Managing enterprises in challenging times

Adversity has the effect of eliciting talents,
which in prosperous circumstances would have lain dormant

Horace (65 – 8 BC)

It is easy for reasonably well-managed companies to do brilliantly in great times. Revenues keep increasing with little managerial stretch; the creeping flab does not come in the way of growing profits; earning targets are exceeded every quarter; and price-earning ratios become stratospheric. The business model seems to work without a hitch.

The real qualities of a company come to the fore in tough times. The stamp of an outstanding enterprise is in how it successfully uses adversity to alter, re-engineer and simultaneously grow its businesses. Great companies anticipate shocks and downturns. Managements dig deep into their skill-sets and creativity to design solutions that can deliver in the face of difficulty. Every employee redoubles efforts to drive growth and profitability – not due to the fear of failure, but because of the yearning to win. Inviolate core values are re-affirmed; business teams rejuvenated; innovations tumble out of long unused recesses of the mind; and adrenalin pumps like never before. There is a burning desire to show that it can be done – that the greatest battles can be won in the face of hardship.

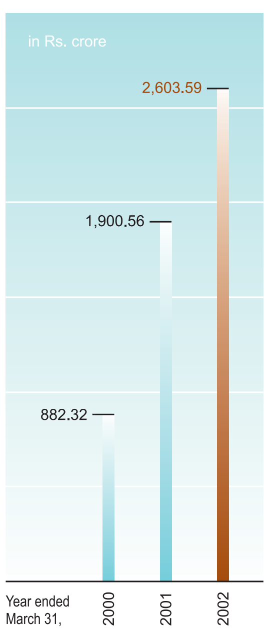
This year has been most demanding for the software industry, and we believe that the challenges and discontinuities will be with us in the future. We therefore think it will be useful to share with you how Infosys is dealing with this environment.

Contents

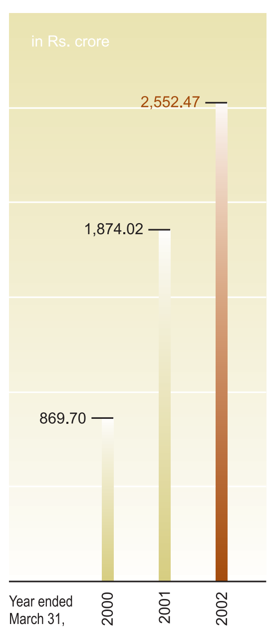
in Rs. crore, except per share data

	March 31, 2002	March 31, 2001	Growth %
For the year			
Total revenues	2,603.59	1,900.56	37
Export revenues	2,552.47	1,874.02	36
Operating profit (PBIDT)	1,037.63	764.84	36
Profit after tax (PAT) from ordinary activities	807.96	623.32	30
Profit after tax and extraordinary items	807.96	628.81	28
PBIDT as a percentage of total revenues	39.85%	40.24%	
PAT from ordinary activities as a percentage of total revenues	31.03%	32.80%	
Earnings per share (from ordinary activities)			
Basic	122.12	94.23	30
Diluted	121.37	93.93	29
Dividend per share	20.00	10.00	100
Dividend amount	132.36	66.15	100
Capital investment	322.74	463.35	(30)
PAT as a percentage of average net worth	46.57%	56.08%	
At the end of the year			
Total assets	2,080.31	1,389.64	50
Fixed assets – net	718.24	557.66	29
Cash and cash equivalents	1,026.96	577.74	78
Working capital	1,293.41	797.86	62
Total debt	–	–	–
Net worth	2,080.31	1,389.64	50
Equity	33.09	33.08	–
Market capitalization	24,654.33	26,926.35	(8)

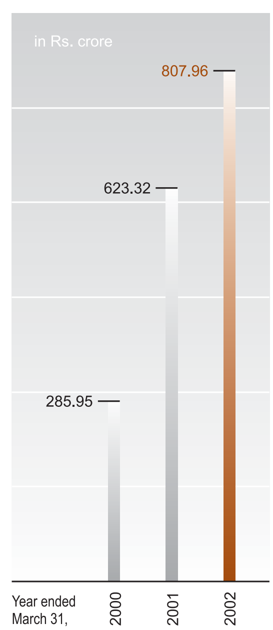
Market capitalization is calculated by multiplying the share price at the National Stock Exchange on March 31 of the respective years and the shares outstanding as on that date.



Total revenue



Exports



PAT from ordinary activities

Back to the basics: Imperatives for the technology services industry

S. D. Shibulal
Executive Director, Infosys, and Head – Customer Delivery

The last two years have witnessed an unprecedented upheaval in the technology sector. The rapid increase in high-tech manufacturing capacity, the resultant pile-up of inventories, the demise of companies that depended excessively on this segment, the Internet bubble burst, the near-halt in technology-financing activities – these are now behind us. However, a lingering impact of these events is that technology investments by large corporations are very different from the ebullience of the late 1990s. Growth rates have slackened across industries and, consequently, corporate appetite for new technology initiatives has diminished.

These are challenging times for the technology services industry. In fact, given the caution in IT spending, growth rates across this sector have dropped. Moreover, client expectations on quality, cost, timeliness and service have increased, leading to margin pressures on service providers. Consequently, the near-term outlook on corporate performance in this sector is not optimistic. However, technology services companies that adapt their business models to these difficult times will emerge as winners in the marketplace.

Business history is replete with cases of how companies, often faced with a bleak operating environment, successfully transformed their business models to emerge stronger. Southwest Airlines transformed its business model through a relentless focus on operating efficiency. Today, it has an undisputed claim on cost leadership in the US market. The transformation of IBM under the leadership of Lou Gerstner has been widely chronicled and acclaimed. Another striking example of corporate transformation is that of GE under the guidance of Jack Welch. His "No. 1, No. 2, fix, close or sell" approach followed by a passionate adoption of globalization, market expansion through services and Six Sigma quality created unprecedented value for GE shareholders. More recently, GE's adoption of an e-business strategy has yielded benefits that easily qualify to be the envy of traditional corporations.

Today, while there are several high-quality players in the Indian technology services industry, their strengths are limited to a subset of operating parameters. Technology services companies need to develop an industry-defining business model. I have outlined ten essentials of this model below.

1. *The ability to understand a client's business, to identify process pinch-points, and to introduce a credible technology solution through a consultative engagement addressing a business problem.* Unlike many of their global counterparts, most Indian IT companies have a long way to go in developing these skills on a large scale. High domain expertise and a deep-seated culture of client focus in every transaction are the key attributes here.

2. *A disciplined approach to managing topline visibility.* A healthy portfolio of contractually assured open orders, relationship-driven revenue expectations, and one-off engagements is critical. Most Indian companies have begun to address this only as a reaction to the downturn.

3. *The ability to maintain skill-sets on a wide spectrum of technologies while ensuring depth that defies easy replication.* This could range from the very latest technologies to niche, archaic platforms that have a scare supply of skilled personnel.

4. *A de-risked presence across industry verticals.* Given the vicissitudes of business cycles, a significant presence in counter-cyclicals can go a long way in ensuring revenue stability. Some of these markets can be difficult to sell to and have therefore not seen adequate penetration efforts by Indian companies.

5. *SEI-CMM Level 5 quality processes, execution capability for large multi-year engagements, and sophisticated alliance management for delivering value to clients.* Execution capabilities and quality frameworks need to include quantification of payoffs to the client from technology initiatives. Further, the ability to manage large engagements, often leveraging alliances in the process, is critical.

6. *Credible global delivery capability.* Globalized execution of engagements requires adequate talent and infrastructure in different parts of the world. Further, robust distributed project management methodologies are critical for providing high-quality, rapid time-to-market and cost-effective solutions.

7. *The ability to attract and retain high-quality people.* Credible and widespread employee equity ownership, a challenging and empowering work environment, world-class physical and technical infrastructure, sensitization to a global workforce, rigorous and ongoing training programs – each of these is necessary for a technology services company to be an employer-of-choice.

8. *Corporate integrity.* Transparency and corporate governance not only attract global capital, but also build credibility with clients, especially in these turbulent times. Stakeholders put a premium on companies that they can trust to be fair and transparent in their dealings.
9. *Flexible, client-focused organizational structures.* A matrix structure that harnesses the right resources from across the organization for client engagements is critical. In large organizations, formal processes that encourage teamwork among disparate groups through collaborative selling and execution are vital.
10. *A globally-respected brand.* In addition to operating excellence, this requires well thought out image-building efforts. For Indian companies, the ability to derive high value per marketing dollar is especially critical. Further, thought-leading publications specific to technologies and industry verticals are a powerful means to establishing a credible brand.

The world-wide drop in economic growth has, for the first time in recent years, exposed the chinks in the business models of technology service companies. The above ten elements, in my opinion, are key to the sustainability of superior corporate results in this business. Finally, in the long term, industry players that use the slowdown as an opportunity to make their business models more robust and focus on excellence in execution will emerge as the winners of tomorrow.

Leading the globally-competitive corporation

Claude Smadja

Independent Director, Infosys, and President, Smadja & Associates: Strategic Advisory

Never before have CEOs been confronted with such extensive challenges, and been under such unrelenting pressures. Of course, it has already been several years since the combined impact of globalization and the IT revolution drastically changed the role of the CEO – and the manner in which this new role was fulfilled. But, recent developments have created additional demands that make the CEO's job look something like "mission impossible".

Successfully managing enterprises today requires CEOs to reconcile the pressures of almost instantaneous responses to very fast moving developments in the technological, financial and business environment, with the steadiness and calm required to remain focused on long-term strategic priorities and imperatives. They need to not only lead and inspire teams that are entrepreneurial, innovation-driven and aggressive in acquiring new markets, but also to fulfil the highest quality standards and to reflect a set of core social values. In fact, managing a global company today means being able to fully meet the new expectations towards the corporation and its top management.

What are these expectations? The first that comes to mind is the need for even greater transparency. Any corporation which falls short of creating the conditions that will convince shareholders and investors that the most stringent accounting standards and best practices of corporate governance are met is bound to pay a heavy price for such a failure. Today's corporation has to consider itself permanently open for inspection.

Of course, one can see here the fallout of the Enron debacle. But, the trend towards transparency predates Enron. Two developments were becoming more and more apparent since the mid-1990s. First, global financial markets were going beyond the quality and reliability of the product or service delivered by the corporation. By the end of the 20th century, quality and reliability were taken as given. What has come increasingly into play is the image and reputation of a corporation, its social standards, and its corporate culture.

Second, we have seen a perceptible shift in power from management to shareholders and other stakeholders who are being more assertive and are demanding greater say in corporate strategy and decisions, including those that affect the financial health and viability of companies. While these developments have occurred first in the United States, they have gained significant ground in Europe, and are beginning to be felt more and more in Asia and Latin America.

These two factors have an impact on the image and positioning of a CEO. No doubt, corporate fashions come and go. Yet, we seem to be moving from the era of the CEO Superstar or Superman, to one where the CEO would rather be celebrated as the gifted conductor, with the ability to set the orientations of a company and also help bring out the best from each member of the team, and each component of the entity known as the "corporation".

Another expectation regarding the corporation and its CEO is the ability to assess and manage new dimensions of risk in an ever-changing global business environment. Of course, financial and technological risks have always been part of the matrix of any CEO. But, today, these assume a new dimension. For one, globalization has definitely increased the prospects for financial volatility. For another, the processes of Schumpeterian "creative destruction" are operating at much greater speed – because of time compression, lesser transactional friction, and vastly reduced ability of governments to erect protective walls. Risks facing corporations are no longer additive. They are highly multiplicative, with complex feedback mechanisms and much greater powers of wreaking havoc.

But these are not the only risks. What is becoming increasingly important is top management's ability to detect and assess what might be called the global risk. How do we identify what are seemingly unrelated factors which, when they configure in certain ways, can create shockwaves affecting financial and business conditions in the farthest parts of the world? In more ways than one, today's CEOs of large global corporations need to pay as much attention to geopolitical considerations as they normally do to efficiency, productivity and economic rationality. There is a fairly substantial list of global corporations that, in recent years, have paid dearly for their failure to detect emerging global social and political trends.

Beyond these requirements, the global CEO must have the capability to master, to embody and to leverage for the benefit of the corporation three additional components of power.

First, knowledge power, or the ability to detect and encourage the kind of technological innovations that will not only allow the corporation to remain ahead vis-à-vis the competition, but also ensure that every element of existing technology and 'knowledge capital' at the disposal of the company is optimally leveraged to achieve maximum profitability. In more ways than one, a key function of today's CEO is to be an inspiring Chief Knowledge and Innovation Officer of the corporation. There is no underestimating the centrality of this inspirational role in the context of the knowledge-based global economy of the 21st century.

Second, there is the issue of networking power. Through his / her actions and ability to develop and nurture new strategic linkages, the CEO will have to be at the center of a web of complementary networks that can extend the capabilities of the corporation, root it even deeper in the social context from which it draws strength and legitimacy, and further the reach of the company by consolidating its image in a world where branding and intangibles have become important components in defining corporate value. This implies the ability to manage and expand a system of very complex and sometimes contradictory relationships, and to use them for the ultimate benefit of the corporation.

Third, there is communication power. At the very least, this involves the capability to deliver messages that contribute to the sustainable value of the corporate brand. More profoundly, it means being able to integrate other groups and constituencies beyond employees and shareholders in the strategic goals pursued by the corporation, in its values and the vision it develops for itself, and in the role that it can play at the national and global levels. Here again, the role of the CEO as the Chief Communication Officer cannot be underestimated. This communication – often as a daily exercise – is the way in which the corporation asserts its position as a creator of wealth and innovation, as well as a repository of social, economic and ethical values.

Looking at the complexity of tasks required of CEOs, at the ever-increasing and sometimes contradictory expectations put on them, and at the wide range of qualities demanded of them, it is not surprising that CEOs today are witnessing a sharp reduction in their professional life expectancy. The real wonder and the source of strength of the market economy is that growing complexities and increasing pressures and expectations are proving to be additional incentives in attracting greater and greater numbers of would-be entrepreneurs and CEOs in their attempt to meet the never-ending challenge of value creation.

And, the fact is that the opportunities for meeting and besting this challenge have never been greater than in today's knowledge-based global economy.

Creating a flexible financial model

Marti G. Subrahmanyam
Independent Director, Infosys and Charles E. Merrill Professor of Finance, Economics and International Business, Stern School of Business, New York University

After an extended period of unprecedented growth and soaring stock market values in the 1990s, the sharp downturn in the new millennium has come as a rude wake-up call to companies around the world. During the long boom of the 1990s, many people believed that business cycles were things of the past. Economic events of 2001 and the first quarter of 2002 have proved the optimists wrong. In spite of the tremendous advances in technology over the past decade, the business cycle is very much alive, and it affects companies everywhere.

To be sure, better use of information technology in the future may keep inventories and excess supplies in check and, thus, reduce the length and intensity of economic downturns. But, there will be booms and busts. And, the question facing companies in practically every sector – from core industries such as steel to software services in the technology sector – is how to equip themselves for such downturns, present and future. Even companies and industries that have good long-term prospects need to prepare themselves for survival in recessions.

A key element of a strategy for survival and even rejuvenation in a downturn is a flexible financial framework within which a company operates. In bad times, a company needs to cut its costs, protect its revenues, and also have a cushion to fall back on to weather the vicissitudes of the downturn. Indeed, the most flexible and nimble players may gain a competitive edge over their less agile rivals in such times.

There are several determinants of such financial flexibility:

- Low operating leverage
- Low financial leverage
- High liquidity
- High operating margin
- High agility in augmenting revenues
- Total transparency in financial transactions

Although these factors are not all completely within the control of a company, corporate managers enjoy considerable latitude in structuring their business to maximize financial flexibility on each of these fronts.

How do these factors contribute to the financial flexibility of a corporation, and how can managers improve their performance on each of these dimensions?

Low operating leverage. If this ratio is high, the fixed payout burden is relatively large, and the corporation will face a greater adverse impact in the event of a downturn. To illustrate the importance of this factor, consider the steel industry, which has a high fixed cost component due to large capital requirements. In the current recession, most steel makers are getting hurt not only because their revenues do not cover their costs, but also due to their limited ability to reduce these fixed costs. In contrast, POSCO of Korea reduced its operating leverage by sub-contracting part of its manufacturing, and building on substantial economies of scale in its key operations. It continues to be profitable, and has even increased its earnings in the current recession.

Low financial leverage. The higher the financial leverage, the greater is the fixed burden of servicing the debt. A corporation that is already burdened by the stresses of reduction in revenues is affected even more adversely, because of the need to meet the pre-committed debt payments of interest and principal. A combination of high operating and financial leverage makes it a "double-whammy." This is what has badly affected most large companies in the global telecommunications sector such as France Telecom and Deutsche Telekom. Global Crossings is an extreme version of this problem, and had filed for bankruptcy earlier this year. In contrast, Hutchison Whampoa, the Hong Kong conglomerate with extensive telecommunications holdings, is using its low leverage to pick up technologically-valuable assets at bargain-basement prices.

High liquidity. Companies that carefully husband their cash resources – in essence create negative financial leverage – have a much better safety net to face a downturn. The networking giant, Cisco Systems, is feeling the pinch of the recession like every other technology company, but with over US$20 billion in cash and marketable securities, it is well equipped to last out a prolonged recession. It may even be able to buy assets and companies at attractive prices. Hence, high liquidity combined with low financial leverage becomes an important strategic tool when times are hard.

High operating margin. While the first three factors affect the cost side of the equation, this fourth feature deals with the cushion between the revenues and the costs. An example of high operating margins is the Indian IT services industry, which has demonstrated its financial flexibility in the current recession. The best companies in this industry have been relatively better equipped to weather the storm because they can face the dip in revenue growth without digging too deeply into their cash reserves.

High agility in augmenting revenues. When business conditions are adverse, there is tremendous pressure to maintain and even augment revenues. This involves all the tools of marketing, including aggressive pricing, brand loyalty augmentation, and customer relationship management. Wal-Mart Stores, the giant retailer, has managed to grow by double-digit percentages through a combination of these strategies, even in the current period.

Total transparency in financial transactions. When times are good – as they were during the dot-com boom only three years ago – very few questions are raised about the financial practices of corporations. In downturns, the capital market becomes much more demanding, and it becomes more difficult for companies to raise external finance. Firms that adhere to the best practices of corporate governance and follow transparent processes in all their financial dealings are more likely to be able to raise capital, should they need it, in a down market. This factor is very much at work even in the ability of countries to raise external finance: witness the problems faced by Argentina, and the downgrading of Japan, an erstwhile strong economy. Recent accounting scandals in the United States and elsewhere, involving companies such as Enron, highlight the importance of this factor. And, it could be argued that even companies that have a viable long-term model may be dragged into default and even bankruptcy, because their financial dealings are under a cloud. Berkshire Hathaway, on the other hand, enjoys a substantial premium over the value of its portfolio holdings, in large part, due to the "clean" reputation it enjoys under Warren Buffet.

How can a corporation improve its performance in each of these dimensions and hence its financial flexibility? While there are constraints imposed by technology and the market in certain industries, most firms can still undertake actions to improve their flexibility. For example, a company can reduce its operating leverage by outsourcing services where it has little or no competitive advantage. It can improve its operating margin by moving to lower cost locations, as the apparel industry has done successfully in the past decade. Firms in industries with intrinsically high operating leverage can use debt more judiciously, so as not to exacerbate the overall fixed commitments they make. Lastly, all firms can improve their performance by being more transparent in their financial transactions – so that investors respond favorably when they need to tap the capital market.

Technology – the competitive differentiator

Phaneesh Murthy
Executive Director, Infosys, and Head – Sales & Marketing, and Communication & Product Services

As companies prepare for the next leg of competitive differentiation, a central issue that needs to be addressed is the role of technology in creating and sustaining that delineation. The truth is that today's business leadership is increasingly being technology-driven. Capital One's Information-Based Strategy (IBS), GE's Global Supplier Network (GSN), Wal-Mart's web-enabled sales support network for its 35,000 stores, and Dell's integration of assembly operations with external logistics – these are all compelling examples of technology-driven leadership.

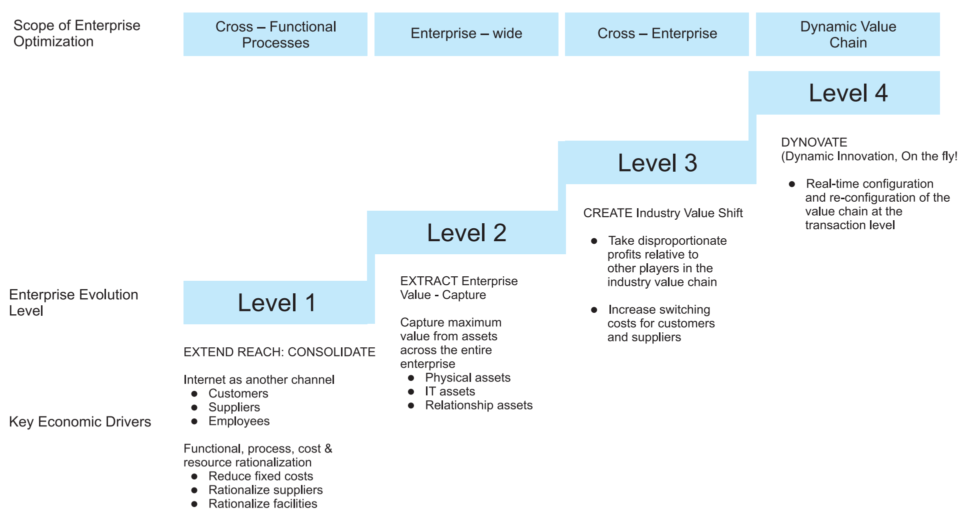
At Capital One, a proprietary Information-Based Strategy (IBS) drives continuous product and marketing innovations by allowing the company to test over 100,000 narrowly-defined customer segments, and to develop unique product combinations to profitably service these niches. The success of this program is in the numbers compared to those of their peers – 40% annual revenue growth versus 8% to 10% for peers; 26% annual growth in loans versus 6% to 8% for peers; and a charge-off rate that is 200 basis points better than the industry as a whole.

GE's Global Supplier Network (GSN) handles a global network of 36,000 suppliers and supports over 25 divisions of the company. GSN handles over 40% of the corporation's annual spending and more than 90% of the billing. This has helped GE improve its on-time payments by 10%. The tangible benefits realized by GE through his technology-driven program are far more significant – savings of US$1.6 billion in 2001, with estimated savings of over US$10 billion in the coming years. Such efficiency in managing costs has helped GE to sustain earnings growth despite the economic downturn.

As we look at what constitutes such technology-driven leadership, we believe that enterprises can evolve through multiple levels – not only in technology sophistication, but also in associated levels of strategy, process, and organization models. The "Enterprise Evolution" path developed by Infosys provides a guiding framework to realize such a leadership.

The Enterprise Evolution Model

The Enterprise Evolution Model can help a company define an evolution path from cross-functional processes at Level 1 to a dynamic value chain at Level 4. The guiding principle of this evolution is to enhance the scope of enterprise optimization, based on specific business drivers and objectives. Invariably, IT is the pivot to extend reach and to consolidate resources – not just across functions, but also with a focus on corporation-wide asset optimization and value-capture.



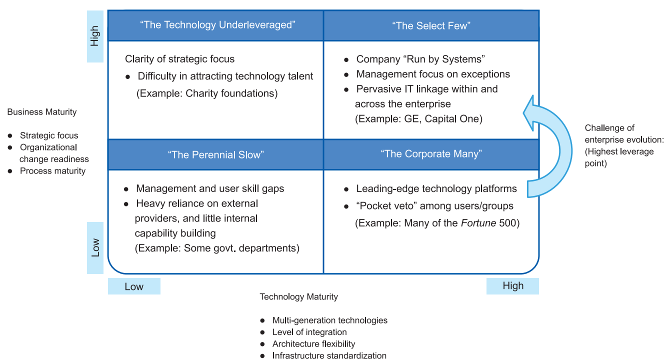
Most companies, that we have analyzed at Infosys, including some of today's technology leaders, are at Level 2 with some characteristics of Level 3. Level 3 is a significant shift from value extraction to value creation by driving industry value shifts. Enterprises at this level earn disproportionate profits relative to other players in the industry value chain through cross-enterprise optimization that sharply increases the switching costs for customers and suppliers. The ultimate goal at Level 4 is dynamic innovation on the fly – what we call "Dynovate." At this level, firms will be able to configure and re-configure the value chain for each transaction, in real time.

Each level of evolution varies along business, process, organization, and technology dimensions. For example, the focus of strategy in an organization must change from "core and context" ambiguity to extensive outsourcing, tightly integrated cross-company partnering, and eventually dynamic value chain optimization. Transaction models will have to evolve from "one-size fits all" to "pay-by-the-drink", and then to event-driven transactions across dynamic partners. Process sophistication must shift from definition and measurement to continuous improvement and Six Sigma – not only within an enterprise, but also across adjacent partners and eventually multiple value-chain partners.

Such evolution implies a shift in enterprise technology capabilities – from widespread information sharing and early enterprise-wide integration of today – to value chain optimization, and event-based, transaction-specific, anytime-anywhere technologies. These technologies will enable organizations to evolve from classical line and support functions to distributed work models, where the home of enterprise intelligence will move from the center to the nodes, and eventually reach a stage where the intelligence is carried in the network.

As enterprises chalk an evolution path for themselves, we observe that misalignment of business and organization relative to technology is the crux of the issue.

Challenge of enterprise evolution: The highest leverage point



The highest leverage point for many of today's *Global 2000* firms is also an opportunity – to move from "the corporate many" that have sufficiently high technology maturity to "the select few" that apply this technology maturity with high business maturity. Getting there, however, requires corporations to closely examine where they are today, and then define the journey to where they want to be.

Three roles to drive enterprise evolution

We believe that this opportunity of business leadership through technology requires today's executives (the CXO and the CIO) to play three key roles: as technology strategists, as ROI hawks, and as change agents.

The CXO-CIO role	What your peers say
1. Technology strategist	*"When you look at technology, we are less than 5% of the way"* – VP, Internet Technology, IBM
	"Information architecture is as flexible as a building" – Director, Center of Business Innovation
	"Every person gets the technology they deserve" – Toffler Associates, Consultant
2. ROI hawk	*"The challenge remains … how to make money on the Internet"* – CEO, Genuity
	"Lots of money on technology initiatives, but ROII (return on Internet investment) isn't necessarily there" – CTO, Merrill Lynch
3. Change agent	*"The issue isn't technology. The issue is whether an organization can apply new technology"* – CMO, SAS Institute
	"… seriously underestimate the discipline to absorb change" – CIO, CIGNA

Source: Fast Company, Infosys Team Synthesis

The issue often is that the CXO-CIO has one or two of the attributes – rarely a judicious balance of the three. Which is why, more than ever before, technology will be driven by the CEOs.

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Awards for excellence

"I just try to be the best I can be and hope that is the best ever."
Tiger Woods

The *Awards for excellence,* at Infosys, represent an important step in our exciting journey to excellence. We firmly believe that the recognition of excellence is as important as the personal drive of every individual to excel. As we continue to grow from strength to strength as an organization, we constantly try to do better than our best – to ensure that we continue to have an enthusiastic workforce that believes in the organization, its value system and philosophy, and in the aggressive targets it sets for itself.

Infosys today is more than 10,000 people strong. The task of selecting a few high achievers from this veritable ocean of talent was indeed a challenging one. The ones who have finally been chosen have demonstrated a commitment to surpassing customers' expectations, and have set high standards in our business and transactions, thereby becoming an exemplar for all. These individuals have shown an unstinting ability to deal with myriad and complex situations, and have adapted to these skillfully.

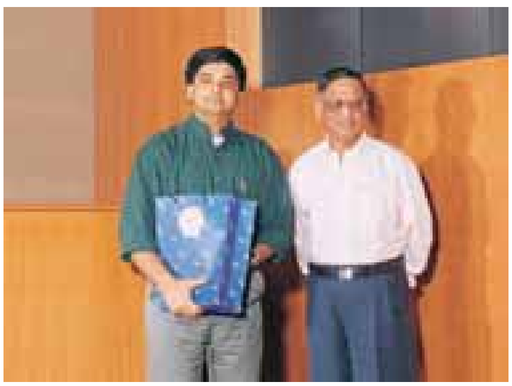
We are proud to present this year's award winners – individuals who believe in competing against themselves; individuals who strive towards self-improvement, towards being better than they were the day before…..

Awards for excellence 2001-2002

First Prize – Awards were presented by Mr. N. R. Narayana Murthy, *Chairman and Chief Mentor*

Account / Sales Management

BBU Team – Nigeria
Ajith Nair, Anand Sundararaman, Amit Dua, C. S Vinay, T. N. Gopal



Sales Management Team
Madhav Mohan, Ayan Chatterjee*

Toshiba
Indranil Mukherjee, V. Sriram, Sailaja Chintalagiri, R. Sridhar, Chandra Shekar Kakal*

External Customer Delight

Boeing CRDS Project
Rohit Kedia, Venkateswarlu Pallapothu, V. R. Renganathan, Madhu Janardan*

Nordstrom
R. Dinesh, Ganesh Gopalakrishnan, K. R. Nandakumar*, Pradeep Prabhu*, Dinesh Bajaj*

* *not present at the function*

Second Prize

Brand Management

Aditi Madhok
S. Sukumar

Innovation

Ajay Dubey
Anand Govindarajan
Harish Kashyap
G. Lakshmanan
V. Raja
Sandeep Gupta
Sanjay Shankar Deshpande
A. V. S. B. Shankar

Program Management

3COM
Ashish Ray
Rajesh K. Murthy
Sreenath Murthy
Srinivas V.

BNSF Team
Alexandre Elvis Rodrigues
Debashish Banerjee
M. R. Kishore
N. Shiv Shankar
Vijay N. Krishna

Toshiba America
Anand Swaminathan
Eric Seubert

IKON RPT Team
D. A. Balaraj
K. P. Manu
Ravi Kiran Taire
Ravishankar Kayyar
K. Srikanth
Srinivasa N. Karanth
Umesh B. Prabhu

NML Team
Basab Pradhan
Bhaskar Chicknanjundappa
Bibhu R. Pattanayak
Devasenapathy Murugappan Muthu
Samson David
V. Shubha

Third Prize

DC Management

Mangalore DC
Dheeraj Hejmadi
Gopikrishnan Konnanath
Keerthinidhi Herle
R. Mosesraj
Narendran Koduvattat
Richard Lobo
S. A. Samuel Raj
Shaji Mathew
Sudhir Albuquerque

Pune DC
S. Babuji
Chandrakanth Desai
Chandraketu Jha
M. K. Manjula
Priti Jay Rao
Shailendra Jha
Shalini Dongre
Snigdha Mitra
Uday Bhaskarwar

Infrastructure

Ferrari CFPM
V. V. Ananthalakshmi
Hema Ravichandar
Kaushik Ray
U. B. Pravin Rao
Raj Kumar Bansal
Rajiv Raghu
S. Ramesh
Samit Deb
Shivaprasad Gopalrao Kuskur

Mangalore Team
Ashok G. Gadavi
Dinesh Kumar
Ganesh H. Shenoy
Geetha Coelho
Leo Daniel D'Silva
P. Padmanabha Bhat
U. Ramadas Kamath
Sankaran Velunathan
J. Shashikala

Systems and Processes

IPM Team
Gaurav Jhamb
Jyoti M. Bhat
Nagajyothi Bathula
S. Nirmala
G. Ramesh
Rishikesh V. Rao
Rupa G. Kamat
K. N. V. S. K. Subrahmanyam
Vishwajit Singh

Payana Team
Badrinarayan Sahoo
Deepak Bhalla
Prakash Nagaraj Devadiga
B. Rajesh
Sarala Pamidi
Shailesh Kumar Agrawal
R. Venkat Raghavan
Vikas Ravindra Revankar
S. Viswanathan

PU Management

Banking Business Unit
Deepak N. Hoshing
Girish G. Vaidya
Haragopal Mangipudi
Merwin Fernandes
R. N. Nagaraj
V. Srinivasan
D. Thirumaleshwara Bhat
T. S. Venkataramanan

Internal Customer Delight

Preeti Chandrashekhar
Rangan Varadan
Sudhir G. Pai

Special Prize

Social Consciousness

B. M. Rao
M. S. S. R. R. Kumar
T. V. Mohandas Pai
Prem Shyam Mirchandani
U. Ramadas Kamath

Value Champions

H. Sudheer

Board of directors

N. R. Narayana Murthy
Nandan M. Nilekani
S. Gopalakrishnan
Deepak M. Satwalekar
Prof. Marti G. Subrahmanyam
Philip Yeo
Prof. Jitendra Vir Singh
Dr. Omkar Goswami
Sen. Larry Pressler
Rama Bijapurkar
Claude Smadja
K. Dinesh
S. D. Shibulal
T. V. Mohandas Pai
Phaneesh Murthy
Srinath Batni

Committees of the board

Audit committee

Deepak M. Satwalekar, *Chairman*
Rama Bijapurkar
Dr. Omkar Goswami
Sen. Larry Pressler
Claude Smadja
Prof. Marti G. Subrahmanyam

Compensation committee

Prof. Marti G. Subrahmanyam, *Chairman*
Dr. Omkar Goswami
Deepak M. Satwalekar
Prof. Jitendra Vir Singh
Philip Yeo

Nominations committee

Claude Smadja, *Chairman*
Sen. Larry Pressler
Prof. Jitendra Vir Singh
Philip Yeo

Investors grievance committee

Philip Yeo, *Chairman*
Rama Bijapurkar
K. Dinesh
Nandan M. Nilekani
S. D. Shibulal

Management council invitees

Nandita Mohan Gurjar
Associate Vice President –
Learning and Development – HRD

Eshan Joshi
Manager – Compensation and Benefits – HRD

Chandrasekhar Kakal
Associate Vice President –
Head – Hyderabad Development Center

Narendran Koduvattat
Senior Project Manager –
Head – Mangalore Development Center

Col. C. V. Krishna
Associate Vice President – Infrastructure and Security

Bikramjit Maitra
Associate Vice President –
Head – Bhubaneswar Development Center

N. Shiv Shankar
Associate Vice President –
Head – Chennai Development Center

M. Sridhar
Manager – Communication Design Group

S. Sukumar
Manager – Corporate Planning

Priti Jay Rao
Associate Vice President –
Head – Pune Development Center

C. Ravi
Associate Vice President –
Head – Mysore Development Center

Jagdish Vasishtha
Project Manager –
Head – Mohali Development Center

Padmanabhan Venkataraman
Associate Vice President – Quality Implementation

T. S. Venkataramanan
Associate Vice President –
Banking Business Unit

Voice of the Youth

Ayan Chatterjee
Dinesh Ganesan
Nitin Gupta
Esteban Herrera
Vaishali V. Khandekar
V. B. Madhavan
M. K. Manjula
B. Madhu Krishna Rao
Karthikeya N. Sarma

Infosys Foundation

Trustees

Sudha Murty, *Chairperson*
Srinath Batni
Sudha Gopalakrishnan

Dear shareholder,

We are pleased to present your company's Annual Report and financial statements for fiscal year 2002.

It has been one of the most challenging years for the IT industry all over the world, and your company has not been an exception. Global slowdown, slump in the US economy and falling technology spends, accentuated by the tragedy of September 11, have all taken their toll on the industry. Long accustomed to high double-digit, even triple-digit growth, IT services providers have had to live with a much more modest and intensely more competitive reality.

S. Gopalakrishnan
Chief Operationg Officer and Deputy Managing Director

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

In April 2001, after closely examining all relevant economic and business indicators of the US, the European Union and Japan, your company estimated a revenue growth of 30% for fiscal year 2002. At that time, many felt that we were being unduly pessimistic. To them, the world economy was having a minor hiccup – nothing that could seriously affect the high double-digit growth of India's IT sector. To achieve the revenue target set out in April 2001 despite the effects of September 11 has been satisfying. It reaffirms the resilience of your company's Global Delivery Model, the commitment and dedication of Infoscions, and the enduring nature of the value-based relationships that your company has developed and sustained with its various business partners.

Here are some of the key financial results. Under Indian GAAP, your company's revenues grew by 37.0% during fiscal year 2002 – from Rs. 1,900.6 crore in fiscal 2001 to Rs. 2,603.6 crore in fiscal 2002. Profit after tax (PAT) from ordinary activities increased by 29.6%, from Rs. 623.3 crore to Rs. 808.0 crore. Notwithstanding intense pricing pressures, Infosys succeeded in maintaining superior profit margins. For fiscal year 2002, profit before interest, depreciation and taxes (PBIDT) as a share of total revenues stood at 39.9%; and PAT from ordinary activities as a share of total revenues was 31.0%. Basic earnings per share from ordinary activities increased by 29.6% to Rs. 122.1.

Under US GAAP, revenues increased from $413.9 million in fiscal year 2001 to $545.1 million in fiscal year 2002 – a growth of 31.7%. Operating income increased by 29.8%, from $137.5 million in fiscal 2001 to $178.5 million in fiscal 2002. Net income grew by 24.6%, from $131.9 million in fiscal 2001 to $164.5 million in fiscal 2002. Operating income as a share of revenues was 32.8%, while net income as a share of revenue stood at 30.2%. Basic earnings per share increased by 24.9% to $2.51.

Your company succeeded in meeting its financial targets in an extremely adverse environment. It was done by driving volumes, adding several new clients, having a repeat business rate as high as 87.6%, and by tight cost control in virtually all areas. Despite 37.0% higher revenue under Indian GAAP, your company cut costs amounting to 2.4% of its income. Indeed, the cost reductions could have been as high as 3.5% had it not been for the unanticipated increase in personnel cost in the US due to significantly higher floor pay imposed upon H1-B visa holders.

To us, the more important story is how your company treated the adverse global circumstances of fiscal year 2002 as an opportunity to restructure and move towards becoming a finely aligned, integrated, end-to-end services provider in all key areas of the IT space. This is what we want to share with you in the rest of this letter.

Clients have always been central to your company. Even so, a deeper understanding of the heterogeneous needs of various clients is more important than ever before. First, competition is much more intense, and there are enough global IT services providers to nibble at anybody's market share. Second, the days of "me-too" IT spends are over. The economic downturn has accelerated a process of change where corporate clients are very careful about their IT spending. They expect to rapidly maximize returns on such expenditure, and seek strategic initiatives that enhance infrastructure efficiencies, provide quick and demonstrable cost savings, while improving their customer satisfaction. Third, the focus is rapidly shifting towards working with fewer, more reliable vendors, who have the capability to deliver, implement and maintain a full range of IT services.

In this scenario, the future growth of your company depends on being a best-in-class, end-to-end solutions provider, and your company has already begun work towards achieving that goal. There have been several new services initiatives. For instance, an investment up to $5 million has been approved for your company's foray into Business Process Management (BPM). A separate company is being formed. It will be headquartered in Bangalore, and will leverage the obvious cost advantages of operating in India. The initial BPM focus will be in the areas of transaction processing and accounting services. One of the key target verticals will be financial services.

Another new focus area is IT outsourcing. Your company has taken over the IT departments of two corporate clients – a leading international networking equipment manufacturer and a global financial services major. In both instances, your company provides 24 hours a day, 7 days a week (24x7) support to mission-critical applications. Your company has also developed and deployed new e-business solutions for one such client. In addition, your company has also started marketing its systems integration services. However, your company has to pass many more milestones in its quest for being a complete end-to-end services provider.

As a part of reaching out to and strengthening relationships with customers, your company now has over 70 account managers who have clearly defined tasks of servicing the needs of each and every client. In fiscal year 2002, there were 143 Infoscions directly and exclusively involved in sales and marketing.

In a very arduous year, your company succeeded in attracting the business of 116 new clients, of which 62 were added in the difficult period of September 2001 to March 2002. Your company now has 25 five-million-dollar clients (versus 19 in fiscal year 2001), and 16 ten-million-dollar clients (versus 11 in fiscal year 2001).

Your company's Banking Business Unit (BBU) added 11 new customers during the year for its FINACLE™, BankAway™, and PayAway™ applications – four in India and seven overseas. In the process, BBU's revenues grew by over 100.0% during fiscal year 2002, and crossed the Rs. 100.0 crore threshold. Steps have been taken to strengthen FINACLE™ – the core-banking product – by acquiring new functionalities and modules. These are to be integrated with the core product, and will not only enrich FINACLE™ but also provide crucial time-to-market advantages over competitors.

Your company has also expanded its presence in pharmaceuticals and medical care. Your company is helping an international pharmaceutical major to design and develop a mail-order pharmacy and a durable medical equipment claims process. Another success has been the business of a pharmacy benefit company, for whom Infosys is recommending the re-engineering of multiple applications. A major company in the medical sector has retained your company to assess business and IT processes, and to create its IT blueprint for the next three to five years.

With the deregulation of utilities, companies urgently need to develop and implement scalable and risk-free technology platforms. Your company has been commissioned by CustomerWorks, a joint venture between two of Canada's largest utility organizations, to execute a high-level, customer-focused risk assessment program.

Servicing customers requires upgradation of people and processes. Throughout fiscal year 2002, these two areas have occupied a large portion of senior management's time.

The HR challenges are to recruit, retain and enable the best and the brightest; create a readily deployable global talent pool; sustain high levels of employee motivation; enable competency-based roles within the company; and hard-wire the DNA of a high performance work ethic throughout the organization. Although there is much more to be done, your company has begun to achieve these objectives. Here are some facts:

- Notwithstanding the difficulties of fiscal year 2002, your company hired 1,548 people. Net addition for the year was 907, and the period-end headcount was 10,738.
- Your company continues to have one of the lowest attrition rates among comparable IT services providers in India.
- Lateral hiring and local recruitment is on the rise. Today, there are Infoscions from 29 nationalities – developments that help your company to not only concentrate on domain expertise, but also to have the cultural wherewithal to understand the needs of international clients.
- The organization is being restructured into a role-based organization. All practices and units are being aligned to competency-based streams.
- Your company has some of the most demanding in-house training programs in the IT world – 14.5 weeks of an integrated training program for new recruits, plus several continuing executive education programs in technical, managerial and process related areas, which average about ten days per person, per year. In addition, there are intensive programs at the new Infosys Leadership Institute, Mysore, which merits a separate paragraph.
- Given the challenging times, it is critical to sustain and sharpen employee motivation. There is a new emphasis on continuous communication across all groups and all employee levels; on institutionalizing knowledge management and dissemination; and on active participation in employee satisfaction programs, whose results are better monitored and much more widely shared. Moreover, there has been a major shift towards transparent and well-designed objective-driven appraisals and performance-linked pay. The culture of a high performance work ethic is built around this Integrated Performance Management System.
- All these initiatives are solidly integrated in your company's IT systems and processes. Your company has developed several internal systems, including the balanced scorecard and 360° appraisals to continuously monitor employee aspirations and performance. In addition, your company has adopted the Malcolm Baldrige framework and the Six Sigma initiative to align with businesses and streamline its processes to address the challenges of growth and scalability.

These programs are paying off. This is reinforced through both internal and external benchmarks. In the Internal Employee Satisfaction Survey, scores indicate that employee satisfaction has gone up by 12.0% over last year. In 2002, for the second year in succession, your company was declared the best employer in India in the *Business Today*-Hewitt survey. Your company was also declared by *Dataquest*-NFO-MBL India survey as the best employer in the Indian software industry, as well as IT's best employer in another *Dataquest*-IDC survey.

Leadership development is critical to a company's growth. The Infosys Leadership Institute (ILI) at Mysore commenced its programs during the year. Today, the ILI campus has a built-up area of 162,000 square feet. In a short span, ILI completed a round of "Leaders Teach Series" consisting of 11 workshops; executed 12 internal consulting engagements; rolled out counseling process to the high potential employees of your company; and designed and launched a pilot program on 'Mentoring'. Further, the director of ILI has conducted 5 external programs.

Going forward, ILI will train 220 high potential employees for a duration of five days each; conduct 35 leadership development programs of 2.5 days each; provide counseling sessions to each high potential employee; execute consulting projects to internal and external customers; and publish papers and conduct external seminars.

That brings us to finance. Your company's policy is to maintain sufficient cash in the balance sheet to meet the following objectives:

- To fund the ongoing capex requirements to meet its growth objectives;
- To fund the operational expenses and other strategic initiatives for the next one year; and
- To maintain business continuance in case of exigencies.

This year, too, your company received recognition from several organizations. The details are available in the *Director's report.*

As in the last year, the senior management of your company conducted relevant studies to understand IT market trends for fiscal year 2003. Despite early signs of a slow global economic revival, your company believes that conditions will remain tough for all. Your company has, therefore, projected 17.0% to 20.0% revenue growth for fiscal year 2003. This estimate is based on our current understanding of the marketplace. Naturally, we hope that conditions will improve. We will proactively update our investors in the event of any material development.

As a global corporation, your company focuses on succession planning and management continuity. In keeping with this, Mr. N. R. Narayana Murthy assumed the role of Chairman and Chief Mentor. In his new role, he mentors your company's core management team in transforming the company into a world-class, next-generation organization that provides technology-leveraged business solutions to corporations across the globe. He is also working with leading thought-leaders all over the world to enhance the leadership position of Infosys.

As already announced, Mr. Nandan M. Nilekani donned the mantle of Chief Executive Officer, while Mr. S. Gopalakrishnan has taken over the function of Chief Operating Officer.

During the year, Mr. Ramesh Vangal retired as director. Your company is grateful to Mr. Vangal for his invaluable contributions during his tenure, and wishes him the very best in his future endeavors. Mr. Claude Smadja, Principal Advisor to the World Economic Forum and Director of Smadja & Associates: Strategic Advisory, was inducted as an additional director.

Your company's vision is to be a globally respected corporation that provides best-of-breed business solutions, leveraging technology, delivered by best-in-class people. With your support, and the dedication of all fellow Infoscions, we will achieve that goal.

Bangalore
April 10, 2002

S. Gopalakrishnan
Chief Operating Officer and Deputy Managing Director

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

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

Directors' report

To the members,
Your directors are pleased to present their report on the business and operations of your company for the year ended March 31, 2002.

Financial results

*in Rs. crore except per share data **

Year ended March 31	2002	2001
Income	2,603.59	1,900.56
Software development expenses	1,224.82	870.83
Gross profit	1,378.77	1,029.73
Selling and marketing expenses	129.79	92.07
General and administration expenses	211.35	172.82
Operating profit (PBIDT)	1,037.63	764.84
Interest	–	–
Depreciation	160.65	112.89
Operating profit after interest and depreciation	876.98	651.95
Other income	66.41	59.37
Provision for investment	–	15.29
Profit before tax and extraordinary item	943.39	696.03
Provision for tax	135.43	72.71
Profit after tax before extraordinary item	807.96	623.32
Extraordinary item		
Transfer of intellectual property right (net of tax)	–	5.49
Profit after tax and extraordinary item	807.96	628.81
Appropriations		
Interim dividend	49.63	16.53
Final dividend – Proposed (Subject to deduction of tax, if any)	82.73	49.62
Total dividend	132.36	66.15
Dividend tax	5.06	8.70
Transferred to general reserve	670.54	553.96
Earnings per share (equity shares, par value Rs. 5 each)		
Basic	122.12	95.06
Diluted	121.37	94.76

*1 crore equals 10 million.
1 lakh equals 100,000.

