1994
Common stock and paid-in capital		
Balance, beginning of the year	5,075,239	630,535
Increase due to stock split	1,064,232	-
Common stock issued	7,694,698	4,444,704
Balance, end of the year	13,834,169	5,075,239
Retained earnings		
Balance, beginning of the year	4,273,288	1,875,135
Net income	3,512,432	2,669,727
Decrease due to stock split	(1,064,232)	-
Dividends paid	(755,940)	(387,079)
Unrealized gains on investments (net)	59,394	-
Translation adjustment	(96,639)	115,505
Balance, end of the year	5,928,303	4,273,288
Total stockholders' equity	19,762,472	9,348,527



Stockholders' Equity
(US$ in millions)

Selected five-year financial data

in US$

	Year ending March 31,				
	1991	1992	1993	1994	1995
For the year					
Revenues	2,644,502	3,450,181	5,232,967	9,534,321	18,105,010
Cost of revenues	2,202,551	2,407,955	3,061,787	5,621,428	11,894,029
Selling, general and administrative expenses	251,568	344,491	785,064	1,314,509	1,970,675
Operating income	190,383	697,735	1,386,116	2,598,384	4,240,306
Interest charges	34,225	18,036	36,184	15,321	-
Non-operating income	342,517	318,833	72,224	391,362	746,439
Non-operating expenses	336	526	443	53,956	-
Income before taxes	498,338	998,007	1,421,713	2,920,469	4,986,745
Provision for taxes	88,985	102,708	123,131	250,742	892,593
Cumulative effect of changes in accounting	-	-	-	-	581,720
Net income	409,353	895,299	1,298,582	2,669,727	3,512,432
At the year end					
Working capital	1,052,629	1,394,733	3,735,144	5,478,798	11,764,602
Total assets	2,836,827	2,765,703	6,044,051	9,897,050	23,144,910
Stockholders' equity	1,467,995	1,628,500	4,976,741	9,348,527	19,872,462
Common stock data					
Earnings per share	0.49	0.50	0.68	0.80	0.66
Cash and short-term investments per share	0.79	0.43	0.30	1.16	1.91
Weighted average common stock outstanding	517,333	912,750	1,912,767	3,352,100	5,305,050
Key ratios					
Current ratio	2.00	2.85	5.03	10.99	8.02
Return on revenues	15 %	26 %	25 %	28 %	19 %
Return on average total assets	16 %	32 %	29 %	33 %	21 %

Quarterly financial and market information (unaudited)

in US$

	Quarter ended			
	June 30	Sept. 30	Dec. 31	Mar. 31
1994-95				
Revenues	3,615,794	3,901,029	4,890,050	5,698,137
Net income	974,263	829,486	1,112,848	595,835
Common stock price per share				
High	27	40	19	17
Low	19	19	15	13
1993-94				
Revenues	1,797,953	2,568,299	2,595,176	2,572,893
Net income	497,996	695,532	1,169,798	306,401
Common stock price per share				
High	5	8	14	19
Low	5	7	13	16
1992-93				
Revenues	966,828	1,590,577	2,170,037	505,525
Net income	197,625	403,029	316,762	381,166
Common stock price per share				
High	NA	NA	NA	NA
Low	NA	NA	NA	NA

Shareholders' information

1. Dates of book closure : May 20, 1995 to June 3, 1995 (both days inclusive)
2. Date and venue of the annual general meeting : At 3.00 p. m. on June 3, 1995, at Chowdiah Memorial Hall, 16th Cross, Gayatri Devi Park Extension, Vyalikaval, Bangalore - 560 003
3. Dividend payment : On or after June 4, 1995, but within the statutory time limit.
4. Listing on stock exchanges at : Bangalore, Bombay and National Stock Exchanges
5. Stock market data
   a. The Stock market data of the company is included in the computation of the BSE 200 Index and the BSE Dollex Index.
   b. High and low quotations of shares at Bangalore, Bombay and National Stock Exchanges are:

	Bangalore		Bombay		NSE	
1994-95	Highest Rs.	Lowest Rs.	Highest Rs.	Lowest Rs.	Highest Rs.	Lowest Rs.
April	840.00	675.00	800.00	570.00	-	-
May	800.00	700.00	780.00	735.00	-	-
June	870.00	790.00	840.00	750.00	-	-
July	880.00	830.00	825.00	820.00	-	-
August	1,300.00	600.00 *	1,230.00	840.00	-	-
September	650.00	560.00	636.00 *	585.00	-	-
October	530.00	425.00	575.00	462.00	-	-
November	490.00	430.00	480.00	445.00	-	-
December	490.00	460.00	479.00	460.00	-	-
January	465.00	400.00	462.00	410.00	-	-
February	470.00	420.00	440.00	410.00	475.00	405.00
March	530.00	410.00	497.00	415.00	530.00	415.00

* Ex-bonus price

6. Share transfers and other communication regarding change of address, dividends, share certificates, etc., may be addressed to : Karvy Consultants Limited, Registrars and Share Transfer Agents, No. 145/9, Girija Towers, 6th A-C Main, 30th Cross, Jayanagar 4th Block, Bangalore - 560 011.
7. Share transfer system

   Share transfers would be registered and returned within a period of 20 days from the date of receipt, if the documents are clear in all respects. The Share Transfer Committee which meets four times in a month aims at ensuring registration and return of transferred shares within 15 days from the date of receipt of documents clear in all respects.