Results of operations

- Total revenues grew to Rs. 2,603.59 crore from Rs. 1,900.56 crore, a growth rate of 36.99%.
- Operating profit grew to Rs. 1,037.63 crore (39.85% of total revenues) from Rs. 764.84 crore (40.24% of total revenues), a growth rate of 35.66%.
- Profit after tax, from ordinary activities, increased to Rs. 807.96 crore (31.03% of total revenue) from Rs. 623.32 crore (32.80% of total revenue), an increase of 29.62%.

Dividend

An interim dividend of Rs. 7.50 per share (150% on par value of Rs. 5) was paid in November 2001. Your directors now recommend a final dividend of Rs. 12.50 per share (250% on par value of Rs. 5) aggregating Rs. 20.00 per share (400% on par value of Rs. 5), for the current year. The total amount of dividend is Rs. 132.36 crore, as against Rs. 66.15 crore for the previous year. Dividend (including dividend tax), as a percentage of profit after tax from ordinary activities, is 17.01%, as compared to 12.01% in the previous year.

Until March 31, 2002, the receipt of dividend was tax-free in the hands of the shareholders, under the Indian Income Tax Act, 1961. Effective April 1, 2002, the dividend income is proposed to be taxed in the hands of the shareholders and, accordingly, is subject to deduction of tax, if any. The tax on distributed profits, paid by the company on the interim dividend was Rs. 5.06 crore. As per the proposed tax regulations, there is no distribution tax on the profits distributed after March 31, 2002.

Increase in share capital

Your company issued 28,013 shares on the exercise of stock options, issued under the 1998 and 1999 employee stock option plans. Due to this, the outstanding issued, subscribed and paid-up equity share capital increased from 6,61,58,117 shares, during the previous year, to 6,61,86,130 shares in the year under review.

Business

The year had been one of the most challenging years for your company. The impact of the global slowdown coupled with the tragedy of September 11 posed tremendous challenges. Despite this, your company performed well and showed all-round growth. Under Indian GAAP, revenues grew by 37% over fiscal year 2001 while net profits from ordinary activities witnessed an increase of 30%. In April 2001, your company estimated a revenue growth of 30% for fiscal year 2002 and has achieved that despite all odds including the tragedy of September 11. Your company continues to focus on building long-term relationships with *Global 2000* corporations worldwide. This is reflected in its repeat business rate of 88%. Your company signed up 116 new clients, a substantial number of whom are large corporations, and had a total client base of 293 at the end of the year. Further, your company had 83 million-dollar clients (80 in the previous year), 25 five-million-dollar clients (19 in the previous year) and 16 ten-million-dollar clients (11 in the previous year).

During the previous year, due to the changes in the capital markets and general economic conditions, your company expressed its intention to reduce its exposure to venture-funded companies. We are pleased to announce that your company has been highly successful in transitioning its revenues from venture-funded companies to *Fortune 500* companies and other well established corporations.

The year also saw your company scaling up on the human resources and infrastructure front. Net of separations, 907 employees were added, taking the total strength to 10,738. Your company added another 9.97 lakh square feet of physical infrastructure space, taking the total space available to 26.63 lakh square feet. The number of overseas marketing offices as on March 31, 2002 was 24, compared to 21 as on March 31, 2001.

Your company's software export revenues aggregated Rs. 2,552.47 crore, up 36.20% from Rs. 1,874.02 crore the previous year. During the year, 71.2% of the revenues came from North America, 19.5% from Europe, and 7.3% from the rest of the world. The share of the fixed-price component of the business was 31.6%, as compared to 28.2% during the previous year. Revenue productivity, in dollar terms, declined by 4.4%.

Your company remains optimistic about the long-term opportunities while at the same time meeting the short-term challenges. Your company responded to the challenges by enhancing customer focus and by building an efficient sales engine. Your company is closely monitoring the market situation, and believes that its unique business model and prudent risk-management practices, coupled with a strong customer base and deep client relationships, gives it a sustainable long-term competitive advantage. Your company will aggressively pursue new opportunities, and will ensure adequate internal preparedness to take maximum advantage of such opportunities.

Banking Business Unit (BBU)

The Banking Business Unit has shown remarkable growth during this year. Your company's product – FINACLE™, is an integrated core banking solution that is centralized, multi-currency and multi-language-enabled, functionally-rich, and addresses both retail and corporate banking requirements.

During the year, your company took several steps to strengthen FINACLE™ by adding new functionalities and modules. Targeted at the banking industry, FINACLE™ CRM is a new product offering from your company. It covers areas such as Sales, Marketing, Support, 360 degree View, Loan origination, and Analytics. Banks can effectively deploy FINACLE™ CRM to gain competitive advantage by proactively addressing customer's needs and expectations. FINACLE™ CRM integrates banks' multiple channels such as call centers, branches, fax and web while providing comprehensive access to various product processing systems at the back end, thus, greatly enhancing the bank's ability to maintain relationships and improve profitability with customers.

FINACLE™ has a market share of over 60% among the Indian banks that have adopted technology modernization measures – 4 out of 6 old generation private sector banks, 5 out of the 8 new generation private sector banks and 1 out of 2 public sector banks in India are now powered by FINACLE™.

The Banking Business Unit has consolidated its position in the African market, and has also expanded into the Middle East. During the year, it acquired 11 new clients, 4 in India and 7 overseas, for FINACLE™, BankAway™, and PayAway™ applications. The Banking Business Unit undertook engagements for the Kenya Commercial Bank, Kenya – the biggest bank in East Africa, and the First Bank of Nigeria, Nigeria – the biggest bank in West Africa, during the year. FINACLE™ was ranked among the top three best selling retail banking systems in the world by *IBS publishing*, UK for the year 2000-2001.

Development centers in India

Your company incurred capital expenditure aggregating Rs. 322.74 crore as compared to Rs. 463.35 crore during the previous year. Of the total capital expenditure, Rs. 67.40 crore was spent on technological infrastructure as compared to Rs. 113.84 crore in the previous year.

In Bangalore, the Management Development Center was completed with a built-up area of 75,500 square feet. An additional 60,000 square feet of software development space to accommodate 600 professionals and one more software development block of 93,827 square feet with a capacity of 577 seats were completed. Additionally, civil works were completed for two more software development blocks with a built-up area of 2,06,000 square feet. The existing capacity at Bangalore comprises 11,16,000 square feet capable of accommodating 5,050 professionals.

Phase II of the Pune campus is progressing as per schedule. One software development block of 1,14,440 square feet to accommodate 800 professionals and a dining block of 17,000 square feet were completed. One more software development block of 800 seats capacity was completed and the employee care center is under completion. Civil works were completed for the customer care center. Currently, the campus has a built-up area of 3,33,500 square feet with a capacity of 2,076 seats.

In Bhubaneswar, a second software development block of 75,000 square feet to accommodate 600 professionals and a food court of 28,000 square feet were completed. Currently, the campus has a built-up area of 1,89,000 square feet with a capacity of 1,200 seats.

In Chennai phase I, one more software development block of 75,000 square feet capable of accommodating 600 professionals and a food court of 30,000 square feet were completed. Construction of phase II of the campus is on schedule. In phase II, one software development block of 600 seats capacity was completed. Civil works were completed for one more software development block. Currently, the campus has a built-up area of 1,98,000 square feet with a capacity of 1,300 seats.

In Hyderabad, one software development block of 1,23,000 square feet with a seating capacity of 325 professionals was completed. The remaining 355 seats in this block will be completed as and when required. Construction of the food court is proceeding as per schedule. Civil works were completed for one more software development block. Currently, the campus has a built-up area of 1,35,800 square feet with a capacity of 325 seats.

In Mysore, one software development block of 1,06,000 square feet with a seating capacity of 200 professionals was completed. The remaining 400 seats in this block will be completed as and when required. The Infosys Leadership Institute ("ILI") with a built-up area of 1,62,000 square feet and the hostel facilities with a built-up area of 91,750 square feet were also completed. The food court is nearing completion. Currently, the campus has a built-up area of 3,79,000 square feet.

As of March 31, 2002, the company had 26,69,600 square feet of space capable of accommodating 12,050 professionals and 9,31,000 square feet under completion.

Overseas branches

To accelerate the sales effort in overseas markets, sales offices were opened in the Netherlands, Singapore and Switzerland. During the coming year, additional sales offices are expected to be opened in North America, Europe and Asia. Expansion of the overseas sales network will help your company access new markets and broaden its client base. As at the year-end, your company had 24 marketing offices overseas.

Yantra Corporation

Yantra Corporation provides e-business software solutions for managing supply chain transactions across the extraprise. Yantra has built a high-quality management team and has taken several initiatives to implement its growth objectives.

During the year, your company swapped 55,00,000 common stock in Yantra Corporation, USA ("Yantra") for a fully paid warrant to purchase 55,00,000 common stock. As a result of this, your company holds around 44% of the outstanding common stock of Yantra. Accordingly, Yantra is no longer a subsidiary of the company as per the Companies Act, 1956 as at March 31, 2002. Your company holds around 16% of Yantra, on a fully diluted basis.

Strategic investments

Your company had made selective investments in leading-edge companies and select venture capital funds that have the potential to yield substantial business benefits. Benefits from these investments are primarily in the form of revenue and net income enhancements, through technology partnerships and access to the latest technological developments. Your company has leveraged the expertise derived from its investee companies to deliver value to large clients across the globe.

During the year, your company invested Rs. 10.32 crore in Workadia Inc. USA ("Workadia") purchasing 22,00,000 fully paid Series "B" convertible preferred stock, par value of US$0.0002, at US$1.00 each (adjusted for stock splits). Workadia will provide companies with comprehensive, customizable business intranets through browser accessed hosted portals, and also offer consulting services to help customers select and deploy their intranet applications, content and services.

Your company is foraying into Business Process Management ("BPM") and the board of directors of your company has approved an investment of up to US$5 million for this initiative. The initial focus of BPM services will be in the areas of transaction processing and accounting services and these services will be offered in multiple forms – as business process re-engineering, shared services platform and business intelligence services. It will leverage the obvious cost advantages of doing the work from India. Financial services will be one of the key target verticals. The frameworks developed for the BPM offering is based on your company's InFlux™ methodology. These frameworks will enable client processes to be transitioned and executed smoothly.

Human resource management

The key resource for your company is its employees. Your company has been able to create a favorable work environment that encourages innovation and meritocracy. Your company has put in place a scalable recruitment and human resource management process, enabling it to attract and retain high-caliber employees. Your company added 907 employees, net of separations, taking the total strength to 10,738 – up from 9,831 at the end of the previous year.

Entry-level engineers are put through intensive technical training and are also exposed to cross-functional training that helps hone their soft skills. Further, all employees are eligible for your company's stock option plan. Your company's attrition rate, at 6.2% for the year (11.2% for the previous year), is testimony to its ability to attract and retain high-quality talent.

In order to ensure a safe and congenial workplace, your company has formulated and implemented a policy against sexual harassment. Process improvements have also been made in the areas of recruitment, training and visa processing.

The efforts of your company in the area of employee management and HR practices have been widely acclaimed in various fora. Your company was adjudged the Best Indian software company in the *Software's Best Employers* study, a *Dataquest* survey, in May 2001. It then emerged first among Indian IT's Best Employers, a *Dataquest* – IDC India survey, in August 2001. Further, your company went on to become the best employer in India for the second time in a row, in the Best Employers in India study, a *Business Today* – Hewitt listing of the 25 most desirable companies to work for in India.

Quality

Your company firmly believes that "Pursuit of Excellence" is one of the most critical components for competitive success in the global market. Your company has achieved high maturity through rigorous adherence to highly evolved processes, which have been systematically benchmarked against world-class operating models, viz. ISO 9001-TickIT, SEI-CMM and Baldrige. Your company is rated at Level 5 of the Capability Maturity Model (CMM), which is the world-class benchmark in software process management.

To address the challenges of the future and to ensure performance improvement in an integrated manner, your company has launched the Infosys Excellence Initiative (IEI), which is a single umbrella for all quality initiatives within the organization. This initiative spans various functions in the organization, namely core delivery processes, functional and cross-functional processes, and organizational management processes. It envisages leveraging CMM Level 5 for delivery processes, the Malcolm Baldrige framework for organizational management processes and Six Sigma Cross Functional Process Mapping (CFPM) techniques for improving cross-functional processes.

Your company's best practices and processes in the area of project management are showcased in the book "Software Project Management in Practice" by Dr. Pankaj Jalote (Addison Wesley, 2002) published under the SEI series.

Your company has helped many of its clients improve their processes and systems by providing high-end software process consulting services, which is a testimony to its process leadership.

Infosys Leadership Institute

Located on 217 acres of land in Mysore, India, and operationalized during the year, the Infosys Leadership Institute's (ILI) mandate is to enable and empower the present and future leaders of your company to achieve its vision. The ILI campus includes state-of-the-art leadership development, training, and learning facilities, including comfortable hostels for the participant Infoscions. Since its inception, ILI has designed and facilitated a series of highly successful, innovative, and dynamic leadership workshops led by your company's board members under the "Leader Teach Series." Other high-value added services taken up by ILI include counseling high-potential Infoscions in their leadership journey and internal consultancy assignments including facilitating strategy-planning and team building sessions.

InStep global internship program

InStep, your company's Global Internship Program, plays an important role in increasing the brand awareness of your company internationally. By attracting students from the top academic institutions around the world, InStep has not only built brand equity for your company, but is also key to its International Recruitment Initiative.

Through the internship program, your company selects students, for summer projects, from the leading educational institutions across the globe and places them in live business and technical projects in your company's offices worldwide.

Since its inception, the program has recruited interns from diverse milieu. Interns range from IT students from Ecole Des Mines De Nantes to business students from Stanford. This year, your company has held InStep Information Sessions in the US, UK, Japan, France, India and Canada, and has received over 1,000 applications for just 20 internship positions.

The new information infrastructure

Your company firmly believes that its internal IT initiatives are key drivers of scalable and sustained corporate excellence.
The key, ongoing focus last year has been to

- drive information availability to a global work force,
- integrate cross-functional processes,
- enable scalable, sustained excellence in execution,
- enhance employee and process productivity, and
- further strengthen our client partnerships.

Towards this, your company's Information Systems (IS) team

- deployed an exhaustive home grown suite of solutions for Integrated Project Management (IPM) to scale and sustain excellence in execution in its core delivery processes;
- deployed an extranet for connecting our worldwide workforce, enabling them with a rich set of online corporate resources on a robust, secure and scalable delivery channel;
- custom-built a CRM solution integrating key processes across the service chain and across the customer life cycle. Built leveraging state-of-the-art technologies and our extranet, this program is currently under deployment throughout our customer touch-points worldwide;
- is currently focusing on a future ready, globally scalable .NET infrastructure that leverages investments made in its intranet backbone, secure extranet, SAP R/3 4.6 and state-of-the-art Storage Area Network to enhance global delivery and 24 x 7 operations;
- has further enriched the large automation footprint with a range of custom-built, web-enabled systems that address your company's changing business needs; and
- initiated a Balanced Score Card implementation to strategically align IS initiatives for maximizing contributions to your company's global competencies and strategic business objectives. Currently in an advanced state of implementation, key learnings from this exercise have already been used successfully to enhance our engagement opportunities with some of our customers.

Additional information to shareholders

In earlier years, your company provided additional information in the form of intangible assets scoresheet, human resources accounting, value-added statement, brand valuation, economic value-added statement, current-cost-adjusted financial statements, and financial statements in substantial compliance with GAAP of six countries, in addition to the US and India. This information is provided in this year's Annual Report also.

Corporate governance

The current economic downturn, the unprecedented events of September 11, the Enron issue and recent business failures have combined to create a very challenging financial reporting environment. All these have resulted in a larger focus on corporate governance issues by companies. Your company continues to be a pioneer in benchmarking its corporate governance policies with the best in the world, and its efforts are widely recognized by investors in India and abroad.

Your company has complied with all the recommendations of the Kumar Mangalam Birla Committee on Corporate Governance constituted by the Securities and Exchange Board of India (SEBI). For fiscal 2002, the compliance report is provided in the *Corporate governance report* in this Annual Report. The auditor's certificate on compliance with the mandatory recommendations of the committee is annexed to this report.

In addition, your directors have documented your company's internal policies on corporate governance. In line with the committee's recommendations, the management's discussion and analysis of the financial position of the company is provided in this Annual Report and is incorporated here by reference.

Your company has also continued its practice of providing a compliance report on various corporate governance recommendations in vogue in six countries, in their national languages, for the benefit of our shareholders in those countries.

Responsibility statement of the board of directors

The directors' responsibility statement setting out the compliance with the accounting and financial reporting requirements specified under Section 217 (2AA) of the Companies (Amendment) Act, 2000, in respect of the financial statements, is annexed to this report.

Employee Stock Option Plan (ESOP)

Your company has introduced various stock option plans for its employees. Details of these, including grants to senior management, are given below. Senior management includes directors of your company and members of its management council.

1994 Stock Offer Plan (the 1994 plan)

The 1994 plan came to an end in fiscal 2000; no further options will be issued under this plan.

1998 Stock Option Plan (the 1998 plan)

Your company has issued 9,08,500 ADS-linked stock options to 494 employees during the year under the 1998 plan. Details of such options granted under the 1998 plan are given below.

	Description	Details
1.	Total number of shares	3.20 million ADS representing 1.60 million shares
2.	The pricing formula	Not less than 90% of the fair market value as on date of grant
3.	Ratio of ADS to equity shares	One share represents two ADSs
4.	Options granted during the year	9,08,500 options representing 4,54,250 equity shares
5.	Weighted average price per option granted during the year	\$ 49.50 (Rs. 2,415.10); 100% of fair market value on the date of grant
6.	Options vested (as of March 31, 2002)	3,29,054 options representing 1,64,527 equity shares
7.	Options exercised during the year	55,966 options representing 27,983 equity shares
8.	Money raised on exercise of options	\$9,51,422 (Rs. 4.59 crore)
9.	Options forfeited during the year	1,55,546 options representing 77,773 equity shares
10.	Total number of options in force at the end of the year	22,62,494 options representing 11,31,347 equity shares
11.	Grant to senior management	

	No. of options		*No. of options*
Brian Joseph King	11,500	T. P. Prasad	3,000
Sanjay Joshi	20,000	Srinjay Sengupta	4,000
Subhash B. Dhar	6,000	V. Sriram	3,000
Ashok Vemuri	10,000	Jan DeSmet	3,000
Basab Pradhan	4,000		
Total options granted to senior management during the year			64,500

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

1999 Stock Option Plan (the 1999 plan)

Your company has issued 20,50,500 stock options to 6,063 employees and 8 independent directors during the year under the 1999 plan. The details of such options granted under the 1999 plan are given below.

	Description	Details
1.	Total number of shares	66,00,000 shares
2.	The pricing formula	At the fair market value as on date of grant
3.	Options granted during the year	20,50,500 options representing 20,50,500 equity shares
4.	Weighted average price per option granted during the year	Rs. 3,094.41 (100% of fair market value on the date of grant)
5.	Options vested (as of March 31, 2001):	4,48,530 options representing 4,48,530 equity shares
6.	Options exercised during the year	30 options representing 30 equity shares
7.	Money raised on exercise of options:	Rs. 0.01 crore.
8.	Options forfeited during the year	1,75,635 options representing 1,75,635 equity shares
9.	Total number of options in force at the end of the year	46,68,815 options representing 46,68,815 equity shares

	Description	Details		
10.	Grant to senior management and independent directors			
		No. of options		*No. of options*
	Deepak M. Satwalekar	7,000	B. G. Srinivas	12,000
	Ramesh Vangal*	7,000	Satyendra Kumar	10,000
	Prof. Marti G. Subrahmanyam	6,000	Sanjay Purohit	2,290
	Philip Yeo	3,000	G. K. Jayaram	15,000
	Prof. Jitendra Vir Singh	2,000	V. Balakrishnan	2,000
	Dr. Omkar Goswami	2,000	H. R. Binod	1,500
	Sen. Larry Pressler	2,000	U. Ramadas Kamath	1,500
	Rama Bijapurkar	2,000	Y. Parameswar	2,000
	Ravindra Muthya Pranesha Rao	3,000	Girish G. Vaidya	3,000
	Mohan Sekhar	8,000	J. Sivashankar	2,000
	Total options granted to senior management during the year			93,290
	*Resigned during the year and hence forfeited the option.			
11.	Employees receiving 5% or more of the total number of options granted during the year: Nil			

Liquidity

Your company continues to be debt-free, and maintains sufficient cash to meet its strategic objectives. Your company believes in maintaining adequate liquidity in the balance sheet to maintain a fine balance between the need to provide adequate returns to the shareholders and the need to cover the financial and business risks that management foresees in the business. Liquidity enables your company to reduce financial risk and allows a rapid shift in direction should the market so demand. During the current year, internal cash accruals have more than adequately covered working capital requirements, capital expenditure of Rs. 322.74 crore and dividend payments, and have resulted in a surplus of Rs. 449.22 crore. As on March 31, 2002, your company had liquid assets of Rs. 1,026.96 crore, as against Rs. 577.74 crore at the previous year-end. These funds have been invested both in rupee and dollar deposits with banks and highly rated financial institutions. Your company believes that the existing cash is adequate to meet its capital expenditure and working capital requirements for the near future.

Research and education initiatives

During the year, your company trained around 771 entrants as part of its entry-level training program. Further, continuing education has been imparted, both in advanced technologies as well as in managerial skills. The total training imparted by your company to its employees during the year aggregated about 1,21,700 trainee person days.

The Infosys Fellowship Program instituted by your company at 14 premier academic institutions in India to support research work leading to a Ph.D. has been well received, and the number of fellowships instituted in the areas of information technology, management and law has been increased from 42 to 54. Your company spent around 0.57% of its revenue on R & D activities during the year.

Your company is making steady progress in its journey towards realizing its vision of leveraging the collective knowledge of the organization for competitive advantage and delivering better customer value. The program, inaugurated during August 2000, has reached a state of maturity evident in the active generation and widespread use of reusable knowledge, as testified by the 200+ (and increasing every month) knowledge assets published per month in the company's intranet Knowledge Management (KM) portal, and the download of one knowledge asset for use every 2 work-minutes.

Your company's KM program has received widespread recognition amongst customers, practitioners, benchmarking agencies and academicians. Your company was one among the 37 finalists (the first Indian company to achieve this distinction) for the 2001 MAKE (Most Admired Knowledge Enterprises) awards.

Your company's KM Program is being used as case studies in two of India's leading management schools. The program is also featured as a case in a chapter dedicated to it in a book titled "Knowledge and Business Process Management" being published by the Idea Group Publishing, Hershey, PA, USA. This is in addition to several publications in national and international journals, and presentations at various conferences and KM community forums. An important indicator of the recognition for the company's KM initiatives worldwide was an invited lecture from your company at the event, "Knowledge Exchange Partnership for Global IT Organizations (KEP GIT)", presented to a select group of CIOs of top-rung global IT companies.

Infosys Foundation

Your company is committed to contribute to its social milieu and, in 1996, established Infosys Foundation as a not-for-profit trust to support initiatives that benefit society-at-large. The Foundation supports programs and organizations devoted to the cause of the destitute, rural poor, the mentally challenged, senior citizens and illiterates. It also helps preserve certain arts and cultural activities of India which are under threat of fading out. Grants to the foundation during the year aggregated Rs. 3.75 crore, as compared to Rs. 5.26 crore in the previous year.

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

Community services

Your company, through its *Computers@Classrooms* initiative launched in January 1999, has donated 1,185 computers to 435 institutions across India. Your company has also applied to the relevant authorities for permission to donate an additional 382 computers to 149 institutes in the near future. Microsoft continues to participate in this initiative by donating relevant software and we would like to place on record our appreciation for its continued support.

Awards

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

- First rank among 37 India-based companies in the Review 200 – Asia's Leading Companies survey 2001 – by the *Far Eastern Economic Review*
- First rank in the Best Employer Study by the *Business Today*-Hewitt study for the second year in succession
- First rank in the *Dataquest* "Employee Perception Survey" carried out in the top 20 Indian software companies
- First rank in the *Business World's* survey of "India's Most Respected Company"
- Corporate Citizenship Award by *The Economics Times* of India
- The Institute of Company Secretaries of India National Award for Excellence in Corporate Governance by the Ministry of Law, Justice and Company Affairs, Department of Company Affairs, Government of India
- Golden Peacock Award for Excellence in Corporate Governance in the Global Category by the World Council for Corporate Governance, London
- No. 1 rank in the CG watch 2002, the CLSA study on corporate governance practices in emerging markets
- Award recognizing contributions in the social area using IT by *Computer World* magazine
- The Institute of Chartered Accountants of India award for best presented annual report in 2001 for the seventh successive year
- Best regional software house award by *Financial Technology Asia*
- *Asiamoney* award for best investor relations in India for 2001, best managed company in India for 2001 and best managed company of the decade in India 1991-2001
- Award for outstanding contribution towards the promotion of Indo-German Economic Relations-2001 by the Indo-German Chamber of Commerce

Fixed deposits

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

Directors

During the year, Mr. Ramesh Vangal retired as a director and your directors inducted Mr. Claude Smadja, Principal Advisor of the World Economic Forum, as an additional director of the company, in his place. His appointment requires the approval of the members at the ensuing Annual General Meeting.

As per Article 122 of the Articles of Association, Mr. Nandan M. Nilekani, Mr. K. Dinesh, Mr. Philip Yeo, Mr. T. V. Mohandas Pai and Mr. Phaneesh Murthy retire by rotation in the forthcoming Annual General Meeting. All of them, being eligible, offer themselves for reappointment.

Auditors

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

FII investment limit

Recently, the Government of India raised the investment limit in an Indian company for Foreign Institutional Investors (FII) from 49% to the maximum level approved under the FDI for that industry, subject to the approval of the board of the investee company and a special resolution by the shareholders of such a company. The maximum FDI level applicable for the software industry is 100%, at present. Your directors are of the opinion that it would be in the interest of the company to increase the limit of such investment to 100%. The necessary resolutions are being placed before the members in the ensuing Annual General Meeting.

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

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

Particulars of employees

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

Acknowledgments

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

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

For and on behalf of the board of directors

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

N. R. Narayana Murthy
Chairman and Chief Mentor

Bangalore
April 10, 2002

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

1. Conservation of energy

The operations of your company are not energy-intensive. However, adequate measures have been taken to reduce energy consumption by using energy-efficient computers and by the purchase of energy-efficient equipment. Your company constantly evaluates new technologies and invests in them to make its infrastructure more energy-efficient. Currently, your company uses CFL fittings and electronic ballast to reduce the power consumption of fluorescent tubes. A building automation system to control the working of air conditioners and to make them more energy-efficient has been implemented. Air conditioners with energy efficient screw compressors for central air conditioning are used and air conditioners with split air conditioning for localized areas are used. High efficiency, hydro-pneumatic pumps are being used in water pumping systems. As energy costs comprise a very small part of your company's total expenses, the financial impact of these measures is not material.

In addition, your company is using amorphous core transformers in place of conventional transformers in all its locations, which operate at an efficiency of 97%. Your company is also using power factor correctors at the supply level of the state grid power to achieve high energy efficiency.

2. Research and Development (R & D)

Research and development of new services, designs, frameworks, processes and methodologies continue to be of importance at your company. This allows your company to enhance quality, productivity and customer satisfaction through continuous innovation.

a. R & D initiative at institutes of national importance

This initiative has been described in the research and education initiatives section in the directors' report.

b. Specific areas for R & D at your company

Since business paradigms and technologies are changing constantly, continuous investments in research and development are of paramount importance. Your company has taken the approach that its research must be beneficial to the company and to its clients either in the short-term or in the medium-term. As in earlier years, your company continues to conduct research in the areas of software engineering, project management, global delivery, emerging technologies, and new tools and techniques.

Research has been continuing in the areas of software architecture and performance engineering. This is to help deliver high-performance and high-transaction-volume software solutions to clients. Research has also been continued in object and component technologies to create modules that enable repeatability across projects.

Your company continues to undertake research in the following areas:

- E-commerce: Your company carried out extensive research in the areas of legacy integrations, web services and other technologies of interest.
- Concept centers: Initiatives were taken to set up concept centers in advanced technologies and, presently, are in advanced stages of conclusion.
- General software engineering: Your company is constantly improving its methodologies to increase quality and productivity, and to reduce time-to-market for its clients.
- Products: Your company continues to enhance and develop additional products in the banking area.

Your company has various groups engaged in R & D. The Education and Research (E & R) department conducts short-term and long-term research in the areas of knowledge management, performance testing, e-commerce, education and training methodologies, and technology-based mechanisms for delivery of education. During the year, the E & R team published 25 papers in leading international / national journals and conferences. Some of your company employees were invited to deliver presentations. The Infosys Performance Testing Center established last year has provided performance solutions to a number of development projects.

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

Your company has been able to maintain margins despite changes in technology and increased personnel costs. Further, the Infosys Performance Testing Center and the e-commerce research labs have been instrumental in building expertise in the areas of software performance solutions, testing, architecture and prototype development.

d. Future plan of action

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

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

in Rs. crore

	2002	2001
Revenue expenditure	14.40	14.97
Capital expenditure	0.46	2.14
Total R & D expenditure	14.86	17.11
R & D expenditure as a percentage of total revenue	0.57%	0.90%

3. Technology absorption, adaptation and innovation

During the year, your company successfully migrated the enterprise messaging infrastructure to the Microsoft Exchange 2000 backbone. Further, your company made significant additions to the number of servers used for software development, and to the number of file and print servers.

During the year, your company also implemented video streaming and web-casting facility using Multicast technology to reach out to all employees. Your company has strengthened video conferencing capabilities for internal use and customer communication by deploying high-end Accord Video Bridges and Polycom Conferencing systems. Remote access facility to your company's network is extended to its employees worldwide by value added services such as IPASS and Extranet. Your company entered into special agreements with telecom service providers to extend voice communication from customers to employees' residences and vice versa using Voice VPN technology.

Your company further invested in middleware technologies, mobile technologies and legacy modernization technologies. Your company has set up laboratories and Centers of Excellence for technology research and competency building. Your company joined several technical standards organizations, and continues to be capable of providing total technology solutions to its clients using new technologies and tools.

4. Foreign exchange earnings and outgo

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

Your company has had a strong export focus in the past, and expects its export thrust to continue in the future. In fiscal 2002, 98.04% of revenues were derived from exports. Over the years, your company has established a substantial direct marketing network all over the world and now has marketing offices in North America, Europe and the Asia Pacific region. These offices are staffed with sales and marketing specialists who sell your company's services to large, international clients.

During the year, your company opened marketing offices in the Netherlands, Singapore, and Switzerland. Your company also launched a global initiative to increase the awareness of the Infosys brand, and of its products and services. Several press and public relations exercises were launched in the US to enhance your company's visibility. Further, your company plans to take part in several international exhibitions to promote its products and services.

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

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

in Rs. crore

	2002	2001
Foreign exchange earnings	2,495.50	1,728.23
Foreign exchange outgo (including capital goods and imported software packages)	1,072.15	727.53

For and on behalf of the board of directors

Bangalore
April 10, 2002

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

N. R. Narayana Murthy
Chairman and Chief Mentor

Annexure to the directors' report

b) 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, 2002

Sl. No.	Name	Designation	Qualification	Age (Years)	Date of Joining	Experience (Years)	Gross Remuneration (Rs.)	Previous Employment – Designation
1.	Aashish Bansal	Business Development Manager	B.Tech., PGD	37	17.02.2000	13	69,47,276	HSBC Capital Markets India Pvt. Ltd., Senior Manager
2.	Abhay M. Kulkarni	Delivery Manager	B.E.	35	26.02.1990	14	13,95,046	Tisco, Graduate Trainee
3.	Ajay Dubey	Vice President	B.Tech.	44	07.06.1993	22	14,10,039	ANZ Bank, Technical Team Leader
4.	Ajita Kini	Principal	B.Sc., PGD	36	16.10.2000	13	69,54,835	KPMG Consulting Pvt. Ltd., Manager
5.	Akash Maiti	Senior Associate	B.E.(H), M.A., PGD	31	05.07.2000	7	56,69,877	Andersen Consulting, Senior Consultant
*6.	Akihiro Komiyama	Business Development Manager	MBA	42	19.11.2001	16	14,34,941	Breit Consulting Co. Ltd., Managing Director
7.	Albena De Assis	Software Developer	B.Sc.	27	17.07.2000	4	18,38,591	Siemens, Software Developer
8.	Albert Denis Lewis	Senior Program Manager	MS, MBA	42	05.02.2001	20	53,47,099	Profitech, Consultant
*9.	Alex W. Yang	Senior Associate	BS, MBA	33	30.07.2001	7	36,48,434	Onsite Access Inc., Senior Manager – e-business
*10.	Alexander Graham Mcgregor Pringle	Account Manager	B.Sc., Diploma	49	16.07.2001	29	21,34,427	Syntel Inc., Senior Project Manager
*11.	Alexander Zmoira	Senior Principal	BS, MBA	37	25.06.2001	8	58,63,700	Intnl Business CGE&Y, Senior Manager – Consulting Services
12.	Alexandre Elvis Rodrigues	Business Development Manager	B.Tech., MBA	31	03.08.1998	8	65,86,274	Modi Xerox, Production Sales Manager
13.	Amar Vaidya	Business Development Manager	B.E., MBA	32	30.11.2000	9	38,27,807	Andersen Consulting, Consultant
14.	Ameer Saithu	Associate	B.Tech., PGD	29	27.03.2000	6	44,27,826	PricewaterhouseCoopers, Consultant
*15.	Amit Khetarpal	Business Development Manager	B.E., MBA	34	10.09.2001	9	13,05,279	Booz-Allen & Hamilton, Associate
16.	Amit Kumar Bhadra	Senior Manager and Head Implementation – Internet Banking Banking Business Unit	B.Sc., M.Sc.	36	22.01.1998	16	12,42,890	Unit Trust Of India, Asst. General Manager
*17.	Amit Nangalia	Software Engineer	B.A.	23	25.06.2001	1	23,26,380	–
18.	Amitabh Pushparaj Mudaliar	Senior Associate	B.E., PGD	30	20.03.2000	7	48,76,264	PricewaterhouseCoopers, Consultant
19.	Amy (Yuen Chun) Wong	Software Engineer	B.Sc.	24	22.01.2001	2	27,12,009	Hewitt Associates, Quality Assurance Analyst
*20.	Amy Veloz	Administrative Assistant	BBA	29	21.06.2001	11	14,48,417	Eclubbuy San Juan Capistrano, Senior Product Marketing Associate/Supervisor
21.	Anand Krishna	Senior Principal	B.E., MBA	36	12.07.2000	12	32,68,355	Pricewaterhouse Coopers, Sr. Manager – Transaction Services
22.	Anand Narayanaswamy	Programmer Analyst	B.Com.	28	02.04.2001	8	26,81,659	Paras International Gmbh, Prokurist (General Manager)
*23.	Anand P. Arkalgud	Business Development Manager	B.E., MBA	30	19.11.2001	8	12,52,483	Techone Inc., Sr. Manager – Business Development
*24.	Anand Subramanian	Senior Associate	B.Com., CA	29	08.06.2000	6	23,03,116	Arthur Andersen, Senior Consultant
25.	Anand Uppili	Business Development Manager	B.E.(H)	35	14.12.2000	14	42,13,097	Tellabs International Inc., Product Manager
26.	Ananda Rao	Business Development Manager	B.E., M.Sc.	43	25.10.1999	15	51,86,288	Se IT Technologies, Regional General Manager
27.	Anant Natekar	Project Manager	B.E.	26	09.02.2001	4	28,90,794	Fourth Technologies Inc., Consultant
28.	Andi Berkowitz	Administrative Assistant	B.A., ASL	49	12.04.1999	12	22,23,183	Newton Wellesley Chinopractic, Office Manager
29.	Andreas Suwe	Project Manager	BLaws, Diploma	35	05.03.2001	8	28,72,812	Tucows Inc., Project Manager
*30.	Andrew K. Noel	Business Development Manager	B.Com.	26	13.08.2001	4	21,53,446	Kumaran Systems Inc., Account Manager
*31.	Andrew R. Friedman	Principal	B.Sc., MBA	39	26.11.2001	15	22,38,281	Convergent Group, Director – Customer Relationship Mgmt. Prac.
*32.	Aniket Kishore Ullal	Business Development Manager	B.A., PGD	26	28.05.2001	5	13,51,808	Indstudent.Com, Co-Promoter
*33.	Aniket Rajiv Maindarkar	Business Development Manager	B.Sc., MBA	30	01.06.2001	8	36,29,255	Patni Computer Systems, Manager – Business Development
34.	Anil Roy	Programmer Analyst	B.E.	27	19.02.2001	5	36,45,569	Air Check Virginia, Database Administrator
35.	Anilkumar Nechiyil	Project Manager	B.Sc.	41	03.01.2001	19	43,83,543	First Data Merchant Services, Project Technical Leader
36.	Ankur Gupta	Business Development Manager	B.A.(H), PGD, ACA	29	17.07.2000	7	52,67,844	Arthur Andersen India Pvt. Ltd., Senior Consultant
37.	Ankush Patel	Business Development Manager	B.E., MBA	34	01.10.1999	10	80,34,989	Nortel Networks, Account Manager
38.	Anthony de Laat	Delivery Manager	B.A., M.Sc., B.Sc. Engg	45	12.03.2001	20	38,30,416	OAO Technologies Canada, Delivery Director
39.	Anup Ashok Basrurkar	Business Development Manager	B.Com.(H), CA	37	12.06.2000	11	70,51,561	Citibank N. A., Vice President
40.	Anup Vittal	Business Support Manager	B.Sc., M.Sc.	35	05.03.2001	12	43,58,382	Honeywell International, Engineer/Scientist III
41.	Anupam Bhatnagar	Business Development Manager	B.A.(H), LLB, PGD	30	03.08.2000	5	44,62,253	Arthur Andersen, Consultant
*42.	Anurag Gupta	Business Support Manager	B.Sc., MCA	37	15.01.2002	15	5,13,665	American Express Bank Ltd., Director
43.	Ardhendu Sekhar Das	Delivery Manager	B.E.	36	23.01.1998	14	12,90,051	Fujitsu Network Communications Inc., Database Administrator
44.	Arindom Basu	Senior Principal	B.E.(H), PGD	35	05.02.2001	11	86,17,218	Andersen Consulting, Sr. Manager
45.	Arjun K. Rao	Software Engineer	B.E., MS	25	22.01.2001	2	27,12,009	Recruitmentindia.Com, Webmaster/ Technical Lead
46.	Aroun Balakrishnan	Programmer Analyst	B.Tech	28	05.03.2001	6	30,22,062	Blockbuster Inc., Senior Programmer Analyst
*47.	R. Arun Kumar	Business Development Manager	B.Tech., PGD	31	05.06.1999	9	78,44,081	Nokia Private Limited, Sales Manager – West & South India
48.	Arun Ramu	Delivery Manager	B.Tech.	41	28.08.2000	19	12,27,557	Trigent Software, General Manager

Annexure to the directors' report (contd.)

Sl. No.	Name	Designation	Qualification	Age (Years)	Date of Joining	Experience (Years)	Gross Remuneration (Rs.)	Previous Employment – Designation
*49.	Ashim Kumar Ghosh	Delivery Manager	B.Tech.(H), M.Sc., PGD	47	02.01.2002	21	4,21,919	Kirloskar Computer Services & Kirloskar Software, Managing Director/CEO
50.	Ashish Pandita	Software Analyst	B.E.	28	27.11.2000	4	21,39,076	Robert Bosch India Ltd., Software Developer
*51.	Ashok V. Arunachalam	Principal Architect	B.Tech., MS	38	03.05.1999	12	1,51,158	New Bridge Networking Corporation, Manager
52.	Ashok Vemuri	Regional Manager Sales	BSCH, PGD	33	01.10.1999	10	73,12,424	Bank Of America, Assistant Vice President
*53.	Ashwani Rishi	Business Development Manager	B.E.	43	02.10.2001	22	21,96,596	Syntel Inc., Practice Vice President
54.	Atul Kishore Seth	Senior Associate	B.Com., MMS	30	17.07.2000	8	42,66,847	Ernst & Young Consulting India Pvt. Ltd., Senior Consultant
55.	Ayan Chatterjee	Business Development Manager	B.A.(H), PGD	30	02.11.1998	9	85,15,526	Andersen Consulting, Consultant
56.	S. Babuji	Business Manager	B.E.	52	17.12.1997	29	14,40,982	Mahindra British Telecom Ltd., Chief Manager
*57.	Badarinath Devalla	Senior Technical Architect	B.E., MS, PHD	31	14.01.2002	3	8,88,675	VPI Systems, Senior Technical Consultant
*58.	M. S. Balaji	Programmer Analyst	B.E.	26	04.09.2001	6	11,78,088	Tata Elxsi Ltd., IT Analyst
59.	Balaji Yellavalli	Senior Principal	B.Tech., PGD	33	18.09.2000	12	75,89,775	Feedback Ventures Ltd., Chief Executive Officer
60.	D. R. Balakrishna	Resident Project Manager	B.E.	30	07.02.1994	8	31,07,215	HCLI-HP, Customer Relations
61.	P.R. Balakrishnan	Business Development Manager	B.Tech., MBA	29	15.11.1999	7	52,56,901	Arthur Andersen, Senior Consultant
62.	V. Balakrishnan	Vice President – Finance and Company Secretary	B.Sc., ACS, CA	37	02.09.1991	15	17,37,431	Amco Batteries Ltd., Senior Accounts Executive
63.	Balashankar	Business Manager	B.E.	46	17.12.1997	22	12,26,173	Bharat Electronics Ltd., Manager & Dept. Head – R & D
64.	P. Balasubramanian	Senior Vice President – Domain Competency Group	B.Tech, M.Tech, Ph.D.	52	01.10.1995	29	20,34,065	Hitek Software Engineers Ltd., CEO\Technical Director
65.	A. Balu	Account Manager	B.E., Diploma	30	07.11.1994	12	35,60,946	Adarsha Polytechnic, Teacher
66.	Balwant Chitubhai Surti	Senior Consultant – Business Consulting Group – Banking Business Unit	B.Com., LLB, M.Com, CAIIB	41	16.08.1999	20	12,37,414	The Saraswat Co-Operative Bank Limited, Senior Manager – IT
67.	Bartley Richard Higgins	Business Development Manager	B.A.(H), M.A.	53	20.02.1997	15	92,20,398	Wireless S/W, Developer
68.	Basab Pradhan	Regional Manager & Vice President – Sales	B.Tech., PGD	36	03.10.1994	13	1,10,81,173	Lipton India Ltd., Manager
*69.	Bernard J. Decunha	Business Development Manager	B.A.	36	31.05.2001	11	40,53,547	Polaris Software Labs, Regional Manager
70.	Bhaskar Ghosh	Divisional Manager	B.Sc., MBA	42	03.02.1997	21	15,09,507	Philips India Ltd., Sr. Marketing Manager
71.	Bibhu R. Pattanayak	Delivery Manager	B.Sc., B.Tech., M.Tech.	44	11.08.1997	19	13,68,613	AT&T, Project Manager
72.	Biji P. Thomas	Associate	B.E., PGD	27	24.04.2000	5	40,93,576	Andersen Consulting, Senior Consultant
73.	Bikramjit Maitra	Associate Vice President – Head – Development Center Bhubaneswar	B.Sc., B.Tech.	47	22.02.1999	22	15,69,884	R. S. Software, Vice President
74.	Bindu Ajay Badola	Senior Consultant (Enterprise Solutions)	B.E.	32	09.10.2000	10	29,45,460	Tata Infotech Ltd., Systems Specialist
75.	H. R. Binod	Associate Vice President Commercial & Facilities	B.E.	39	02.08.1993	16	15,65,473	Mico, Senior Engineer – Technical Sales
*76.	Blandine Galland	Consultant (Enterprise Solutions)	Diploma	45	04.10.2001	20	19,91,977	3Com Europe – Hemel Hempstead, IT Applications Manager
*77.	Brian Joseph King	Associate Vice President & Head – Business Development (Engineering Services & Consultancy Practice)	B.A., B.Sc.	42	23.04.2001	22	76,60,760	Electronic Data Systems Inc., Director
*78.	Brian Y. Chu	Software Engineer	BS	23	25.06.2001	1	25,09,029	–
*79.	Brit Lane	Software Developer	B.Sc.	25	08.05.2000	3	7,74,581	Tha Cain Gang Ltd., Developer
80.	Bryan Michael Mallinson	Software Developer	BBM	25	15.01.2001	1	15,93,453	–
81.	Buuquang Kha	Software Developer	B.Sc.	24	15.01.2001	1	15,93,453	–
*82.	Casey Michael Nolan	Software Engineer	BBA	23	25.06.2001	1	25,08,981	–
83.	Chandra Shekar Kakal	Associate Vice President – Head – Development Center, Hyderabad	B.E., MBA	41	01.03.1999	19	16,33,441	Ramco Systems, Product Manager
*84.	Christopher See	Software Developer	B.Sc.	25	13.08.2001	1	10,95,696	–
85.	Col. C. V. Krishna	Associate Vice President – Infrastructure & Security	B.E., MBA	55	01.04.1998	26	14,47,943	Indian Army, General Engineering
86.	Constantine Donny Mangos	Software Developer	B.Com., B.A.	24	21.08.2000	3	17,27,937	Spectrum United Mutual Funds, Accounts Administrator
87.	Craig Daniel DeDecker	Software Engineer	BBA	23	22.01.2001	3	27,12,009	Economy Advertising, System Admin Intern
*88.	Dave Pennington	Business Development Manager	B.A.	46	13.11.2001	22	15,55,791	Evoke Software Corporation, Account Manager
89.	David Spencer	Principal	B.A., B.Sc., MBA	37	18.09.2000	16	81,99,311	Spherion, Senior Manager
90.	Dean E. Whiteside	Legal Counsel – Marketing	B.A.	36	26.05.1998	8	37,92,833	Bank Of America, Systems Administrator
*91.	Deanne Ruth D'Souza	Resident Project Coordinator	B.Sc., MCA	26	29.06.1998	4	15,42,412	–

Sl. No.	Name	Designation	Qualification	Age (Years)	Date of Joining	Experience (Years)	Gross Remuneration (Rs.)	Previous Employment – Designation
92.	Debashish Banerjee	Project Manager	B.E., PGD	37	02.04.2001	16	43,19,262	Psinet Consulting Solutions Global Group, Managing Principal (Director)
*93.	Debasis Sahoo	Resident Project Manager	B.Tech	29	09.04.2001	7	33,32,218	Silverline Tech. Inc., A. P. M.
94.	Debjit Datta Chaudhuri	Business Development Manager	BSCH, PGD	29	13.10.1998	8	64,47,854	Wipro Finance Ltd., Officer
95.	Deepak Jha	Associate	B.Tech., PGD	29	18.12.2000	5	35,67,692	Andersen Consulting, Consultant
96.	Deepak Natraj Ramamurthi	Senior Manager – New Initiatives	B.Com.(H), CA	36	10.07.2000	12	12,06,306	Ernst & Young, Head – Assurance Business
*97.	Deepak Rao	Senior Principal	B.Tech., PGD	38	01.02.2001	16	61,38,579	KPMG Consulting, Executive Consultant
*98.	Deepak Sachdeva	Business Development Manager	B.Tech., PGD	32	20.06.2001	8	12,98,669	Citibank N. A., AVP
99.	Deepak Sundarrajan	Project Manager	B.E.	29	19.02.2001	7	30,72,999	Humana Inc., Designer
100.	V. G. Dheeshjith	Associate Vice President – Delivery (Asia Pacific)	B.Sc., M.E.	38	14.09.1987	15	13,25,126	–
*101.	Diane Irene McKenzie	Executive Assistant	PUC	45	22.05.2001	15	11,86,913	Hewitt Associates, Executive Assistant
102.	Dileep Arvind Kasargod	Senior Associate	B.Tech., PGD	35	18.09.2000	10	35,92,706	HCL Perot Systems, Associate
103.	Dinesh Ganesan	Delivery Manager	B.Sc., MBA	33	14.12.1998	12	12,68,216	CMC Ltd., Designer
104.	Dinesh Krishnaswamy	Director and Head – Human Resources Development, Information Systems, Quality & Productivity and Communication Design Group	B.Sc., M.Sc.	47	01.09.1981	26	20,97,907	Patni Computer Systems Pvt. Ltd., Senior Software Engineer
105.	R. Dinesh	Delivery Manager	B.E.	33	01.10.1990	12	13,19,580	–
*106.	Dnyanesh Patkar	Senior Associate	B.Sc., M.E., MBA	30	24.10.2001	6	23,05,322	Diamondcluster International, Manager – Business Strategy & Operations
*107.	Douglas R. Honabach	Senior Associate	B.A., MBA	32	30.07.2001	3	5,69,036	Accenture, Manager
108.	Duncan Zhang	Software Developer	B.Tech.	25	08.05.2000	2	17,27,937	–
*109.	Dustin Derek Weeks	Programmer Analyst	B.A., M.A.	33	02.07.2001	6	3,33,905	Okumura Kikai, Assistant Product Manager
110.	Easaw Pallipeedikayil Easaw	Business Development Manager	B.E., PGD	32	07.04.2000	8	45,46,205	Apex Systems, Sr. Marketing Executive
*111.	Eric Carl Hecht	Business Development Manager	B.Sc.	39	14.05.2001	16	28,63,261	Compumod Pty. Ltd., National Sales Manager
*112.	Eric S. Paternoster	Associate Vice President	B.Sc., MBA	49	25.02.2002	27	8,34,336	CAP Gemini Ernst & Young, Vice President/Partner
113.	Eric Seubert	Senior Principal	B.Sc., MBA	35	28.08.2000	12	88,98,499	Interim Technology Consulting, Director – E-Business Practice
*114.	Esteban Herrera	Senior Associate	B.Sc.	27	16.10.2001	6	25,31,992	Riverton Corporation, Director – Collaborative Commerce Prac.
*115.	Estela Solano	Administrative Assistant	Diploma	24	05.07.2001	4	15,90,115	Brassring, Support Engineer
*116.	Eugene Mortensen	Senior Consultant (Domain Competency Group)	B.A., M.Sc., PGD	61	07.06.2001	31	45,99,386	DMR Consulting Group Inc., Project Mgr. – Mgmt. Consultant
117.	Eugene Roitman	Software Developer	B.Sc.	25	21.08.2000	4	16,47,486	Levitronics Corp., Analyst
*118.	Francesca Picci	Software Developer	B.A., MS	25	17.08.2001	1	21,24,780	–
*119.	Ganesh Balakrishnan	Project Manager	MTech, M.Sc.	35	01.04.1997	10	3,42,797	Tata Unisys Ltd, Systems Analyst
120.	Ganesh Gopalakrishnan	Divisional Manager	B.E.(H), PGD	39	02.05.1994	15	15,24,160	Asian Paints India Ltd., Systems Executive
121.	Gaurav Johri	Business Development Manager	B.Tech., PGD	31	01.09.1997	8	42,99,488	Microland, Business Development
122.	Gaurav Rastogi	Business Development Manager	B.E., PGD	29	05.02.2001	5	42,40,002	Amrop International, Senior Consultant
123.	Gautam P. Thakkar	Principal	B.Sc.	33	17.07.2000	12	66,32,149	Andersen Consulting, Manager
124.	G. Geetha	Group Project Manager	B.E.	36	01.12.1995	15	12,19,998	ITI Limited, Senior Engineer
125.	George Ignatius	Associate	B.Tech(H), PGD	27	11.09.2000	4	33,31,814	Andersen Consulting, Consultant
126.	George Varghese	Business Development Manager	B.Com.	34	26.09.1996	11	50,45,719	Hitachi, Systems Administrator
*127.	Gerald H. Ross	Principal	B.Sc.	38	11.02.2002	15	8,27,651	PricewaterhouseCoopers LLp, Key Senior Manager
128.	Gigi Chiao Chih Tsang	Software Developer	BSCH	23	15.01.2001	1	15,93,453	–
129.	Girish Anant Pashilkar	Senior Associate	B.Tech., PGD	30	20.03.2000	8	70,51,476	Arthur Andersen, Senior Consultant
130.	Girish G. Vaidya	Senior Vice President – Banking Business Unit	B.E., PGD	51	22.01.1999	27	22,40,109	ANZ Grindlays Bank Ltd., Head & Director – Operations
*131.	Gnanavel Dhandapani	Resident Project Manager	B.E.	30	23.07.2001	9	23,61,715	PKS Information Services Inc., Programmer/Analyst
132.	Gopal Devanahalli	Business Development Manager	M.Sc.(Tech), PGD	33	01.10.1999	10	63,83,219	Ford Credit Kotak Mahindra Ltd., Regional Manager
133.	S. Gopalakrishnan	Deputy Managing Director, Chief Operating Officer and Head – Customer Service & Technology	B.Sc., M.Tech	46	01.02.1981	22	19,92,457	Software Sourcing Co., V. P. Technical Group
134.	Gopikrishnan Konnanath	Resident Project Manager	B.E.	31	07.11.1994	8	15,43,191	BPL Systems & Projec, Trainee
135.	Gopinath Sutar	Senior Principal	B.Tech., PGD	35	01.10.1999	13	90,50,535	A. T. Kearney, Manager
*136.	Graham Russell Smithers	Consultant (Enterprise Solutions)	B.Tech.	42	04.10.2001	25	18,61,415	3Com Europe Ltd., Hemel Hempstead, Network Equipment Manufacturer

Annexure to the directors' report (contd.)

Sl. No.	Name	Designation	Qualification	Age (Years)	Date of Joining	Experience (Years)	Gross Remuneration (Rs.)	Previous Employment – Designation
137.	Guhan Kumaran	Project Manager	B.E.(H)	27	26.06.1995	7	26,18,737	–
*138.	Guruprasad Krishnamurthy	Business Support Manager	B.Sc., MS	38	25.06.2001	10	31,77,911	Eforce Inc., Project Manager
*139.	Hanif Kanjer	Business Development Manager	B.E., MBA	33	31.07.2001	11	17,28,493	DSQ Software, Director – Business Development
140.	Haragopal Mangipudi	Associate Vice President and Head Professional Services Group – Banking Business Unit	LLB, B.Sc., PGD	40	08.12.1993	15	12,05,759	Canara Bank, Officer
*141.	Hariharan S. Murthy	Regional Manager & Associate Vice President – Sales	B.E., PGD	37	01.09.1994	14	79,85,722	Redington Pvt Ltd, Marketing Manager
142.	Haris Ashraf Beg	Programmer Analyst	B.Sc. Engg, M.Sc. Engg	29	13.10.1997	4	3,33,527	–
143.	Helen Kim	Associate Manager – HRD	B.A., MED	25	05.07.2000	2	27,28,340	Elite Educational Institute, Admin Assistant
144.	Hema Ravichandar	Senior Vice President – HRD	B.A., PGD	40	30.12.1998	19	15,51,674	Empower Associates, Propreitor
*145.	Henri Mabille	Senior Principal	Diploma	49	01.03.2000	25	20,41,399	SIA SA Group, Financial Director Group
146.	Hoi tung (Harry) Cheung	Software Developer	B.Com., BSCH	25	05.06.2000	5	16,84,459	The Muses Arts & Recreation Center, Web Manager
147.	Hugh Gordon Read	Software Developer	B.Sc.	25	21.08.2000	2	17,44,375	–
*148.	Ikuko Kawashima	Consultant (Enterprise Solutions)	PUC	35	09.01.2002	12	9,00,178	Manugistics Japan K. K., Technical Consultant
*149.	Ivan H. Brock	Project Manager	B.Sc., PHD	37	12.02.2001	8	23,22,205	Escom Software Services, Development Manager
150.	Ivan Sussman	Business Development Manager	B.Sc.	29	26.03.2001	6	20,98,927	Citicorp, Executive Marketing Manager & Business Planner
*151.	Jae Hyun Kim	Business Development Manager	BBA, MBA	32	27.12.2001	6	9,45,671	Locus Corporation (Telecommunication Si), Manager & System Consultant World Wide Sales
*152.	Jagdish N. Jois	Program Manager	B.Com.(H), MBA	44	04.02.2002	18	8,03,203	Netfi Inc., Co-Founder, Principal Strategic Consultant
153.	Jahir Hussain	Programmer Analyst	B.Sc., M.Sc.	32	29.01.2001	8	36,51,941	Complete Business Solutions Inc., Manager
154.	Jaime Salvador Arguello	Software Engineer	B.Sc. Engg.	24	22.01.2001	4	26,55,521	Washington University, Web Master
*155.	Jamuna Ravi	Delivery Manager	B.E.	39	19.11.2001	17	5,09,629	Trigent Software Limited, Vice President – Head Operations
156.	Jan DeSmet	Vice President – Infosys Business Consulting Services	BBA, MBA	42	04.01.1999	18	1,10,44,742	Diamond Technology Partners, Senior Principal
157.	Jasmeet Singh	Business Development Manager	B.Tech., MBA	30	30.10.2000	7	48,11,901	Deutsche Bank, Sales Manager
158.	Jason McEwan	Software Developer	B.Sc.	24	21.08.2000	5	17,20,892	Information Technology Services, Network Consultant
159.	G. K. Jayaram	Advisor To Management Council and Head – Infosys Leadership Institute	B.Sc., B.E., PGD, Ph.D.	61	05.01.2001	31	20,57,922	Transformation Systems Inc., Chairman
160.	Jayaraman Thiyagarajan	Group Project Manager	B.Sc., MCA	40	29.01.2001	16	12,23,323	Complete Business Solutions (I) Pvt. Ltd., Senior Manager – Projects
*161.	Jayashree Seshadri	Software Developer	B.Sc., MCA	26	22.05.2001	2	14,16,293	Bold Link Technologies, Consultant
*162.	Jenifer K. Adkins	Sales Administrator	Diploma	35	26.06.2000	17	2,80,531	Credit Lyonnais, Executive Assistant/Office Manager
163.	Jennifer La Vonne Dean	Executive – HRD	B.Sc., Master of Public Adm	27	24.04.2000	4	20,53,054	Oakland Ready To Learn, Project Administrator
*164.	Jennifer Leigh Griffith	Marketing Associate	B.A.	28	30.04.2001	6	21,73,246	Freelancer, Technical Writer
165.	Jessica M. Chisholm	Administrative Assistant	B.A.	24	14.02.2001	3	22,20,375	Linotext America Inc., Account Manager
*166.	Jingfang (Jenny) Wei	Software Engineer	B.Sc.	22	25.06.2001	0.3	9,22,855	–
167.	Jitin Goyal	Business Development Manager	B.E., PGD	31	21.12.1998	8	72,11,109	CitiBank, Manager
*168.	Jo Ando	Business Analyst	B.A.	28	25.12.2001	3	9,33,149	Andersen Consulting (Accenture), Technology Analyst
169.	Joan Lin	Software Analyst	B.E.	31	21.08.2000	7	19,85,679	Infotech Consulting Co., Java Developer
*170.	John Andrew Sakell	Software Developer	B.Sc.	31	22.05.2001	1	14,69,067	–
*171.	John Creighton	Senior Associate	B.E., MS, MBA	31	18.03.2002	12	2,13,538	Diamondcluster International, Business Strategy Consultant
172.	John Li	Software Developer	BSCH, Diploma	27	21.08.2000	3	16,98,549	York Chinese Christian Fellowship, Secretary
*173.	John Oscar Fogarty	Business Development Manager	B.A., MBA	31	20.02.2001	9	31,14,183	Morgan Stanley Dean Witter, Vice President – Financial Advisior
174.	Jonathan Masterton	Software Analyst	BSCH	28	24.07.2000	3	23,19,413	Logica UK Ltd., Team Leader
175.	Joydeep Mukherjee	Delivery Manager	B.Tech.	33	22.06.1992	10	13,22,733	–
176.	Judith Ann Ondina	Administrative Assistant	B.A.	53	16.07.1999	18	26,40,265	Sprint, Human Resource Co-ordinator
177.	Kajendran Balasundaram	Software Developer	B.Sc.	27	21.08.2000	4	16,98,549	Queen's University, Student Software Engineer
178.	Kala Swaminathan	Business Development Manager	B.Sc.	33	27.01.1999	11	41,62,414	Parametric Technology Corporation, Regional Manager
*179.	Kalyana C. Gangavarapu	Business Support Manager	B.Tech., Ph.D.	32	12.12.2000	11	43,00,497	Oracle Corp., Practice Director
180.	Kanna Venkatasamy	Senior Associate	B.E., PGD	28	06.03.2001	6	25,08,336	ICICI Econet, Assistant Vice President
181.	Kapil Jain	Business Development Manager	B.E., MS, MBA	35	30.10.2000	11	41,57,579	HSBC, Manager – Corporate Finance Advisory
182.	Karen J. Hutton	Marketing Manager	B.A.	41	05.01.1998	19	43,76,823	Feist & Hutton, Senior Consultant
183.	Kelvin Goseng	Software Developer	BSCH	25	21.08.2000	2	16,40,441	–
184.	Ken Jian Wong	Software Developer	B.Sc.	24	15.01.2001	1	15,93,453	–
*185.	Kerri-anne Scarcella	Sales Administrator	BBA	31	11.06.2001	11	11,90,621	i2 Technologies, Executive
*186.	Kevin Thomas Owens	Manager – HRD	B.A., MS	42	08.08.2001	13	28,04,978	Northern Illinois University, Research Assistant/Project Co-Ordinator

Sl. No.	Name	Designation	Qualification	Age (Years)	Date of Joining	Experience (Years)	Gross Remuneration (Rs.)	Previous Employment – Designation
*187.	Kishen Bhagavan	Group Client Relations Manager	B.E., MS	43	19.11.2001	14	18,21,233	BBO Inc., Manager – Customer Support
188.	N. V. Krishna	Business Development Manager	B.E., PGD	32	20.10.1999	9	73,01,212	Hindustan Lever Limited, Area Sales Manager
189.	Krishnamoorthy Ananthasivam	Business Manager	B.Tech., M.Sc. Engg	40	13.01.1986	19	14,41,082	Urban Transport Development Corpn., Research Assistant
190.	T. S. Krishnamurthy	Business Manager	B.E.	39	26.10.1987	17	14,88,215	Zenith Electro Systems, Engineer
191.	Krithika Muthukrishnan	Associate	B.E., PGD	27	06.03.2000	5	29,24,355	Tata Strategic Management Group, Associate Consultant
192.	Kshitij Kumar	Project Manager	B.Tech.	29	27.06.1994	8	28,05,783	–
193.	Kumail Murtaza Jaffer	Software Developer	BCS	27	15.01.2001	1	15,93,453	–
*194.	Lalitha Sekar	Delivery Manager	B.E., M.E.	39	18.07.2000	14	5,12,352	LTITL, Manager
195.	Latha Kalainesan	Group Project Manager	B.Sc., M.A.	38	22.08.1997	13	12,20,450	Riyam Computer Services, Project Leader
196.	Laura Beth Rehrig	Software Engineer	B.Sc.	23	22.01.2001	4	27,08,237	PIL Inc., Cooperative Associate
*197.	Lila R. Rommelmann	Administrative Assistant	B.A.	27	21.06.2001	6	16,71,250	Compton Presentation Systems, Marketing & Client Services
198.	Lokesh Prasad	Business Development Manager	B.Tech.(H), PGD	28	04.05.1998	4	56,47,496	–
*199.	Madan Mohan	Account Manager	B.Tech.	34	05.07.2001	11	28,86,465	Tata Consultancy Services, Consultant
200.	Madhav Mohan	Business Development Manager	B.Sc., MMS	32	01.10.1999	10	94,73,990	Bank Of America, AVP & Regional Sales Manager
*201.	Madhusudhan Kashyap	Programmer Analyst	B.E.	30	14.05.2001	6	32,63,123	IT Solutions (USA), Consultant
202.	Mahesh Desai	Business Development Manager	B.E., PGD	29	03.06.1996	7	46,49,015	Pertech Computers Ltd., Marketing
203.	Mahesh Makhija	Senior Associate	B.Tech., PGD	32	04.09.2000	7	48,48,948	Andersen Consulting, Consultant
204.	Mahitha Sridhar Krishnan	Software Developer	B.Sc., MCA	24	15.01.2001	2	16,59,826	Samtech Inc., Programmer/Consultant
205.	Maki Ishibashi	Administrative Assistant	Diploma	28	13.07.2000	6	20,21,140	Tokyo Executive Center Inc., Secretary
*206.	Mallik Tadepalli	Resident Project Manager	B.E.(H)	29	01.10.2001	10	18,91,400	Covansys, Manager
*207.	Mallika Sasikumar	Associate	B.Com., CA	27	08.05.2000	7	24,08,507	Arthur Andersen, Senior Consultant
208.	Manish Goyal	Programmer Analyst	B.E.	29	27.11.2000	7	32,67,007	ELC Systems, Consultant
209.	Manish Jha	Business Manager	B.Tech., PGD	37	26.02.2001	14	29,61,862	i-Flex Solutions, Consultant
210.	Manish Kumar Sarraf	Business Development Manager	B.Com.(H), PGD	33	19.06.2000	11	45,36,459	Deutsche Bank, Senior Manager
*211.	Manish Mohan	Business Development Manager	B.A.	29	28.08.2001	5	20,64,367	Nortel Networks, Account Manager – Global Professional Services
*212.	Manish Subramanian	Principal	B.E.(H), PGD	33	01.02.2002	9	7,74,767	Acceture, Senior Manager
213.	Manish Verma	Business Development Manager	B.Tech., MBA	33	09.12.1999	10	65,30,581	Hindustan Lever Ltd., Senior Product Manager
214.	N. Manohara	Principal Architect	B.E.	33	22.07.1991	11	13,56,882	Larsen & Toubro, Trainee
215.	Mary Ann Usher	Administrative Assistant	B.A.	46	21.06.1999	17	17,94,763	Racal Datacon Inc., Sales Support Representative
216.	Mayur Pendse	Software Developer	B.Sc.	24	21.08.2000	6	16,47,486	Mainline Foods/Dairy Queen, Night Supervisor
*217.	Mehul Desai	Associate	B.Sc.	26	11.06.2001	5	30,27,159	PricewaterhouseCoopers Limited, Senior Consultant
*218.	Melisa Watson	Executive – HRD	B.A.	28	05.06.2001	3	12,65,295	JP Morgan Chase, HR Representive
219.	Merlyn Lee	Business Development Manager	B.E., M.Sc.	49	05.03.2001	23	54,71,930	Tata Engineering Company, Trainee Engineer & Production Engineer
220.	Merwin Fernandes	Associate Vice President and Head Sales & Marketing - Banking Business Unit	B.Com.	42	06.08.1997	21	13,73,352	DSQ Software Ltd, Business Development
221.	Michael Glen	Software Developer	B.Sc.	25	21.08.2000	3	16,91,504	Industry Canada, Support Analyst
*222.	Michael H. Sir	Senior Principal	B.Sc., MS	36	29.10.2001	13	30,44,063	Bourbon Street Capital, Director of Strategic Consulting
*223.	Michele E. Mcfadden	Administrative Assistant	B.A.	29	21.05.2001	12	12,74,650	Eagletech Consulting, Executive Assistant
*224.	Mita Bedi	Software Engineer	B.E.	22	14.01.2002	0.2	3,15,437	–
225.	M. M. Mohan	Associate Vice President – HRD	B.Com., PGD	57	11.07.1992	32	12,76,461	Motor Industries Company Ltd., Asst. Officer – HRD
226.	Mohan Sekhar	Vice President – Delivery (Canada & East North America)	B.E., MS	39	17.08.1998	15	15,28,295	AT&T, Head
227.	T. V. Mohandas Pai	Director, Head (Finance & Administration) and Chief Financial Officer	B.Com., LLB, FCA	43	17.10.1994	22	19,95,503	Prakash Leasing Limited, Executive Director
*228.	Mohanraj Kanniappan	Programmer Analyst	B.Sc., M.Sc.	28	04.06.2001	5	24,39,759	RBS Link Tracking V4.0, Software Engineer
229.	Mohit Joshi	Business Development Manager	B.A.(H), MBA	27	07.12.2000	6	40,63,446	ABN Amro Bank, Manager
*230.	Mohit Madnani	Senior Associate	B.E., MS	26	18.03.2002	3	1,85,700	Diamondcluster International Inc., Sr. Associate – Strategy Consulting
*231.	Nachiket Vibhakar Sukhtankar	Business Development Manager	B.A., B.Sc., M.A.	33	29.11.1999	8	48,19,251	Andersen Consulting, Manager
232.	R. N. Nagaraj	Senior Manger & Head User Education Team – Banking Business Unit	LLB, B.Sc., M.A., CAIIB	47	06.03.1995	26	12,15,958	State Bank of Hyderabad, Manager (Credit)

Annexure to the directors' report (contd.)

Sl. No.	Name	Designation	Qualification	Age (Years)	Date of Joining	Experience (Years)	Gross Remuneration (Rs.)	Previous Employment – Designation
233.	Nagarajan Venkateswaran	Business Support Manager	B.Tech., MS	41	17.04.2000	19	59,11,281	Synthel Inc., Troy, Michigan, Delivery Manager
234.	Nanaz Rohani	Administrative Assistant	B.Sc.	28	26.07.2000	6	23,71,661	Stanford University, Academic Affairs Co-Ordinator
235.	Nandan M. Nilekani	Chief Executive Officer; President, and Managing Director and Chairman – Management Council	B.Tech	46	01.07.1981	24	20,21,455	Patni Computer Systems Pvt. Ltd., Asst. Project Manager
236.	Nandita Mohan Gurjar	Associate Vice President – HRD	B.A., M.A.	41	20.12.1999	12	14,53,139	Wipro Infotech Software & Services, Corporate Manager – HRD
*237.	Naomi Grossack	Sales Administrator	BBM	27	26.06.2000	6	21,96,325	Communications Collaborative, Contractor
238.	Narayan O. S. Nandigam	Business Development Manager	B.E., MBA	31	07.12.2000	8	37,26,965	ICICI Ltd., Asst. Vice President
239.	Narayan Ramanna Budanur	Senior Consultant (Enterprise Solutions)	B.E.	34	01.03.2001	8	55,29,909	Deloitte Touche Tohmatsu, Senior Consultant
240.	N. R. Narayana Murthy	Chairman and Chief Mentor	B.E., M.Tech	55	18.03.1982	33	20,95,270	Patni Computer Systems Pvt. Ltd., Head – Software Group
241.	Narendran Koduvattat	Senior Project Manager – Head – Development Center, Mangalore	B.Sc.	35	08.03.1993	15	14,26,706	PSI Data Systems Ltd., Senior Software Engineer
242.	Narsimha Rao Mannepalli	Delivery Manager	B.E., PGD	34	29.01.2001	12	12,35,542	Ramco Systems, Project Director – E-Commerce Solutions
*243.	B. Natarajan	Business Development Manager	B.Tech., PGD	28	15.05.2000	6	26,36,190	Arthur Andersen India Pvt. Ltd., Senior Consultant
244.	Neelesh Marik	Business Development Manager	B.Tech., PGD	34	15.11.1999	10	70,02,499	Andersen Consulting, Manager
245.	Neeraj Dubey	Software Analyst	B.E.(H)	35	20.11.2000	14	21,59,329	Cit Canada Inc., Consultant
246.	Olga Shnaider	Software Developer	B.A.(H)	31	15.01.2001	5	15,93,453	Future Shop Ltd., Computer Sales Specialist
247.	Omar Dominguez	Software Developer	B.Sc.	28	04.07.2000	5	18,38,591	Electronic Data Systems, Information Analyst Associate
*248.	Oscar Sagahon	Group Client Relations Manager	B.Sc.	57	27.09.2001	36	22,20,375	EDS, Consultant
249.	Owhen Astorga	Payroll Executive	B.A., Diploma	38	18.06.1999	19	24,06,600	Palex Inc., Payroll Administrator
*250.	D. Padmanabhan	Associate Vice President – Banking Business Unit	B.Sc.	38	02.11.1992	18	8,19,674	PSI Data Systems Ltd., Product Support Manager
251.	Padmanabhan Venkataraman	Associate Vice President – Delivery – Quality Implementation	B.E., M.E.	47	05.03.2001	23	16,75,680	Delphi Automotive Systems, Vice President Software Operation
252.	Palachandra Seetharam	Project Manager	B.E.	33	31.07.2000	11	29,13,340	CAP Gemini America, Senior Consultant
*253.	Pankaj Gupta	Senior Associate	B.Tech., PGD	30	01.10.2001	7	26,08,875	Booz-Allen & Hamilton, Lead Associate
254.	Parag Suhas Damle	Associate	B.E.	27	05.01.2001	6	34,93,046	Anderson Consulting, Consultant
255.	Y. Parameswar	Associate Vice President – Communication & Product Services	B.E., M.Tech.	46	14.10.1996	22	14,45,930	C-Dot, Divisional Manager
*256.	Paras Goel	Senior Associate	B.Tech., MBA	28	23.07.2001	3	28,01,254	Deloitte Consulting, Consultant
257.	M. A. Parthasarathy	Delivery Manager	B.E., PGD	52	30.08.1999	30	15,61,040	IMR Global Ltd., Group Manager
258.	Paul Maillard	Software Developer	BSCH	27	18.09.2000	5	20,31,635	Contax Inc., Junior Business Consultant
*259.	Peter Bogaert	Business Support Manager	MBA	42	16.07.2001	19	33,86,423	Marsh, Senior Vice President
*260.	Peter J. Magagna	Business Development Manager	B.A.	30	15.08.2001	9	31,19,412	Xpedior, Manager – Business Development
*261.	Peter Kazumi Shiba	Software Engineer	B.A.	22	25.06.2001	1	25,40,157	–
*262.	Peter L. Tannenwald	Group Client Relations Manager	B.Sc.	38	05.12.2001	17	14,32,500	Concero Lp, Regional Managing Director
263.	Phaneesh Murthy	Director – Sales & Marketing and Communication & Product Services	B.Tech., PGD	38	08.10.1992	15	1,91,73,711	Sonata Software, Regional Manager
*264.	Phillina M. Reyes	Marketing Coordinator	B.A.	26	07.05.2001	3	20,04,497	Mckinley Medical, Lllp, Marketing Coordinator
265.	H. R. Prabhakara	Delivery Manager	AMIE, M.Tech.	41	04.03.1996	17	13,05,074	ITI Limited, Senior Engineer
266.	M. S. S. Prabhu	Senior Vice President – Engineering Services & Consultancy Practice	B.E., Ph.D.	54	01.08.1997	28	16,67,683	Tata Consultancy Services, Vice President
267.	Pradeep Kullangi Gopala Acharya	Associate	B.E., PGD	28	21.02.2001	5	34,24,271	PricewaterhouseCoopers, Consultant (Level 3)
268.	Pradeep Prabhu	Business Development Manager	B.Com.	33	04.11.1991	12	55,53,796	Saxena Software Consultants, Senior Executive
*269.	Prakash Chellam	Business Development Manager	B.E., PGD	25	30.07.2001	4	20,59,186	Planetasia.Com Ltd., Program Manager
270.	Pramod V. Ponkshe	Account Manager	B.E.	37	11.01.2001	17	55,59,354	Foxboro Japan Corporation, Project Manager
*271.	Prasad D. Auty	Project Manager	B.E., M.Tech.	34	01.05.1997	11	3,74,113	Citicorp Overseas, Consultant
272.	T. P. Prasad	Regional Manager & Associate Vice President – Sales	B.E., PGD	37	04.09.1995	13	89,34,807	Wipro Infotech, Regional Sales Manager
273.	Prasanna Vishnu Vatkar	Business Development Manager	B.E., PGD	31	19.03.2001	9	31,85,849	Tata Consultancy Services, Assistant Consultant
274.	Pratap Ranjan Sarker	Business Development Manager	BCS, MBA	31	18.12.2000	8	44,23,066	IBM, National Business Manager
275.	Praveen Kumar	Principal	B.E., MS, PHD	34	31.01.2000	7	82,81,126	Andersen Consulting, Manager
276.	Praveen Mahadani	Business Development Manager	B.Tech., MBA, PGD	35	19.03.2001	12	52,36,279	Femina Hygienical Products, National Sales & Marketing Mgr.
*277.	Praveen Rao Pejaver	Project Manager	B.E., PGD	32	30.04.2001	11	14,31,402	Deutscae Software India (Ltd.), Senior Systems Analyst
278.	U. B. Pravin Rao	Vice President – Delivery (Europe)	B.E.	40	04.08.1986	17	16,26,665	Indian Inst. of Science, Trainee

Annexure to the directors' report (contd.)

Sl. No.	Name	Designation	Qualification	Age (Years)	Date of Joining	Experience (Years)	Gross Remuneration (Rs.)	Previous Employment – Designation
279.	Priti Jay Rao	Associate Vice President – Head – Development Center, Pune	B.Sc., M.Sc.	42	02.07.1997	21	15,74,354	L & T Ltd., Heading Software Development Centre
280.	V. S. Purushottam	Senior Associate	B.E., PGD	30	01.12.2000	8	43,88,339	LG Commerz Now Pvt. Ltd., Head – Strategy & Consulting
*281.	Rachna S. Korhonen	Business Development Manager	B.Sc.	37	19.11.2001	11	16,63,371	Consultancy Services (Self), Consultant, International Strategy
282.	Raghunath Basavanahalli	Business Development Manager	BS in Engg	35	09.03.2001	14	50,37,608	HCL Technologies America Inc., Account Manager
283.	Raghupathi N. Cavale	Business Manager	B.E., MS	40	13.12.1999	17	14,93,965	PricewaterhouseCoopers, SAP Consultant
284.	Rahul Madhav Godbole	Business Development Manager	B.A., M.A., MBA	36	15.11.1999	11	62,99,455	Infrastructure Leasing & Financial Services Ltd., Senior Manager
285.	Rahul Shantaram Deo	Resident Project Manager	B.E.	33	09.03.2001	10	53,83,559	NIIT Limited, Group Consultant
*286.	Rahul Sharma	Programmer Analyst	B.Tech., MBA	27	04.06.2001	5	23,64,123	Dell Computer Corporation, Operations Consulting Practicum
*287.	Raja Narasimhan	Delivery Manager	B.Com.	37	15.01.2002	18	4,43,092	American Express Bank Ltd., Development Leader
288.	K. S. Rajasekaran	Senior Manager – Business Consulting Group – Banking Business Unit	B.Sc., M.Sc., PGD	43	08.11.1983	18	13,25,115	–
*289.	Rajat Jain	Principal	B.Sc., CFA, PGD	36	01.08.2001	13	45,56,093	Asera, Engagement Manager
*290.	Rajeev Minocha	Business Development Manager	B.E., PGD	37	26.08.1999	14	1,14,401	Prefetti India Limited, Managing Director
*291.	Rajesh K. Renganathan	Resident Project Manager	B.E.	28	02.07.2001	7	25,97,815	DLP Direct – Pershing Technology Group, Senior Programmer
*292.	Rajesh Krishnan	Business Support Manager	B.E., MS	39	29.11.2001	14	14,58,524	Cambridge Technology Partners, Senior Management Consultant
293.	Rajeswari Palaniappan	Programmer Analyst	B.Sc., MCA	35	01.08.2000	13	37,55,831	Complete Business Solutions Inc., Manager
294.	Rajiv Kuchhal	Associate Vice President	B.Tech.	36	05.02.1990	16	14,75,064	Telecommunications Consultants India Ltd., Engineer
295.	Raju Bannur	Delivery Manager	B.E., M.Tech.	38	17.01.2000	13	13,89,710	IMR Global, Group Manager
*296.	Raju Nooka Rampa	Senior Associate	B.Tech., PGD	31	28.05.2001	8	22,65,855	PricewaterhouseCoopers, Principal Consultant
297.	N. S. Rama	Business Manager	B.E.	52	31.03.1999	31	14,32,413	Satyam Computer Services, Consultant
298.	Ramachandran Kallankara	Delivery Excellence Manager	B.Tech., PGD	39	10.05.1993	15	12,51,458	Canbank Financial Services, Project Executive
299.	U. Ramadas Kamath	Associate Vice President – Accounts & Administration	BBM, CA	41	01.07.1994	17	13,50,633	Manipal Printers & Publishers Ltd., Accountant
300.	P. Ramamurthy	Manager & Head Customer Relationship Management Implementation – Banking Business Unit	B.E., M.E.	34	04.09.1992	11	12,15,405	National Infomatics Centre, Systems Analyst
*301.	Ramesh Kannan	Business Development Manager	B.Tech.	30	09.05.2001	9	30,46,432	Cygnet Software Limited, Manager – Sales
302.	Ramesh M. Adkoli	Divisional Manager	B.Sc. (Applied), MCA	42	17.06.1991	17	48,54,321	Ballarpur Industries Ltd., Production Incharge
303.	Rangarajan Padmanabhan	Regional Manager – Banking Business Unit	M.Sc., PGD	33	21.08.1996	11	13,20,675	Wipro Infotech, Manager
*304.	S. Rangarathnam	Manager – Network Services – Computers & Communications Division	B.Sc., B.E.	47	15.02.1993	24	5,43,386	Fidelity Computers, Software Engineer
*305.	Raquel Vargas	Sales Administrator	BBA	29	07.08.2001	7	10,29,633	Ramco Systems, Consultant
306.	C. Ravi	Associate Vice President – Head – Development Center, Mysore	B.E.	36	02.05.1988	14	14,03,742	–
*307.	Ravi Jagannatha	Account Manager	B.E.	33	17.09.2001	10	20,21,114	i2 Technologies, Senior Solutions Consultant Supporting Prod.Mgmt.
308.	Ravi Kumar Shelvankar	Business Development Manager	B.E., MS	33	02.01.1997	9	68,10,504	ITW Signode Ltd, Senior Executive – Sales
*309.	Ravindra Muthya Pranesha Rao	Vice President – Education & Research	B.Sc., M.Sc., Ph.D.	54	13.08.2001	28	10,96,785	HCL Technologies, Head – Sdc & Vice President
310.	M. R. Ravishankar	Business Manager	B.E., M.E.	36	16.01.1998	14	12,75,667	TCS, Associate Consultant
*311.	Reggie Koshy George	Account Manager	B.Sc., MCA	35	04.02.2002	11	5,90,048	IBM GSA, Project Manager
312.	Ribhu Kansal	Project Manager	B.E., PGD	28	10.05.1999	5	25,97,743	NIIT Ltd., Senior Systems Associate
*313.	Richard Joseph Kacheroski	Software Engineer	BBA	26	25.06.2001	1	25,44,937	–
*314.	Richard Neil Gustafson	Resident Project Manager	B.A.	29	07.01.2002	6	8,25,401	Bitcyber Group, Lead Consultant
315.	Ritesh Mohan Idnani	Business Development Manager	B.Com., MBA	29	01.10.1999	7	68,46,239	PricewaterhouseCoopers, Senior Consultant
*316.	Rohit Bhanot	Business Development Manager	B.Sc. Engg, MBA	29	04.12.2001	6	11,13,768	Mckinsey & Company, Senior Associate
*317.	Rohit Khanna	Business Development Manager	B.Com., MBA, MCA	39	06.03.2002	15	2,86,214	BA Port Technologies Inc., Advisor/Consultant
318.	Romit Dey	Business Development Manager	B.Sc., MBA	30	03.10.2000	8	54,88,367	PricewaterhouseCoopers, Principal Consultant
*319.	Roopesh Joshi	Senior Technical Architect	B.E., M.Tech.	41	03.10.2001	9	20,92,930	OSI Consulting Inc., Consultant
320.	Rupali Saluja	Associate	B.E., PGD	27	25.09.2000	4	26,12,393	Ernst Young Consulting India Ltd., Senior Consultant
*321.	Rushil Raj Shakya	Software Engineer	B.Sc.	25	25.06.2001	1	25,08,981	–
*322.	Sachin Kuchhal	Project Manager	B.E., PGD	29	16.04.2001	5	12,50,400	American Express Technologies, Team Leader
323.	Sajan Verghis Mathew	Delivery Manager	B.E.	36	21.07.1991	14	14,98,196	Radio Craft (P) Ltd, Software Engineer
324.	Sam Ho	Software Developer	BSCH	27	06.11.2000	5	21,46,335	Aim Funds Management Inc., Senior Software Developer
325.	Samir Agrawal	Associate	B.Tech., PGD	30	24.03.2000	7	44,27,826	A. T. Kearney, Associate

Annexure to the directors' report (contd.)

Sl. No.	Name	Designation	Qualification	Age (Years)	Date of Joining	Experience (Years)	Gross Remuneration (Rs.)	Previous Employment – Designation
*326.	Samir Bali	Senior Principal	B.A.(H), LLB, PGD	37	28.08.2000	13	19,10,000	Coopers Lybrand, Principal Consultant
*327.	Samuel Hoi Ming Chan	Software Developer	B.Sc.	25	15.01.2001	1	7,56,899	–
328.	Sanat Rao	Senior Manager And Head Business Consulting Group – Banking Business Unit	B.Com., PGD	37	20.12.1999	11	13,21,923	Citicorp Information Technology Ltd, Consultant – Data Warehousing Unit
329.	Sandeep Chadha	Project Manager	B.Tech	34	15.02.2001	14	50,44,119	Lockheed Martin Ims, Project Leader
330.	Sandeep Deepak Dadlani	Business Development Manager	B.E., MMS	27	15.01.2001	5	32,45,461	Citibank, Product Manager – Cash Management
*331.	Sandeep Kale	Programmer Analyst	B.E.	29	05.09.2001	7	15,62,435	Patni Computer Systems, Software Engineer
332.	Sandeep Saxena	Programmer Analyst	B.Tech., PGD	27	03.05.2000	4	25,90,321	Indian Oil Corpn. Ltd., Aviation Officer
333.	Sandeep Srivastava	Business Manager	B.Tech.	37	10.05.1999	15	15,25,943	Satyam Computer Services Ltd., Senior Consultant
*334.	Sanjay Bhargava	Business Development Manager	B.Tech., MBA	44	08.08.2001	21	35,48,350	Paypal Inc., VP – International Payments
335.	Sanjay Dalwani	Business Development Manager	B.E., PGD	34	08.12.2000	12	48,28,822	HCL Technologies America Inc., Account Manager
336.	Sanjay Dutt	Business Development Manager	B.Tech(H), PGD	33	20.12.1999	11	66,17,077	A. T. Kearney Limited, Manager – Strategy & Re-Engg.
*337.	Sanjay Joshi	Chief Marketing Officer	B.Tech., M.Sc., MMS	38	14.05.2001	13	89,29,632	Freightwise Inc., Chief Marketing Officer
338.	Sanjay Khanduri	Business Development Manager	B.Tech., PGD	30	30.11.2000	6	38,77,061	Citibank, Asst. Manager
339.	Sanjay Mohan	Principal	B.Sc., PGD, M.E.	34	30.10.2000	8	62,57,822	CAP Gemini America Inc., Principal Consultant
340.	Sanjay Pathak	Technical Architect	B.Tech., M.Tech., PHD	32	13.12.2000	9	31,80,122	US Interactive, Senior Systems Architect
341.	Sanjay Purohit	Senior Manager – Corporate Services Group – Quality & Productivity, Secretary – Management Council	B.E.	35	27.12.2000	12	13,31,511	Tata Quality Management Services, Senior Consultant
342.	Sanjay Viswanathan	Business Development Manager	B.A., Diploma, MBA, PGD	32	06.10.2000	10	51,59,520	Hinduja Group Worldwide, Vice President Business Development
343.	V. R. Sanjeev	Business Manager	B.E., PGD	44	12.02.1998	21	12,04,431	C-Dot, Divisional Manager
344.	Sarojendu Majumdar	Business Support Manager	M.Sc.	45	30.10.2000	22	51,20,153	British Telecom, Integration Manager
*345.	Sasmita Mohapatra	Programmer Analyst	B.E.	27	03.07.2000	7	9,73,273	Secor Consulting Ltd., Consultant
346.	B. K. Sathisha	Business Development Manager	B.E., M.E.	33	05.01.1998	12	85,95,624	Larsen & Toubro, Planning
*347.	Satish G. Bableshwar	Business Manager	B.E.	34	23.06.1988	14	12,43,461	–
348.	Satrajit Pal	Account Manager	B.E.	32	12.03.2001	12	44,35,505	RS Software, Project Manager & Technical Consultant
349.	Satyendra Kumar	Vice President – Quality & Productivity	B.Sch., M.Sc.	48	27.09.2000	26	21,29,849	IMR Global, Vice President
350.	Saumitra Madhukar Bhide	Business Development Manager	B.Sc. Engg, M.A., MBA	32	09.03.2001	7	39,27,658	PricewaterhouseCoopers, Consultant – Senior Consultant Level
351.	Savio D'Souza	Account Manager	B.Sc., MCA	32	23.06.1992	10	12,11,355	–
*352.	Scott Jostes	Principal	BBA	35	11.02.2002	11	7,95,849	Arthur Anderson LLP, Senior Manager
353.	Seshadri Bhoovaraghan	Programmer Analyst	B.E.	28	04.12.2000	8	35,34,487	Sabre Inc., Senior Consultant
354.	Seshadri Parthasarathy	Resident Project Manager	B.Tech.	30	18.12.2000	10	31,77,676	CAT, Consultant
355.	P. Seshan	Business Manager	B.E.(H), PGD	41	02.11.1990	19	12,80,419	Stanford Business Software India Pvt. Ltd., Senior Programmer
*356.	Seth Van Winkle	Principal	BBA, MBA	33	03.12.2001	6	21,30,844	Accenture, Strategy Practice Senior Manager
357.	Shailendra Jha	Business Manager	B.E.(H)	41	01.12.2000	20	12,61,613	Zensar Technologies Ltd., General Manager
358.	Shailesh Joshi	Account Manager	B.E.	43	18.12.2000	19	33,63,945	GE Global Exchange Service, Senior Project Manager Extranet Development
*359.	Shaji Farooq	Senior Principal	B.Tech., MBA, Ph.D.	40	04.02.2002	14	11,30,768	Diamond Cluster International Inc., Principal
*360.	Sharad K. Hegde	Senior Vice President – Banking Business Unit	B.Tech, PGD	43	01.07.1983	21	13,20,267	Patni Computer Systems Pvt. Ltd., Software Engineer Trainee
361.	Shashidhar B. Ramakrishnaiah	Project Manager	B.E.	31	14.02.2001	9	44,72,838	Mediaserv Information Architects Inc., Sr. Solutions Consultant
*362.	Shashikala Sivapragasam	Software Developer	B.Sc.	23	22.05.2001	1	14,99,697	–
363.	S. D. Shibulal	Director and Head – Customer Delivery	B.Sc., M.Sc., MS	47	01.09.1981	26	18,71,189	Sun Micro Systems, Sr. I. R. Manager
364.	Shirish Agnihotri	Business Manager	B.Sc. Engg, M.Sc.	47	24.01.2001	18	61,00,024	MCK Comm. Inc., Calgary, Director – Product Management
365.	N. Shiv Shankar	Associate Vice President – Head – Development Center, Chennai	B.Tech.	40	04.08.1999	20	16,81,333	PRT, Senior Manager
*366.	Shivendra Kumar	Group Client Relations Manager	B.Tech., M.Tech	49	08.11.2001	25	21,81,172	Punj Lloyd Inc., President
367.	V. Shubha	Delivery Manager	B.E.	42	02.08.2000	21	14,32,958	Bosch, Senior Project Manager
368.	Shveta Arora	Senior Associate	B.E., PGD	29	07.02.2000	6	49,80,866	A. T. Kearney, Associate
369.	Sion (Xiao) Peng	Software Developer	B.Sc.	29	15.01.2001	4	15,93,453	Fuzhou TV station, News reporter
370.	N. S. Siva Kumar	Business Development Manager	B.Com.	34	14.04.1997	14	31,06,121	JK Technosoft, Country Manager – Products
371.	J. Sivashankar	Associate Vice President – Information Systems	B.Tech., MMS	42	22.01.1999	18	14,56,643	Anuvin Business Solutions, Director
372.	Snigdha Mitra	Delivery Manager	B.Sc., M.Sc., PGD	46	19.10.2000	22	15,25,713	ADP Inc., Project Manager

Sl. No.	Name	Designation	Qualification	Age (Years)	Date of Joining	Experience (Years)	Gross Remuneration (Rs.)	Previous Employment – Designation
*373.	P. R. Sobha Meera	Regional Manager and Associate Vice President – Sales	B.E., PGD	34	12.04.1995	11	1,20,49,896	Sonata Software, Marketing Executive
*374.	Sohel Aziz	Senior Technical Architect	B.Sc., MBA	30	01.11.2001	8	18,42,911	Q Corporation, Strategy Consultant
375.	Sohrab Peshoton Kakalia	Principal Architect	B.Sc., B.Sc. Engg.	37	11.09.2000	14	59,12,596	PSI Data Systems Ltd., Manager – Business Unit
*376.	Sonal Kapoor	Software Engineer	B.A.	22	25.06.2001	1	22,60,294	–
377.	Sourish Chaudhuri	Program Manager	B.E., PGD	30	31.01.2001	7	17,07,492	Asian Paints (I) Ltd., Manager – Systems Dev.
378.	Sreenivas Bhashyam Asuri	Business Development Manager	B.E.	34	04.12.2000	11	36,41,980	Autodesk, Industry Manager
*379.	Sreenivas Gunturi	Business Manager	B.E., M.Tech.	39	18.02.1998	17	5,67,153	IBM Global Services, Project Manager
380.	Srikantan Moorthy	Delivery Manager	B.E.	39	07.12.2000	17	12,39,719	Inventa Corporation, General Manager
381.	S. Srikanth	Senior Associate	B.E., PGD	30	11.10.1999	7	55,25,184	Pricewaterhouse, Consultant
382.	Srinath Batni	Director and Head – Delivery (West North America)	B.E., M.E	47	15.06.1992	24	17,72,625	PSI Bull (I) Ltd., Senior Manager Marketing Technical Support
383.	Srinath Kashyap	Business Development Manager	B.E.	36	04.12.1997	13	56,77,848	TCS, Sales – Associate Consultant
384.	P. Srinath	Business Development Manager	B.Tech., PGD	32	23.11.1998	8	66,68,703	Citibank N. A., Manager
385.	B. G. Srinivas	Associate Vice President – Delivery (Enterprise Solutions)	B.E.	41	03.05.1999	17	15,78,427	Asea Brown Boveri, Manager ERP
386.	C. S. Srinivas	Business Manager	B.E.	45	15.10.1998	20	14,60,425	Tektronics, Manager – India Engineering
387.	V. Srinivas	Business Development Manager	B.Tech.(H), PGD	32	03.06.1996	8	76,55,040	IDM, Marketing Executive
388.	Srinivasan Raghavan	Business Development Manager	B.E.	34	01.12.1997	13	63,50,731	ABB, Project Manager
389.	Srinivasan Raghavan	Delivery Manager	B.E.	43	23.06.2000	21	15,63,928	Tata Infotech Ltd., Group Manager
390.	Srinivasaraghavan Gopalakrishnan	Business Manager	B.Tech., M.Tech., Ph.D.	40	02.11.1999	11	12,13,768	Peritus Software Services, Program Manager
391.	Srinjay Sengupta	Regional Manager and Associate Vice President – Sales	BSCH, PGD	34	01.07.1996	11	1,07,37,086	Procter & Gamble, Manager
392.	V. Sriram	Regional Manager and Associate Vice President – Sales	B.E., PGD	37	03.01.1997	14	75,37,132	Wipro, Business Person
*393.	Srividhya Ramakrishnan	Business Development Manager	B.Sc., PGD	30	03.04.2000	7	47,35,334	Asian Paints (I) Ltd, Product Executive, Branch Executive
*394.	Subbaraya M. Sastry	Business Support Manager	B.Tech., PGD	42	13.04.1995	18	5,25,346	Verifone, Manager – MIS Development
395.	Subhash B. Dhar	Regional Manager and Associate Vice President – Sales	B.E., PGD	35	24.02.1997	13	66,01,631	Ravi Database Consul, VP Marketing
396.	G. V. Subramanyam	Associate Vice President – Software Engineering & Technology Labs	B.E.	35	15.06.1988	14	12,56,244	–
*397.	Suchitra Eswaran	Marketing Analyst	B.Com., MBA	25	15.01.2001	4	23,24,199	Hutchinson Max Telecom, Sales Officer
398.	Sudhanshu Asthana	Programmer Analyst	B.Sc., MS, MCA	35	01.03.2001	6	31,99,654	Preis24.Com AG., Trainee
399.	Sudhir Albuquerque	Delivery Manager	B.E.	33	01.10.1990	12	13,97,124	–
400.	Sudhir Chaturvedi	Business Development Manager	B.E., PGD, MBA	32	15.05.2000	7	59,27,016	Ernst & Young UK Ltd., Senior Business Analyst
*401.	Sudhir Singh	Business Development Manager	B.Tech., PGD	30	02.07.2001	7	22,19,059	Hindustan Lever Ltd., Senior Brand Manager
402.	Sudhir Subramanya Holla	Senior Associate	B.E., PGD	31	10.11.1999	8	57,37,759	Andersen Consulting, Senior Consultant
403.	Sudip Singh	Business Development Manager	B.Tech., PGD	29	12.06.2000	6	36,79,116	Tata Administrative Services, Associate Manager
404.	Sudipta Mitra	Associate	BBA, MBA	29	08.01.2001	4	32,46,083	Anderson Consulting, Consultant
*405.	Sukruthi Mohan	Project Manager	B.E.	29	18.06.2001	7	22,26,737	Merrill Lynch, Client Bookkeeping System, Senior Programmer/Analyst
406.	K. Sundar Raman	Delivery Manager	B.Tech.	42	22.01.1996	20	12,07,986	Indian Organic Chemi, Manager
407.	Sunil Talloo	Program Manager	BSCH, MBM, MCA	35	11.01.2001	10	47,75,593	Cambridge Technology Partners, Associate Director – 2
408.	Suranjan Pramanik	Senior Associate	B.Tech., PGD	33	05.06.2000	11	50,01,795	Ernst & Young Consulting India Pvt. Ltd., Senior Consultant
409.	J. K. Suresh	Group Manager – Education & Research	B.Tech., MS, Ph.D.	42	27.07.1998	19	12,07,265	ADA, Dy. Project Director
410.	Suresh Rajappa	Project Manager	B.E.	31	05.03.2001	6	31,55,511	C. S. Solutions Inc., Analyst/IT Consultant
411.	K. Surya Prakash	Senior Project Manager	B.E.	33	23.07.1990	12	12,48,859	–
412.	Sven Andersen Norgaard	Software Engineer	B.A.	24	22.01.2001	6	27,12,009	Oral B laboratories, Information Technology Intern
413.	Swaroop Krishna	Software Developer	B.E.	33	31.07.2000	7	19,01,052	CGI Group Inc., Programmer
*414.	Sylvia Quiroga	Principal	BBA, MBA	35	13.06.2001	12	51,24,323	Dell Computer Corporation, Program Strategist/Project Manager
415.	Sze Kit Lo	Software Developer	B.Sc., MS	28	21.08.2000	4	17,11,732	Philips Electronics – Advance Transformer, Design Engineer II
*416.	Terence Lincoln Hook	Group Client Relations Manager	BBA	44	05.11.2001	11	23,35,810	Satyam Europe, Vice President And Sales Director
417.	Terence Wong	Software Developer	B.E.	26	20.11.2000	3	17,46,701	The Peer Group, Software Developer
*418.	Thirumalaisamy Dhandaydham	Project Manager	B.Sc., MCA	37	27.04.2001	14	47,05,529	Intelligroup, Senior Consultant
419.	Thothathri Visvanathan	Delivery Manager	B.E.	39	06.07.2000	16	14,30,600	CSAI, Senior Consultant

Annexure to the directors' report (contd.)