   The total number of shares transferred during the year 1994-95 was 7,09,900. 76.09% of transfers were completed within 20 days.

Transfer period in days	No. of shares	Percentage
1 - 15	3,33,600	47.00 %
16 - 20	2,06,500	29.09 %
21 - 30	1,50,900	21.25 %
* 31 - 35	18,900	2.66 %
	7,09,900	100.00 %

* The delay beyond 30 days is due to the book closure for the annual general meeting, the record date for issue of bonus shares and the postal strike.

8. Investors' services

Complaints received during the year 1994-95

Nature of complaints	No. of complaints received	No. of complaints cleared
1. Non-receipt of share certificates	46	46
2. Non-receipt of bonus shares	32	32
3. Name corrections	5	5
4. Non-receipt of dividend warrant	15	15
	98	98

The company has attended to investors' complaints within 10 days from the date of receipt of complaint during the year 1994-95.

9. Distribution of shareholding as on March 31, 1995

No. of equity shares held	No. of shareholders	Percentage of shareholders	No. of shares	Percentage of shareholdings
1 - 100	822	12.64	79,826	1.10
101 - 200	4,246	65.03	8,49,070	11.70
201 - 500	893	13.68	3,50,888	4.83
501 - 1000	316	4.84	2,34,496	3.23
1001 - 5000	162	2.48	3,72,036	5.13
5001 - 10000	17	0.26	1,41,100	1.94
10001 and above	70	1.07	52,31,184	72.07
	6,526	100.00	72,58,600	100.00

10. Categories of shareholders as on March 31, 1995

Category	No. of shareholders	Voting strength (percentage)	No. of shares held
Individuals	6,409	67.73	49,16,200
Companies	88	4.17	3,02,500
FII's/FI's/Mutual funds	29	28.10	20,39,900
	6,526	100.00	72,58,600
Previous year	6,033		33,52,100

11. Investors' complaints may be addressed to : Mr. V. Viswanathan, Company Secretary, Investors' Service Cell, Infosys Technologies Ltd., Electronics City, Hosur Road, Bangalore 561 229, India.

12. Registered Office

Up to April 30, 1995 : N-403, Manipal Centre, Dickenson Road, Bangalore - 560 042.

From May 1, 1995 : Electronics City, Hosur Road, Bangalore - 561 229, India.

A historical perspective

Rs. in lakhs except per share data, other information and ratios

Particulars	1981-82	1990-91	1991-92	1992-93	1993-94	1994-95
Revenue account						
Revenue	11.63	550.51	946.40	1,433.46	3,008.47	5,770.43
Operating profit (PBIDT)	-	116.39	279.80	430.12	970.71	1,985.97
Financial charges	-	6.23	4.53	9.78	4.64	-
Depreciation	-	18.32	24.67	36.19	80.88	459.53
Provision for taxation	-	16.40	25.79	33.27	76.00	194.00
Profit after tax	3.78	75.44	224.81	350.88	809.19	1,332.44
Return on average net worth (%)	96.88	30.15	59.54	38.19	39.61	29.71
Capital account						
Share capital	0.10	83.20	180.10	197.61	335.11	725.88
Reserves and surplus	3.78	197.33	296.07	674.47	2,535.00	5,519.92
Loan funds	-	22.50	50.88	39.92	-	633.91
Gross block	0.02	306.45	381.61	438.92	827.38	2,532.01
Net current assets	6.27	163.74	347.12	1,068.62	1,394.34	3,246.95
Debt - Equity ratio	-	0.08	0.11	0.05	-	0.10
Data per share						
Earnings (Rs.)	377.77	9.07	12.48	17.76	24.15	18.35*
Dividend (%)	-	20	20	30	35	45
Book value (Rs.)	383.10	33.66	26.38	44.08	81.26	86.04*
Other information						
Number of shareholders	7	23	61	925	6,033	6,526
Credit ratings from CRISIL						
Commercial paper program						P1+
Non-convertible debenture issue						AA

Note : Rs. one lakh equals one hundred thousand.
* After bonus issue of 1:1

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State Bank of India
HongKong Bank
Bank of Boston

Company Secretary

V. Viswanathan

Auditor

A. M. Bhatkal
Chartered Accountant

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