Sl. No.	Name	Designation	Qualification	Age (Years)	Date of Joining	Experience (Years)	Gross Remuneration (Rs.)	Previous Employment – Designation
*420.	Tim Miner	Associate Vice President	B.E.	42	30.07.2001	16	59,10,734	Marchfirst Laguna Hills Practice, Managing Partner & Chief Strategist
421.	Todd A. MacCallum	Business Development Manager	B.A., MBA	32	22.01.2001	10	56,68,416	Reylon Technology Inc., Business Development Executive
*422.	Toi Hanna	Sales Administrator	PUC	27	13.07.2001	1	12,36,725	Layerone Inc., Executive Assistant
*423.	Tom (Jia-Cheng) Lin	Software Engineer	B.Sc.	22	25.06.2001	1	25,08,981	–
*424.	Too Hui Swan (Josephine)	Business Development Manager	B.E.	27	30.04.2001	4	23,98,823	Scient International Pte Ltd., Business Analyst (Senior)
*425.	Toshifumi Katsuya	Resident Project Manager	B.A.	42	07.01.2002	19	11,10,275	Reasoning Software K.K., Technical Support Manager
*426.	Toshikazu Tamada	Group Client Relations Manager	Blaws	47	18.02.2002	24	6,49,037	Sprint International, Managing Director, President
427.	Tulika Misra	Programmer Analyst	B.Tech.	27	10.11.1997	5	28,54,916	Tata Consultancy Services, Assistant Systems Analyst Trainee
*428.	Tyler Halt Ladner	Software Engineer	B.Sc.	23	25.06.2001	1	27,34,982	–
429.	Uday Bhaskarwar	Delivery Manager	B.Tech.	31	22.06.1992	10	13,02,833	–
*430.	Upendra Kohli	Business Development Manager	B.E., MBA	32	18.06.2001	10	22,41,556	Ericsson Hewlett Packard Telecommunications, Business Manager
*431.	Usha Sampath	Delivery Manager	B.E.(H)	40	02.08.2000	18	2,91,879	BOSCH, Senior Manager
*432.	Venkatakrishnan Venkataraman	Project Manager	B.E.	31	23.04.2001	9	25,81,548	Tata Consultancy Services, Project Manager
*433.	Venkatesh Srinivasan	Principal	B.Com., ICWA, ACA	31	21.08.2000	11	1,53,182	Arthur Andersen, Experienced Manager
434.	Venkateswarlu Pallapothu	Delivery Manager	B.E., M.Tech.	41	29.03.1999	18	15,64,962	Tata Consultancy Services, Senior Consultant
435.	Victoria Shea	Manager – HRD	B.A.	34	05.04.2000	14	20,56,439	EDS System House, Staffing Specialist
*436.	C. Vijay Kumar	Associate Vice President – Infrastructure Development	B.E., PGD	39	03.11.1987	14	7,11,761	–
437.	Vijay Ratnaparkhe	Business Manager	B.E., M.Tech.	37	11.05.1998	14	13,13,814	COSL, Consultant
438.	V. Vinayak Pai	Senior Manager – Finance	B.Com., CA	31	03.04.1995	10	14,25,688	Sajawat Industries Ltd., Chief Accountant
439.	Vineet Toshniwal	Business Development Manager	B.E., MBA	30	19.06.2000	7	48,18,281	Bank Of America, Assistant Vice President
440.	Vivek Bhatnagar	Business Development Manager	B.E., PGD, MS	33	03.07.2000	9	50,23,358	Andersen Consulting, Senior Consultant
441.	M. K. Vivekanand	Account Manager	B.E.	33	25.10.2000	11	54,95,153	HCL Technologies, Business Development Manager
*442.	Wasifur Rahman	Senior Principal	M.Sc., M.A. (Honours)	37	22.01.2002	14	20,48,450	Scient, Director Of Strategy Consulting/Client Director
*443.	Wee Hung Chong	Software Developer	B.Sc.	24	13.08.2001	1	10,65,066	–
*444.	Wei Wei Cao	Group Client Relations Manager	B.E., M.Sc.	34	15.10.2001	13	16,96,094	Nuance Communications, Channel Manager
445.	Yanet Garcia	Administrative Assistant	B.A.(H)	29	25.05.2000	5	12,98,413	California Staffing Services, Admin. Assistant/Receptionist
*446.	Yannis Gikas	Business Development Manager	B.A., MBA	29	04.05.2001	5	36,68,970	Andersen Consulting S. A., Business Consultant
447.	Yashesh Mahendra Kampani	Principal	B.Com., Graduate CWA, ACA	31	11.09.2000	7	65,64,591	PricewaterhouseCoopers, Manager
448.	Yezdi M. Mehta	Business Development Manager	B.Com., MBA	36	21.11.1997	12	79,57,253	Dictaphone Corporation, Manager – Systems Marketing
449.	Ying (Karen) Li	Software Developer	B.Sc.	22	08.05.2000	2	16,47,486	Dept. of Economics, University of Toronto, Database Design & Maintenance
450.	Ying Wang	Software Developer	B.Sc.	25	21.08.2000	2	16,47,486	–
451.	Yosra Amer	Software Developer	BSCH	24	21.08.2000	2	16,91,504	–
*452.	Zach Altmix Simmons	Software Engineer	BBA	23	25.06.2001	1	25,08,981	–

* Employed for part of the year.

Notes:
Remuneration comprises basic salary, allowances and taxable value of perquisites.
None of the employees is related to any director of the company
None of the employees owns more than 1% of the outstanding shares of the company as on March 31, 2002.

For and on behalf of the board of directors

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

N. R. Narayana Murthy
Chairman and Chief Mentor

Bangalore
April 10, 2002

c) The directors' responsibility statement as required under section 217 (2AA) of the Companies (Amendment) Act, 2000

The financial statements are prepared in conformity with the accounting standards issued by the Institute of Chartered Accountants of India and the requirements of the Companies Act, 1956, to the extent applicable to the company; on the historical cost convention; as a going concern and on the accrual basis. There are no material departures from prescribed accounting standards in the adoption of the accounting standards. The accounting policies used in the preparation of the financial statements have been consistently applied, except where otherwise stated in the notes on accounts.

The board of directors and the management of your company accept responsibility for the integrity and objectivity of these financial statements. The estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, in order that the financial statements reflect in a true and fair manner, the form and substance of transactions, and reasonably present the company's state of affairs and profits for the year. To ensure this, the company has taken proper and sufficient care in installing a system of internal control and accounting records; for safeguarding assets, and, for preventing and detecting frauds as well as other irregularities; which is reviewed, evaluated and updated on an ongoing basis. Our internal auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the company have been followed. However, there are inherent limitations that should be recognized in weighing the assurances provided by any system of internal controls and accounts.

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

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

For and on behalf of the board of directors

Bangalore April 10, 2002	Nandan M. Nilekani *Chief Executive Officer, President and Managing Director*	N. R. Narayana Murthy *Chairman and Chief Mentor*

d) Auditors' certificate on compliance with mandatory recommendations of Kumar Mangalam Birla Committee Report on Corporate Governance

We have examined the relevant records of Infosys Technologies Limited (the company) for the year ended March 31, 2002 relating to compliance with the requirements of corporate governance as contained in clause 49 of the listing agreement of the company with the National Stock Exchange, Stock Exchange, Mumbai and Bangalore Stock Exchange and state that in our opinion, and to the best of our knowledge and according to the information and explanations given to us, the company has complied with the mandatory requirements contained in the aforesaid clause 49.

for Bharat S Raut & Co.
Chartered Accountants

S. Balasubrahmanyam
Partner

Bangalore
April 10, 2002

Selective financial data

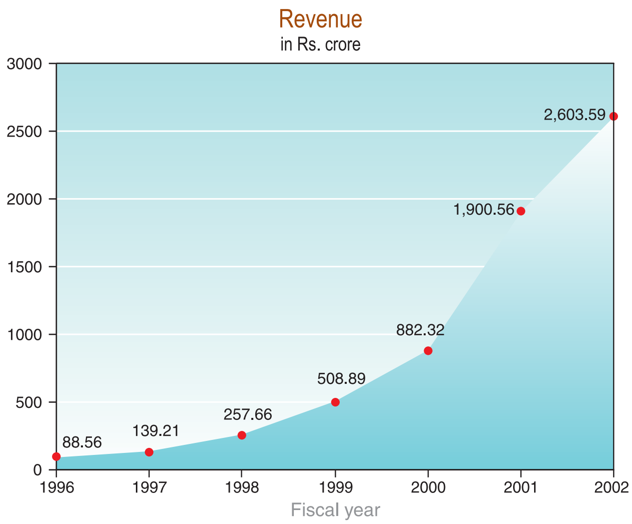
in Rs. crore except per share data, other information and ratios

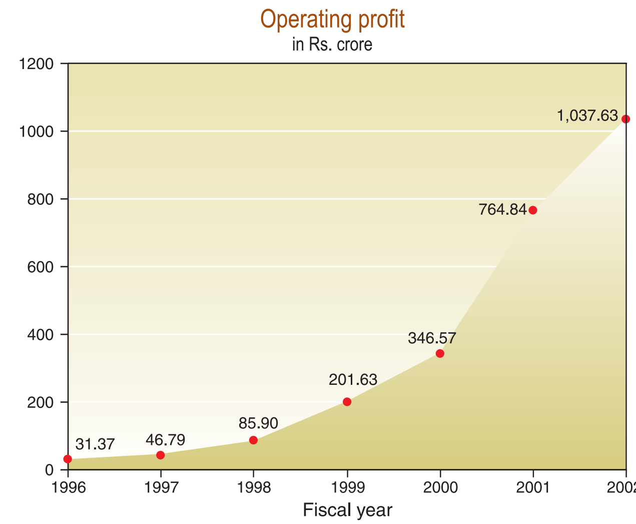
Particulars	1981-82	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-2001	2001-2002
For the year										
Revenue	0.12	28.90	55.42	88.56	139.21	257.66	508.89	882.32	1,900.56	2,603.59
Operating profit (PBIDT)	–	8.52	17.58	31.37	46.79	85.90	201.63	346.57	764.84	1,037.63
Interest	–	0.05	–	–	0.61	–	–	–	–	–
Depreciation	–	0.81	4.60	8.63	10.52	22.75	35.89	53.23	112.89	160.65
Provision for taxation	–	0.76	1.94	4.31	5.25	5.50	22.94	39.70	72.71	135.43
Profit after tax from ordinary activities	0.04	8.09	13.32	21.01	33.68	60.36	132.92	285.95	623.32	807.96
Dividend	–	1.17	2.31	3.63	3.99	7.03	12.11	29.76	66.15	132.36
Return on average networth (%)	96.88	39.61	29.71	29.53	34.96	42.24	54.16	40.63	56.08	46.57
Return on average capital employed (PBIT / average capital employed) (%)	96.88	43.14	31.79	33.12	40.16	46.09	63.51	46.27	62.62	54.37
As at the end of the year										
Share capital	–	3.35	7.26	7.26	7.26	16.02	33.07	33.08	33.08	33.09
Reserves and surplus	0.04	25.35	55.20	72.58	105.58	156.94	541.36	800.23	1,356.56	2,047.22
Loan funds	–	–	6.34	4.26	–	–	–	–	–	–
Gross block	–	8.27	25.32	46.86	71.29	105.14	168.92	284.03	631.14	960.60
Capital investment	–	7.13	25.23	15.55	27.31	34.41	71.68	159.87	463.35	322.74
Net current assets	0.06	13.94	32.47	41.17	54.20	97.23	472.96	612.13	797.86	1,293.41
Debt-equity ratio	–	–	0.10	0.05	–	–	–	–	–	–
Market capitalization	NA	191.02	348.42	355.67	731.04	2,963.42	9,672.80	59,338.17	26,926.35	24,654.33
Per share data										
Basic earnings from ordinary activities (Rs.)	–	1.22	2.01	3.18	5.09	9.13	20.71	43.23	94.23	122.12
Dividend per share (Rs.)*	–	1.75	2.25	2.50	2.75	3.00	3.75	4.50	10.00	20.00
Book value (Rs.)	–	4.34	9.44	12.07	17.06	26.15	86.84	125.97	210.05	314.31
Other information										
Number of shareholders	7	6,033	6,526	6,909	6,414	6,622	9,527	46,314	89,643	88,650
Credit rating from CRISIL										
Commercial paper	–	–	"P1+"	"P1+"	"P1+"	"P1+"	"P1+"	"P1+"	"P1+"	"P1+"
Non-convertible debentures	–	–	"AA"	"AA"	"AA"	"AA"	"AA"	"AA"	"AAA"	"AAA"

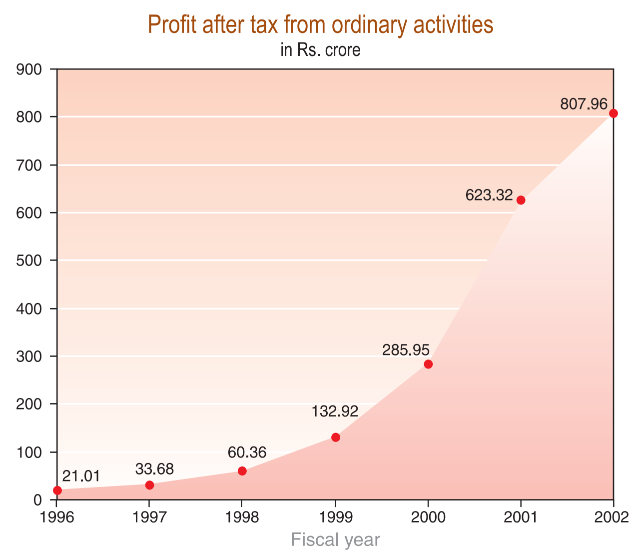
* Calculated on a per share basis, not adjusted for bonus issues in previous years.

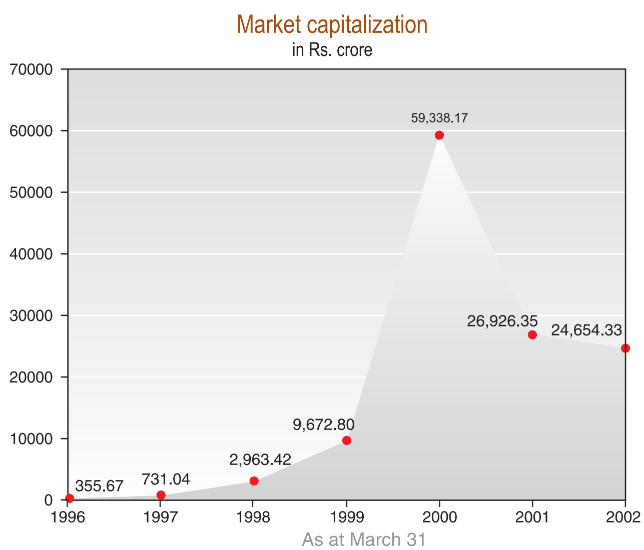
Note: The above figures are based on Indian GAAP.

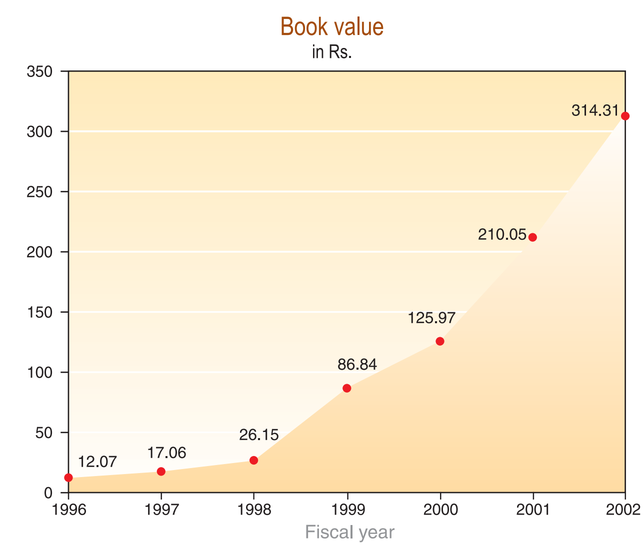
Selective financial data











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

Overview

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956, and Generally Accepted Accounting Principles (GAAP) in India. There are no material departures from prescribed accounting standards in the adoption of the accounting standards. The management of Infosys accepts responsibility for the integrity and objectivity of these financial statements, as well as for various estimates and judgments used therein. The estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, in order that the financial statements reflect in a true and fair manner, the form and substance of transactions, and reasonably present the company's state of affairs and profits for the year.

A. Financial condition

1. Share capital

Year ended March 31	2002		2001	
	Nos.	Rs. crore	Nos.	Rs. crore
Balance at the beginning of the fiscal year	6,61,58,117	33.08	6,61,50,700	33.08
Shares issued during the year upon conversion of:				
– options issued under 1998 plan	27,983	0.01	6,217	–
– options issued under 1999 plan	30	–	1,200	–
Balance at the end of the fiscal year	6,61,86,130	33.09	6,61,58,117	33.08
Add: Forfeited shares	–	–	–	–
Total	6,61,86,130	33.09	6,61,58,117	33.08

At present, the company has only one class of shares – equity share of Rs. 5 each, par value. The authorized share capital of the company is Rs. 50 crore divided into 10 crore equity shares of Rs. 5.

During the year, 14 employees exercised 55,966 ADSs (equivalent to 27,983 equity shares of par value of Rs. 5 each) issued under the 1998 Stock Option Plan. Also, during the year, one employee exercised 30 equity shares issued under the 1999 Stock Option Plan. Consequently, the issued, subscribed and outstanding shares increased by 28,013 equity shares. In comparison, during the previous year, 20 employees exercised 12,434 ADSs (equivalent to 6,217 equity shares of par value of Rs. 5 each) issued under the 1998 Stock Option Plan and 22 employees exercised 1,200 equity shares under the 1999 stock option plan leading to an increase in issued, subscribed and outstanding shares by 7,417 equity shares.

2. Reserves and surplus

The addition to the share premium account of Rs. 4.59 crore during the year is due to the premium received on issue of 28,013 equity shares of par value of Rs. 5 each on exercise of options issued under the 1998 and 1999 Stock Option Plans. During the previous year, an amount of Rs. 2.37 crore was added to the share premium account on account of premium received on issue of 7,417 equity shares of par value of Rs. 5 each on exercise of options issued under the 1998 and 1999 Stock Option Plans.

Consequent to the standard on accounting for taxes on income becoming mandatory effective April 1, 2001, the company recorded the cumulative net deferred tax credit of Rs. 15.53 crore until April 1, 2001, as an addition to the general reserves.

3. Fixed assets

As of March 31 *in Rs. crore*

Particulars	2002	2001	Growth %
Original cost			
Land – free-hold	15.86	9.04	75.44
– lease-hold	27.84	27.58	0.94
Buildings	285.33	157.71	80.92
Plant and machinery	183.87	112.05	64.10
Computer equipment	287.89	223.94	28.56
Furniture and fixtures	159.46	100.47	58.71
Vehicles	0.35	0.35	–
Total	960.60	631.14	52.20
Less: accumulated depreciation	393.03	244.13	60.99
Net block	567.57	387.01	46.65
Add: capital work-in-progress	150.67	170.65	(11.71)
Net fixed assets	718.24	557.66	28.79
Depreciation as a % of total revenues	6.2%	5.9%	NA
Accumulated depreciation as a % of gross block	40.9%	38.7%	NA

During the year, the company added Rs. 342.72 crore to its gross block of assets, including investment in technology assets of Rs. 67.40 crore. The company invested Rs. 6.82 crore on acquisition of 30 acres of free-hold land in Hyderabad, India, for its software development center. The company paid Rs. 0.26 crore for registration of 8 acres of lease-hold land acquired during the previous year at Electronics City, Bangalore, India. During the year, the company operationalized new software development centers at Bangalore, Chennai, Pune, Bhubaneswar, Mangalore, Hyderabad and Mysore and, consequently, the investment in buildings increased by Rs. 127.62 crore. Due to all these new centers being operationalized during the year, technology assets, plant and machinery, and furniture and fixtures increased by Rs. 67.40 crore, Rs. 76.29 crore and Rs. 64.33 crore, respectively. As of March 31, 2002, the company had 26,69,600 square feet of space capable of accommodating 12,050 professionals and 9,31,000 square feet under construction.

During the previous year, the company added Rs. 349.66 crore to its gross block, including investment in technology assets of Rs. 113.84 crore.

The capital work-in-progress as at March 31, 2002 and 2001 represents advances paid towards acquisition of fixed assets, and the cost of assets not put to use.

During the year, the company donated 441 computer systems costing Rs. 2.68 crore (book value Rs. 21), furniture costing Rs. 0.57 crore (book value Rs. 0.03 crore) and plant and machinery costing Rs. 0.27 crore (book value Rs. 0.06 crore) to certain educational institutions and the same is disclosed under the heading *Deductions during the year*, under both *Digital cost* and *Depreciation*. The corresponding amount for computer systems during the previous year was Rs. 2.06 crore (book value Rs. 4).

The company has a capital commitment of Rs. 63.53 crore as of March 31, 2002, as compared to Rs. 158.25 crore as of March 31, 2001. The company believes that it will be able to fund its expansion plans from internal accruals and liquid assets. The company may also take recourse to borrowings to meet its capital expenditure, should it be deemed necessary.

4. Investments

The company has made several strategic investments aggregating Rs. 66.79 crore in various companies. These investments are strategic in nature and are aimed at procuring substantial business benefits to Infosys. Such investments are also envisaged in select venture capital funds. Benefits from these investments are primarily in the form of revenue and net income enhancements, through technology partnerships and access to the latest technological developments.

4.1 Yantra Corporation

Particulars	Year of investment	Investment in $ million	Investment in Rs. crore
Investment by way of cash remittance towards issue of 25,00,000 shares of common stock at $0.20 per share, par value of $0.01 per share	March 31, 1996	0.50	1.74
Investment by way of transfer of product "EAGLE" for a consideration of 50,00,000 shares of common stock at $0.20 per share, par value of $0.01 per share	March 31, 1997	1.00	3.59
Investment by way of cash remittance towards issue of 20,00,000 shares of convertible preferred stock at $0.75 per share, par value of $0.01 per share	March 31, 1998	1.50	5.45
Sale of 13,63,637 shares of convertible preferred stock at $1.10 per share, par value of $0.01 per share	March 31, 1999	(1.02)	(3.72)
Provision for investments	March 31, 1999	(1.98)	(7.06)
Swap of 55,00,000 common stock for 1 warrant with right to purchase 55,00,000 common stock	March 31, 2002	–	–
Balance as on March 31, 2002		–	–

During the year, Infosys swapped 55,00,000 common stock in Yantra Corporation, USA for one warrant with the right to purchase 55,00,000 common stock. As a result of this, Infosys holds only 44% of the outstanding common stock of Yantra. Accordingly, Yantra is no longer a subsidiary of Infosys within the meaning of the Companies Act, 1956, as at March 31, 2002. Infosys holds 16% of Yantra on a fully diluted basis.

During the year, Mr. S. Gopalakrishnan, Chief Operating Officer and Deputy Managing Director of Infosys resigned from the board of Yantra Corporation. Mr. Phaneesh Murthy, member of the board of Infosys, holds 74,992 shares in Yantra Corporation. These shares were issued at a price of $0.10 each.

Infosys' cumulative billings from Yantra are Rs. 53.49 crore ($12.45 million) and the amount due is Rs. 0.34 crore ($0.07 million) as of March 31, 2002.

4.2 EC Cubed Inc., USA.

During the previous year, EC Cubed Inc., one of the investee companies, filed for liquidation as they were unable to raise further capital due to adverse market conditions. Pending the conclusion of liquidation proceedings, the company has provided for the entire investment amounting to Rs. 13.08 crore.

Infosys' cumulative billings from EC Cubed Inc. are Rs. 23.02 crore ($5.17 million) and the amount due is Rs. 4.67 crore ($1.00 million), which was provided for in full during the previous year.

4.3 Alpha Thinx Mobile Phone Services AG., Austria.

During the previous year, Alpha Thinx Phone Services AG ("Alpha Thinx"), one of the investee companies, filed for liquidation as it was unable to raise further capital due to adverse market conditions. Pending the conclusion of liquidation proceedings, the company has provided for the entire investment amounting to Rs. 2.21 crore.

Infosys' cumulative billings from Alpha Thinx are Rs. 6.58 crore ($1.44 million) and the amount due is Rs. 1.49 crore ($0.32 million), which are provided for in full during the previous year.

4.4 Asia Net Media (BVI) Limited

During the previous year, Infosys invested an amount of Rs. 6.85 crore ($1.50 million) in Asia Net Media (BVI) Limited ("Asia Net") towards issue of 3,00,00,000 ordinary shares of par value $0.01 each, at an issue price of $0.05 per ordinary share. Asia Net intends to leverage under-exploited offline brands in media and entertainment by delivering them through online channels and to establish a synergistic network of companies in this space.

Infosys' cumulative billings from Billboard Live International (BLI), in which Asia Net Media holds controlling interest through a fully-owned subsidiary, are Rs. 5.32 crore ($1.19 million) and, as of March 31, 2002, the amount due is Rs. 1.84 crore ($0.38 million).

4.5 CiDRA Corporation, USA

During the previous year, Infosys invested an amount of Rs. 13.40 crore ($3.00 million) in CiDRA Corporation, USA towards issue of 33,333 fully paid Series D Convertible Preferred Stock, par value of $0.01 each, at $90 per share. CiDRA is a developer of photonic devices for high-precision wavelength management and control for next-generation optical networks.

Infosys' cumulative billings from CiDRA are Rs. 15.68 crore ($3.38 million) and, as of March 31, 2002, the amount due is Rs. 1.19 crore ($0.24 million).

4.6 JASDIC Park Company, Japan

Infosys invested an amount of Rs. 0.75 crore (Yen 24 million) towards the issue of 480 shares of JASDIC Park Company thereby holding a 12.5% equity stake in it. JASDIC is an Indo-Japanese consortium founded by Mr. Kenichi Ohmae, a well-known management strategist, along with a few Japanese companies and three Indian companies including Infosys. The aim of JASDIC is to provide high-quality software services from India for the Japanese market. This is in line with Infosys' strategy to diversify its geographic client base.

Infosys' cumulative billings from JASDIC are Rs. 48.75 crore ($10.96 million) and, as of March 31, 2002, the amount due is Rs. 1.11 crore ($0.23 million).

4.7 M-Commerce Ventures Pte. Ltd, Singapore

During the previous year, Infosys invested an amount of Rs. 1.84 crore (S $0.70 million) in M-Commerce Ventures Pte. Ltd., Singapore (MCV), towards the issue of 70 capital units. Each capital unit represents one ordinary share of S$1 each, issued at par, and nine redeemable preference shares at a par value S $1 each, with a premium of S $1,110 per redeemable preference share. MCV is promoted by the Economic Development Board, Singapore and intends to focus on companies offering mobile portals, personal information management and messaging, bandwidth optimization and other key enablers of m-commerce.

MCV is an incubation fund in the m-commerce space and Infosys has committed to invest an aggregate amount of S$1.00 million in the fund. As of March 31, 2002, Infosys has an investment of S $0.70 million in MCV. MCV has agreed to position Infosys as a preferred technology partner to its investee companies.

Mr. Philip Yeo, a non-executive director of Infosys, is the chairman of the board of directors of EDB Investments Pte Ltd (EDBI). EDBI is the fund manager of M-Commerce Ventures Pte Ltd.

4.8 OnMobile Systems Inc., USA

During the previous year, Infosys invested an amount of Rs. 8.95 crore ($2.00 million) in OnMobile Systems Inc. (formerly Onscan Inc.) towards the issue of 1,00,000 common stock at $0.4348 each, fully paid, par value $0.001 each; 1,00,000 Series A Voting Convertible Preferred Stock at $0.4348 each, fully paid, par value $0.001 each; and 44,00,000 series A Non-voting Convertible Preferred Stock at $0.4348 each, fully paid, par value $0.001 each.

OnMobile Systems Inc. was incubated by Infosys and the investment was made in the form of transfer of intellectual property rights in Onscan – a web-focused wireless-enabled notification product. The income arising out of the transfer of the product, amounting to Rs. 5.49 crore (net of tax), was disclosed as an extraordinary item in the profit and loss account of the previous year.

Infosys' cumulative billings from OnMobile Systems Inc. are Rs. 24.76 crore ($5.30 million) and, as of March 31, 2002, the amount due is Rs. 1.41 crore ($0.29 million).

Mr. S. D. Shibulal, a director of Infosys, is the chairman of the board of OnMobile Systems Inc.

Mr. S. Gopalakrishnan and Mr. S. D. Shibulal, members of the board of Infosys hold 2,00,000 and 5,00,000 shares, respectively, in OnMobile Systems Inc., acquired at a price of $0.0435 per share. Mr. V. Balakrishnan, Vice President – Finance and Company Secretary, Infosys, holds 1,00,000 stock options in OnMobile Systems Inc. granted at an exercise price of $0.0435 per option.

4.9 Stratify Inc., (formerly PurpleYogi Inc.), USA

During the previous year, Infosys invested an amount of Rs. 2.33 crore ($0.50 million) in Stratify Inc., (formerly PurpleYogi Inc.), towards the issue of 2,76,243 fully paid Series D Convertible Preferred Stock, par value of $0.001 each, at $1.81 per share. Stratify Inc. is a developer of infrastructure software for information networks that enables intelligent content management and efficient enterprise-wide knowledge management.

4.10 Workadia Inc., USA

During the current year, Infosys invested an amount of Rs. 10.32 crore ($2.20 million) in Workadia Inc., USA ("Workadia") purchasing 22,00,000 fully paid Series "B" convertible preferred stock, par value of US$0.0002, at US$1.00 each. Workadia provides companies with comprehensive, customizable business intranets through browser accessed hosted portals, and also offers consulting services to help customers select and deploy their intranet applications, content and services.

Infosys' cumulative billings from Workadia are Rs. 18.07 crore ($3.81 million) and, as of March 31, 2002, the amount due is Rs. 2.78 crore ($0.57 million).

4.11 Other investments

Infosys invested Rs. 10 and Rs. 10,350 respectively in Software Services Support Education Center Limited and The Saraswat Co-operative Bank Limited, respectively.

4.12 Summary

in Rs. crore

Cumulative investments upto March 31, 2002	66.79
Cumulative billings upto March 31, 2002 from all investee companies	195.67
Less: Provisions made for investments	(22.35)
Account receivables written-off / provided	(6.16)
Net amount	167.16

5. Deferred tax assets

The standard on accounting for taxes on income became mandatory effective April 1, 2001. Accordingly, the company recorded deferred tax assets in the book aggregating Rs. 24.22 crore as of March 31, 2002. The deferred tax assets represent timing differences in the financial and tax books arising out of depreciation on assets, investment provisions and provision for sundry debtors.

6. Sundry debtors

Sundry debtors amount to Rs. 336.73 crore (net of provision for doubtful debts amounting to Rs. 19.23 crore) as at March 31, 2002, as compared with Rs. 302.37 crore (net of provision for doubtful debts amounting to Rs. 18.17 crore) as at March 31, 2001. These debtors are considered good and realizable. The need for provisions is assessed based on various factors including collectibility of specific dues, risk perceptions of the industry in which the customer operates and general economic factors which could affect the customer's ability to settle. Provisions are generally made for all debtors outstanding for more than 180 days as also for others depending on the management's perception of the risk. Debtors are at 12.93% of revenues for the year ended March 31, 2002, as compared to 15.91% for the previous year, representing an outstanding of 47 days and 58 days of revenues for the respective years. The age profile is as given below:

As of March 31

Period in days	2002	2001
0 – 30	69.0%	69.2%
31 – 60	30.0%	26.6%
61 – 90	0.5%	1.7%
More than 90	0.5%	2.5%
	100.0%	100.0%

The movement in provisions for doubtful debts during the year is as follows:

in Rs. crore

Year ended March 31	2002	2001
Opening balance	18.17	2.21
Add: Amount provided during the year	13.09	19.28
Less: Amount written-off during the year	12.03	3.32
Closing balance	19.23	18.17

Provision for bad and doubtful debts and bad debts written-off as a percentage of revenue are 0.50% and 1.03% in fiscal 2002 and 2001, respectively.

7. Cash and cash equivalents

in Rs. crore.

As of March 31	2002	2001
Cash balances	0.03	0.01
Bank balances in India		
current accounts	12.23	9.63
deposit accounts	551.62	181.89
EEFC accounts in foreign currency	10.52	3.17
Bank balances – overseas		
current accounts	50.41	54.00
deposit accounts	147.41	136.36
Total cash and bank balances	772.22	385.06
Add: Deposits with financial institutions / body corporate	254.74	192.68
Total cash and cash equivalents	1,026.96	577.74
Cash and cash equivalents as a % of total assets	49.4%	41.6%
Cash and cash equivalents as a % of revenues	39.4%	30.4%

The bank balances in India include both rupee accounts and foreign currency accounts. They also include Rs. 1.12 crore and Rs. 0.48 crore in the unclaimed dividend account for the years ended March 31, 2002 and 2001. The bank balances in overseas deposit accounts represent deposits maintained with State Bank of India, Nassau, New York. The bank balances in overseas current accounts are maintained to meet the expenditure of the overseas branches in the US and other countries, and to meet project-related expenditure overseas.

The deposit account represents deposits for short tenures and the details are given below:

in Rs. crore

As of March 31	2002	2001
ABN Amro Bank	48.16	–
Bank of America	85.16	20.01
Citibank N.A.	100.77	50.63
Deutsche Bank	6.00	50.45
ICICI Bank Limited	48.68	–
Punjab National Bank	96.00	–
Standard Chartered Bank	92.48	50.22
The Bank of Nova Scotia	64.67	5.16
UTI Bank Limited	9.70	5.42
Total	551.62	181.89

8. Loans and advances

Advances are primarily towards amounts paid in advance for value and services to be received in future. Unbilled revenues comprise the revenue recognized in relation to efforts incurred on fixed-price and time and material contracts not billed as of the year-end. *Advance income tax* represents payments made towards tax liability for the years ended March 31, 2002 and 2001, and also refunds due for the previous years. The company's liability towards income tax is fully provided for. The details of advance income tax are given below:

in Rs. crore

As of March 31	2002	2001
Domestic tax	80.71	43.56
Overseas tax	155.54	80.18
Total	236.25	123.74

Loans to employees are made to enable the purchase of assets by employees and to meet any emergency requirements. These increased significantly during the year, due to an increase in the number of employees availing such loans. The details of these loans are given below:

in Rs. crore

As of March 31	2002	2001
Housing loan	47.74	25.85
Soft loan	12.60	10.15
Vehicle loan	18.50	12.47
Marriage loan	1.85	1.24
Other loans	0.83	0.75
Total	81.52	50.46

During the year, the company provided an amount of Rs. 0.42 crore towards doubtful loans and advances to employees as compared to Rs. 0.07 crore in the previous year.

Electricity and other deposits represent electricity deposits, telephone deposits, insurance deposits and advances of a similar nature. The *rent deposits* are towards buildings taken on lease by the company for its software development centers in various cities. These include the deposits paid by the company to house its staff, which amounted to Rs. 3.65 crore for the current year as compared to Rs. 2.55 crore for the previous year.

The company's treasury policy calls for investing surpluses with highly rated companies, banks and financial institutions for short maturities with a limit on investments in individual entities. Deposits with financial institutions and body corporate represent surplus money deployed in the form of short-term deposits. The details of such deposits are given below:

in Rs. crore

As of March 31	2002	2001
GE Capital Services India	100.87	50.58
Housing Development Finance Corporation Limited	101.10	50.87
ICICI Limited	52.77	50.87
IDBI Limited	–	40.36
Total	254.74	192.68

The above amounts include interest accrued but not due amounting to Rs. 2.74 crore during the year ended March 31, 2002 as compared to Rs. 2.68 crore during the previous year. Mr. Deepak M. Satwalekar, Director, is also a director of HDFC. Prof. Marti G. Subrahmanyam, Director is also a director in ICICI Limited. Mr. N. R. Narayana Murthy, Chairman and Chief Mentor was a director in ICICI Limited until March 27, 2002. Except as directors in these financial institutions, these persons have no direct interest in these transactions.

9. Current liabilities

Sundry creditors for goods represent the amount payable to vendors for the supply of goods. *Sundry creditors for accrued salaries and benefits* include the provision for bonus and incentive payable to the staff and also the company's liability for leave encashment valued on an actuarial basis. The details of the same are as follows:

in Rs. crore

As of March 31	2002	2001
Accrued salaries payable	2.77	3.80
Accrued bonus and incentive payable to employees	30.71	34.64
Leave provision – as per actuarial valuation	22.99	18.98
Total	56.47	57.42

Sundry creditors for other liabilities represent amounts accrued for various other operational expenses. *Retention monies* represent monies withheld on contractor payments pending final acceptance of their work. *Withholding and other taxes payable* represent tax withheld on benefits arising out of exercise of stock options issued under the 1998 and 1999 Employee Stock Option Plan by various employees, and also other local taxes payable in various countries on the services rendered by Infosys. All these taxes will be paid in due course. *Advances received from clients* denote monies received for the delivery of future services. *Unclaimed dividends* represent dividend paid, but not encashed by shareholders, and are represented by a bank balance of equivalent amount.

10. Unearned revenue

Unearned revenue as at March 31, 2002 and 2001 consists primarily of advance client billing on fixed-price, fixed-timeframe contracts for which related costs were not yet incurred.

11. Provisions

Provisions for taxation represent estimated income tax liabilities, both in India and abroad. The details are as follows:

in Rs. crore

As of March 31	2002	2001
Domestic tax	71.36	41.67
Overseas tax	168.21	81.23
Total	239.57	122.90

Tax on dividend denotes taxes payable on final dividend declared for the year ended March 31, 2001. As per the recent Finance Bill presented to the parliament by the Government of India, effective April 1, 2002, no dividend tax is payable on the dividends declared by the company. However, such dividends are taxable in the hands of the receiving shareholders. *Proposed dividend* represents the final dividend recommended to the shareholders by the board of directors, and will be paid after the Annual General Meeting, upon approval by the shareholders.

The provision for post-sales client support is towards likely expenses for providing post-sales client support on fixed-price contracts.

B. Results of operations

1. Income

Year ended March 31 *in Rs. crore*

Particulars	2002	%	2001	%	Growth %
Software development services and products					
Overseas	2,552.47	98.04	1,874.02	98.60	36.20
Domestic	51.12	1.96	26.54	1.40	92.61
Total	2,603.59	100.00	1,900.56	100.00	36.99

The company's revenues are generated principally on fixed-timeframe or time-and-material basis. Revenues from services provided on a time-and-material basis are recognized in the month that services are provided and related costs are incurred. Revenues from fixed-timeframe projects are recognized upon the achievement of specified milestones identified in the related contracts, in accordance with the percentage of completion method. The segmentation of software services is as follows:

Year ended March 31

Revenues by project type	2002	2001
Fixed price	31.60%	28.20%
Time and material	68.40%	71.80%
Total	100.00%	100.00%

The company's revenues are also segmented into onsite and offshore revenues. Onsite revenues are those services which are performed at client sites as part of software projects, while offshore services are those services which are performed at the company's software development centers located in India. The details of software services and products are as follows:

Year ended March 31

Revenues by location	2002	2001
Onsite	50.80%	51.50%
Offshore	49.20%	48.50%
Total	100.00%	100.00%

The services performed onsite typically generate higher revenues per-capita, but at lower gross margins than the same quantum of services performed at the company's own facilities. Therefore, any increase in the onsite effort puts pressure on the margins of the company. The details are as follows:

Year ended March 31		
Person-months (%)	2002	2001
Onsite	30.70%	34.00%
Offshore	69.30%	66.00%
Total	100.00%	100.00%

The growth in software development services and product revenues is due to an all-round growth in various segments of the business mix and is mainly due to growth in business volumes. The details of the same are given below:

Year ended March 31	2002	2001
Income from software development services and products ($million)		
Onsite	276.72	213.03
Offshore	268.33	200.82
Total	545.05	413.85
Person-months		
Onsite	24,173	19,425
Offshore	54,472	37,676
Billed-total	78,645	57,101
Non-billable	29,262	15,799
Training	4,266	11,828
Total software professionals	1,12,173	84,728
Support	12,179	9,691
Total for the company	1,24,352	94,419
Increase in billed person months		
Onsite	4,748	7,842
% change	24.4%	67.7%
Offshore	16,796	13,618
% change	44.6%	56.6%
Total	21,544	21,460
% change	37.7%	60.2%
Increase in income from software development services and products ($million)		
Volume variance		
Onsite	52.07	66.74
% change	24.4%	67.7%
Offshore	89.51	59.36
% change	44.6%	56.6%
Total volume variance	141.58	126.10
% change	34.2%	62.0%
Price variance		
Onsite	11.62	47.72
% change	5.5%	48.4%
Offshore	(22.00)	36.59
% change	(11.0%)	34.9%
Total price variance	(10.38)	84.31
% change	(2.5%)	41.4%
Total variance		
Onsite	63.69	114.46
% change	29.9%	116.1%
Offshore	67.51	95.95
% change	33.6%	91.5%
Total revenue variance	131.20	210.41
% change	31.7%	103.4%

Details of geographical and business segmentation of revenues are provided in the *Risk management report* in this Annual Report.

2. Expenditure

Year ended March 31 *in Rs. crore*

Particulars	2002	%	2001	%	Growth %
Income from software services and products	2,603.59	100.00	1,900.56	100.00	36.99
Software development expenses	1,224.82	47.04	870.83	45.82	40.65
Gross profit	1,378.77	52.96	1,029.73	54.18	33.90
Selling and marketing expenses	129.79	4.99	92.07	4.84	40.97
General and administration expenses	211.35	8.12	172.82	9.09	22.29
Total operating expenses	1,565.96	60.15	1,135.72	59.75	37.88
Operating profit	1,037.63	39.85	764.84	40.24	35.67
Interest	–	–	–	–	–
Depreciation	160.65	6.17	112.89	5.94	42.31
Operating profit after interest and depreciation	876.98	33.68	651.95	34.30	34.52
Other income	66.41	2.55	59.37	3.12	11.86
Provision for investments	–	–	15.29	0.80	–
Profit before tax and extraordinary item	943.39	36.23	696.03	36.63	35.54
Provision for tax	135.43	5.20	72.71	3.83	86.26
Profit after tax before extraordinary item	807.96	31.03	623.32	32.80	29.62
Extraordinary item					
– transfer of intellectual property right (net of tax)	–	–	5.49	0.29	–
Net profit after tax and extraordinary item	807.96	31.03	628.81	33.09	28.49

2.1 Software development expenses

Year ended March 31 *in Rs. crore*

Particulars	2002	%	2001	%	Growth%
Salaries and bonus					
including overseas staff expenses	976.11	37.49	605.51	31.86	61.20
Staff welfare	6.14	0.23	7.63	0.40	(19.53)
Contribution to provident and other funds	25.63	0.98	31.00	1.63	(17.32)
Foreign travel expenses	113.12	4.34	133.66	7.03	(15.37)
Consumables	3.22	0.12	5.87	0.31	(45.14)
Cost of software packages for					
own use	34.44	1.32	31.84	1.67	8.17
service delivery to clients	9.17	0.35	5.70	0.30	60.88
Computer maintenance	7.11	0.27	7.13	0.38	(0.28)
Communication expenses	36.11	1.39	31.47	1.66	14.74
Consultancy charges	10.12	0.39	9.19	0.48	10.12
Provision for post-sales client support	3.65	0.14	1.83	0.10	99.45
Total software development expenses	1,224.82	47.04	870.83	45.82	40.65
Revenues	2,603.59	100.00	1900.56	100.00	36.99

Employee costs consist of salaries paid to employees in India and include overseas staff expenses. The total software professionals person months increased to 112,173 for the year ending March 31, 2002 from 84,728 person months during the previous year. Of this, the onsite and offshore person months are 24,173 and 54,472 for the year ending March 31, 2002 as compared to 19,425 and 37,676 for the previous year. The non-billable and trainees person months increased to 33,528 during the year ending March 31, 2002 from 27,627 person months during the previous year. The company added 907 employees (net) during the year as compared to 4,442 (net) during the previous year.

The utilization rates of the employees are as below:

Year ended March 31	2002	2001
Including trainees	70.10%	67.40%
Excluding trainees	72.90%	78.30%

The *Foreign travel expenses*, representing cost of travel abroad for software development constituted approximately 4% and 7% of total revenue for the years ended March 31, 2002 and 2001, respectively.

Cost of software packages for own use represents the cost of software packages and tools procured for internal use by the company for enhancing the quality of its services and also for meeting the needs of software development. The cost of software packages purchased for own use is approximately 1% and 2% of the revenues for the year ending March 31, 2002 and 2001, respectively. The company's policy is to charge such purchases to the profit and loss accounts in the year of purchase.

A major part of the company's revenue comes from offshore software development. This involves the large-scale use of satellite connectivity in order to be online with clients. The communication expenses represent approximately 1% and 2% of revenues for the years ended March 31, 2002 and 2001, respectively.

The company also utilizes outside consultants for part of its software development work. During the year, the company spent Rs. 10.12 crore towards consultancy as compared to Rs. 9.19 crore during the previous year, resulting in an increase of 10.12%. This increase is due to an increase in number of consultants hired during the year. The company uses these consultants mainly to meet mismatch in certain skill-sets that are required in various projects and will continue to use external consultants for some of its project work on a need basis.

The company provided an amount of Rs. 3.65 crore and Rs. 1.83 crore towards post-sales client support for the year ended March 31, 2002 and 2001, respectively. This represents a provision for post-sales obligations of the company in respect of the outstanding fixed-price projects as at the year-end.

2.2 Selling and marketing expenses

Year ended March 31 *in Rs. crore*

Particulars	2002	%	2001	%	Growth%
Salaries and bonus including overseas staff expenses	61.04	2.34	44.25	2.33	37.94
Staff welfare	0.27	0.01	0.83	0.04	(67.47)
Contribution to provident and other funds	0.22	0.01	0.24	0.01	(8.33)
Foreign travel expenses	18.66	0.72	10.72	0.56	74.07
Consumables	0.02	–	–	–	
Cost of software packages for own use	0.58	0.02	0.02	–	2800
Computer maintenance	–	–	0.06	–	–
Communication expenses	0.38	0.01	0.05	–	660
Traveling and conveyance	3.14	0.12	2.35	0.12	33.62
Rent	4.30	0.17	2.47	0.13	74.09
Telephone charges	3.26	0.13	2.34	0.12	39.32
Professional charges	5.90	0.23	4.78	0.25	23.43
Printing and stationery	1.55	0.06	0.96	0.05	61.46
Advertisements	0.31	0.01	0.73	0.04	(57.53)
Brand building	13.16	0.51	10.52	0.55	25.10
Office maintenance	0.31	0.01	0.77	0.04	(59.74)
Repairs to plant and machinery	0.01	–	0.17	0.01	(94.12)
Power and fuel	0.06	–	0.08	–	(25.00)
Insurance charges	–	–	2.33	0.12	–
Rates and taxes	0.33	0.01	0.85	0.04	(61.18)
Bank charges and commission	0.03	–	0.05	–	(40.00)
Commission charges	10.82	0.42	1.79	0.09	504.47
Marketing expenses	4.67	0.18	4.27	0.22	9.37
Sales promotion expenses	0.44	0.02	0.70	0.04	(37.14)
Other miscellaneous expenses	0.33	0.01	0.74	0.04	(55.41)
Total selling and marketing expenses	129.79	4.99	92.07	4.84	40.97
Revenues	2,603.59	100.00	1,900.56	100.00	36.99

The company incurred *Selling and marketing expenses* at 4.99% of its revenue during fiscal 2002 as compared to 4.84% during the previous year.

Employee costs consist of salaries paid to sales and marketing employees and include the bonus payments made to sales personnel. The number of sales and marketing personnel increased from 104 as of March 31, 2001 to 143 as of March 31, 2002 while the number of marketing offices increased from 25 to 28 as of March 31, 2002. *Foreign travel expenses, Traveling and conveyance, Telephone expenses and Marketing expenses* increased due to the increased levels of business and increase in number of marketing offices and personnel. *Cost of software packages for own use* represents software procured for internal use by the sales and marketing team. *Rent* increased due to new office spaces taken in the Netherlands, Singapore and Switzerland. *Brand building expenses* include expenses incurred for participation in various seminars and exhibitions, both in India and abroad, various sales and marketing events organized by the company and other advertisement and sales promotional expenses. The company added 116 new customers during the year as compared to 122 during the previous year. *Commission charges* primarily consist of expenses incurred by the Banking Business Unit with regard to agents' fees paid for sourcing business from Asian and African countries. It also includes commission paid for software service revenues derived from some of the European countries and the US. The export revenue from the banking product – FINACLE™ during the year, is Rs. 52.66 crore as compared to Rs. 21.09 crore during the previous year.

2.3 General and administration expenses

Year ended March 31 *in Rs. crore*

Particulars	2002	%	2001	%	Growth%
Salaries and bonus including overseas staff expenses	45.48	1.75	26.11	1.37	74.19
Contribution to provident and other funds	2.98	0.11	2.22	0.12	34.23
Foreign travel expenses	4.81	0.18	2.84	0.15	69.37
Traveling and conveyance	15.48	0.59	16.06	0.85	(3.61)
Rent	20.11	0.77	14.48	0.76	38.88
Telephone charges	11.45	0.44	11.68	0.61	(1.97)
Professional charges	16.23	0.62	15.62	0.82	3.91
Printing and stationery	4.75	0.18	5.30	0.28	(10.38)
Advertisements	2.78	0.11	5.58	0.29	(50.18)
Office maintenance	13.81	0.53	12.07	0.64	14.42
Repairs to building	8.50	0.33	3.95	0.21	115.19
Repairs to plant and machinery	2.48	0.10	2.09	0.11	18.66
Power and fuel	18.90	0.73	11.71	0.62	61.40
Insurance charges	5.34	0.21	2.84	0.15	88.03
Rates and taxes	3.93	0.15	0.97	0.05	305.15)
Donations	5.12	0.20	7.22	0.38	(29.09)
Auditors remuneration	0.25	0.01	0.22	0.01	13.64
Bad debts written-off	–	–	0.28	0.01	–
Provision for bad and doubtful debts	13.09	0.50	19.28	1.01	(32.11)
Provision for doubtful loans and advances	0.42	0.02	0.07	–	500.00
Bank charges and commission	0.68	0.03	0.54	0.03	25.93
Freight charges	0.52	0.02	0.56	0.03	(7.14)
Professional membership and seminar participation fees	2.20	0.08	2.17	0.11	1.38
Commission to non-wholetime directors	0.98	0.04	0.59	0.03	66.10
Transaction processing fee and filing fees	4.78	0.18	1.53	0.08	212.42
Other miscellaneous expenses	1.16	0.04	1.87	0.10	(37.97)
Postage and courier	3.23	0.12	2.28	0.12	41.67
Books and periodicals	1.14	0.04	1.69	0.09	(32.54)
Research grants	0.75	0.03	1.00	0.05	(25.00)
Total general and administration expenses	211.35	8.12	172.82	9.09	22.29
Revenues	2,603.59	100.00	1,900.56	100.00	36.99

The company incurred *General and administration expenses* amounting to 8.12% of its total revenue during fiscal 2002 as compared to 9.09% during the previous year.

Employee costs consist of salaries in India including overseas staff expenses paid to general and administration employees. The number of administration personnel increased from 859 as of March 31, 2001 to 874 as of March 31, 2002.

Rent expenses increased by approximately 39% during the year due to additional office properties leased during the year and increases in rentals of certain properties previously taken on lease. *Professional charges* increased by approximately 4%, due to increased globalization of the business. These charges include fees paid for availing services such as tax consultancy, US GAAP audit, and recruitment and training. *Advertisement expense* decreased by 50% due to decrease in advertisements for recruitment purposes both in India and abroad. *Provision for bad and doubtful debts* decreased from Rs. 19.28 crore during the previous year to Rs. 13.09 crore during the current year. The company management evaluates all customer dues to the company for collectibility and makes adequate provisions, wherever necessary. The company normally provides for all debtors' dues outstanding for 180 days or longer. The need for provisions is assessed based on various factors including collectibility of specific dues, risk perceptions of the industry in which the customer operates, and general economic factors which could affect the customer's ability to settle. *Provision for bad and doubtful debts* and *Bad debts written-off* as a percentage of revenue are 0.50% and 1.03% in fiscal 2002 and 2001, respectively.

The *Transaction processing fee and filing fees* represent processing fees paid for overseas residence permits and also processing fees to obtain immediate cash payment from one of the customers. The increase in all other expenses is primarily due to an increased level of business.

3. Operating profits

During the current year, the company earned an operating profit (profit before interest, depreciation and tax) of Rs. 1,037.63 crore representing 39.85% of total revenues as compared to Rs. 764.84 crore, representing 40.24% of total revenues during the previous year.

4. Interest

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

5. Depreciation

The company provided a sum of Rs. 160.65 crore and Rs. 112.89 crore towards depreciation for the years ended March 31, 2002 and 2001, representing 6.17% and 5.94% of total revenues, respectively. The depreciation for the years ended March 31, 2002 and 2001 includes an amount of Rs. 21.17 crore and Rs. 34.99 crore, respectively, towards 100% depreciation on assets costing less than Rs. 5,000 each. The depreciation as a percentage of average gross block is 20.18% and 24.67% for the years ended March 31, 2002 and 2001, respectively.

Depreciation charge includes an amount of Rs. 0.46 crore and Rs. 2.14 crore towards depreciation provided, in full, on assets acquired for research and development activities for the years ended March 31, 2002 and 2001, respectively.

6. Other income

Other income includes interest received on deposits with banks and other financial institutions, exchange differences and other miscellaneous income. The average yield on the deposits earned by the company is given below:

in Rs. crore

Year ended March 31	2002	2001
Average cash and cash equivalents	802.35	543.06
Interest received including exchange variation on FC deposits	57.88	58.64
Average yield	7.21%	10.80%

The decrease in yield is primarily due to a reduction in general interest rates in the economy.

7. Provision for investment

During the previous year, two of the investee companies, EC Cubed Inc. and Alpha Thinx Mobile Phone Services AG, filed for liquidation. Pending the conclusion of liquidation proceedings, the company has provided Rs. 15.29 crore towards the entire amount of these investments.

8. Provision for tax

The company has provided for its tax liability both in India and overseas. The present Indian corporate tax rate is 35.70% (comprising a base rate of 35% and a surcharge of 2% on the base rate). Export profits are entitled to benefit under two schemes of the Government of India. Under the first scheme (Section 80HHE of the Income Tax Act), a proportion of the profits of the company attributable to export activities is deductible from the income subject to tax. Such deductions are being phased out equally over a period of five years starting fiscal 2000. Under the second scheme, the profits attributable to the operations of the company under the 100% export oriented unit scheme – Software Technology Park (STP) scheme – are entitled to a tax holiday for a consecutive period of 10 years from the financial year in which the unit started producing computer software or March 31, 2000, whichever is earlier. For the year ended March 31, 2002, approximately 96% of software revenues came from software development centers operating under the Software Technology Park scheme.

The Government of India recently introduced the Finance Bill in the parliament. As per the provisions of the bill, 10% of the profits earned by units operating under the STP scheme will be taxed at the regular rates of taxation during the financial year 2002-03. The details of the operationalization of various software development centers and the year upto which the exemption under the Software Technology Park Scheme is available are provided below:

Location of the STP	Year of commencement	Exemption claimed from	Exemption available upto
Electronics City, Bangalore	1994-1995	1996-1997	2003-2004
Mangalore	1995-1996	1998-1999	2004-2005
Pune	1996-1997	1998-1999	2005-2006
Bhubaneswar	1996-1997	1998-1999	2005-2006
Chennai	1996-1997	1998-1999	2005-2006
Bannerghatta Road, Bangalore	1997-1998	1998-1999	2006-2007
Phase I, Electronics City, Bangalore	1998-1999	1998-1999	2007-2008
Phase II, Electronics City, Bangalore	1999-2000	1999-2000	2008-2009
Hinjewadi, Pune	1999-2000	1999-2000	2008-2009
Mysore	1999-2000	1999-2000	2008-2009
Hyderabad	1999-2000	1999-2000	2008-2009
Mohali	1999-2000	1999-2000	2008-2009
Sholinganallur, Chennai	2000-2001	2000-2001	2008-2009
Konark, Bhubaneswar	2000-2001	2000-2001	2008-2009
Mangala, Mangalore	2000-2001	2000-2001	2008-2009

The company has provided a sum of Rs. 1.40 crore during the year ended March 31, 2001, in respect of tax liabilities of earlier years, consequent to the finalization of the tax assessments. The additional liability has arisen due to certain disallowances in India which are contested in appeal, and additional payments overseas.

The company pays taxes in the various countries in which it operates on the income that is sourced to those countries. The details of provision for taxes are as follows:

Year ended March 31 *in Rs. crore*

Particulars	2002	2001
Overseas tax	112.19	48.31
Domestic tax	31.00	23.00
	143.19	71.31
Deferred taxes	(7.76)	–
Prior year taxes	–	1.40
Total tax	135.43)	72.71

9. Net profit

The net profit of the company from ordinary activities amounted to Rs. 807.96 crore and Rs. 623.32 crore for the years ended March 31, 2002 and 2001, respectively. This represents 31.03% and 32.80% of total revenue for the respective years. Excluding other income of Rs. 66.41 crore (2.55% of revenues) in the current year as compared to Rs. 59.37 crore (3.12% of revenues) in the previous year, the net profit would have been Rs. 741.55 crore (28.48% of revenues) in the current year as compared to Rs. 563.95 crore (29.67% of revenues) in the previous year.

10. Extraordinary item

Infosys announced an incubation scheme for its employees to launch their own ventures while continuing to derive benefits from a close association with the company. Infosys launched Yantra in 1996 under this scheme, which is in the e-fulfillment space. Infosys had piloted another such venture – OnMobile Systems Inc. (formerly Onscan Inc.), which is in the wireless space. During the previous year, the company transferred its intellectual property rights in the Onscan product – a web-enabled notification product to OnMobile Systems Inc. The product was transferred for a gross consideration of Rs. 8.93 crore (US$ 2 million), received in the form of equity, preferred voting and preferred non-voting securities of OnMobile Systems Inc. The income from the transfer of Rs. 5.49 crore (net of tax) is disclosed as an *extraordinary item* in the profit and loss account.

11. Liquidity

The growth of the company has been financed largely through cash generated from operations and, to a lesser extent, from the proceeds of equity issues and borrowings. As of March 31, 2002, the company had cash and cash equivalents of Rs.1,026.96 crore. The cash and cash equivalents increased by Rs. 449.22 crore during the year despite a spending of Rs. 322.74 crore towards creating physical and technology infrastructure. The company's treasury policy calls for investing only in highly rated banks, financial institutions and companies for short maturities with a limit for individual entities. The company retains the money both in rupee and foreign currency accounts. The bank balances in overseas accounts are maintained to meet the expenditure of the overseas branches in the U.S. and other countries, and to meet project-related expenditure overseas.

The company's policy is to pay dividend upto 20% of the after-tax profits of the company. The pay-out ratio of the company during the year ending March 31, 2002, 2001 and 2000 are 17.01%, 12.01% and 11.55%, respectively.

The company's policy is to maintain sufficient cash in the balance sheet to meet the following objectives:

- To fund the ongoing capex requirements to meet its growth objectives;
- To fund the operational expenses and other strategic initiatives for the next one year; and
- To maintain business continuance in case of exigencies.

The company's policy is to earn a minimum return of twice the cost of capital on average capital employed and thrice the cost of capital on average invested capital. The current estimated cost of capital is 17.17%. At present, the company earns 54.37% return on average capital employed and 83.10% return on average invested capital. The company aims at maintaining sufficient cash balances to meet its strategic objectives and at the same time maintaining adequate returns on its investments.

12. Stock option plans

12.1 1994 Employee Stock Offer Plan

The company instituted an Employee Stock Offer Plan (ESOP) in 1994 for all eligible employees. Under the plan, warrants were transferred to employees deemed eligible by the advisory board constituted for the purpose. Accordingly, 60,00,000 warrants (as adjusted for the 1:1 bonus issue in October 1997 and March 1999 and 2-for-1 stock split in February 2000) were issued by the company to the Infosys Technologies Limited Employees Welfare Trust, to be held in trust and transferred to selected employees from time to time. Warrants were issued at Rs. 0.50 each and entitled the holder thereof to apply for and be issued one equity share of par value of Rs. 5 each at a price of Rs. 50, after a period of five years from the date of issue. The warrants and the shares to be issued were subject to a lock-in period of five years from the date of issue. The warrants expire on September 30, 1999, and are convertible before their expiration. All warrants were converted into shares.

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

	Warrants subject to lock-in				Right to shares	
Year ended March 31	No. of employees	Warrants transferred to employees (Net)	Shares issued on conversion of warrants, subject to lock-in	Bonus shares issued on converted warrants, free from lock-in	No. of employees	Shares offered to employees (Net)
1998	314	4,53,400	4,53,400	4,53,400	–	–
1999	966	7,22,400	7,22,400	7,22,400	499	2,95,400
2000	–	–	–	–	13	26,000
Total	1,051	11,75,800	11,75,800	11,75,800	512	3,21,400

By November 2001, the lock-in period ended in respect of 1,91,400 shares of par value of Rs. 5 each, held by 144 employees for warrants issued in August 1996. Employees hold 11,75,800 shares of par value of Rs. 5 each subject to lock-in and 3,21,400 rights to shares of par value of Rs. 5 each, as at March 31, 2002. 1,498 employees hold shares / rights to shares as of March 31, 2002, after netting the employees who have received shares / rights to shares in several years.

Details of net warrants / rights to shares issued to employees

Year ended March 31	Warrants / rights to shares issued		Warrants / rights to shares forfeited	
	No. of employees	No. of shares	No. of employees	No. of shares*
1995	106	2,88,200	32	75,600
1996	144	3,16,000	42	72,800
1997	193	2,49,200	49	57,800
1998	368	5,40,800	54	87,400
1999	1,750	11,56,200	285	1,38,400
2000	14	30,000	1	4,000

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

Warrants originally allotted to ITL Employees' Welfare Trust	7,50,000
Less: Net warrants issued to eligible employees before bonus issue in October 1997	3,76,400
Warrants held by Trust immediately before bonus issue in October 1997 and converted to shares	3,73,600
Add: Bonus shares allotted to the Trust in October 1997	3,73,600
Shares held by the Trust immediately after bonus issue in October 1997	7,47,200
Add: Shares surrendered to the Trust after bonus issue in October 1997	26,500
Less: Net rights to shares issued to eligible employees before bonus issue in March 1999	6,64,300
Shares held by the Trust immediately before bonus issue in March 1999	1,09,400
Add: Bonus shares allotted to the Trust in March 1999	1,09,400
Shares held by the Trust immediately after bonus issue in March 1999	2,18,800
Less: Net rights to shares issued to eligible employees after bonus issue in March 1999	1,64,000
Add: Shares surrendered to the Trust after the bonus issue in March 1999	13,000
Add: Rights to shares surrendered to the Trust after the bonus issue in March 1999	31,400
Less: Net rights to shares issued to eligible employees in June 1999	15,000
Shares held by the Trust immediately before stock-split (i.e., the subdivision of equity shares of par value of Rs. 10 each into 2 equity shares of par value of Rs. 5 each) in February 2000	84,200
Add: Additional shares of par value of Rs. 5 per share allotted to the Trust in February 2000	84,200
Shares held by the Trust immediately after the split of face value to Rs. 5 per share (in February 2000)	1,68,400
Shares held by the Trust as of March 31, 2000	1,68,400
Add: Shares surrendered to the Trust during the year 2000-01	79,200
Add: Rights to shares surrendered to the Trust during the year 2000-01	10,600
Less: Rights to shares exercised by legal heirs of employees who died while in service	800
Shares held by the Trust as on March 31, 2001	2,57,400
Add: Shares surrendered to the Trust during the year 2001-02	54,000
Add: Rights to shares surrendered to the Trust during the year 2001-02	8,600
Shares held by the Trust as on March 31, 2002	3,20,000

Details of shares of par value of Rs. 5 each held by employees under the Employee Stock Offer Plan (ESOP) 1994 subject to lock-in are given in the table below.

Period of lock in	2002		2001	
	No. of shares	No. of employees	No. of shares	No. of employees
2-3 years	–	–	7,50,200	994
1-2 years	7,22,400	966	4,79,600	329
0-1 years	4,53,400	314	1,91,400	144

Currently, 1,498 employees hold shares under the 1994 Stock Offer Plan. As on March 31, 2002, 512 employees hold rights to 3,21,400 shares of par value of Rs. 5 each, which are subject to a lock-in of 2-3 years. In the event of an employee leaving Infosys before the vesting period, the shares under lock-in are transferred to the Infosys Technologies Ltd. (ITL) Employees Welfare Trust. As on March 31, 2002, the ITL Employees Welfare Trust holds 3,20,000 shares of par value of Rs. 5 each.

12.2 1998 Employee Stock Option plan (1998 plan)

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

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

Month of grant	Options granted			Options forfeited	
	No. of employees*	No. of ADSs	Grant price at market per ADS	No. of employees	No. of ADSs
2001					
Apr	10	22,100	$71.45	5	16,920
May	32	35,000	$73.50	3	20,340
Jun	17	40,700	$70.70	3	10,960
Jul	27	33,200	$56.89	2	2,900
Aug	27	43,000	$61.50	2	6,520
Sep	8	10,200	$48.00	3	4,000
Sep (annual grant)	277	4,18,500	$39.00	–	–
Oct	9	21,000	$36.04	5	31,900
Oct	91	1,43,550	$49.33	–	–
Nov	9	25,400	$49.50	3	11,340
Dec	11	38,200	$63.49	2	4,200
2002					
Jan	3	8,500	$74.91	6	23,206
Feb	10	33,900	$58.90	4	10,440
Mar	5	35,250	$69.40	3	12,820
Total	536*	9,08,500		41	1,55,546

*Includes 62 employees who were granted ADS options twice. Therefore, the effective number of employees granted options is 474.

During the year, 55,966 options issued under the 1998 plan were exercised and the remaining ADS options unexercised and outstanding as at March 31, 2002 were 22,62,494.

Details of the number of ADSs options granted and exercised are given below.

Year	Granted		Exercised		Balance
	No. of employees	ADSs(net)	No. of employees	ADSs	ADSs
1999	29	3,81,000	32	90,700	2,90,300
2000	58	2,41,300	5	1,500	2,39,800
2001	705	8,48,774	–	–	8,48,774
2002	476	8,83,620	–	–	8,83,620
Total		23,54,694		92,200	22,62,494

12.3 1999 Employee Stock Option Plan (1999 plan)

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

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

Month of grant	Options granted			Options forfeited	
	No. of employees*	No. of options	Grant price Rs.	No. of employees	No. of options
2001					
Apr	92	27,050	3,828.05	40	10,490
Apr	8 #	31,000	3,215.60	–	–
May	3,040	3,61,400	3,902.50	84	15,330
Jun	152	26,800	3,807.90	138	22,170
Jul	299	42,450	3,502.50	136	31,150
Aug	167	29,900	3,616.85	88	22,140
Sep	345	51,050	3,473.05	38	5,230
Sep	2,183	8,83,170	2,579.75	–	–
Oct	35	13,450	2,426.50	42	14,350
Oct	985	4,60,430	3,016.75	–	–
Nov	52	20,150	2,965.20	31	9,480
Dec	77	32,750	4,406.45	49	8,620
2002					
Jan	59	24,650	4,436.10	44	13,890
Feb	58	26,700	3,745.50	30	5,550
Mar	39	19,550	4,189.85	20	17,235
Total	7,591*	20,50,500		740	1,75,635

*Includes 1,520 employees who were granted options twice. Therefore, the effective number of employees granted options is 6,063.

Are external directors

During the year, 30 options issued under the 1999 plan were exercised and the remaining options unexercised and outstanding as at March 31, 2002 were 46,68,815.

Details of number of options issued under the 1999 plan are given below.

Year	Granted		Exercised		Balance
	No. of employees	No. of shares (net)	No. of employees	No. of shares	No. of shares
2000	1,124	9,12,800	22	1,230	9,11,570
2001	8,206	17,55,700	–	–	17,55,700
2002	5,862	20,01,545	–	–	20,01,545
Total		46,70,045		1,230	46,68,815

The total number of existing employees offered stock options under 1994, 1998 and 1999 plans is 10,676.

12.4 Employee stock compensation under SFAS 123

Statement of Financial Accounting Standards 123, *Accounting for Stock Based Compensation,* requires the proforma disclosure of the impact of the fair value method of accounting for employee stock valuation in the financial statements. The fair value of a stock option is determined using an option-pricing model that takes into account the stock price at the grant date, the exercise price, the expected life of the option, the volatility of the underlying stock and the expected dividends on it, and the risk-free interest rate over the expected life of the option. Applying the fair value based method defined in SFAS 123, the impact on the reported net profit and basic earnings per share would be as follows:

in Rs. crore

Year ended March 31		2002	2001
Net profit:	As reported	807.96	628.81
	Adjusted proforma	524.87	481.17
Basic earnings per share:	As reported	122.12	95.06
	Adjusted proforma	79.33	72.74

12.5 Employee stock option plan under SEBI guidelines.

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

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

Had the stock compensation costs for this stock option plan been determined as per the guidelines issued by SEBI, the company's reported net profit would be as follows:

in Rs. crore

Year ended March 31		2002	2001
Net profit:	As reported	807.96	628.81
	Adjusted proforma	784.04	605.55
Basic earnings per share:	As reported	122.12	95.06
	Adjusted proforma	118.52	91.54

13. Reconciliation of Indian and US GAAP financial statements

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

in Rs. crore

Year ended March 31	2002	2001
Net profit as per Indian GAAP	807.96	628.81
Less: Amortization of deferred stock compensation expense	(23.92)	(23.26)
Provision for e-inventing the company	–	(0.40)
Transfer of intellectual property rights	–	(5.63)
Add: Deferred taxes	1.78	3.52
Provision for retirement benefits to employees	–	3.39
Net income as per the US GAAP financial statements	785.82	606.43

Amortization of deferred stock compensation

The Accounting Principles Board Opinion No. 25 of US GAAP requires the accounting of deferred stock compensation on issue of stock options to employees, being the difference between the exercise price and the fair value as determined by the quoted market prices of the common stock on the grant date. In complying with this requirement, Infosys has charged to revenue under US GAAP an amount of Rs. 23.92 crore and Rs. 23.26 crore for the year ended March 31, 2002 and 2001 respectively, as deferred stock compensation.

Provision for e-inventing the company

The company had made a provision towards e-inventing under Indian GAAP. The expenses incurred towards e-inventing the company were set off against the provision in the Indian GAAP financial statements. Under US GAAP, this amount was charged to the income statement.

Provision for retirement benefits

The provision for gratuity represents the valuation performed in accordance with US GAAP.

Transfer of intellectual property rights

The amount relates to the transfer of intellectual property rights to OnMobile Systems Inc. (formerly Onscan Inc.), USA.

Deferred income tax provision

US GAAP mandates that the tax element arising on timing differences in amortizing various assets and liabilities as per tax books and financial statements be accounted as deferred taxation and appropriate treatment be made in the income statement. There is no such requirement under Indian GAAP until March 31, 2001. However, effective April 1, 2001, the standard on accounting for taxes on income has become mandatory in India and, hence, deferred taxes have been accounted under Indian GAAP also. The difference in deferred tax provision under Indian GAAP and US GAAP during the current year basically arises due to the accounting for transfer of intellectual property rights to OnMobile Systems Inc. (formerly Onscan Inc, USA).

C. Outlook: issues and risks

These have been discussed in detail in the *Risk management report* in this Annual Report.

Auditors' report

To
The members,
Infosys Technologies Limited

We have audited the attached Balance Sheet of Infosys Technologies Limited (the Company) as at March 31, 2002 and the Profit and Loss Account of the Company for the year ended on that date, annexed thereto, and report that:

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

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

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

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

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

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

(e) on the basis of the written representations received from the directors of the Company, and taken on record by the board of directors, we report that none of the directors is disqualified as at March 31, 2002 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956; and

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

(i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2002; and

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

for Bharat S Raut & Co.
Chartered Accountants

Balasubrahmanyam

S. Balasubrahmanyam
Partner

Bangalore
April 10, 2002

Annexure to the auditors' report

The Annexure referred to in paragraph 1 of the auditors' report to the members of Infosys Technologies Limited (the Company) for the year ended March 31, 2002. We report that:

The matters contained in sub paragraph 4(A)(xx), 4(B)(ii), 4(C) and 4(D) of the Manufacturing and Other Companies (Auditor's Report) Order, 1988, are not applicable to the Company.

Internal controls

1. In our opinion and according to the information and explanations given to us, having regard to the explanations that certain items purchased are of a special nature in respect of which suitable alternative sources do not exist for obtaining comparative quotations, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of computer hardware and software, consumables, plant and machinery, equipment and other assets. The activities of the Company do not involve the sale of goods.
2. In our opinion and according to the information and explanations given to us, in respect of the service activities, the Company, commensurate with the size and the nature of its business, has a reasonable system of:
   - allocating man-hours utilised to relative projects; and
   - authorisation at proper levels and control over the allocation of labor costs to relative projects.
3. In our opinion, the Company has an internal audit system, commensurate with its size and the nature of its business.

Fixed assets

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

Inventories

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

Loans and advances

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

Transactions with parties under Section 301 of the Companies Act, 1956

10. In our opinion, and according to the information and explanations given to us, the transactions for the purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956, and aggregating during the year to Rs. 50,000 or more in respect of each party, have been made at prices which are reasonable having regard to prevailing market prices as available with the Company for such goods, materials or services or the prices at which transactions for similar goods, materials or services have been made with the other parties.

Fixed deposits

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

Staff welfare

12. Provident Fund dues were regularly deposited during the year with the appropriate authorities. The provisions of the Employees' State Insurance Act, 1948 are not applicable to the Company.
13. On the basis of the examination of the books of account carried out by us in accordance with generally accepted auditing practices and according to the information and explanations given to us, no personal expenses of employees or directors were charged to the profit and loss account, other than those payable under contractual obligations or in accordance with generally accepted business practice.

Taxation

14. According to the information and explanations given to us, there are no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty that were outstanding as at March 31, 2002 for a period of more than six months from the dates that they became payable.

for Bharat S Raut & Co.
Chartered Accountants

Balasubrahmanyam

Bangalore
April 10, 2002

S. Balasubrahmanyam
Partner

Balance sheet as at March 31

in Rs. crore

	Schedules	2002	2001
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	1	33.09	33.08
Reserves and surplus	2	2,047.22	1,356.56
		2,080.31	1,389.64
APPLICATION OF FUNDS			
FIXED ASSETS	3		
Original cost		960.60	631.14
Less: Depreciation		393.03	244.13
Net book value		567.57	387.01
Add: Capital work-in-progress		150.67	170.65
		718.24	557.66
INVESTMENTS	4	44.44	34.12
DEFERRED TAX ASSETS	5	24.22	–
CURRENT ASSETS, LOANS AND ADVANCES			
Sundry debtors	6	336.73	302.37
Cash and bank balances	7	772.22	385.06
Loans and advances	8	643.87	430.28
		1,752.82	1,117.71
Less: Current liabilities	9	126.11	134.92
Provisions	10	333.30	184.93
NET CURRENT ASSETS		1,293.41	797.86
		2,080.31	1,389.64
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 our report of even date.

for Bharat S Raut & Co.
Chartered Accountants

S. Balasubrahmanyam
Partner

N. R. Narayana Murthy
Chairman and Chief Mentor

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

S. Gopalakrishnan
Chief Operating Officer and Deputy Managing Director

Deepak M. Satwalekar
Director

Marti G. Subrahmanyam
Director

Philip Yeo
Director

Jitendra Vir Singh
Director

Omkar Goswami
Director

Larry Pressler
Director

Rama Bijapurkar
Director

Claude Smadja
Director

K. Dinesh
Director

S. D. Shibulal
Director

T. V. Mohandas Pai
Director and Chief Financial Officer

Phaneesh Murthy
Director

Srinath Batni
Director

V. Balakrishnan
Company Secretary and Vice President – Finance

Bangalore
April 10, 2002

Profit and loss account for the year ended March 31

in Rs. crore

	Schedules	2002	2001
INCOME			
Software services and products			
Overseas		2,552.47	1,874.02
Domestic		51.12	26.54
		2,603.59	1,900.56
SOFTWARE DEVELOPMENT EXPENSES	11	1,224.82	870.83
GROSS PROFIT		1,378.77	1,029.73
SELLING AND MARKETING EXPENSES	12	129.79	92.07
GENERAL AND ADMINISTRATION EXPENSES	13	211.35	172.82
		341.14	264.89
OPERATING PROFIT (PBIDT)		1,037.63	764.84
Interest		–	–
Depreciation		160.65	112.89
OPERATING PROFIT AFTER INTEREST AND DEPRECIATION		876.98	651.95
Other income	14	66.41	59.37
Provision for investment		–	15.29
PROFIT BEFORE TAX AND EXTRA ORDINARY ITEM		943.39	696.03
Provision for taxation	15	135.43	72.71
PROFIT AFTER TAX BEFORE EXTRAORDINARY ITEM		807.96	623.32
Extraordinary item – transfer of intellectual property rights (net of tax)		–	5.49
NET PROFIT AFTER TAX AND EXTRAORDINARY ITEM		807.96	628.81
AMOUNT AVAILABLE FOR APPROPRIATION		807.96	628.81
DIVIDEND			
Interim		49.63	16.53
Final (Proposed, subject to deduction of tax, if any)		82.73	49.62
Dividend Tax		5.06	8.70
Amount transferred – general reserve		670.54	553.96
		807.96	628.81
EARNINGS PER SHARE *(Equity shares, par value Rs. 5/- each)*			
Basic		122.12	95.06
Diluted		121.37	94.76
Number of shares used in computing earnings per share			
Basic		6,61,62,274	6,61,52,131
Diluted		6,65,67,575	6,63,58,311
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 our report of even date.
for Bharat S Raut & Co.
Chartered Accountants

S. Balasubrahmanyam
Partner

N. R. Narayana Murthy
Chairman and Chief Mentor

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

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Director

T. V. Mohandas Pai
Director and Chief Financial Officer

Phaneesh Murthy
Director

Srinath Batni
Director

V. Balakrishnan
Company Secretary and Vice President – Finance

Bangalore
April 10, 2002

Schedules to the balance sheet as at March 31

in Rs. crore

	2002	2001
1. SHARE CAPITAL		
AUTHORIZED		
Equity shares, Rs. 5/- (Rs. 5/-) par value		
10,00,00,000 (10,00,00,000) equity shares	50.00	50.00
ISSUED, SUBSCRIBED AND PAID UP		
Equity shares, Rs. 5/- (Rs. 5/-) par value*		
6,61,86,130 (6,61,58,117) equity shares fully paid up	33.09	33.08
[Of the above, 5,78,88,200 (5,78,88,200) equity shares, fully paid up have been issued as bonus shares by capitalization of the general reserve]		
	33.09	33.08

Forfeited shares amounted to Rs. 1,500/- (Rs. 1,500/-)

* for details of options in respect of the above shares, refer to note 16.2.16

	2002	2001
2. RESERVES AND SURPLUS		
Capital reserve	5.94	5.94
Share premium account as at April 1,	320.75	318.38
Add: Received during the year on conversion of stock options issued to employees	4.59	2.37
	325.34	320.75
General reserve as at April 1,	1,029.87	475.91
Add: Cumulative effect on recognition of deferred tax assets*	15.53	–
Transfer from the Profit and Loss Account	670.54	553.96
	1,715.94	1,029.87
	2,047.22	1,356.56

* for details in respect of the above adjustment, refer to note 16.2.1

Schedules to the balance sheet

3. FIXED ASSETS

in Rs. crore

Assets	Original cost				Depreciation				Net book value	
	Cost as at April 1, 2001	Additions during the year	Deletions during the year	Cost as at March 31, 2002	As at April 1, 2001	For the year	Deductions during the year	As at March 31, 2002	As at March 31, 2002	As at March 31, 2001
Land – free-hold	9.04	6.82	–	15.86	–	–	–	–	15.86	9.04
Land – lease-hold	27.58	0.26	–	27.84	–	–	–	–	27.84	27.58
Buildings	157.71	127.62	–	285.33	13.38	14.51	–	27.89	257.44	144.33
Plant and machinery	112.05	76.29	4.47	183.87	50.74	30.58	3.48	77.84	106.03	61.31
Computer equipment	223.94	67.40	3.45	287.89	129.69	90.31	3.37	216.63	71.26	94.25
Furniture and fixtures	100.47	64.33	5.34	159.46	50.23	25.18	4.90	70.51	88.95	50.24
Vehicles	0.35	–	–	0.35	0.09	0.07	–	0.16	0.19	0.26
	631.14	342.72	13.26	960.60	244.13	160.65	11.75	393.03	567.57	387.01
Previous year	284.03	349.66	2.55	631.14	133.65	112.89	2.41	244.13		

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

in Rs. crore

	2002	2001
4. INVESTMENTS		
Trade (unquoted) – at cost		
Long-term investments		
Yantra Corporation, USA		
20,00,000 (75,00,000) common stock at US$ 0.20 each, fully paid, par value US$ 0.01 each	1.42	5.33
Fully paid (nil) warrant to purchase 55,00,000 common stock, at US$ 0.19 each, exercise price of US$ 0.01 each	3.91	–
6,36,363 (6,36,363) Series A convertible preferred stock, at US$ 0.75 each, fully paid, par value US$ 0.01 each	1.73	1.73
EC Cubed Inc., USA		
13,00,108 (13,00,108) Series D convertible preferred stock at US$ 2.3075 each, fully paid, par value US$ 0.0001 each	13.08	13.08
Alpha Thinx Mobile Phone Services AG, Austria		
27,790 (27,790) bearer shares at € 20 each, fully paid, par value € 1 each	2.21	2.21
	22.35	22.35
Less: Provision for investments	22.35	22.35
	–	–
Asia Net Media (BVI) Ltd., the British Virgin Islands		
3,00,00,000 (3,00,00,000) ordinary shares at US$ 0.05 each, fully paid, par value US$ 0.01 each	6.85	6.85
CiDRA Corporation, USA		
33,333 (33,333) Series D convertible preferred stock at US$90 each, fully paid, par value US$ 0.01 each	13.40	13.40
JASDIC Park Company, Japan		
480 (480) common stock at ¥ 50,000 each, fully paid, par value ¥ 50,000 each	0.75	0.75
M-Commerce Ventures Pte Ltd, Singapore		
Units in the company, each unit representing 1 ordinary share of Singapore $ 1 each, fully paid, par value Singapore $ 1 and 9 redeemable preferred shares of Singapore $ 1, fully paid, at a premium of Singapore $ 1,110 per redeemable preferred stock		
70 (70) ordinary shares	–	–
630 (630) redeemable preference shares	1.84	1.84
OnMobile Systems Inc., (*formerly Onscan Inc.*) USA		
1,00,000 (1,00,000) common stock at US$ 0.4348 each, fully paid, par value US$ 0.001 each	0.20	0.20
1,00,000 (1,00,000) Series A voting convertible preferred stock at US$ 0.4348 each, fully paid, par value US$ 0.001 each	0.20	0.20
44,00,000 (44,00,000) Series A non-voting convertible preferred stock at US$ 0.4348 each, fully paid, par value US$ 0.001 each	8.55	8.55
Stratify Inc., (*formerly PurpleYogi Inc.*), USA		
2,76,243 (2,76,243) Series D convertible preferred stock at US$ 1.81 each fully paid, par value US$ 0.001 each	2.33	2.33
Workadia Inc., USA		
22,00,000 (Nil) Series B convertible preferred stock at US$ 1.00 each, fully paid, par value US$ 0.0002 each (adjusted for stock splits)	10.32	–
The Saraswat Co-operative Bank Limited		
1,035 (1,035) equity shares of Rs. 10 each, fully paid, par value Rs. 10	–	–
Software Services Support Education Center Limited		
1 (1) equity share of Rs. 10 each, fully paid, par value Rs. 10	–	–
	44.44	34.12
Aggregate of unquoted investments – carrying value / cost	44.44	34.12
5. DEFERRED TAX ASSETS		
Fixed assets	14.59	–
Investments	5.85	–
Sundry debtors	3.78	–
	24.22	–

Schedules to the balance sheet as at March 31

in Rs. crore

	2002	2001
6. SUNDRY DEBTORS		
Debts outstanding for a period exceeding six months		
Unsecured		
considered doubtful	7.35	9.62
Other debts		
Unsecured		
considered good	336.73	302.37
considered doubtful	11.88	8.55
	355.96	320.54
Less: Provision for doubtful debts	19.23	18.17
	336.73	302.37
7. CASH AND BANK BALANCES		
Cash on hand	0.03	0.01
Balances with scheduled banks		
in current accounts*	22.75	12.80
in deposit accounts in Indian rupees	551.62	181.89
in deposit accounts in foreign currency	147.41	136.36
Balances with non-scheduled banks**		
in current accounts	50.41	54.00
	772.22	385.06
*includes balance in unclaimed dividend account	1.12	0.48
**refer to note 16.2.19 for details of balances in the non-scheduled banks		
8. LOANS AND ADVANCES		
Unsecured, considered good		
Advances		
prepaid expenses	11.20	13.75
advances paid for supply of goods and rendering of services	1.22	4.58
others	2.17	1.92
	14.59	20.25
Unbilled revenues	17.74	2.35
Advance income tax	236.25	123.74
Loans and advances to employees *		
housing and other loans	81.52	50.46
salary advances	19.91	24.47
Electricity and other deposits	6.26	4.76
Rental deposits	10.14	11.57
Deposits with financial institutions / body corporate	254.74	192.68
Other assets	2.72	–
	643.87	430.28
Unsecured, considered doubtful		
Loans and advances to employees	0.49	0.07
	644.36	430.35
Less: Provision for doubtful loans and advances to employees	0.49	0.07
	643.87	430.28
* includes dues by non-director officers of the company	2.31	1.06
Maximum amounts due by non-director officers at any time during the year	2.97	2.84

Schedules to the balance sheet as at March 31

in Rs. crore

	2002	2001
9. CURRENT LIABILITIES		
Sundry creditors		
for goods	–	0.13
for accrued salaries and benefits		
salaries	2.77	3.80
bonus and incentives	30.71	34.64
leave provisions	22.99	18.98
for other liabilities		
provision for expenses	16.38	17.71
retention monies	9.36	11.42
withholding and other taxes payable	12.76	5.50
others	2.31	1.76
	97.28	93.94
Advances received from clients	10.81	5.67
Unearned revenue	16.90	34.83
Unclaimed dividend	1.12	0.48
	126.11	134.92
10. PROVISIONS		
Dividends	82.73	49.62
Provision for		
tax on dividend	–	5.06
income taxes	239.57	122.90
post-sales client support	11.00	7.35
	333.30	184.93

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

in Rs. crore

	2002	2001
11. SOFTWARE DEVELOPMENT EXPENSES		
Salaries and bonus including overseas staff expenses	976.11	605.51
Staff welfare	6.14	7.63
Contribution to provident and other funds	25.63	31.00
Foreign travel expenses	113.12	133.66
Consumables	3.22	5.87
Cost of software packages for		
own use	34.44	31.84
service delivery to clients	9.17	5.70
Provision for post-sales client support	3.65	1.83
Computer maintenance	7.11	7.13
Communication expenses	36.11	31.47
Consultancy charges	10.12	9.19
	1,224.82	870.83
12. SELLING AND MARKETING EXPENSES		
Salaries and bonus including overseas staff expenses	61.04	44.25
Staff welfare	0.27	0.83
Contribution to provident and other funds	0.22	0.24
Foreign travel expenses	18.66	10.72
Consumables	0.02	–
Cost of software packages for own use	0.58	0.02
Computer maintenance	–	0.06
Communication expenses	0.38	0.05
Traveling and conveyance	3.14	2.35
Rent	4.30	2.47
Telephone charges	3.26	2.34
Professional charges	5.90	4.78
Printing and stationery	1.55	0.96
Advertisements	0.31	0.73
Brand building	13.16	10.52
Office maintenance	0.31	0.77
Repairs to plant and machinery	0.01	0.17
Power and fuel	0.06	0.08
Insurance charges	–	2.33
Rates and taxes	0.33	0.85
Bank charges and commission	0.03	0.05
Commission charges	10.82	1.79
Marketing expenses	4.67	4.27
Sales promotion expenses	0.44	0.70
Other miscellaneous expenses	0.33	0.74
	129.79	92.07

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

in Rs. crore

	2002	2001
13. GENERAL AND ADMINISTRATION EXPENSES		
Salaries and bonus including overseas staff expenses	45.48	26.11
Contribution to provident and other funds	2.98	2.22
Foreign travel expenses	4.81	2.84
Traveling and conveyance	15.48	16.06
Rent	20.11	14.48
Telephone charges	11.45	11.68
Professional charges	16.23	15.62
Printing and stationery	4.75	5.30
Advertisements	2.78	5.58
Office maintenance	13.81	12.07
Repairs to building	8.50	3.95
Repairs to plant and machinery	2.48	2.09
Power and fuel	18.90	11.71
Insurance charges	5.34	2.84
Rates and taxes	3.93	0.97
Donations	5.12	7.22
Auditor's remuneration		
audit fees	0.21	0.18
certification charges	0.02	0.02
out-of-pocket expenses	0.02	0.02
Bad loans and advances written-off	–	–
Bad debts written-off	–	0.28
Provision for bad and doubtful debts	13.09	19.28
Provision for doubtful loans and advances	0.42	0.07
Bank charges and commission	0.68	0.54
Commission to non-whole time directors	0.98	0.59
Postage and courier	3.23	2.28
Books and periodicals	1.14	1.69
Research grants	0.75	1.00
Freight charges	0.52	0.56
Professional membership and seminar participation fees	2.20	2.17
Transaction processing fee and filing fees	4.78	1.53
Other miscellaneous expenses	1.16	1.87
	211.35	172.82
14. OTHER INCOME		
Interest received on deposits with banks and others (Tax deducted at source Rs. 8.28 and Rs. 4.30 respectively)	51.23	38.47
Exchange differences*	13.26	20.17
Miscellaneous income	1.92	0.73
	66.41	59.37
* Includes a realized exchange gains of	–	5.06
15. PROVISION FOR TAXATION		
Current year		
Income taxes	143.19	71.31
Deferred taxes	(7.76)	–
	135.43	71.31
Prior years	–	1.40
	135.43	72.71

16. SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

Company overview

Infosys Technologies Limited ("Infosys" or the "company"), a world leader in consulting and information technology ("IT") services partners with *Global 2000* companies to provide business consulting, systems integration, application development, maintenance, re-engineering and product engineering services. Through these services, Infosys enables its clients to fully exploit technology for business transformation. Clients leverage Infosys' Global Delivery Model to achieve higher quality, improved time-to-market and cost-effective solutions.

16.1 Significant accounting policies

16.1.1 Basis of preparation of financial statements

The financial statements are prepared under the historical cost convention, in accordance with Indian Generally Accepted Accounting Principles ("GAAP") on the accrual basis. GAAP comprises mandatory accounting standards issued by the Institute of Chartered Accountants of India ("ICAI") and the provisions of the Companies Act, 1956. These accounting policies have been consistently applied, except for applicable recently issued accounting standards made mandatory by the ICAI effective the current fiscal year that were adopted by the company, as described below. All amounts are stated in Indian Rupees, except as otherwise specified.

Of the applicable accounting standards mandated by the ICAI, the company adopted the standards on segment reporting, related party disclosures and earnings per share from the year ended March 31, 2001. Additionally, the company adopted the standards on leases, accounting for taxes on income and interim financial reporting effective the year ended March 31, 2002.

The preparation of the financial statements in conformity with GAAP requires that the management of the company ("Management") makes estimates and assumptions that affect the reported amounts of income and expenses of the period, reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as of the date of the financial statements. Examples of such estimates include expected development costs to complete software contracts, provisions for doubtful debts, future obligations under employee retirement benefit plans and the useful lives of fixed assets. Actual results could differ from those estimates.

16.1.2 Revenue recognition

Revenue from software development on fixed-price contracts is recognized according to the milestones achieved as specified in the contracts on the proportionate-completion method based on the work completed. On time-and-material contracts, revenue is recognized based on software developed and invoiced as per the terms of specific contracts. Annual Technical Services revenue is recognized proportionately over the period in which services are rendered. Revenue from the sale of user licenses for software applications is recognized on transfer of the title in the user license. Interest is recognized using the time-proportion method, based on rates implicit in the transaction. Dividend income is recognized when the company's right to receive dividend is established.

16.1.3 Expenditure

The cost of software user licenses purchased for software development and the rendering of IT services is charged to revenue in the year the software is acquired at the time of acquisition. Charges relating to non-cancelable long-term operating leases are computed on the basis of the lease rentals payable as per the relevant lease agreements. Provisions are made for all known losses and liabilities, future unforeseeable factors that may affect the profit on fixed-price software development contracts and also towards likely expenses for providing post-sales client support. The leave encashment liability of the company is provided on the basis of an actuarial valuation.

16.1.4 Fixed assets and capital work-in-progress

Fixed assets are stated at cost, after reducing accumulated depreciation until the date of the balance sheet. Direct costs are capitalized until the assets are ready for use and include financing costs relating to any borrowing attributable to acquisition. Capital work-in-progress includes the cost of fixed assets that are not yet ready for their intended use, advances paid to acquire fixed assets and the cost of assets not put to use before the balance sheet date.

16.1.5 Depreciation

Depreciation on fixed assets is determined using the straight-line method based on useful lives of assets as estimated by the company. Depreciation for assets purchased/sold during the period is proportionately charged. Individual assets acquired for less than Rs. 5,000/- are entirely depreciated in the year of acquisition. Management estimates the useful lives for the various fixed assets as follows:

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

16.1.6 Retirement benefits to employees

16.1.6a Gratuity

In accordance with the Payment of Gratuity Act, 1972, Infosys provides for gratuity, a defined benefit retirement plan (the "Gratuity Plan") covering eligible employees. The Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment.

Liabilities with regard to the Gratuity Plan are determined by actuarial valuation, based upon which, the company fully contributes all the ascertained liabilities to the Infosys Technologies Limited Employees' Gratuity Fund Trust (the "Trust"). Trustees administer contributions made to the Trust and invest in specific designated securities as mandated by law, which generally comprise central and state government bonds and debt instruments of government-owned corporations.

16.1.6b Superannuation

Certain employees of Infosys are also participants of a defined contribution plan. The company makes monthly contributions under the superannuation plan (the "Plan") to the Infosys Technologies Limited Employees Superannuation Fund Trust based on a specified percentage of each covered employee's salary. The company has no further obligations to the Plan beyond its monthly contributions.

16.1.6c Provident fund

Eligible employees receive benefits from a provident fund, which is a defined contribution plan. Both the employee and the company make monthly contributions to this provident fund plan equal to a specified percentage of the covered employee's salary.

Infosys contributes a part of the contributions to the Infosys Technologies Limited Employees Provident Fund Trust. The remainders of the contributions are made to a government administered provident fund. The company has no further obligations under the provident fund plan beyond its monthly contributions.

16.1.7 Research and development

Revenue expenditure incurred on research and development is expensed as incurred. Capital expenditure incurred on research and development is depreciated over the estimated useful lives of the related assets.

16.1.8 Foreign currency transactions

Revenues from overseas clients and collections deposited in foreign currency bank accounts are recorded at the exchange rate as of the date of the respective transactions. Expenditure in foreign currency is accounted at the exchange rate prevalent when such expenditure is incurred. Disbursements made out of foreign currency bank accounts are reported at a rate that approximates the actual monthly rate. Exchange differences are recorded when the amount actually received on sales or actually paid when expenditure is incurred is converted into Indian Rupees. The exchange differences arising on foreign currency transactions are recognized as income or expense in the period in which they arise.

Fixed assets purchased at overseas offices are recorded at cost, based on the exchange rate as of the date of purchase. The charge for depreciation is determined as per the company's accounting policy.

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

16.1.9 Income tax

Income taxes are computed using the tax effect accounting method, where taxes are accrued in the same period the related revenue and expenses arise. A provision is made for income tax annually based on the tax liability computed after considering tax allowances and exemptions. Provisions are recorded as considered appropriate for matters under appeal due to disallowances or for other reasons.

The differences that result between the profit offered for income taxes and the profit as per the financial statements are identified and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount being considered. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on prevailing enacted or substantially enacted regulations. Deferred tax assets are recognized only if there is reasonable certainty that they will be realized and are reviewed for the appropriateness of their respective carrying values at each balance sheet date.

16.1.10 Earnings per share

In determining earnings per share, the company considers the net profit after tax and includes the post-tax effect of any extra-ordinary items. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the period. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share, and also the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. The diluted potential equity shares have been adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares). The number of shares and potentially dilutive equity shares are adjusted for stock splits and bonus shares, as appropriate.

16.1.11 Investments

Trade investments refer to the investments made to enhance the company's business interests in information technology services. Investments are either classified as current or long-term. Current investments are carried at the lower of cost and fair value. Cost for overseas investments comprises the Indian Rupee value of the consideration paid for the investment.

Long-term investments are carried at cost and provisions recorded to recognize any decline, other than temporary, in the carrying value of each investment. Any dividends are recorded as income in the profit and loss account.

16.2 Notes on accounts

Pursuant to our application, the Department of Company Affairs in their letter of January 23, 2002 granted the company approval to present the financial statements in Rupees crore. Accordingly, all amounts in the financial statements are presented in Rupees crore, except for per share data and as otherwise stated. All exact amounts are stated with the suffix "/-". One crore equals 10 million.

The previous year's figures have been regrouped/reclassified, wherever necessary, to conform to the current year's presentation.

16.2.1 Deferred income taxes

Consequent to the standard on accounting for taxes on income becoming mandatory effective April 1, 2001, the company recorded the cumulative net deferred tax credit of Rs. 15.53 until April 1, 2001, as an addition to the general reserves. The deferred tax credit of Rs. 7.76 for the year ended March 31, 2002 is included in provision for taxation for the respective period.

16.2.2 Capital commitments and contingent liabilities

a. The estimated amount of contracts remaining to be executed on capital account, and not provided for (net of advances) is Rs. 63.53 as at March 31, 2002. The amount of such contracts as at March 31, 2001 was Rs. 158.25.

b. The company has outstanding guarantees and counter guarantees of Rs. 16.27 as at March 31, 2002, to various banks, in respect of the guarantees given by the banks in favor of various government authorities and others. The guarantees outstanding as at March 31, 2001 were Rs. 6.83.

c. Claims against the company, not acknowledged as debts, amounted to Rs. 3.77 as at March 31, 2002. The claims as at March 31, 2001 were Rs. 0.09.

d. Outstanding forward contracts amounted to US$2,000,000 (approximately Rs. 9.76 at year end exchange rates) at March 31, 2002. Such contracts as at March 31, 2001 were US$20,000,000 (approximately Rs. 93.12 at year end exchange rates).

16.2.3 Aggregate expenses

Following are the aggregate amounts incurred on certain specific expenses that are required to be disclosed under schedule VI to the Companies Act, 1956:

	Year ended	
	March 31, 2002	March 31, 2001
Salaries and bonus including overseas staff expenses	1,082.63	675.87
Staff Welfare	6.41	8.45
Contribution to provident and other funds	28.83	33.46
Foreign travel expenses	136.59	147.22
Consumables	3.24	5.87
Cost of software packages for own use	35.02	31.86
Cost of software packages for service delivery to clients	9.17	5.70
Computer maintenance	7.11	7.19
Communication expenses	36.49	31.52
Consultancy charges	10.12	9.19
Provision for post-sales client support	3.65	1.83
Traveling and conveyance	18.62	18.41
Rent	24.41	16.95
Telephone charges	14.71	14.03
Professional charges	22.13	20.40
Printing and stationery	6.30	6.25
Advertisements	3.09	6.31
Office maintenance	14.12	12.84
Repairs to building	8.50	3.95
Repairs to plant and machinery	2.49	2.27
Power and fuel	18.96	11.78
Brand building	13.16	10.52
Insurance charges	5.34	5.18
Rates and taxes	4.26	1.82
Commission charges	10.82	1.79
Donations	5.12	7.22
Auditor's remuneration – audit fees	0.21	0.18
– certification charges	0.02	0.02
– out-of-pocket expenses	0.02	0.02
Bad debts written-off	–	0.28
Provision for bad and doubtful debts	13.09	19.28
Provision for doubtful loans and advances	0.42	0.07
Bank charges and commission	0.71	0.59
Commission to non-whole time directors	0.98	0.59
Postage and courier	3.23	2.28
Books and periodicals	1.14	1.69
Research grants	0.75	1.00
Freight charges	0.52	0.56
Professional membership and seminar participation fees	2.20	2.17
Marketing expenses	4.67	4.27
Sales promotion expenses	0.44	0.70
Transaction processing fee and filing fees	4.78	1.53
Other miscellaneous expenses	1.49	2.61
	1,565.96	1,135.72

16.2.4 Quantitative details

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

16.2.5 Imports (valued on the cost, insurance and freight basis)

	Year ended	
	March 31, 2002	March 31, 2001
Capital goods	41.66	113.56
Software packages	7.08	1.68

16.2.6 Earnings in foreign exchange (on the receipts basis)

	Year ended	
	March 31, 2002	March 31, 2001
Income from software development services and products	2,490.91	1,708.67
Interest received on deposits with banks	4.59	19.56

Expenditure in foreign currency (on the payments basis)

	Year ended	
	March 31, 2002	March 31, 2001
Travel expenses	101.21	107.70
Professional charges	14.31	14.64
Other expenditure incurred overseas for software development	907.89	489.95

Net earnings in foreign currency (on the receipts and payments basis)

	Year ended	
	March 31, 2002	March 31, 2001
Net earnings in foreign exchange	1,472.09	1,115.94

16.2.7 Fixed assets

Depreciation charged to the profit and loss account relating to assets costing less than Rs. 5,000/- each

	Year ended	
	March 31, 2002	March 31, 2001
Charged during the year	21.17	34.99

Profit/loss on disposal of fixed assets

	Year ended	
	March 31, 2002	March 31, 2001
Profit on sale of fixed assets	0.86	0.11
Loss on sale of fixed assets	(0.77)	(0.02)
Profit on sale of fixed assets, net	0.09	0.09

16.2.8 Obligations on long-term non-cancelable operating leases

The lease rentals charged during the period and maximum obligations on long-term non-cancelable operating leases payable as per the rentals stated in the respective agreements are as follows:

	Year ended	
	March 31, 2002	March 31, 2001
Lease rentals paid during the year	19.78	9.74

Lease obligations	Year ended	
	March 31, 2002	March 31, 2001
Within one year of the balance sheet date	16.95	7.30
Due in a period between one year and five years	46.90	27.72
Due after five years	7.20	14.40

The operating lease arrangements extend for a maximum of ten years from their respective dates of inception and relate to rented overseas premises.

16.2.9 Managerial remuneration for the chairman, managing director and whole time directors

	Year ended	
	March 31, 2002	March 31, 2001
Salary	2.03	1.55
Contribution to provident fund and other funds	0.19	0.18
Perquisites and incentives	1.07	0.89

16.2.10 Managerial remuneration for non-whole time directors

	Year ended March 31, 2002	March 31, 2001
Commission	0.98	0.59
Sitting fees	0.04	0.03
Reimbursement of expenses	0.27	0.09

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

	Year ended March 31, 2002	March 31, 2001
Net profit after tax from ordinary activities	807.96	623.32
Add:		
1. Whole-time directors remuneration	3.29	2.62
2. Directors sitting fees	0.04	0.03
3. Commission to non-whole time directors	0.98	0.59
4. Provision for bad and doubtful debts	13.09	19.28
5. Provision for bad loans and advances	0.42	0.07
6. Provision on investments	–	15.29
7. Depreciation as per the books of account	160.65	112.89
8. Provision for taxation	135.43	72.71
	1,121.86	846.80
Less:		
Depreciation as envisaged under section 350 of the Companies Act *	160.65	112.89
Net profit on which commission is payable	961.21	733.91
Commission payable to non-whole-time directors:		
Maximum allowed as per Companies Act, 1956 at 1%	9.61	7.34
Maximum approved by the shareholders (0.5%)	4.80	3.67
Commission approved by the board	0.98	0.59

* The company depreciates fixed assets based on estimated useful lives that are lower than those implicit in Schedule XIV of the Companies Act, 1956. Accordingly, the rates of depreciation used by the company are higher than the minimum rates prescribed by Schedule XIV.

16.2.11 Exchange differences

Other income includes exchange differences of Rs. 23.75 for the year ended March 31, 2002, the corresponding amount for the year ended March 31, 2001 was Rs. 39.63. Of this amount, the gains on translation of foreign currency deposits amounted to Rs. 6.65 in the year ended March 31, 2002 (Rs. 20.17 for the year ended March 31, 2001)

16.2.12 Research and development expenditure

	Year ended March 31, 2002	March 31, 2001
Capital	0.46	2.14
Revenue	14.40	14.97
	14.86	17.11

16.2.13 Unearned revenue

Unearned revenue as at March 31, 2002 amounting to Rs. 16.90 (as at March 31, 2001 Rs. 34.83) primarily consists of client billings on fixed-price, fixed-time-frame contracts for which the related costs have not yet been incurred.

16.2.14 Dues to small-scale industrial undertakings

As at March 31, 2002, the company had no outstanding dues to small-scale industrial undertakings (as at March 31, 2001 – Rs. Nil).

16.2.15 Balance of unutilized money raised by issue of American Depositary Shares ("ADSs")

During the year ended March 31, 1999, Infosys made an Initial Public Offering of ADS, of US$ 7,03,80,000, equivalent to Rs. 296.86. The issue proceeds net of expenses of Rs. 19.68, were entirely utilized by December 31, 2000.

16.2.16 Stock option plans

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

1994 Stock Option Plan ("the 1994 Plan")

As of March 31, 2002 options to acquire 3,20,000 shares were outstanding with the Employee Welfare Trust and options to acquire 3,21,400 shares are outstanding with the employees under the 1994 Plan. These options were granted at an exercise price of Rs. 50/- (post split) per option. Additionally, 11,75,800 shares earlier issued are subject to lock-in. No options were issued under this plan during the period.

1998 Stock Option Plan ("the 1998 Plan")

The 1998 Plan provides for the grant of stock options to employees. The 1998 Plan was approved by the board of directors in December 1997 and by the shareholders in January 1998. The Government of India approved 29,40,000 ADSs representing 14,70,000 equity shares for issue under the Plan. The options may be issued at an exercise price that is not less than 90% of the fair market value of the underlying equity share on the date of the grant. The 1998 Plan automatically expires in January 2008, unless terminated earlier. All options under the 1998 Plan are exercisable for ADSs representing equity shares. A compensation committee comprising independent members of the board of directors administers the 1998 Plan.

Number of options granted, exercised and forfeited	Year ended	
	March 31, 2002	March 31, 2001
Options granted, beginning of year	15,65,506	6,89,500
Granted during the year	9,08,500	9,64,840
Exercised during the year	(55,966)	(12,434)
Forfeited during the year	(1,55,546)	(76,400)
Options granted, end of year	22,62,494	15,65,506
Weighted average exercise price	US$ 83.96	US$ 90.98
	Rs. 4,093/-	Rs. 4,236/-

1999 Stock Option Plan ("the 1999 Plan")

In fiscal 2000, the company instituted the 1999 Plan. The shareholders and the board of directors approved the plan in June 1999, which provides for the issue of 66,00,000 equity shares to the employees. The compensation committee administers the 1999 Plan. Options will be issued to employees at an exercise price that is not less than the fair market value.

Fair market value is the closing price of the company's shares in the stock exchange, where there is the highest trading volume on a given date and if the shares are not traded on that day, the closing price on the next trading day.

Under the 1999 Plan, options may be issued to employees at exercise prices that are less than the fair market value only if specifically approved by the members of the company in a general meeting. No approval has been sought to date in this regard.

Number of options granted, exercised and forfeited	Year ended	
	March 31, 2002	March 31, 2001
Options granted, beginning of year	27,93,980	10,06,800
Granted during the year	20,50,500	19,57,830
Exercised during the year	(30)	(1,200)
Forfeited during the year	(1,75,635)	(1,69,450)
Options granted, end of year	46,68,815	27,93,980
Weighted average exercise price	Rs. 4,982/-	Rs. 5,572/-

The aggregate options outstanding and considered for dilution as at March 31, 2002 are 58,00,062 (as at March 31, 2001 – 35,76,733 options).

16.2.17 Proforma disclosures relating to the Employee Stock Option Plans ("ESOPs")

The Securities and Exchange Board of India (SEBI) issued the Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines in 1999, which is applicable to all stock option schemes established on or after June 19, 1999. In accordance with these guidelines, the excess of the market price of the underlying equity shares as of the date of the grant of the options over the exercise price of the options, including up-front payments, if any, is to be recognized and amortized on a straight-line basis over the vesting period. All options under the 1998 and 1999 stock option plans have been issued at fair market value; hence, there are no compensation costs.

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

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

	Year ended	
	March 31, 2002	March 31, 2001
Net profit:		
– As reported	807.96	628.81
– Adjusted proforma	784.18	605.55

16.2.18 Provision for taxation

Most of Infosys' operations are conducted through 100% Export Oriented Units ("EOU"). Income from EOUs are tax exempt for the earlier of 10 years commencing from the fiscal year in which the unit commences software development, or March 31, 2009. The Finance Bill 2002, which is yet to be enacted, proposes that the exempt income from EOUs for the year commencing April 1, 2002, is restricted to 90% of its aggregate income. Additionally, non-EOU exports are partly exempt from tax, and such tax deductions are being phased out by fiscal 2004.

The provision for taxation includes tax liabilities in India on the company's global income as reduced by exempt incomes and any tax liabilities arising overseas on income sourced from those countries.

16.2.19 Cash and bank balances

Details of balances kept with non-scheduled banks as on balance sheet dates and the maximum balances kept with non-scheduled banks during the year are as follows:

Balances with non-scheduled banks	As at March 31, 2002	March 31, 2001
In current accounts		
ABN Amro Bank, Brussels, Belgium	0.11	0.09
Bank of America, Concord, USA	3.45	0.27
Bank of America, Hong Kong	0.08	0.04
Bank of America, Milpitas, USA	–	0.24
Bank of America, Palo Alto, USA	27.88	35.71
Bank of America, Singapore	0.07	–
Bank of America, Dallas, USA	2.43	1.17
Bank of Melbourne, Melbourne, Australia	0.10	0.22
Barclays Bank, London, UK	–	0.38
Deutsche Bank, Frankfurt, Germany	0.12	0.20
Deutsche Bank, Paris, France	0.02	–
Deutsche Bank, Brussels, Belgium	0.17	–
Deutsche Bank, Zurich, Switzerland	0.10	–
Fleet Bank, Boston, USA	2.19	0.21
Fleet Bank, New Jersey, USA	2.03	0.15
Hong Kong Bank of Canada, Toronto, Canada	–	0.06
HSBC Bank PLC – Croydon, London	7.66	9.77
National Bank of Sharjah, UAE	0.06	–
Nordbanken, Stockholm, Sweden	0.41	0.16
Nova Scotia Bank, Toronto, Canada	3.12	5.21
Sanwa Bank, Tokyo, Japan	0.41	0.12
	50.41	54.00

Maximum balance held in non-scheduled banks during the year	Year ended March 31, 2002	March 31, 2001
In deposit account in foreign currency		
HSBC Bank Middle East, Bahrain	–	72.78
In current accounts		
ABN Amro Bank, Heerlen, Netherlands	–	0.16
ABN Amro Bank, Brussels, Belgium	0.44	0.25
Bank of America, Concord, USA	5.99	11.56
Bank of America, Hong Kong	0.29	0.12
Bank of America, Los Angeles, USA	–	3.09
Bank of America, Milpitas, USA	0.29	5.89
Bank of America, Palo Alto, USA	145.48	92.96
Bank of America, Singapore	0.11	–
Bank of America (Nations Bank), Dallas, USA	3.14	3.37
Bank of Melbourne, Melbourne, Australia	4.04	0.33
Barclays Bank, London, UK	0.40	3.63
Deutsche Bank, Frankfurt, Germany	0.57	0.37
Deutsche Bank, Paris, France	0.35	–
Deutsche Bank, Brussels, Belgium	0.17	–
Deutsche Bank, Zurich, Switzerland	0.09	–
First Chicago Bank, Chicago, USA	–	0.22
Fleet Bank (Bank of Boston), Boston, USA	2.89	0.72
Fleet Bank (Summit Bank), New Jersey, USA	2.03	–
Hong Kong Bank of Canada, Toronto, Canada	0.06	1.02
HSBC Bank PLC – Croydon, London	18.70	16.52
Michigan National Bank, Detroit, USA	–	0.17
Nations Bank, Georgia, USA	–	0.21
National Bank of Sharjah, UAE	0.14	–
Nordbanken, Stockholm, Sweden	0.42	0.23
Nova Scotia Bank, Toronto, Canada	6.02	7.57
Seafirst Bank, Seattle, USA	–	0.31
Sanwa Bank, Tokyo, Japan	1.75	1.40
Summit Bank, Bridgewater, USA	–	0.89

The cash and bank balances include interest accrued but not due on fixed deposits amounting to Rs. 5.27 for the year ended March 31, 2002 (previous year Rs. 1.94).

16.2.20 Loans and advances

"Advances" mainly comprises prepaid travel and per-diem expenses and advances to vendors.

Deposits with financial institutions and body corporate comprise:

	As at	
	March 31, 2002	March 31, 2001
Deposits with financial institutions:		
Housing Development Finance Corporation Limited	101.10	50.87
ICICI Limited	52.77	50.87
IDBI Limited	–	40.36
Deposits with body corporate:		
GE Capital Services India Limited	100.87	50.58
	254.74	192.68

Maximum balance held during the year

	For the year ended	
	March 31, 2002	March 31, 2001
Deposits with financial institutions:		
Housing Development Finance Corporation Limited	101.26	51.15
ICICI Limited	62.94	50.92
IDBI Limited	51.50	40.36
Deposits with body corporate:		
GE Capital Services India Limited	101.48	51.03

The above amounts include interest accrued but not due amounting to Rs. 2.74 (previous year – Rs. 2.68).

The financial institutions and the body corporate have superior credit ratings from a premier credit rating agency in the country.

Mr. Deepak M. Satwalekar, Director, is also Director of HDFC. Prof. Marti G. Subrahmanyam, Director, is also a director in ICICI Limited. Mr. N. R. Narayana Murthy, Chairman and Chief Mentor, was a director in ICICI Limited until March 27, 2002. Except as directors in these financial institutions, these persons have no direct interest in these transactions.

16.2.21 Current liabilities

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

16.2.22 Fixed assets

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

16.2.23 Transfer of intellectual property rights

During the year ended March 31, 2001, the company transferred its intellectual property rights in Onscan – a web-focused wireless-enabled notification product, to OnMobile Systems Inc. (formerly Onscan Inc.) USA, a company incubated by Infosys as part of its ongoing effort to encourage and promote budding entrepreneurs among its employees. The rights were transferred for Rs. 8.93 (US$2 million), received as equity, preferred voting and preferred non-voting securities in OnMobile Systems Inc. The income of Rs. 5.49 (net of tax) arising on the transfer is disclosed as an extraordinary item in the statement of profit and loss of that year. The transaction was completed in the quarter ended June 30, 2000.

16.2.24 Investment activity

The following are the particulars of strategic investments made during the year ended March 31, 2002:

Particulars of investee companies	Year ended	
	March 31, 2002	March 31, 2001
Workadia Inc., USA*	10.32	–
Alpha Thinx Mobile Phone Services AG, Austria	–	2.21
Asia Net Media BVI Limited	–	6.85
M-Commerce Ventures Pte. Limited, Singapore	–	1.84
CiDRA Corporation, USA	–	13.40
Stratify Inc. (formerly PurpleYogi Inc.), USA	–	2.33
	10.32	26.63

* Investments in Workadia Inc., USA ("Workadia") comprise of 22,00,000 fully paid Series "B" convertible preferred stock, par value of US$0.0002, at US$1.00 each (adjusted for stock splits). Workadia will provide companies with comprehensive, customizable business intranets through browser accessed hosted portals and also offer consulting services to help customers select and deploy their intranet applications, content and services.

During the year ended March 31, 2002 the company swapped 55,00,000 common stock in Yantra Corporation, USA ("Yantra") for a fully paid warrant to purchase 55,00,000 common stock. Accordingly, Yantra is no longer a subsidiary of the company as per the Companies Act, 1956 as at March 31, 2002

An amount of Rs. 15.29 was provided for the investments in Alpha Thinx and EC Cubed Inc., USA, in the latter half of the year ended March 31, 2001, when the investee companies filed for liquidation.

16.2.25 Unbilled revenue

Unbilled revenue as at March 31, 2002 amounts to Rs. 17.74 (as at March 31, 2001, Rs. 2.35). It primarily comprises the revenue recognized in relation to efforts incurred on fixed-price, fixed-timeframe contracts until the balance sheet date.

16.2.26 Segment reporting

The company's operations predominantly relate to providing IT services, delivered to customers globally operating in various industry segments. Accordingly, IT service revenues represented along industry classes comprise the primary basis of segmental information set out in these financial statements. Secondary segmental reporting is performed on the basis of the geographical location of customers.

The accounting principles consistently used in the preparation of the financial statements are also consistently applied to record income and expenditure in individual segments. These are as set out in the note on significant accounting policies.

Industry segments at the company are primarily financial services comprising customers providing banking, finance and insurance services; manufacturing companies; companies in the telecommunications and the retail industries; and others such as utilities, transportation and logistics companies.

Income and direct expenses in relation to segments is categorized based on items that are individually identifiable to that segment, while the remainder of the costs are categorized in relation to the associated turnover of the segment. Certain expenses such as depreciation, which form a significant component of total expenses, are not specifically allocable to specific segments as the underlying services are used interchangeably. The company believes that it is not practical to provide segment disclosures relating to those costs and expenses, and accordingly these expenses are separately disclosed as "unallocated" and directly charged against total income.

Fixed assets used in the company's business or liabilities contracted have not been identified to any of the reportable segments, as the fixed assets and services are used interchangeably between segments. The company believes that it is currently not practicable to provide segment disclosures relating to total assets and liabilities since a meaningful segregation of the available data is onerous.

Customer relationships are driven based on the location of the respective client. North America comprises the United States of America, Canada and Mexico; Europe includes continental Europe (both the east and the west), Ireland and the United Kingdom; and the rest of the world comprises all other places except those mentioned above and India.

Geographical revenues are segregated based on the location of the customer who is invoiced or in relation to which the revenue is otherwise recognized.

Industry segments

Year ended March 31, 2002 and *2001*

	Financial services	Manufacturing	Telecom	Retail	Others	Total
Revenues	953.98	445.94	406.79	320.40	476.48	2,603.59
	640.78	*338.84*	*350.11*	*172.86*	*397.97*	*1,900.56*
Identified operating expenses	355.38	181.92	114.13	89.43	166.37	907.23
	225.88	*130.66*	*88.39*	*54.74*	*120.92*	*620.59*
Allocated expenses	247.73	111.26	101.50	79.61	118.63	658.73
	177.69	*90.69*	*93.90*	*46.31*	*106.54*	*515.13*
Segmental operating income	350.87	152.76	191.16	151.36	191.48	1,037.63
	237.21	*117.49*	*167.82*	*71.81*	*170.51*	*764.84*
Unallocable expenses						160.65
						112.89
Operating income						876.98
						651.95
Other income (expense), net						66.41
						44.08
Net profit before taxes						943.39
						696.03
Income taxes						135.43
						72.71
Net profit after taxes						807.96
						623.32

Geographic segments

Year ended March 31, 2002 and *2001*

	North America	Europe	India	Rest of the world	Total
Revenues	1,854.10	506.84	51.12	191.53	2,603.59
	1,396.90	*358.06*	*26.54*	*119.06*	*1,900.56*
Identifiable operating expenses	646.90	181.55	19.98	58.80	907.23
	443.71	*125.45*	*8.96*	*42.47*	*620.59*
Allocated expenses	468.20	127.97	14.82	47.74	658.73
	377.04	*96.78*	*8.60*	*32.71*	*515.13*
Segmental operating income	739.00	197.32	16.32	84.99	1,037.63
	576.15	*135.83*	*8.98*	*43.88*	*764.84*
Unallocable expenses					160.65
					112.89
Operating income					876.98
					651.95
Other income (expense), net					66.41
					44.08
Net profit before taxes					943.39
					696.03
Income taxes					135.43
					72.71
Net profit after taxes					807.96
					623.32

16.2.27 Related party transactions

The company entered into related party transactions during the year ended March 31, 2002 with Yantra Corporation, USA, the subsidiary of the company until February 27, 2002, and key management personnel.

The transactions with Yantra Corporation comprise sales of Rs. 4.43 during the period from April 1, 2001 until February 27, 2002 (previous year as at March 31, 2001 Rs. 19.65). The outstanding dues from the subsidiary as at March 31, 2001 were Rs. 1.00.

Key management personnel are non-director officers of the company, who have the authority and responsibility for planning, directing and controlling the activities of the company. The loans and advances receivable from non-director officers as at March 31, 2002 are Rs. 2.31 (previous year – Rs. 1.06).

16.2.28 Provisions for doubtful debts

Periodically, the company evaluates all customer dues to the company for collectibles. The need for provisions is assessed based on various factors including collectibles of specific dues, risk perceptions of the industry in which the customer operates, general economic factors, which could effect the customer's ability to settle. The company normally provides for debtor dues outstanding for 180 days or longer as at the balance sheet date. As at March 31, 2002 the company has provided for doubtful debts of Rs. 11.88 (as at March 31, 2001 – Rs. 8.55) on dues from certain customers although the outstanding amounts were less than 180 days old, since the amounts were considered doubtful of recovery. The company continues pursuing the parties for recovery of the dues, in part or full.

16.2.29 Dividends remitted in foreign currencies

Infosys does not make any direct remittances of dividends in foreign currency. The company remits the equivalent of the dividends payable to the holders of ADS ("ADS holders") in Indian Rupees to the depositary bank, which is the registered shareholder on record for all owners of the company's ADSs. The depositary bank purchases the foreign currencies and remits dividends to the ADS holders.

Particulars of dividends remitted are as follows:

Particulars	Number of shares to which the dividends relate	Year ended March 31, 2002	Year ended March 31, 2001
Final dividend for fiscal 2000	20,81,900	–	0.62
Interim dividend for fiscal 2001	20,82,567	–	0.52
Final dividend for fiscal 2001	20,88,517	1.56	–
Interim dividend for fiscal 2002	20,95,517	1.57	–
		3.13	1.14

16.2.30 Reconciliation of basic and diluted shares used in computing earnings per share

	Year ended March 31, 2002	Year ended March 31, 2001
Number of shares considered as basic weighted average shares outstanding	6,61,62,274	6,61,52,131
Add: Effect of dilutive issues of shares/stock options	4,05,301	2,06,180
Number of shares considered as weighted average shares and potential shares outstanding	6,65,67,575	6,63,58,311

Cash flow statement for the year ended March 31

in Rs. crore

	Schedule	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		943.39	696.03
Adjustments to reconcile profit before tax to cash provided			
By operating activities			
Profit on sale of fixed assets		(0.09)	(0.09)
Depreciation and amortization		160.65	112.89
Interest income		(51.23)	(38.47)
Effect of deferred taxes		(8.69)	–
Provisions on long-term investments		–	15.29
Income taxes paid during the year	1	(131.27)	(85.18)
Exchange differences on translation of foreign currency deposits		(13.26)	(20.17)
Changes in current assets and liabilities			
Sundry debtors		(34.36)	(166.19)
Loans and advances	2	(39.02)	(34.72)
Current liabilities and provisions	3	(5.16)	60.93
NET CASH GENERATED BY OPERATING ACTIVITIES		820.96	540.32
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds on exercise of stock options		4.60	2.38
Dividends paid during the year, including Dividend Tax		(109.37)	(42.20)
NET CASH USED IN FINANCING ACTIVITIES		(104.77)	(39.82)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of fixed assets and change in capital work-in-progress	4	(322.74)	(463.35)
Proceeds on disposal of fixed assets		1.60	0.23
Long-term investments in securities	5	(10.32)	(26.65)
Interest income		51.23	38.47
NET CASH USED IN INVESTING ACTIVITIES		(280.23)	(451.30)
Effect of exchange differences on translation of foreign currency deposits		13.26	20.17
Net increase in cash and cash equivalents during the year		449.22	69.37
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		577.74	508.37
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	6	1,026.96	577.74

This is the cash flow statement referred to in our report of even date

for Bharat S Raut & Co.
Chartered Accountants

S. Balasubrahmanyam
Partner

N. R. Narayana Murthy
Chairman and Chief Mentor

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

S. Gopalakrishnan
Chief Operating Officer and Deputy Managing Director

Deepak M. Satwalekar
Director

Marti G. Subrahmanyam
Director

Philip Yeo
Director

Jitendra Vir Singh
Director

Omkar Goswami
Director

Larry Pressler
Director

Rama Bijapurkar
Director

Claude Smadja
Director

K. Dinesh
Director

S. D. Shibulal
Director

T. V. Mohandas Pai
Director and Chief Financial Officer

Phaneesh Murthy
Director

Srinath Batni
Director

V. Balakrishnan
Company Secretary and Vice President – Finance

Bangalore
April 10, 2002

Auditors' certificate

To
The Members,
Infosys Technologies Limited

We have examined the attached cash flow statement of the Company for the year ended March 31, 2002. The statement has been prepared by the Company in accordance with the requirements of Clause 32 of the listing agreements entered into with the Stock Exchanges.

for Bharat S Raut & Co.
Chartered Accountants

Balasubrahmanyam

S. Balasubrahmanyam
Partner

Bangalore
April 10, 2002

Schedules to the statement of cash flows for the year ended March 31

In Rs.crore

			2002	2001
1	INCOME TAXES PAID DURING THE YEAR			
	Charge as per the profit and loss account		135.43	72.71
	Add:	Tax provided on Intellectual property rights transferred	–	3.44
		Increase in advance income taxes	112.51	69.33
	Less:	Increase/(Decrease) in income tax provision	(116.67)	(60.30)
			131.27	85.18
2	CHANGE IN LOANS AND ADVANCES DURING THE YEAR			
	As per the balance sheet		643.87	430.28
	Less:	Deposits with financial institutions and body corporate, included in cash and cash equivalents	(254.74)	(192.68)
		Advance income taxes separately considered	(236.25)	(123.74)
			152.88	113.86
	Less:	Opening balance considered	(113.86)	(79.14)
			39.02	34.72
3	CHANGE IN CURRENT LIABILITIES AND PROVISIONS DURING THE YEAR			
	As per the balance sheet		459.41	319.85
	Add/ (Less):	Provisions separately considered in the cash flow Statement:		
		Income taxes	(239.57)	(122.90)
		Dividends	(82.73)	(49.62)
		Dividend tax	–	(5.06)
			137.11	142.27
	Less:	Opening balance considered	(142.27)	(81.34)
			(5.16)	60.93
4	PURCHASES OF FIXED ASSETS AND CHANGE IN CAPITAL WORK-IN-PROGRESS			
	As per the balance sheet		342.72	349.66
	Less:	Opening capital work-in-progress	(170.65)	(56.96)
	Add:	Closing capital work-in-progress	150.67	170.65
			322.74	463.35
5	LONG-TERM INVESTMENTS IN SECURITIES DURING THE YEAR			
	As per the balance sheet		44.44	34.12
	Add:	Provisions on investments	–	15.29
	Less:	Non-cash investment (*see note 7.3 below*)	–	(8.93)
			44.44	40.48
	Less:	Opening balance considered	(34.12)	(13.83)
			10.32	26.65
6	CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR			
	As per the balance sheet		772.22	385.06
	Add:	Deposits with financial institutions and body corporate, included herein	254.74	192.68
			1,026.96	577.74

7 NOTES ON THE STATEMENT OF CASH FLOWS

7.1 Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, financing, and investing activities of the company are segregated. Cash flows in foreign currencies are accounted at average monthly exchange rates that approximate the actual rates of exchange prevailing at the dates of the transactions.

7.2 The balance of cash and cash equivalents includes Rs. 1.12 crore as at March 31, 2002 (as at March 31, 2001, Rs. 0.48 crore) set aside for payment of dividends, and accordingly is not otherwise available to the company.

7.3 During the year ended March 31, 2001, the company transferred intellectual property rights in Onscan – a web-based wireless enabled notification product, to OnMobile Systems Inc., USA (formerly Onscan Inc.) – a company incubated by Infosys. The product was transferred for a gross consideration of Rs. 8.93 crore that was received as equity preferred convertible voting and non-voting stock in OnMobile Systems Inc. Accordingly, the transaction being non-cash has not been considered in the statement of cash flows, except for the related income taxes.

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

Balance sheet abstract and company's general business profile

Registration details

Registration no.	13115
State code	08
Balance sheet date	March 31, 2002

in Rs. '000 (except per share data)

Capital raised during the year

Public issue	–
Rights issue	–
Bonus issue	–
Private placement	–
Preferential offer of shares under Employee Stock Option Plan scheme*	1,40

Position of mobilization and deployment of funds

Total liabilities	20,80,31,22
Total assets	20,80,31,22

Sources of funds

Paid-up capital	33,09,32
Reserves and surplus	20,47,21,90
Secured loans	–
Unsecured loans	–

Application of funds

Net fixed assets	7,18,24,60
Investments	44,44,23
Net current assets	12,93,40,39
Deferred tax assets	24,22,00
Miscellaneous expenditure	–
Accumulated losses	–

Performance of company

Income from software services and products	26,03,59,04
Other income	66,40,85
Total income	26,69,99,90
Total expenditure	17,26,61,47
Profit/loss before tax	9,43,38,42
Extraordinary income	–
Profit/loss after tax	8,07,95,42
Earnings per share from ordinary activities (basic) (Rs.)	122.12
Earnings per share from ordinary activities (diluted) (Rs.)	121.37
Dividend rate (%)	400

Generic names of principal products/services of the company

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

* Issue of shares arising on the exercise of options granted to employees under the company's –

1998 ADS Plan	27,983
1999 Plan	30

N. R. Narayana Murthy
Chairman and Chief Mentor

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Chief Executive Officer, President and Managing Director

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Director

Bangalore
April 10, 2002

V. Balakrishnan
Company Secretary and Vice President – Finance

Risk management report

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

In a dynamic industry such as IT services, risk is an inherent aspect of business. The impact of the turbulent socio-political and economic events in the past year on businesses bears testimony to this. It is indeed during such times that a company's ability to manage risk is put to an acid test. Your company has successfully out-performed its own revenue estimates, even during these tough times. This performance has been in large measure due to the resilient business model and prudent risk management practices followed by your company.

Your company's business model rests on four pillars – Predictability, Sustainability, Profitability and De-risking (the PSPD model). This model helps the management evaluate risk-return trade-offs and thereby make effective strategic choices. Your company focuses on long-term relationships with its clients and seeks to become a strategic partner in their quest for competitiveness. This leads to a predictable and sustainable revenue stream for your company. The Infosys-pioneered Global Delivery Model has helped your company to consistently be among the most profitable IT services companies in the world. The last element of the PSPD model – de-risking – provides the company with the strength and stability to effectively react to changes in the business environment.

A comprehensive and integrated risk management framework forms the basis of all the de-risking efforts of the company. Prudential norms aimed at limiting exposures are an integral part of this framework. Formal reporting and control mechanisms ensure timely information availability and facilitate proactive risk management. These mechanisms are designed to cascade down to the level of line managers so that risks at the transactional level are identified and steps are taken towards mitigation in a decentralized fashion.

The board of directors is responsible for monitoring risk levels on various parameters and the management council ensures implementation of mitigation measures, if required. The audit committee provides the overall direction on the risk management policies.

1. Business portfolio risks

- E-business exposure
- Service concentration
- Client concentration
- Geographical concentration
- Vertical domain concentration
- Technology concentration

2. Financial risks

- Foreign currency rate fluctuations
- Liquidity
- Leverage

3. Legal and statutory risks

- Contractual liabilities
- Statutory compliance

4. Organizational management risks

- Leadership development
- Human resources management
- Process maturity
- Internal control systems
- Disaster prevention & recovery
- Technological obsolescence

5. Political risks

1. Business portfolio risks

Excessive dependence on any single business segment increases risk and therefore needs to be avoided. To this end, the company has adopted prudential norms, wherever required, to prevent undesirable concentration in any one vertical, technology, client or geographic area.

1.1 E-business exposure

In recent years, the Internet has emerged as an efficient platform for enabling business transactions. While companies the world over continue to engage in transforming their businesses utilizing the power of this medium, dotcom companies have significantly reduced in number. Consequently, your company's exposure to such high-risk Internet start-up companies has been reduced to a miniscule proportion. In view of this, the management perceives risk from this aspect to be minimal in the future.

1.2 Service concentration

Your company has an array of service offerings across various horizontal and vertical business segments. These services are designed to offer clients end-to-end solutions and also to add stability and predictability to Infosys' revenue stream.

The following table provides historical data on contribution to revenues from the various service offerings.

Service offerings	FY 2002	FY 2001	FY 2000
Development	32.0%	40.0%	43.7%
Maintenance	29.0%	25.4%	28.6%
Re-engineering	10.1%	9.3%	10.1%
Package implementation	9.8%	7.2%	6.0%
Consulting	4.2%	4.9%	1.6%
Testing	2.9%	2.9%	0.7%
Engineering services	2.6%	1.7%	2.0%
Other services	5.4%	6.1%	4.7%
Products	4.0%	2.5%	2.6%
Total	100.0%	100.0%	100.0%

1.3 Client concentration

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

In addition to increasing revenues from existing clients, your company actively seeks new business opportunities and clients, in order to reduce client concentration levels. During the year, your company added 116 clients.

The following table provides historical data on client concentration.

	FY 2002	FY 2001	FY 2000
Active clients	293	273	194
Clients added during the year	116	122	99
% of revenues from the largest client	6.1%	7.3%	7.2%
% revenues from top five clients	24.1%	26.0%	30.2%
% revenues from top ten clients	39.4%	39.2%	45.7%
Clients accounting for >5% of total revenue	2	3	4
No. of million-dollar clients	83	80	42
No. of 5 million-dollar clients	25	19	10
No. of 10 million-dollar clients	16	11	4
No. of 20 million-dollar clients	6	3	–
Million-dollar clients as a % to active clients	28.3%	29.3%	21.6%

1.4 Geographical concentration

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

Proactively looking for business opportunities in new geographies and thereby increasing their contribution to total revenues helps manage this risk. In line with this, your company has been making significant efforts to enhance business from Europe and Asia Pacific over the past couple of years.

The following table provides historical data relating to geographical concentration.

Geographical area	FY 2002	FY 2001	FY 2000
North America	71.2%	73.5%	78.0%
Europe	19.5%	18.8%	14.8%
India	2.0%	1.4%	1.4%
Rest of the world	7.3%	6.3%	5.8%
Total	100.0%	100.0%	100.0%

1.5 Vertical domain concentration

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

The following table provides historical information on the proportion of revenues from various domains.

Vertical domain	FY 2002	FY 2001	FY 2000
Manufacturing	17.1%	17.8%	23.0%
Insurance, banking & financial services	36.7%	33.7%	30.1%
– Insurance	16.3%	14.2%	15.0%
– Banking & financial services	20.4%	19.5%	15.1%
Telecom	15.6%	18.4%	15.4%
Retail	12.3%	9.1%	10.6%
Energy and utilities	2.0%	1.4%	3.0%
Transportation & logistics	2.7%	2.2%	2.8%
Others	13.6%	17.4%	15.1%
Total	100.0%	100.0%	100.0%

The credit ratings of some of the large telecom equipment manufacturers have been downgraded. This has enhanced the risk perception of this sector. Your company derived 15.6% of its revenues from the telecom sector during the year ended March 31, 2002 as compared to 18.4% during the previous year ended March 31, 2001. The revenues from telecom equipment manufacturers amounted to 10.2% during the year ended March 31, 2002 as against 12.6% during the previous year. Your company has taken adequate measures to derisk its exposure to this sector.

The following table provides information on the customer classification within the telecom segment.

Category	% of telecom revenue	% of total revenue
Service providers	31.4	4.9
Product companies	2.9	0.4
Equipment manufacturers	65.1	10.2
Others	0.6	0.1
Total	100.0	15.6

1.6 Technology concentration

Being a company exposed to rapid shifts in technology, an undue focus on any particular technology could adversely affect the risk profile of your company. Given the rapid pace of technological change, your company has chosen not to impose rigid concentration limits. Often, industry characteristics and market dynamics determine the choice of technology.

The following table provides historical technology-related data.

Technology	FY 2002	FY 2001	FY 2000
Distributed systems	48.3%	44.6%	47.2%
Mainframe / mid-range	14.4%	13.6%	25.0%
Internet	23.0%	28.4%	13.6%
Proprietary telecom systems	2.6%	5.1%	6.8%
Others	11.7%	8.3%	7.4%
Total	100.0%	100.0%	100.0%

2. Financial risks

2.1 Foreign currency rate fluctuations

While your company derives its revenues from 31 countries around the world, 87.7% of revenues in fiscal 2002 was dollar-denominated. Further, all contracts entered into are in internationally tradable currencies so that your company is not exposed to local currencies that have significant non-tradability and downside risks on exchange fluctuations.

A large proportion of your company's expenses is in Indian rupees. Operating profits are therefore subject to foreign currency rate fluctuations. While a depreciation of the Indian rupee would have a favorable bottom-line impact, an appreciation would affect your company's profitability adversely.

The table below gives the foreign currency receipts and payments.

in Rs. crore

	FY 2002	FY 2001	FY 2000
Earnings in foreign currency	2,495.50	1,728.23	851.72
Revenue expenditure in foreign currency	1,023.41	612.29	296.56
Net revenue foreign currency earnings	1,472.09	1,115.94	555.16
Capital expenditure in foreign currency	48.74	115.24	40.02
Net foreign currency earnings	1,423.35	1,000.70	515.14

As a net foreign currency earner, your company has a natural hedge on all forex-related payments. All dollar expenses are met out of dollar-denominated accounts. Part of the surplus funds is maintained in foreign currency deposits. Your company does not take active trading positions in the foreign currency markets and operates only to hedge its receivables.

2.2 Liquidity

An essential part of the financial strategy of your company is to have a liquid balance sheet. Your company desires to have liquid assets at 25% of revenue and around 40% of total assets. The company policy is to earn a minimum of twice the cost of capital as return on average capital employed and a minimum of thrice the cost of capital as return on average invested capital. The cost of capital for the current year is estimated at 17.17%. Operating as it does in a high technology area, a high level of liquidity enables quick responses to rapid changes in the environment.

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

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

Ratio	FY 2002	FY 2001	FY 2000
Operating cash flow as % of revenue	31.5%	28.4%	28.3%
Days sales outstanding	47	58	56
Cash and equivalents as % of assets	49.4%	41.6%	61.0%
Cash and equivalents as % of revenue	39.4%	30.4%	57.6%
Return on average capital employed	54.4%	62.6%	46.3%
Return on average invested capital	83.1%	105.4%	111.6%

2.3 Leverage

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

3. Legal and statutory risks

3.1 Contractual liabilities

Litigation regarding intellectual property rights, patents and copyrights is significantly high in the software industry. In addition, there are other general corporate legal risks. The management has clearly charted out a review and documentation process for contracts. This process focuses on evaluating the legal risks involved in a contract, on ascertaining the legal responsibilities of your company under the applicable law of the contract, on restricting its liabilities under the contract, and on covering the risks involved. The management has also taken sufficient insurance cover abroad to cover possible liabilities arising out of non-performance of contracts. The management reviews this on a continuous basis and takes corrective action. As a matter of policy your company does not enter into contracts that have open-ended legal obligations. To date, your company has no material litigation in relation to contractual obligations pending against it in any court in India or abroad.

3.2 Statutory compliance

Your company has a compliance officer to advise your company on compliance issues and to ensure that your company is in compliance with the laws of the jurisdiction where the company has operations. The compliance officer reports to the board of directors from time to time. Various business heads give compliance certificates to the board of directors and the compliance officer reports deviations, if any. Generally, your company takes appropriate business decisions after ascertaining from the compliance officer and, if necessary, from independent legal counsel, that the business operations of your company are in compliance with any law in the jurisdiction in which it is undertaken. Legal compliance issues are an important factor in assessing all new business proposals. Your company has strengthened its legal team and put in place appropriate policies towards legal compliance. Your company follows an affirmative policy in protecting its trade name and trademark / service mark and is actively pursuing trademark infringement suits against various persons / companies in India and abroad.

4. Organizational management risks

4.1 Leadership development

As your company experiences continuous growth, one of the key imperatives is to develop leadership from among the talent pool that it possesses. Your company has invested significant resources in creating a state-of-the-art leadership institute at Mysore, which was made operational in record time last year. Chosen high-potentials are offered courses in subtleties of leadership development. Members of the senior management have committed a significant amount of their time to this initiative by designing and conducting these courses personally. Many of these courses are now being rolled out to mould leaders across all levels in the organization.

4.2 Human resource management

The key resource for your company is its people. Your company has been able to create a favorable work environment that encourages innovation and meritocracy. This is reflected in the fact that Infosys was rated as the Best Employer of India in the *Business Today*-Hewitt study for the second successive year, based on a survey of HR practices of leading Indian corporates. Your company today has employees belonging to 29 countries. This helps your company to have the cultural wherewithal to understand the need of international clients

An employee-friendly work environment combined with a well-balanced compensation package ensures that your company has one of the lowest employee attrition rates in the industry today. The table below gives attrition rates for the past three years:

	FY 2002	FY 2001	FY 2000
Attrition rate	6.2%	11.2%	9.2%

Infosys enjoys excellent relationships with leading universities globally and, thus, has a huge talent pool to draw from.

4.3 Process maturity

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

A risk management guideline is in place to provide guidance to project leaders and module leaders on ways in which risks can be identified and mitigated. Further, important metrics are collected and analyzed for all projects, and a database of such information is maintained to focus attention on key improvement areas. Standard methodologies, perfected through accumulated experience, form the basis for execution of projects in most of your company's service offerings.

Your company also has effective systems in place to ensure creation, documentation and dissemination of experiential knowledge. An intranet-based, user-friendly application known as Knowledge Shop (K-shop) comprising knowledge components contributed by employees is being used effectively for this purpose. Incentive schemes are in place to encourage a knowledge sharing culture in the organization. A dedicated central team of experts in the knowledge management sphere provides impetus to this initiative. This group creates technology aids and facilitates knowledge accumulation and dissemination through innovative methods.

Since your company has significantly mature processes in the software development arena, it has been focusing its attention during the year on enhancing the process quality of other enterprise processes, and aligning them with the organizational objectives. World-class models of process excellence such as the Six Sigma technique and the Malcolm Baldrige quality framework guide this initiative. Through this initiative, many of the processes critical to the long-term competitiveness of your company have been taken up.

4.4 Internal control systems

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

- Any unbudgeted expense has to be approved by the CEO.
- Any policy change has to be approved by a committee headed by the CEO. This is done after a 5-year profitability impact assessment.
- Senior management personnel submit periodic reports on their activities and achievements for review by the CEO.

Your company uses an operations planning model to forecast personnel requirements based on business projections. The personnel requirements are incorporated into the annual budgeting exercise. Any material change in the business outlook is factored into the personnel forecasts and budgets. Effective budgetary control on all expenses ensures that actual spending is in line with the budget.

4.5 Disaster prevention and recovery

Your company has reviewed and modified its Disaster Recovery Plan after the tragic events of September 11, 2001. Physical security of the various campuses as well as buildings has been strengthened. Logical security of systems has been found adequate and will continue to be reviewed since new threats occur every day. Firewalls are in place on all external connections from our network. A mobile user connects to your company's network using secure connections only after authenticity is validated.

Each campus has several buildings for software work. Each building is self-contained with its servers and developer workstations. Any part of the building can be secured physically and logically as per client requirements. Backups are taken daily and stored in secure locations. Your company can replicate any project within the campus within a short timeframe using these backups. Further, your company can move projects from one campus to another if needed since each campus is similar to every other in terms of technologies.

There is redundancy built into the data communication links. Each development center is connected to every other using multiple links. Your company has several links to overseas destinations, using different routes, and provided by multiple service providers.

Periodic reviews are done to ensure that all the above meet the organization's requirements.

4.6 Technological obsolescence

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

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

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

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

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

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

	FY 2002	FY 2001	FY 2000
Depreciation / average gross block	20.2%	24.7%	23.5%
Depreciation / total revenue	6.2%	5.9%	6.0%
Software for own use / total revenue	1.3%	1.7%	1.8%

5. Political risks

Recognizing that India's education system, its world-class professionals, and its low cost structure give it an intrinsic comparative advantage in software exports, successive governments have accorded a special status to this industry. Given the consensus among all leading political parties on the importance of the software industry, it is likely to remain a focus area for governmental policy in the years to come.

Business ties between the US corporations and the Indian software industry have been strong for several years now. These ties have been further strengthened through improving bilateral relationships between the two governments over the past few years. Similar improvements have been seen with countries such as Germany, UK, Italy and Japan. Given such positive trends, your company believes that its exposure to political risk is not very significant.

Corporate governance report

"The strength of a country depends on the values of it's citizens. Honesty, hardwork and compassion are needed to build a society rich in both goods and goodness. Because our country values freedom so highly, we are especially dependent on the responsibility of our citizens."

– President George W. Bush

For Infosys, maintaining the highest standards of corporate governance is not a matter of mere form but of substance. It is an article of faith, a way of life, an integral part of the company's core values. We have a board that is fully aware of its fiduciary responsibilities in the widest sense of the term; our disclosures match, if not go beyond, the best practices recommended by all international corporate governance codes; we live by transparency and by respecting minority shareholder rights; we eschew anything that even remotely runs counter to our ethical values; we relentlessly attempt to maximize long-term shareholder value; and, most importantly, we consider ourselves as trustees of our stakeholders.

Corporate governance guidelines and codes of best practices began in the early 1990s in the United Kingdom and the United States in response to problems in the performance of leading companies and the perceived lack of effective board oversight that contributed to those problems. The Cadbury Report of the UK, the General Motors Board of Directors Guidelines in the US and the Dey Report in Canada proved to be influential sources for other guidelines and codes. Over the past decade, several guidelines and codes have been issued by various countries. Compliance with these recommendations is generally not mandated by law, although codes that are linked to stock exchanges sometimes have a mandatory content.

In India, the Confederation of the Indian Industry (CII) took the lead in framing a desirable code of corporate governance in April 1998. Infosys fully complies with, and indeed goes beyond CII's recommendations on corporate governance. This was followed by the recommendations of the Kumar Mangalam Birla Committee on Corporate Governance appointed by the Securities and Exchange Board of India (SEBI) – the recommendations were accepted by SEBI in December 1999, and are now enshrined in Clause 49 of the Listing Agreement of every Indian stock exchange. Infosys' compliance with these requirements is listed in the course of this chapter.

As a part of Infosys' commitment to adhering to global best practices, this chapter also discloses the company's compliance with the Euroshareholders Corporate Governance Guidelines 2000 and the Blue Ribbon Committee recommendations, and Infosys' adherence to the UN Global Compact Programme. Further, a note on Infosys' compliance with the corporate governance guidelines of six countries – in their national languages – is presented in the chapter entitled *Financial statements prepared in substantial compliance with GAAP requirements of Australia, Canada, France, Germany, Japan and the United Kingdom and reports of compliance with the respective corporate governance standards.*

A. Board composition

1. Size and composition of the board

The current policy is to have an appropriate mix of executive and independent directors to maintain the independence of the board, and to separate the board functions of governance and management. The board consists of sixteen members, eight of whom are executive or whole-time directors, and eight independent directors. Five of the executive directors are founders of the company. To ensure independence of the board, the members of the audit committee, the nominations committee and the compensation committee are composed entirely of independent directors. Table 1 gives the composition of Infosys' board, and the number of outside directorships held by each of the directors.

Table 1: Composition of the board, and external directorships held during FY 2002

Name of directors	Position	Relationship with other directors	Directorships held as on March 31, 2002: India listed companies #	Directorships held as on March 31, 2002: All companies around the world	Committee membership in all companies	Chairmanship in committees in which they are members
N. R. Narayana Murthy	Chairman and Chief Mentor; Executive and founder director	None	2	3	0	0
Nandan M. Nilekani	CEO, President and Managing Director; Executive and founder director	None	0	1	1	0
S. Gopalakrishnan	COO and Deputy Managing Director; Executive and founder director	None	0	1	0	0
Deepak M. Satwalekar	Independent director	None	11	13	8	2
Prof. Marti G. Subrahmanyam	Independent director	None	1	7	4	3
Ramesh Vangal*	Independent director	None	NA	NA	NA	NA
Philip Yeo	Independent director	None	0	18	5	1
Prof. Jitendra Vir Singh	Independent director	None	0	1	2	0
Dr. Omkar Goswami	Independent director	None	2	3	4	0
Sen. Larry Pressler	Independent director	None	0	3	2	0
Rama Bijapurkar	Independent director	None	3	6	4	1
Claude Smadja**	Independent director	None	0	3	3	2
K. Dinesh	Head – Human Resources Development, Information Systems, Quality & Productivity and Communication Design Group; Executive and founder director	None	0	1	1	0
S. D. Shibulal	Head – Customer Delivery; Executive and founder director	None	0	2	1	0
T. V. Mohandas Pai	CFO and Head – Finance & Administration; Executive director	None	0	1	0	0
Phaneesh Murthy	Head – Sales & Marketing, and Communication & Product Services; Executive director	None	0	1	0	0
Srinath Batni	Head – Delivery (West North America); Executive director	None	0	1	0	0

* Ramesh Vangal resigned from the board with effect from October 24, 2001.
** Claude Smadja was co-opted as an Additional Director with effect from October 25, 2001. NA: Not applicable.
\# excluding Infosys

2. Responsibilities of the Chairman, CEO and the COO

The current policy of the company is to have a Chairman and Chief Mentor – Mr. N. R. Narayana Murthy; a Chief Executive Officer (CEO), President and Managing Director – Mr. Nandan M. Nilekani; and a Chief Operating Officer (COO) and Deputy Managing Director – Mr. S. Gopalakrishnan. There are clear demarcations of responsibility and authority between the three.

- *The Chairman and Chief Mentor* is responsible for mentoring Infosys' core management team in transforming the company into a world-class, next-generation organization that provides state-of-the-art technology-leveraged business solutions to corporations across the world. He also interacts with global thought-leaders to enhance the leadership position of Infosys. In addition, he continues to interact with various institutions to highlight and help bring about the benefits of IT to every section of society. As chairman of the board, he is also responsible for all board matters.
- *The CEO, President and Managing Director* is responsible for corporate strategy, brand equity, planning, external contacts, new initiatives, and other management matters. He is also responsible for achieving the annual business plan.
- *The COO and Deputy Managing Director* is responsible for all customer service operations. He is also responsible for technology, acquisitions and investments.

The Chairman, CEO, COO, the other executive directors and the senior management make periodic presentations to the board on their responsibilities, performance and targets.

3. Board definition of independent directors

According to Clause 49 of the Listing Agreement with Indian stock exchanges, an independent director means a person other than an officer or employee of the company or its subsidiaries or any other individual having a material pecuniary relationship or transactions with the company which, in the opinion of the company's board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

Infosys adopted a stricter definition of independence as required by NASDAQ listing rules. The same is provided in the *Audit charter* section of this Annual Report.

4. Board membership criteria

Board members are expected to possess the expertise, skills and experience required to manage and guide a high-growth, hi-tech, software company deriving revenue primarily from G-7 countries. Expertise in strategy, technology, finance, quality and human resources is essential. Generally, they will be between 40 and 60 years of age. They will not be relatives of an executive director or of an independent director. They are generally not expected to serve in any executive or independent position in any company in direct competition with Infosys. Board members are expected to rigorously prepare for, attend, and participate in all board and applicable committee meetings. Each board member is expected to ensure that their other current and planned future commitments do not materially interfere with the member's responsibility as a director of Infosys.

5. Selection of new directors

The board is responsible for the selection of any new director. The board delegates the screening and selection process involved in selecting the new directors to the nominations committee, which consists exclusively of independent directors. The nominations committee makes recommendations to the board on the induction of any new member.

6. Membership term

The board constantly evaluates the contribution of its members, and recommends to shareholders their re-appointment periodically as per statute. The current law in India mandates the retirement of one-third of the board members (who are liable to retire by rotation) every year, and qualifies the retiring members for re-appointment. Executive directors are appointed by the shareholders for a maximum period of five years at a time, but are eligible for re-appointment upon completion of their term. Non-executive directors do not have a specified term, but retire by rotation as per law. The nominations committee of the board recommends such appointments and/or re-appointments. However, the membership term is limited by the retirement age for the members.

7. Retirement policy

Under this policy, the maximum age of retirement of all executive directors is 60 years, which is the age of superannuation for the employees of the company. Their continuation as members of the board upon superannuation / retirement is determined by the nominations committee. The age limit for serving on the board is 65 years.

8. Board compensation review

The compensation committee determines and recommends to the board the compensation payable to the directors. All board-level compensations are approved by shareholders, and separately disclosed in the financial statements.

Remuneration of the executive directors consists of a fixed component and a performance incentive. The compensation committee makes a quarterly appraisal of the performance of the executive directors based on a detailed performance-related matrix. The annual compensation of the executive directors is approved by the compensation committee, within the parameters set by the shareholders at the shareholders meetings.

Compensation payable to each of the independent directors is limited to a fixed amount per year as determined and approved by the board – the sum of which is within the limit of 0.5% of the net profits of the company for the year, calculated as per the provisions of the Companies Act, 1956. The compensation payable to independent directors and the method of calculation are disclosed separately in the financial statements.

Those executive directors who are founders of the company have voluntarily excluded themselves from the 1994 Stock Offer Plan, the 1998 Stock Option Plan and the 1999 Stock Option Plan. Independent directors are also not eligible for stock options under these plans, except for the latest 1999 Stock Option Plan. Table 2a gives the compensation of each director; and Table 2b gives the grant of stock options to directors.

Table 2a: Cash compensation to the directors for FY2002

in Rs. crore

Name of directors	Salary	Performance incentive/bonus	Commission payable	Sitting fees (in months)	Total	Notice period
N. R. Narayana Murthy	0.19	0.02	NA	NA	0.21	6
Nandan M. Nilekani	0.18	0.02	NA	NA	0.20	6
S. Gopalakrishnan	0.18	0.02	NA	NA	0.20	6
Deepak M. Satwalekar	NA	NA	0.12	0.01	0.13	NA
Prof. Marti G. Subrahmanyam	NA	NA	0.12	0.01	0.13	NA
Ramesh Vangal*	NA	NA	0.07	–	0.07	NA
Philip Yeo	NA	NA	0.12	–	0.12	NA
Prof. Jitendra Vir Singh	NA	NA	0.12	0.01	0.13	NA
Dr. Omkar Goswami	NA	NA	0.12	0.01	0.13	NA
Sen. Larry Pressler	NA	NA	0.12	0.01	0.13	NA
Rama Bijapurkar	NA	NA	0.12	0.01	0.13	NA
Claude Smadja**	NA	NA	0.05	–	0.05	NA
K. Dinesh	0.19	0.02	NA	NA	0.21	6
S. D. Shibulal	0.17	0.02	NA	NA	0.19	6
T. V. Mohandas Pai	0.19	0.01	NA	NA	0.20	6
Phaneesh Murthy	1.20	0.72	NA	NA	1.92	6
Srinath Batni	0.16	0.01	NA	NA	0.17	6

* Ramesh Vangal resigned from the board with effect from October 24, 2001.
** Claude Smadja was co-opted as an Additional Director with effect from October 25, 2001.
None of the above is eligible for any severance pay.

Table 2b: Grant of stock options to directors during FY2002

Name of directors	Number of options (1999 ESOP)	Grant price (in Indian Rs)	Expiry date
Deepak M. Satwalekar	7,000	3,215.60	Apr 11, 2010
Prof. Marti G. Subrahmanyam	6,000	3,215.60	Apr 11, 2010
Ramesh Vangal*	7,000	3,215.60	Apr 11, 2010
Philip Yeo	3,000	3,215.60	Apr 11, 2010
Prof. Jitendra Vir Singh	2,000	3,215.60	Apr 11, 2010
Dr. Omkar Goswami	2,000	3,215.60	Apr 11, 2010
Sen. Larry Pressler	2,000	3,215.60	Apr 11, 2010
Rama Bijapurkar	2,000	3,215.60	Apr 11, 2010
Claude Smadja**	None	NA	NA

* Ramesh Vangal resigned from the board with effect from October 24, 2001 and hence the grant was forfeited.
** Claude Smadja was co-opted as an Additional Director with effect from October 25, 2001.
None of the above options was issued at a discount.

9. Memberships of other boards

Executive directors are excluded from serving on the board of any other entity, unless these are corporate or government bodies whose interests are germane to the future of the software business, or are key economic institutions of the nation, or whose prime objective is that of benefiting society. Independent directors are not expected to serve on the boards of competing companies. Other than this, there are no limitations on them save those imposed by law and good corporate governance practices. The number of outside directorships held by each director of Infosys is given in Table 1 above.

B. Board meetings

1. Scheduling and selection of agenda items for board meetings

Dates for the board meetings in the ensuing year are decided in advance and published as part of the Annual Report. Most board meetings are held at the company's registered office at Electronics City, Bangalore, India. The chairman of the board and the company secretary draft the agenda for each meeting, along with explanatory notes, and distribute these in advance to the directors. Every board member is free to suggest the inclusion of items on the agenda. The board meets at least once a quarter to review the quarterly results and other items on the agenda, and also on the occasion of the annual shareholders' meeting. When necessary, additional meetings are held. Independent directors are expected to attend at least four board meetings in a year. Committees of the board usually meet the day before the formal board meeting, or when required for transacting business.

There were five board meetings held during the year ended March 31, 2002. These were on April 11, 2001, June 2, 2001 (coinciding with last year's Annual General Meeting of the shareholders), July 10, 2001, October 10, 2001 and January 10, 2002. Table 3 gives the attendance record of the directors.

Table 3: Number of board meetings and the attendance of directors during FY2002

Name of directors	Number of board meetings held	Number of board meetings attended	Whether attended last AGM
N. R. Narayana Murthy	5	5	Yes
Nandan M. Nilekani	5	5	Yes
S. Gopalakrishnan	5	5	Yes
Deepak M. Satwalekar	5	5	Yes
Prof. Marti G. Subrahmanyam	5	4	Yes
Ramesh Vangal*	4	1	Yes
Philip Yeo	5	0	No
Prof. Jitendra Vir Singh	5	5	Yes
Dr. Omkar Goswami	5	5	Yes
Sen. Larry Pressler	5	5	Yes
Rama Bijapurkar	5	5	Yes
Claude Smadja**	1	1	NA
K. Dinesh	5	5	Yes
S. D. Shibulal	5	5	Yes
T. V. Mohandas Pai	5	5	Yes
Phaneesh Murthy	5	5	Yes
Srinath Batni	5	5	Yes

* Ramesh Vangal resigned from the board with effect from October 24, 2001.

** Claude Smadja was co-opted as an Additional Director with effect from October 25, 2001. Hence, his attendance at last AGM is not applicable (NA).

2. Availability of information to the members of the board

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

The information regularly supplied to the board includes:

- annual operating plans and budgets, capital budgets, updates;
- quarterly results of the company and its operating divisions or business segments;
- minutes of meetings of audit, compensation, nomination, investors grievance and investment committees, as well as abstracts of circular resolutions passed;
- general notices of interest;
- declaration of dividend;
- information on recruitment and remuneration of senior officers just below the board level including appointment or removal of CFO and company secretary;
- materially important litigations, show cause, demand, prosecution and penalty notices;
- fatal or serious accidents or dangerous occurrences, any material effluent or pollution problems;
- any materially relevant default in financial obligations to and by the company or substantial non-payment for goods sold by the company;
- any issue which involves possible public or product liability claims of a substantial nature;
- details of any joint venture or collaboration agreement;
- transactions that involve substantial payment towards goodwill, brand equity or intellectual property;
- significant development on the human resources front;
- sale of material nature, of investments, subsidiaries, assets, which is not in the normal course of business;
- details of foreign exchange exposure and the steps taken by management to limit the risks of adverse exchange rate movement; and
- non-compliance of any regulatory, statutory nature or listing requirements as well as shareholder services such as non-payment of dividend and delays in share transfer.

3. Independent directors' discussion

The board's policy is to regularly have separate meetings with independent directors to update them on all business-related issues and new initiatives. In such meetings, the executive directors and other senior management personnel make presentations on relevant issues.

4. Materially significant related party transactions

There have been no materially relevant related party transactions, pecuniary transactions or relationships between Infosys and its directors for the year ended March 31, 2002.

C. Board committees

Currently, the board has five committees – the audit committee, the compensation committee, the nominations committee, the investors grievance committee and the investment committee. The first three consist entirely of independent directors. The investors grievance committee is composed of an independent, non-executive chairman and some executive and non-executive directors. The investment committee consists of all executive directors.

The board is responsible for the constituting, assigning, co-opting and fixing of terms of service for committee members to various committees, and it delegates these powers to the nominations committee.

The chairman of the board, in consultation with the company secretary of the company and the committee chairman, determines the frequency and duration of the committee meetings. Normally, all the committees meet four times a year except the investment committee which meets as and when the need arises. Typically, the meetings of the audit, compensation and nominations committees last for the better part of a working day. Recommendations of the committee are submitted to the full board for approval.

The quorum for meetings is either two members or one-third of the members of the committees, whichever is higher.

1. Audit committee

In India, Infosys is listed on the Stock Exchange, Mumbai (or the BSE), the National Stock Exchange (NSE) and the Bangalore Stock Exchange (BgSE). In the US, it is listed on the NASDAQ. In India, Clause 49 of the Listing Agreement makes it mandatory for listed companies to adopt an appropriate audit committee charter. The Blue Ribbon Committee set up by the US Securities and Exchange Commission (SEC) recommended that every listed company adopt an audit committee charter, which has been adopted by NASDAQ.

In its meeting on May 27, 2000, Infosys' audit committee adopted a charter which meets the requirements of Clause 49 of the Listing Agreement with Indian stock exchanges and the SEC. It is given below.

Audit committee charter of Infosys

1. Primary objectives of the audit committee

The primary objective of the audit committee (the "committee") is to monitor and provide effective supervision of the management's financial reporting process with a view to ensure accurate, timely and proper disclosures and the transparency, integrity and quality of financial reporting.

The committee oversees the work carried out in the financial reporting process – by the management, including the internal auditors and the independent auditor – and notes the processes and safeguards employed by each.

2. Scope of the audit committee

2.1 Provide an open avenue of communication between the independent auditor, internal auditor, and the board of directors ("BoD").

2.2 Meet four times every year or more frequently as circumstances require. The audit committee may ask members of management or others to attend meetings and provide pertinent information as necessary.

2.3 Confirm and assure the independence of the external auditor and objectivity of the internal auditor.

2.4 Review with the independent auditor the co-ordination of audit efforts to assure completeness of coverage, reduction of redundant efforts, and the effective use of all audit resources.

2.5 Consider and review with the independent auditor

(a) The adequacy of internal controls including computerised information system controls and security; and

(b) Related findings and recommendations of the independent auditor and internal auditor together with management's responses.

2.6 Consider and review with management, internal auditor and the independent auditor.

(a) Significant findings during the year, including the status of previous audit recommendations;

(b) Any difficulties encountered in the course of audit work including any restrictions on the scope of activities or access to required information; and

(c) Any changes required in the planned scope of the internal audit plan.

2.7 Report periodically to the BoD on significant results of the foregoing activities.

3. Composition of the audit committee

3.1 The committee shall consist solely of 'independent' directors of the company and shall be comprised of a minimum of three directors, each of whom is 'financially literate' or shall become 'financially literate' within a reasonable period of time after his or her appointment. They should be diligent, knowledgeable, dedicated, interested in the job and willing to devote a substantial amount of time and energy to the responsibilities of the committee, in addition to BoD responsibilities. At least one of the members shall have accounting or related 'financial management expertise'. The members of the committee shall be elected by the BoD and shall continue until their successors are duly elected. The duties and responsibilities of a member are in addition to those applicable to a member of the BoD. In recognition of the time burden associated with the service and, with a view to bring in fresh insight, the committee may consider limiting the term of audit committee service, by automatic rotation or by other means. One of the members shall be elected as the chairman either by the full BoD or by the members themselves, by majority vote.

3.2 The BoD may, under exceptional and limited circumstances, waive this requirement if it is of the view that the concerned member is required in the committee, in the best interests of the company and its shareholders. However, the BoD shall disclose, in the next Annual Report (Proxy Statement) subsequent to such determination, the nature of the relationship and the reasons for that determination.

4. Relationship with independent and internal auditors

4.1 The BoD and the committee have the ultimate authority and responsibility to select, evaluate, and, where appropriate, replace the independent auditors in accordance with law. All possible measures must be taken by the committee to ensure the objectivity and independence of the independent auditors. These include:

- obtaining from the independent auditors formal written statements delineating all relationships between the auditors and the company, consistent with applicable regulatory requirements;
- actively engaging in dialogues with the auditors with respect to any disclosed relationships or services that may impact their objectivity and independence and take, or recommend that the full BoD takes appropriate action to ensure their independence;

- require and encourage the independent auditors to have open and frank discussions on their judgements about the quality, not just the acceptability of the company's accounting principles as applied in its financial reporting, including such issues as the clarity of the company's financial disclosures and degree of aggressiveness or conservatism of the company's accounting principles and underlying estimates and other significant decisions made by the management in preparing the financial disclosure and audited by them; and
- require the independent auditor, carrying out the attest function in conformity with US GAAS, to perform an interim financial review as required under Statement of Auditing Standards 71 of the American Institute of Certified Public Accountants and also discuss with the committee or its chairman, and an appropriate representative of Financial Management and Accounting, in person or by telephone conference call, the matters described in SAS 61, Communications with the Committee, prior to the company's filing of its Form 6-K (and preferably prior to any public announcement of financial results), including significant adjustments, management judgement and accounting estimates, significant new accounting policies, and disagreements with management.

4.2 The internal auditors of the company are in the best position to evaluate and report on the adequacy and effectiveness of the internal controls. Keeping in view the need for the internal auditors' independence from management in order to remain objective, a formal mechanism should be created to facilitate confidential exchanges between the internal auditors and the committee, regardless of irregularities or problems. The work carried out by each of these auditors needs to be assessed and reviewed with the independent auditors and appropriate recommendations made to the BoD.

The audit committee's charter should be published in the Annual Report once every three years and also whenever any significant amendment is made to the charter.

5. Disclosure requirements

5.1 The committee charter should be published in the Annual Report once every three years and also whenever any significant amendment is made to the charter.

5.2 The committee shall disclose in the company's Annual Report whether or not, with respect to the concerned fiscal year:

- Management has reviewed the audited financial statements with the committee, including a discussion of the quality of the accounting principles as applied and significant judgements affecting the company's financial statements;
- The independent auditors have discussed with the committee their judgements of the quality of those principles as applied and judgements referred to above under the circumstances;
- The members of the committee have discussed among themselves, without management or the independent auditors present, the information disclosed to the committee as described above;
- The committee, in reliance on the review and discussions conducted with management and the independent auditors pursuant to the requirements above, believes that the company's financial statements are fairly presented in conformity with Generally Accepted Accounting Principles ("GAAP") in all material respects; and
- The committee has satisfied its responsibilities in compliance with its charter.

5.3 The committee shall secure compliance that the BoD has affirmed to the NASD/Amex Stock Exchange on the following matters, as required in terms of the relevant NASD/Amex rules:

- Composition of the committee and independence of committee members;
- Disclosures relating to non-independent members;
- Financial literacy and financial expertise of members; and
- Review of the committee charter.

5.4 The committee shall report to shareholders as required by the relevant rules of the Securities and Exchange Commission ("SEC") of the United States.

6. Definitions

6.1 Independent member

In order to be 'independent', members should have no relationship with the company that may interfere with the exercise of their independence from the management and the company. The following persons are not considered independent:

- A director who is employed by the company or any of its affiliates for the current year or any of the past three years;
- A director who accepts any compensation from the company or any of its affiliates in excess of $60,000 during the previous fiscal year, other than compensation for board service, benefits under a tax-qualified retirement plan, or non-discretionary compensation;
- A director who is a member of the immediate family of an individual who is, or has been in any of the past three years, employed by the corporation or any of its affiliates as an executive officer. "Immediate family" includes a person's spouse, parents, children, siblings, mother-in-law, father-in-law, brother-in-law, sister-in-law, son-in-law, daughter-in-law, and anyone who resides in such a person's home;
- A director who is a partner in, or a controlling shareholder or an executive officer of, any for-profit business organization to which the company made, or from which the company received, payments (other than those arising solely from investments in the company's securities) that exceed 5% of the company's or business organization's consolidated gross revenues for that year, or $200,000, whichever is more, in any of the past three years; and
- A director who is employed as an executive of another entity where any of the company's executives serve on that entity's compensation committee.

6.2 Financial literacy

'Financial literacy' means the ability to read and understand fundamental financial statements. 'Financial management expertise' means past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the member's financial sophistication, including being or having been a chief executive officer or other senior officer with responsibilities to oversee financial issues.

Audit committee report for the year ended March 31, 2002

The audit committee of Infosys comprises six independent directors. They are:

Mr. Deepak M. Satwalekar, *Chairman*;
Ms. Rama Bijapurkar;
Dr. Omkar Goswami;
Sen. Larry Pressler;
Mr. Claude Smadja (co-opted from January 9, 2002, following the resignation of Mr. Ramesh Vangal from the board);
Prof. Marti G. Subrahmanyam.

Four audit committee meetings were held during the year. These were held on April 10, 2001, July 9, 2001, October 9, 2001 and January 9, 2002. Table 4 gives the attendance record of the audit committee members

Table 4: Audit committee attendance during FY2002

Name of audit committee members	No. of meetings held	No. of meetings attended
Deepak M. Satwalekar	4	3
Prof. Marti G. Subrahmanyam	4	3
Ramesh Vangal*	3	0
Dr. Omkar Goswami	4	4
Sen. Larry Pressler	4	4
Rama Bijapurkar	4	4
Claude Smadja**	1	1

* Ramesh Vangal resigned from the board with effect from October 24, 2001.

** Claude Smadja was co-opted as an Additional Director with effect from October 25, 2001, and as a member of the audit committee from January 9, 2002.

Each member of the committee is an independent director, according to the definition laid down in the Audit committee charter given above, and Clause 49 of the Listing Agreement with the relevant Indian stock exchanges.

Management is responsible for the company's internal controls and the financial reporting process. The independent auditors are responsible for performing an independent audit of the company's financial statements in accordance with the generally accepted auditing standards, and for issuing a report thereon. The committee's responsibility is to monitor these processes. The committee is also responsible to oversee the processes related to the financial reporting and information dissemination, in order to ensure that the financial statements are true, correct, sufficient and credible. In addition, the committee recommends to the board the appointment of the company's internal and statutory auditors.

In this context, the committee has discussed with the company's auditors the overall scope and plans for the independent audit. Management represented to the committee that the company's financial statements were prepared in accordance with Generally Accepted Accounting Principles. The committee discussed with the auditors, in the absence of the management (whenever necessary), the company's audited financial statements including the auditor's judgements about the quality, not just the applicability, of the accounting principles, the reasonableness of significant judgements and the clarity of disclosures in the financial statements.

The committee also discussed with the auditors other matters required by the Statement on Auditing Standards No.61 (SAS 61) – *Communication with audit committees*, as amended by SAS 90 – *Audit committee communication.*

Relying on the review and discussions conducted with the management and the independent auditors, the audit committee believes that the company's financial statements are fairly presented in conformity with Generally Accepted Accounting Principles in all material aspects.

The committee has also reviewed the internal controls put in place to ensure that the accounts of the company are properly maintained and that accounting transactions are in accordance with prevailing laws and regulations. In conducting such reviews, the committee found no material discrepancy or weakness in the internal control systems of the company.

The committee also reviewed the financial and risk management policies of the company and expressed its satisfaction with the same.

The company's auditors provided to the committee the written disclosures required by Independence Standards Board Standard No. 1 – '*Independence discussions with audit committees*', based on which the committee discussed the auditors' independence with both the management and the auditors. After review, the committee expressed its satisfaction on the independence of both the internal and the statutory auditors.

Moreover, the committee considered whether any non-audit consulting services provided by the auditor's firm could impair the auditor's independence, and concluded that there was no such materially significant service provided.

The committee secured compliance that the board of directors has affirmed to the NASDAQ stock exchange, under the relevant rules of the exchange on composition of the committee and independence of the committee members, disclosures relating to non-independent members, financial literacy and financial expertise of members, and a review of the audit charter.

Based on the committee's discussion with management and the auditors and the committee's review of the representations of management and the report of the auditors to the committee, the committee has recommended to the board of directors that:

1. The audited financial statements prepared as per Indian GAAP for the year ended March 31, 2002 be accepted by the board as a true and fair statement of the financial health of the company; and
2. The audited financial statements prepared as per US GAAP, and included in the company's Annual Report on Form-20F for the fiscal year ended March 31, 2002 be filed with the Securities and Exchange Commission.

The committee has recommended to the board the appointment of Bharat S Raut & Co., Chartered Accountants, as the statutory and independent auditors of the company for the fiscal year ending March 31, 2003, and that that the necessary resolutions for appointing them as auditors be placed before the shareholders. The committee has also recommended to the board the appointment of KPMG as independent auditors of the company for the US GAAP financial statements, for the financial year ending March 31, 2003.

The committee recommended the appointment of internal auditors to review various operations of the company, and determined and approved the fees payable to them.

The committee has also issued a letter in line with recommendation No. 9 of the Blue Ribbon Committee on audit committee effectiveness, which has been provided in the *Financial statements prepared in accordance with US GAAP* section of this Annual Report.

In conclusion, the committee is sufficiently satisfied that it has complied with its responsibilities as outlined in the *Audit committee charter*.

Sd
Bangalore — Deepak M. Satwalekar
April 9, 2002 — *Chairman, Audit committee*

2. Compensation committee

The compensation committee of Infosys consists entirely of non-executive, independent directors, and consists of:

Prof. Marti G. Subrahmanyam, *Chairman;*
Dr. Omkar Goswami;
Mr. Deepak M. Satwalekar;
Prof. Jitendra Vir Singh;
Mr. Philip Yeo.

Compensation committee report for the year ended March 31, 2002

Four compensation committee meetings were held during the year ended March 31, 2002: on April 10, 2001, July 9, 2001, October 9, 2001 and January 9, 2002. Table 5 gives the attendance record of the compensation committee members.

Table 5: Compensation committee attendance during FY2002

Name of compensation committee members	Number of meetings held	Number of meetings attended
Prof. Marti G. Subrahmanyam	4	3
Deepak M. Satwalekar	4	3
Philip Yeo	4	1
Prof. Jitendra Vir Singh	4	4
Dr. Omkar Goswami	4	4

The committee has the mandate to review and recommend compensation payable to the executive directors and senior management of the company. It also administers the company's stock option plans, including the review and grant of stock options to eligible employees under the plans.

The committee reviews the performance of all the executive directors on a quarterly basis. This is done on the basis of detailed performance parameters set for each of the executive directors at the beginning of the year, in consultation with the CEO of the company. From time to time, the committee also evaluates the usefulness of such performance parameters, and makes necessary amendments.

The committee reviewed the performance of all the executive directors and approved the compensation payable to them for fiscal 2003, within the overall limits approved by the shareholders. The committee also reviewed and approved the compensation proposed for all the management council members for fiscal 2003. The committee also reviewed the grant of stock options on a sign-on and regular basis to various employees of the company during the year.

The committee believes that the proposed compensation and benefits, along with stock options, are adequate to motivate and retain the senior officers of the company.

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

Sd
Bangalore — Prof. Marti G. Subrahmanyam
April 9, 2002 — *Chairman, compensation committee*

3. Nominations committee

The nominations committee of the board consists exclusively of the following non-executive, independent directors:

Mr. Claude Smadja, *Chairman* (co-opted in the committee from January 9, 2002);
Sen. Larry Pressler;
Prof. Jitendra Vir Singh;
Mr. Philip Yeo;
During the year, Mr. Ramesh Vangal resigned from the directorship of the company and also from the committee.

Nominations committee report for the year ended March 31, 2002

The committee has the mandate to recommend the size and composition of the board, establish procedures for the nomination process, recommend candidates for election to the board and nominate officers for election by the board.

Four nominations committee meetings were held during the year on April 10, 2001, July 9, 2001, October 9, 2001 and January 9, 2002.

During the year, Mr. Ramesh Vangal resigned from the directorship of the company and the same was taken on record. The committee approved the induction of Mr. Claude Smadja in his place and recommended the same to the board for approval, which was subsequently approved.

The attendance record of members is given in Table 6.

Table 6: Nominations committee attendance during FY2002

Name of compensation committee members	Number of meetings held	Number of meetings attended
Claude Smadja*	1	1
Ramesh Vangal**	3	0
Philip Yeo	4	1
Prof. Jitendra Vir Singh	4	4
Sen. Larry Pressler	4	4

* Claude Smadja was co-opted in the committee on January 9, 2002.

** Ramesh Vangal resigned from the board with effect from October 24, 2001.

The committee discussed the issue of the retirement of members of the board as per statutory requirements. As a third of the members have to retire every year based on their date of appointment, Messrs. Nandan M. Nilekani, Philip Yeo, K. Dinesh, T. V. Mohandas Pai and Phaneesh Murthy will retire in the ensuing Annual General Meeting. The committee considered their performance and recommended that the necessary resolutions for their re-appointment be considered by the shareholders.

Sd

Bangalore — Claude Smadja

April 9, 2002 — *Chairman, nominations committee*

4. Investors grievance committee

The investors grievance committee is headed by an independent director, and consists of the following directors:

Mr. Philip Yeo, *Chairman;*

Ms. Rama Bijapurkar;

Mr. K. Dinesh;

Mr. Nandan M. Nilekani;

Mr. S. D. Shibulal.

Investors grievance committee report for the year ended March 31, 2002

The committee has the mandate to review and redress shareholder grievances and to attend to share transfers. Four investors grievance committee meetings were held during the year on April 10, 2001, July 9, 2001, October 9, 2001 and January 9, 2002. The attendance record of members is given in Table 7.

Table 7: Investors grievance committee attendance during FY2002

Name of compensation committee members	Number of meetings held	Number of meetings attended
Philip Yeo	4	1
Rama Bijapurkar	4	4
Nandan M. Nilekani	4	4
K. Dinesh	4	4
S. D. Shibulal	4	4

The committee expresses satisfaction with the company's performance in dealing with investors grievance and its share transfer system. It has also noted the shareholding in dematerialised mode as on March 31, 2002 as being 99.05%.

Sd

Bangalore — Rama Bijapurkar

April 9, 2002 — *Member, investors grievance committee*

5. Investment committee

The investment committee consists exclusively of executive directors:

Mr. N. R. Narayana Murthy, *Chairman;*
Mr. Nandan M. Nilekani;
Mr. S. Gopalakrishnan;
Mr. K. Dinesh;
Mr. S. D. Shibulal;
Mr. T. V. Mohandas Pai (co-opted from April 9, 2002);
Mr. Phaneesh Murthy (co-opted from April 9, 2002);
Mr. Srinath Batni (co-opted from April 9, 2002).

Investment committee report for the year ended March 31, 2002

The committee has the mandate to approve investments in various corporate bodies within statutory limits and the powers delegated by the board. During the year, the committee approved investment of US$2.2 million (Rs. 11.1 crore) in Workadia Inc., a Delaware corporation.

Sd

Bangalore — N. R. Narayana Murthy

April 9, 2002 — *Chairman, investment committee*

D. Management review and responsibility

1. Formal evaluation of officers

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

2. Succession planning and management development

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

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

The chairman and the CEO, in consultation with the CFO, handle all interactions with investors, media, and various governments. The CEO manages all interaction with clients and employees.

4. Risk management

The company has an integrated approach to managing the risks inherent in various aspects of its business. As part of this approach, the board of directors is responsible for monitoring risk levels according to various parameters, and the management council is responsible for ensuring implementation of mitigation measures, if required. The audit committee provides the overall direction on the risk management policies.

5. Management's discussion and analysis

This is given as separate chapters in this Annual Report, according to Indian GAAP and US GAAP financials, respectively.

E. Shareholders

1. Disclosures regarding appointment or re-appointment of directors

According to the Articles of Association of Infosys, one-third of the directors retire by rotation and, if eligible, offer themselves for re-election at the Annual General Meeting of shareholders. As per Article 122 of the Articles of Association, Mr. Nandan M. Nilekani, Mr. K. Dinesh, Mr. Philip Yeo, Mr. T. V. Mohandas Pai and Mr. Phaneesh Murthy, retire by rotation in the forth coming Annual General Meeting. The board has recommended the re-election of all these directors to the shareholders.

The five-year employment contracts of Mr. N. R. Narayana Murthy, Mr. Nandan M. Nilekani and Mr. K. Dinesh are coming up for renewal during this year. Mr. S. D. Shibulal is being relocated to USA in view of the company's business requirements. His remuneration has undergone a change due to this relocation.

In addition, Mr. Claude Smadja, who was appointed as an additional director with effect from October 25, 2001, is eligible and is offering himself for appointment as independent director of the company.

The detailed resumes of all these directors are provided in the notice to the Annual General Meeting.

2. Communication to shareholders

Since June 1997, Infosys has been sending to each shareholder, quarterly reports which contain audited financial statements under Indian GAAP and unaudited financial statements under US GAAP, along with additional information. Moreover, the quarterly and annual results are generally published in *The Economic Times,* and the *Udayavani* (a regional daily of Bangalore). Quarterly and annual financial statements, along with segmental information, are posted on the company's website (http://www.infy.com). Earnings calls with analysts and investors are broadcast live on the website, and their transcripts are posted on the website soon thereafter. Any specific presentations made to analysts and others are also posted on the company's website.

The proceedings of the Annual General Meeting is web cast live on the Internet to enable shareholders across the world to view the proceedings. The archives of the video are also available on the company's home page for future reference to all the shareholders.

3. Investors' grievances and share transfer

As mentioned earlier, the company has a board-level investors grievance committee to examine and redress shareholders and investors' complaints. The status on complaints and share transfers is reported to the full board. The details of shares transferred and nature of complaints are provided in the following chapter on *Additional information to shareholders*.

For matters regarding shares transferred in physical form, share certificates, dividends, change of address, etc. shareholders should communicate with Karvy Consultants Limited, the company's registrar and share transfer agent. Their address is given in the section on *Shareholder information*.

4. Details of non-compliance

There has been no non-compliance of any legal requirements by the company; nor has there been any strictures imposed by any stock exchange, SEBI or SEC, on any matters relating to the capital market over the last three years.

5. General body meetings

Details of the last three Annual General Meetings are given in Table 8.

Table 8: Date, time and venue of the last three AGMs

Financial year (ended)	Date	Time	Venue
March 31, 1999	June 12, 1999	1500 hrs	Taj Residency Hotel, 4/13 M.G. Road, Bangalore, India
March 31, 2000	May 27, 2000	1500 hrs	Taj Residency Hotel, 4/13 M.G. Road, Bangalore, India
March 31, 2001	June 2, 2001	1500 hrs	J. N. Tata Auditorium, National Science Seminar Complex, Indian Institute of Science, Bangalore, India

6. Postal ballots

For the year ended March 31, 2002, there have been no ordinary or special resolutions passed by the company's shareholders through postal ballot.

7. Auditor's certificate on corporate governance

As required by Clause 49 of the Listing Agreement, the auditor's certificate is given as an annexure to the *Directors' report.*

F. Compliance with international corporate governance guidelines

1. Euroshareholders Corporate Governance Guidelines 2000

"Euroshareholders" is the confederation of European shareholders associations, with the overall task to represent the interests of individual shareholders in the European Union. In April 1999, the Organization for Economic Cooperation and Development (OECD) published its general principles on corporate governance. The Euroshareholders guidelines are based upon the same principles, but are more specific and detailed.

Recommendation 1: *A company should aim primarily at maximising shareholder value in the long-term. Companies should clearly state (in writing) their financial objectives as well as their strategy, and should include these in the Annual Report.*

This recommendation is complied with.

Recommendation 2: *Major decisions which have a fundamental effect upon the nature, size, structure and risk profile of the company, and decisions which have significant consequences for the position of the shareholder within the corporation, should be subject to shareholder's approval or should be decided by the AGM.*

As per Indian law, majority of these decisions require approval of the shareholders in the General Meeting of the company.

Recommendation 3: *Anti-takeover defences or other measures which restrict the influence of shareholders should be avoided.*

The company does not have any anti-takeover provisions in its Memorandum and Articles of Association.

Recommendation 4a: *The process of mergers and takeovers should be regulated and compliance with these regulations should be supervised.*

Not applicable.

Recommendation 4b: *If a shareholder's stake in the company passes a certain threshold, that shareholder should be obliged to make an offer for the remaining shares under reasonable conditions, that is, at least the price that was paid for the control of the company.*

The Securities and Exchange Board of India (SEBI) has published takeover guidelines that require an open offer by holders who acquire more than a specified percentage of the company.

Recommendation 5: *Companies should immediately disclose information which can influence the share price as well as information about those shareholders who pass (upwards or downwards) 5% thresholds. There should be serious penalties in case of non-compliance.*

As per the listing agreement, Indian companies are required to immediately inform stock exchanges about all price-sensitive information. According to SEBI's takeover guidelines, shareholders who hold more than 5% of the equity of the company need to inform the company immediately on reaching the limit. On receiving such information, the company needs to immediately notify the stock exchanges on which it is listed.

Recommendation 6: *Auditors have to be independent and should be elected by the general meeting.*

This recommendation is complied with.

Recommendation 7: *Shareholders should be able to place items on the agenda of the AGM.*

As per the Indian law, shareholders holding not less than one-tenth of the paid-up capital of the company are entitled to requisition a general meeting, and place items on the agenda.

Recommendation 8: *In addition to the regular channels, electronic means should be used by the company to provide shareholders with price-sensitive information*.

The company posts all its financial results, as well as press releases, on its website, www.infy.com. The proceedings of the Annual General Meeting is web cast live on the Internet to enable shareholders across the world to view the proceedings. The archives of the video are also available on the company's home page for future reference to all the shareholders.

Recommendation 9: *Shareholders shall have the right to elect members of at least one board and shall also be able to file a resolution for dismissal. Prior to the election, shareholders should be able to suggest candidate members of the board.*

In Indian law, directors are elected by members in the general meeting, either by show of hands or a poll.

Recommendation 10a: *Membership of non-executives on the board should be limited to a maximum period of twelve years.*

The current law in India mandates the retirement of one-third of the board members every year, and qualifies the retiring members for re-appointment. Executive directors of Infosys are appointed by the shareholders for a maximum period of five years at one time but are eligible for re-appointment upon completion of their term.

Recommendation 10b: *No more than one non-executive board member should have served as an executive member of the company.*

All the non-executive directors of the company, as of date, are independent directors.

2. Blue Ribbon Committee report on improving effectiveness of audit committees

The Blue Ribbon Committee was formed under the auspices of the United States Securities and Exchange Commission (SEC) to develop a series of recommendations to enable "audit committees to function as the ultimate guardian of investor interests and corporate accountability". It has recommended that exchange listing requirements be amended to require audit committees to adopt a formal written charter, which should be annually reviewed and assessed. A compliance report on the recommendations of the committee is presented below.

Recommendation 1: *Adopt the following definition of independence for purposes of service on the audit committee: Members of the audit committee shall be considered independent if they have no relationship to the corporation that may interfere with the exercise of their independence from management and the corporation.*

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

Recommendation 2: *In addition to adopting and complying with the definition of independence set forth above for purposes of service on the audit committee, have an audit committee comprised solely of independent directors. The committee recommends that the NYSE and the NASD maintain their respective current audit committee independence requirements as well as their respective definitions of independence.*

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

Recommendation 3: *To have an audit committee comprised of a minimum of three directors, each of whom is financially literate (as described in the section of this Report entitled "Financial literacy") or becomes financially literate within a reasonable period of time after his or her appointment to the audit committee, and further that at least one member of the audit committee has accounting or related financial management expertise.*

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

Recommendation 4: *Require the audit committee of each listed company to (i) adopt a formal written charter that is approved by the full board of directors, and that specifies the scope of the committee's responsibilities, and how it carries out those responsibilities, including structure, processes, and membership requirements, and (ii) review and reassess the adequacy of the audit committee charter on an annual basis.*

This is fully adhered to. See Infosys' *Audit committee charter* above.

Recommendation 5: *Require the audit committee for each reporting company to disclose in the company's proxy statement for its annual meeting of shareholders whether the audit committee had adopted a formal written charter, and, if so, whether the audit committee satisfied its responsibilities during the prior year in compliance with its charter, which charter shall be disclosed at least triennially in the Annual Report to shareholders or proxy statement, and in the next Annual Report to shareholders or proxy statement after any significant amendment to that charter. The committee further recommends that the SEC adopt a "safe harbor" applicable to all disclosure referenced in this Recommendation 5.*

This recommendation is complied with.

Recommendation 6: *Require that the audit committee charter for every listed company specify that the outside auditor is ultimately accountable to the board of directors and the audit committee as representatives of shareholders, and that these shareholder representatives have the ultimate authority and responsibility to select, evaluate, and, where appropriate, replace the outside auditor (or to nominate the outside auditor to be proposed for shareholder approval in any proxy statement).*

This recommendation is complied with.

Recommendation 7: *Require that the audit committee charter for every listed company specify that the audit committee is responsible for ensuring its receipt from the outside auditors of a formal written statement delineating all relationships between the auditor and the company, consistent with Independence Standards Board Standard No.1, and that the audit committee is also responsible for actively engaging in a dialogue with the auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the auditor and to take, or recommend that the full board take, appropriate action to ensure the independence of the outside auditor.*

This recommendation is complied with.

Recommendation 8: *That Generally Accepted Auditing Standards (GAAS) require that a company's outside auditor discuss with the audit committee the auditor's judgements about the quality, not just the acceptability, of the company's accounting principles as applied in its financial reporting; the discussion should include such issues as the clarity of the company's financial disclosures and degree of aggressiveness or conservatism of the company's accounting principles and underlying estimates and other significant decisions made by management in preparing the financial disclosure and reviewed by the outside auditors. This requirement should be written in a way to encourage open, frank discussion and to avoid boilerplate.*

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

Recommendation 9: *Require all reporting companies to include a letter from the audit committee in the company's Annual Report to shareholders and Form 10-K Annual Report disclosing whether or not, with respect to the prior fiscal year: (i) management has reviewed the audited financial statements with the audit committee, including a discussion of the quality of the accounting principles as applied and significant judgments affecting the company's financial statements; (ii) the outside auditors have discussed with the audit committee the outside auditors' judgements of the quality of those principles as applied and judgments referenced in (i) above under the circumstances; (iii) the members of the audit committee have discussed among themselves, without management or the outside auditors present, the information disclosed to the audit committee described in (i) and (ii) above; and (iv) the audit committee, in reliance on the review and discussions conducted with management and the outside auditors pursuant to (i) and* *(ii) above, believes that the company's financial statements are fairly presented in conformity with Generally Accepted Accounting Principles (GAAP) in all material respects. The committee further recommends that the SEC adopt a "safe harbor" applicable to any disclosure referenced in this Recommendation 9.*

This recommendation is complied with. The required report is provided above in this chapter.

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

Being a foreign private issuer of securities, the company files quarterly reports on Form 6-K, and yearly reports in Form 20-F, with the SEC. The financial statements included in Form 6-K and 20-F are reviewed by the company's auditors, as per the requirements of SAS 71.

3. United Nations Global Compact Programme

Announced by the United Nations Secretary General, Kofi Annan, at the World Economic Forum in Davos, Switzerland in January 1999, and formally launched at the UN Headquarters in July 2000, the Global Compact calls on companies to embrace nine principles in the areas of human rights, labor standards and environment. The Global Compact is a value-based platform designed to promote institutional learning. It utilizes the power of transparency and dialogue to identify and disseminate good practices based on universal principles. The nine principles are drawn from the Universal Declaration of Human Rights, the International Labor Organization's Fundamental Principles on Rights at Work and the Rio Principles on Environment and Development.

According to these principles, businesses should:

- support and respect the protection of internationally proclaimed human rights;

  Corporate leadership in human rights is good for the community and for business. The benefits of responsible engagement for business include a greater chance of a stable and harmonious atmosphere in which to do business and a better understanding of the opportunities and problems of the social context. The benefits of corporate social responsibility for society include less adverse impacts from ill-thought-through business initiatives.

- ensure that they are not complicit in human rights abuses;

  An effective human rights policy will help companies avoid being implicated in human rights violations.

- uphold the freedom of association and the effective recognition of the right to collective bargaining;

  Freedom of association and the exercise of collective bargaining provide opportunities for constructive rather than confrontational dialogue, which harness energy to focus on solutions that result in benefits to the enterprise, its stakeholders, and society at large

- support the elimination of all forms of forced and compulsory labor;

  Forced labor robs societies of the opportunities to apply and develop human resources for the labor market of today, and develop the skills in education of children for the labor markets of tomorrow.

- support the effective abolition of child labor;

  Child labor results in scores of under-skilled, unqualified workers and jeopardizes future skills improvements in the workforce. Children who do not complete their primary education are likely to remain illiterate and will not acquire the skills needed to get a job and contribute to the development of a modern economy.

- eliminate discrimination in respect of employment and occupation;

  Discrimination in employment and occupation restricts the available pool of workers and skills, and isolates an employer from the wider community. Non-discriminatory practices help ensure that the best-qualified person fills the job.

- support a precautionary approach to environmental challenges;

  It is more cost-effective to take early actions to ensure that irreversible environmental damage does not occur. This requires developing a life-cycle approach to business activities to manage the uncertainty and ensure transparency. Investing in production methods that are not sustainable, that deplete resources and that degrade the environment has a lower long-term return than investing in sustainable operations.

- undertake initiatives to promote greater environmental responsibility;

  Given the increasingly central role of the private sector in global governance issues, the public is demanding that business manage its operations in a manner which will enhance economic prosperity, ensure environmental protection and promote social justice.

- encourage the development and diffusion of environmentally-friendly technologies.

  Production processes and technology that do not use resources efficiently, generate residues and discharge wastes. Implementing environmentally-sound technologies helps a company reduce the use of raw materials leading to increased efficiency and overall competitiveness of the company.

On August 27, 2001, Infosys adopted the UN Global Compact programme and became a partner with the UN in this initiative.

Additional information to shareholders

- Frequently-asked questions
- Share performance chart
- Intangible assets scoresheet
- Human resources accounting and value-added statement
- Brand valuation
- Balance sheet (including intangible assets)
- Current-cost-adjusted financial statements
- Economic Value-Added (EVA) statement
- Ratio analysis
- Statutory obligations
- ValueReporting™
- Management structure

Shareholder information

1. Date, time and venue of Annual General Meeting of shareholders	June 8, 2002, 3.00 pm at the J. N. Tata Auditorium, National Science Seminar Complex, Indian Institute of Science, Bangalore 560 012, India.
2. Dates of book closure	May 24 to June 8, 2002 (both days inclusive).
3. Dividend payment	On or after June 8, 2002, but within the statutory time limit of 30 days.
4. Financial calendar (tentative and subject to change)	Annual General Meeting: June 8, 2002 Financial reporting for quarter ending June 30, 2002: July 10, 2002 Financial reporting for quarter ending September 30, 2002: October 10, 2002 Interim dividend payment (if any): November 2002 Financial reporting for quarter ending December 31, 2002: January 10, 2003 Financial results for year ending March 31, 2003: April 10, 2003 Annual General Meeting for year ending March 31, 2003: June, 2003
5. Listing on stock exchanges	In India: Bangalore Stock Exchange Ltd. (BgSE), the Stock Exchange, Mumbai (BSE), and the National Stock Exchange of India Ltd. (NSE). Outside India: NASDAQ National Market in the US.
6. Listing fees	Paid for all the above stock exchanges for 2001-2002
7. Registered office	Electronics City, Hosur Road, Bangalore 561 229, India Tel.: +91-80-852-0261, Fax: +91-80-852-0362 Homepage: www.infy.com
8. Registrar and share transfer agents	Share transfers in physical form and other communication regarding share certificates, dividends, change of address, etc. may be addressed to: Karvy Consultants Limited, Registrars and Share Transfer Agents; T.K.N. Complex, No. 51/2, Vanivilas Road; Opposite National College, Basavanagudi; Bangalore 560 004, India. Tel.: +91-80-662-1184, Fax: +91-80-662-1169 E-Mail: kumars@karvy.com

9. Share transfer system

Shares sent for physical transfer are effected after giving a notice of 15 days to the seller for sale confirmation. The share transfer committee of the company meets as often as required.

The total number of shares transferred in physical form during the year 2001-02 was 24,700, versus 11,356 for the previous year 2000-01.

10. Investor services – complaints during the year

Table 1: Investor complaints on matters relating to shares during FY 2002

Nature of complaints	Year ended March 31			
	2002		2001	
	Received	Attended to	Received	Attended to
Non-receipt of share certificates	4	4	1	1
Non-receipt of bonus share/split shares	1	1	8	8
Letters from stock exchanges, SEBI, etc	2	2	2	2
Non-receipt of dividend warrants	163	163	88	88
Total	170	170	99	99

During the years 2001-02 and 2000-2001, the company attended to most of the investors' grievances/correspondences within a period of 10 days from the date of receipt of such grievances. The exceptions have been for cases constrained by disputes or legal impediments.

11. Stock market data relating to shares listed in India

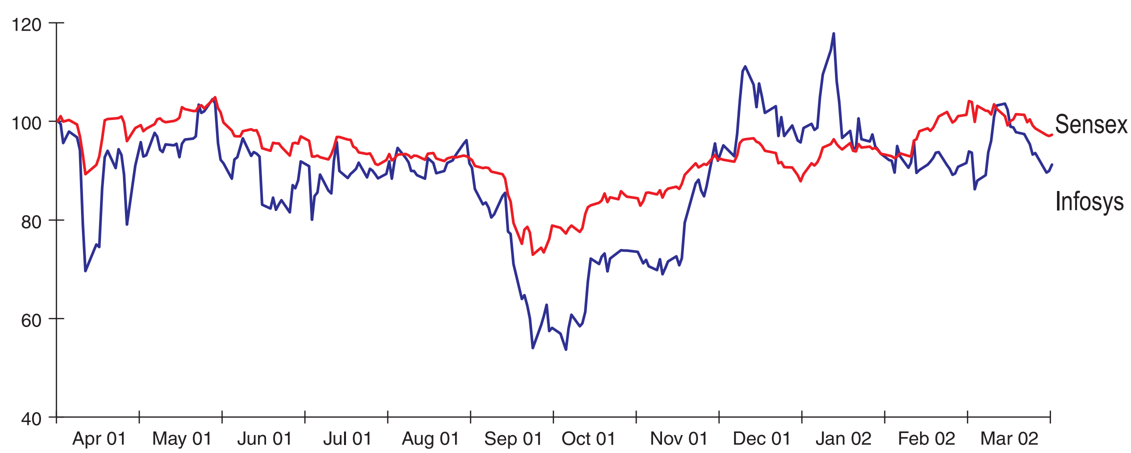
The company's market capitalization is included in the computation of the BSE-30 Sensitive Index (Sensex), the BSE Dollex and S&P CNX NIFTY Index. Table 2 gives the monthly high and low quotations as well as the volume of shares traded at BSE, NSE and the Bangalore Stock Exchange for 2001-02. The chart plots the daily closing price of Infosys versus the BSE-Sensex for the year ended March 31, 2002.

Table 2: Monthly highs, lows and trading volume for FY 2002

	BSE			NSE			BgSE		
	High Rs.	Low Rs.	Volume Nos	High Rs.	Low Rs.	Volume Nos	High Rs	Low Rs	Volume Nos
April, 2001	4,226	2,721	73,13,583	4,228	2,701	1,05,60,270	4,250	2,730	10,912
May	4,334	3,601	68,63,941	4,328	3,607	1,06,32,274	4,300	3,680	5,221
June	3,969	3,135	74,11,429	3,995	3,138	1,26,84,001	3,950	3,160	4,697
July	4,028	3,169	84,20,064	3,989	3,200	1,36,16,371	3,600	3,300	610
August	4,000	3,525	48,93,983	3,954	3,523	85,95,527	NA	NA	NT
September	3,575	2,210	97,14,399	3,572	2,115	1,51,39,714	NA	NA	NT
October	3,100	2,156	95,35,320	3,098	2,158	1,51,74,621	NA	NA	NT
November	4,109	2,802	71,27,238	4,190	2,802	1,31,19,365	NA	NA	NT
December	4,685	3,762	72,01,508	4,675	3,732	1,26,97,481	NA	NA	NT
January, 2002	4,861	3,632	1,06,26,911	4,874	3,633	1,77,07,244	NA	NA	NT
February	3,980	3,490	58,82,277	3,979	3,489	1,03,56,237	NA	NA	NT
March	4,304	3,492	70,13,404	4,295	3,495	1,27,83,772	NA	NA	NT
Total			9,20,04,057			15,30,66,877			21,440
% of volume traded to average shares outstanding		2001-02	143.60%			238.91%			0.03%
		2000-01	205.55%			229.70%			0.95%

NA: Not applicable. NT: Not traded. The number of shares outstanding is 6,40,70,030. American Depositary Shares (ADSs) have been excluded for the purpose of this calculation.

Chart A : Infosys share price versus the BSE-Sensex



12. Legal proceedings

There are certain pending cases relating to disputes over title to shares, in which the company has been made a party. However, these cases are not material in nature.

13. Distribution of shareholding as on March 31, 2002

Table 3a: Distribution of shares according to size, classes and categories of shareholders as on March 31, 2002.

No. equity shares held	No. of shareholders	% of shareholders	No. of shares	%age of shareholding
1 – 100	78,224	88.24	9,77,083	1.53
101 – 200	2,464	2.78	3,90,530	0.60
201 – 500	2,792	3.15	9,60,609	1.50
501 – 1,000	2,122	2.39	15,38,565	2.40
1,001 – 5,000	2,408	2.72	49,01,413	7.65
5,001 – 10,000	233	0.26	16,83,593	2.63
10,001 and above	406	0.46	5,36,18,237	83.69
Total, excluding ADS	88,649	100.00	6,40,70,030	100.00
Equity shares underlining ADS*	1	–	21,16,100	–
Total including ADS	88,650		6,61,86,130	

Table 3b: Distribution of shares by categories of shareholders as on March 31, 2002

Category	No. of shareholders	Voting strength (%)	No. of shares held
Individuals	84,097	19.00	1,25,74,370
Companies	3,180	2.42	16,06,971
FIIs	363	36.59	2,42,15,093
OCBs and NRIs	785	0.65	4,32,343
Founders and their families	23	28.72	1,90,07,335
Mutual funds, banks, FIs	201	9.42	62,33,918
NSDL transit	–	–	–
Equity shares underlying American Depositary Shares*	1	3.20	21,16,100
Total	88,650	100.00	6,61,86,130

* Held by beneficial owners outside India.

14. Dematerialization of shares and liquidity

Infosys was the first in India to pay a one-time custodial fee of Rs. 44.43 lakh to National Securities Depositary Limited (NSDL). Consequently, the company's shareholders do not have to pay depositary participants the custodial fee charged by the NSDL on their holding. 99.05% of the company's shares are now held in electronic form.

15. Investors' correspondence in India

For investor matters:

V. Balakrishnan,
Company Secretary and Vice President – Finance;
Investors' Service Cell;
Infosys Technologies Limited;
Electronics City, Hosur Road;
Bangalore 561 229, India.
Tel.: +91-80-852-0440, Fax: +91-80-852-0754
E-mail: balakv@infy.com

For queries relating to financial statements:

T. V. Mohandas Pai,
Director (F&A) and CFO;
Infosys Technologies Limited;
Electronics City, Hosur Road;
Bangalore 561 229, India.
Tel.: +91-80-852-0396, Fax: +91-80-852-0362
E-mail: mdpai@infy.com

16. Stock exchange codes

Reuters code	INFY.BO (BSE)	Bridge code	IN;INF (BSE)	Bloomberg code	INFO IN (BSE)
	INFY.NS (NSE)		IN;INFN (NSE)		NINFO IN (NSE)
	INFY.O (NASDAQ		US;INFY (NASDAQ)		

17. Stock market data relating to American Depositary Shares (ADSs)

a. ADS listed at: NASDAQ National Market in the US
b. Ratio of ADS to equity shares: 2 ADS for one equity share
c. ADS symbol: INFY
d. The American Depositary Shares issued under the ADS program of the company were listed on the NASDAQ National Market in the US on March 11, 1999. The monthly high and low quotations as well as the volume of ADSs traded at the NASDAQ National Market for the year ended March 31, 2002 are given in Table 4.

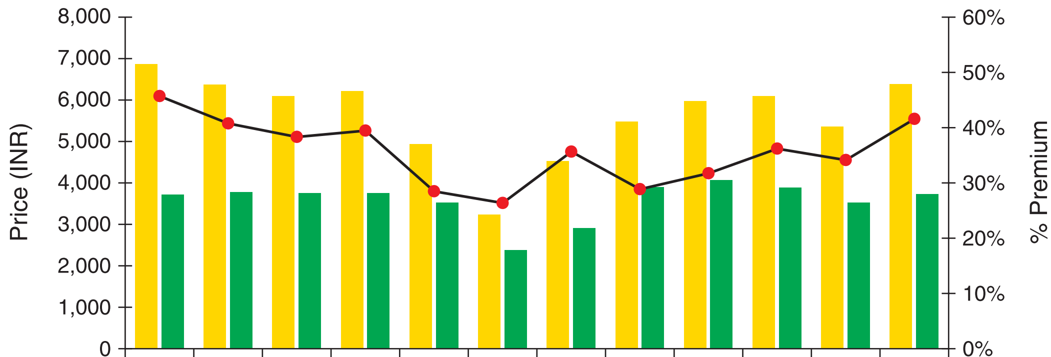
Table 4: Monthly highs, lows and trading volume for ADS for FY2002

	High		Low		Volume
	$	Rs.	$	Rs.	Nos
April, 2001	73.95	3,464	50.65	2,372	5,097,100
May	81.50	3,826	64.35	3,021	2,249,900
June	74.60	3,505	55.69	2,617	14,19,300
July	68.00	3,205	54.51	2,569	16,94,200
August	69.90	3,293	52.50	2,473	20,87,800
September	52.44	2,509	30.60	1,464	24,41,800
October	55.00	2,637	31.69	1,519	37,18,500
November	66.50	3,190	47.00	2,254	26,97,200
December	70.11	3,375	55.66	1,679	20,69,200
January, 2002	76.20	3,718	54.40	2,654	38,82,000
February	63.46	3,093	51.15	2,493	16,85,400
March	73.14	3,548	55.02	2,668	17,78,000
Total					30,820,400

Note: 2 ADS = 1 equity share. US$ has been converted into Indian rupees at the monthly closing rates The number of ADSs outstanding as on March 31, 2002 was 42,32,200. The percentage of volume traded to the total float was 728.20% as against 885.80% in the previous year.

Chart B plots the premium of American Depositary Shares over the shares traded on the Indian stock exchanges.

Chart B: ADS premium compared to price quoted on the BSE



	30-Apr	31-May	29-Jun	31-Jul	31-Aug	28-Sep	31-Oct	30-Nov	31-Dec	31-Jan	28-Feb	28-Mar
ADS	6,867	6,374	6,099	6,215	4,939	3,231	4,528	5,478	5,969	6,097	5,361	6,391
Share	3,728	3,774	3,761	3,761	3,532	2,378	2,914	3,896	4,074	3,889	3,530	3,735
% age of peremium	46%	41%	38%	39%	28%	26%	36%	29%	32%	36%	34%	42%

e. Investor correspondence

In US:

P. R. Ganapathy,
Investor Relations Officer;
Infosys Technologies Limited;
34760 Campus Drive, Fremont CA 94555, USA.
Tel.: +1-510-742-3030, Fax: +1-510-742-2930
Mobile: +1-510-872-4412
E-mail: guns@infy.com

In India

V. Balakrishnan,
Company Secretary and Vice President – Finance;
Infosys Technologies Limited;
Electronics City, Hosur Road;
Bangalore 561 229, India.
Tel.: +91-80-852-0440, Fax: +91-80-852-0754
E-mail: balakv@infy.com

f. Name and address of the depositary bank

Deutsche Bank Trust Company Americas,
Corporate Trust & Agency Services;
60 Wall Street, 25th Floor;
MS NYC60/2515;
New York, NY 11005, USA.
Tel.: +1-212-602-3761, Fax: +1-212-797-0327

Deutsche Bank A. G.,
Corporate Trust & Agency Services;
Hazarimal Somani Marg;
Fort, Mumbai 400 001, India.
Tel.: +91-22-207-9566, 207-9568, 207-9645
Fax: +91-22-207-9614

g. Name and address of the custodian in India

ICICI Limited,
ICICI Towers, Bandra Kurla Complex;
Mumbai – 400 051, India.
Tel.: +91-22-653-1414, 653-8211
Fax: +91-22-653-1164/65

18. Outstanding ADR warrants and their impact on equity

The company's American Depositary Shares as evidenced by American Depositary Receipts ("ADRs") are traded in the US on the NASDAQ National Market under the ticker symbol "INFY". Each equity share of the company is represented by two American Depositary Shares ("ADSs"). The ADRs evidencing ADSs began trading on the NASDAQ from March 11, 1999 when they were issued by the depositary Bankers Trust Company (the "Depositary"), pursuant to the Deposit Agreement.

As of March 31, 2002, there were approximately 10,325 record holders of ADRs evidencing 42,32,200 ADSs (equivalent to 21,16,100 equity shares).

19. ECS mandate

The company has received complaints regarding non-receipt of dividend warrants. All shareholders are requested to update their bank account details with their respective depositories urgently. This would enable the company to service its investors better. A copy of the ECS mandate form is provided elsewhere in the report.

Additional information to shareholders

Frequently-asked questions

1. What is an American Depositary Share ("ADS")?

Ans: An ADS is a negotiable certificate evidencing ownership of an outstanding class of stock in a non-US company. ADSs are created when ordinary shares are delivered to a custodian bank in the domestic market, which then instructs a depositary bank in the US to issue ADSs based on a predetermined ratio. ADSs are SEC registered securities and may trade freely, just like any other security, either on an exchange or in the over-the-counter market.

2. What is the difference between an ADS and a GDR?

Ans: ADSs and GDRs (Global Depositary Receipts) are the same in their functionality – they both evidence ownership of foreign securities deposited with a custodian bank. ADSs represent securities that are listed in the US, while GDRs represent securities listed outside of the US, typically in London.

3. Do the ADSs have voting rights?

Ans: Yes. In the event of a matter submitted to the holders of ordinary shares for a vote, the ADS holders on record as at a particular date will be allowed to instruct the depositary bank to exercise the vote in respect of the equity shares representing the ADS held by them.

4. Are the ADSs entitled to cash dividends?

Ans: Yes, whenever dividends are paid to ordinary shareholders, cash dividends to ADS holders are declared in local currency and paid in dollars (based on the prevailing exchange rate) by the depositary bank, net of the depositary's fees and expenses.

5. Does Infosys have a dividend reinvestment program or dividend stock purchase plan?

Ans: Infosys does not offer a dividend reinvestment program or dividend stock program, at present.

6. Where and in which year was Infosys incorporated?

Ans: Infosys was incorporated in Mumbai, in the state of Maharashtra, in India, on July 2, 1981.

7. When did Infosys have its initial public offer (IPO) and what was the initial listing price? Was there any follow-on offering?

Ans: Infosys made an initial public offer in February 1993 and was listed on stock exchanges in India in June 1993. Trading opened at Rs. 145 per share compared to the IPO price of Rs. 95 per share. In October 1994, Infosys made a private placement of 5,50,000 shares at Rs. 450 each to Foreign Institutional Investors (FIIs), Financial Institutions (FIs) and Corporates. During March 1999, Infosys issued 20,70,000 ADSs (equivalent to 10,35,000 equity shares of par value of Rs. 10 each) at $34 per ADS under the American Depositary Shares Program and the same were listed on the NASDAQ National Market. All the above data are un-adjusted for issue of stock split and bonus shares.

8. Which are the stock exchanges where Infosys shares are listed and traded?

Ans: Shares of Infosys are listed and traded in India on the Bangalore Stock Exchange, the Stock Exchange, Mumbai, and the National Stock Exchange, Mumbai. The ADSs of Infosys are traded on the NASDAQ National Market in the US.

9. What are the Reuters, Bridge and Bloomberg codes for Infosys stock?

Ans:

Exchange	Reuters code	Bridge code	Bloomberg code
The Stock Exchange, Mumbai, India	INFY.BO	IN;INF	INFO IN
National Stock Exchange, India	INFY.NS	IN;INFN	NINFO IN
NASDAQ, USA	INFY.O	US;INFY	–

10. What is the Infosys ADS ratio?

Ans: Each Infosys ADS represents one-half of one ordinary equity share of Infosys.

11. What is the symbol for Infosys ADS and where is it traded ?

Ans: The symbol is "INFY" and the same is traded on the NASDAQ National Market in the US.

12. When is the next earnings release? What is the fiscal year of Infosys?

Ans: The tentative dates of earnings releases are given below. The earnings release date will also be posted on the website www.infy.com, after announcement to the stock exchanges.

	Earnings release date (tentative and subject to change)
Quarter ending June 30, 2002	July 10, 2002
Quarter ending September 30, 2002	October 10, 2002
Quarter ending December 31, 2002	January 10, 2003
Year ending March 31, 2003	April 10, 2003

The fiscal year of the company is the period of 12 months starting April 1, every year.

13. What is the employee strength of Infosys?

Ans: As of March 31, 2002, Infosys had 10,738 employees, as compared to 9,831 on March 31, 2001, on a full-time basis.

The distribution of the employees is:

	2002		2001	
Software services including trainees	9,405	87.59%	8,656	88.05%
Support services	1,333	12.41%	1,175	11.95%
Total	10,738	100.00%	9,831	100.00%

The gender classification of the employees is:

	2002		2001	
Male	8,928	83.14%	8,140	82.80%
Female	1,810	16.86%	1,691	17.20%
Total	10,738	100.00%	9,831	100.00%

The age profile of employees is:

	2002		2001	
20 – 25 years	5,351	49.83%	6,030	61.34%
26 – 30 years	3,981	37.08%	2,794	28.42%
31 – 40 years	1,210	11.26%	870	8.85%
41 – 50 years	171	1.59%	120	1.22%
51 – 60 years	25	0.24%	17	0.17%
Total	10,738	100.00%	9,831	100.00%

14. Does Infosys issue quarterly reports?

Ans: Yes. Infosys issues audited quarterly reports conforming to the Indian GAAP and unaudited quarterly reports conforming to the US GAAP, and the same are mailed to all the shareholders.

15. How do I transfer my shares in India or change my address with the transfer agent?

Ans: To transfer shares in physical form, you have to write to the company's registrars:

Karvy Consultants Limited,
Registrars and Share Transfer Agents;
T.K.N. Complex, No. 51/2, Vanivilas Road;
Opp. National College, Basavanagudi;
Bangalore – 560 004, India.
Tel.: +91-80-662 1184, Fax: +91-80-662 1169
E-mail: kumars@karvy.com

or write to:

V. Balakrishnan,
Company Secretary and Vice President – Finance;
Infosys Technologies Limited;
Electronics City, Hosur Road;
Bangalore – 561 229, India.
Tel.: +91-80-852 0440, Fax: +91-80-852 0754
E-mail: balakv@infy.com

Transfer of shares in electronic form is effected through your depositary participant.

General correspondence regarding shares may be addressed to the company's registrars, Karvy Consultants Limited, or to the Company Secretary, Infosys Technologies Limited.

16. Who are the depositary and custodian for the ADS program?

Ans: Depositary

Deutsche Bank Trust Company Americas,
Corporate Trust & Agency Services;
60 Wall Street, 25th Floor;
MS NYC60/2515;
New York, NY 11005, USA.
Tel.: +1-212-602-3761
Fax: +1-212-797-0327

Deutsche Bank A. G.,
Corporate Trust & Agency Services;
Hazarimal Somani Marg;
Fort, Mumbai 400 001, India.
Tel.: +91-22-207-9566, 207-9568, 207-9645
Fax: +91-22-207-9614

Custodian:

ICICI Limited,
ICICI Towers, Bandra Kurla Complex;
Mumbai – 400 051, India.
Tel.: +91-22-653-1414, 653-8211
Fax: +91-22-653-1164/65

17. What is the history of bonus issues (equivalent to stock split in the form of stock dividend) and stock split at Infosys?

Ans:

Year	1986	1989	1991	1992	1994	1997	1999	2000
Bonus issue ratio	1:1	1:1	1:1	1:1	1:1	1:1	1:1	–
Stock split ratio	2 for 1	2 for 1	2 for 1	2 for 1	2 for 1	2 for 1	2 for 1	2 for 1

The company completed a 2-for-1 stock split (i.e., a subdivision of every equity share of par value of Rs. 10 each into two equity shares of par value of Rs. 5 each) during fiscal 2000.

18. How many software development centers does Infosys have?

Ans: Infosys has 16 development centers in India – five in Bangalore, two each in Bhubaneswar, Chennai, Mangalore and Pune, and one each in Hyderabad, Mohali and Mysore. Infosys has one global development center in Toronto, Canada. In addition, there are six proximity development centers in Fremont, Boston, Chicago, New Jersey, Phoenix, Arizona in the US and in London, UK.

19. How many marketing offices does Infosys have?

Ans: There are 24 marketing offices overseas, of which 9 are located in the US, two in Australia, one each in Argentina, Belgium, Canada, France, Germany, Hong Kong, Japan, the Netherlands, Sharjah, Singapore, Sweden, Switzerland and the UK. Besides these, there are four marketing offices in India.

20. What is the employee strength and revenue growth since 1996?

Ans: The employee strength and revenue growth since 1996 are as follows:

As per US GAAP

Fiscal year ended March 31	Total no. of employees	Growth %	Net revenues in $ million	Growth %	Net income in $ million	Growth %
1996	1,172	30	26.61	47	6.82	72
1997	1,705	45	39.59	49	8.64	27
1998	2,605	53	68.33	73	13.86*	60
1999	3,766	45	120.96	77	30.35*	119
2000	5,389	43	203.44	68	61.34	102
2001	9,831	82	413.85	103	131.95	115
2002	10,738	9	545.05	32	164.47	25

* This excludes a one-time deferred stock compensation expense arising from stock split amounting to $12,906,962 and $1,519,739 in fiscal 1999 and 1998, respectively.

As per Indian GAAP

Fiscal year ended March 31	Total no. of employees	Growth %	Revenues in Rs. crore	Growth %	PAT* in Rs. crore	Growth %
1996	1,172	30	88.56	60	21.01	58
1997	1,705	45	139.21	57	33.68	60
1998	2,605	53	257.66	85	60.36	79
1999	3,766	45	508.89	98	132.92	120
2000	5,389	43	882.32	73	285.95	115
2001	9,831	82	1,900.56	115	623.32	118
2002	10,738	9	2,603.59	37	807.96	30

* From ordinary activities

21. Does Infosys pay dividends? What is the dividend policy of Infosys?

Ans: Currently, Infosys pays dividends to its shareholders. The current dividend policy is to distribute up to 20% of the PAT as dividend. The board of directors reviews the dividend policy periodically.

22. How do I contact Infosys by telephone, mail or in person?

Ans: Members of the press can contact the following members of Infosys' management for any information.

N. R. Narayana Murthy,
Chairman and Chief Mentor — Tel: +91-80-852 0363 / 852 0399

Nandan M. Nilekani,
Chief Executive Officer, President and Managing Director — Tel: +91-80-852 0351

T. V. Mohandas Pai,
Director – Finance & Administration and Chief Financial Officer — Tel: +91-80-852 0396

The Infosys corporate mailing address is:

Infosys Technologies Limited,
44, Electronics City, Hosur Road;
Bangalore - 561 229, India.
Tel.: +91-80-852 0261, Fax: +91-80-852 0362

For direct correspondence, the general electronic address is infosys@infy.com.

23. Is there any investor relations contact in the US and India?

Ans:

Investor relations

In US:

P. R. Ganapathy,
Investor Relations Officer;
Infosys Technologies Limited;
34760 Campus Drive, Fremont CA 94555, USA.
Tel.: +1-510-742-3030, Fax: +1-510-742-2930
Mobile: +1-510-872-4412
E-mail: guns@infy.com

In India:

V. Balakrishnan,
Company Secretary and Vice President – Finance;
Infosys Technologies Limited;
Electronics City, Hosur Road;
Bangalore 561 229, India.
Tel.: +91-80-852-0440, Fax: +91-80-852-0754
E-mail: balakv@infy.com

24. Does the company have a disclosure policy?

Ans: Yes. The company has a written disclosure policy, which covers interacting with all external constituents such as analysts, fund managers and the media.

25. Does the company have any quiet periods?

Ans: Yes. The company follows quiet periods prior to its earnings release every quarter. During the quiet period, the company or any of its officials will not discuss earnings expectations with any external people. It starts from fifteenth of the month prior to the one in which the earnings are going to be released and ends on the date of announcement of the earnings numbers. Based on the tentative dates on which the earnings are going to be released in fiscal 2002, the tentative quiet period would be as follows:

	Earnings release date	Quiet period	
Quarter ending June 30, 2002	July 10, 2002	June 16	– July 10, 2002
Quarter ending September 30, 2002	October 10, 2002	September 16	– October 10, 2002
Quarter ending December 31, 2002	January 10, 2003	December 16	– January 10, 2003
Year ending March 31, 2003	April 10, 2003	March 16	– April 10, 2003

26. What has been the CAGR in revenues and net income in the last five years?

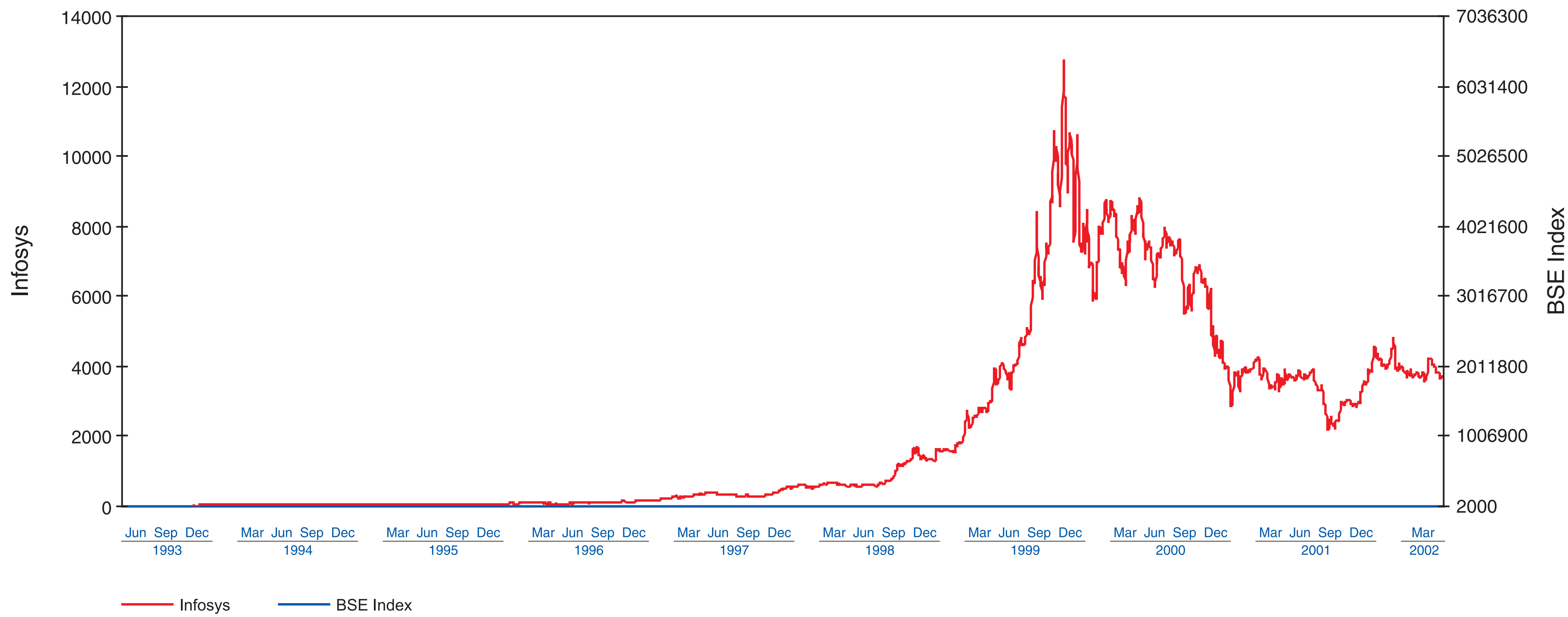
Ans: The 5-year CAGR under Indian GAAP and US GAAP are:

Indian GAAP		US GAAP	
Revenues	80%	Revenues	69%
PAT from ordinary activities	89%	Net income	80%

Additional information to shareholders (contd.)

Share performance chart

The Infosys management consistently cautions that the stock price performance shown in the graph below should not be considered indicative of potential future stock price performance.



The share price has been adjusted for two bonus issues made in fiscal 1998 and fiscal 1999, and a 2-for-1 stock split in fiscal 2000

Additional information to shareholders (contd.)

Intangible assets score sheet

A knowledge-intensive company leverages know-how, innovation and reputation to achieve success in the marketplace. Hence, these attributes should be measured and improved upon year after year to ensure continual success. Managing a knowledge organization necessitates a focus on the critical issues of organizational adoption, survival, and competence in the face of ever-increasing discontinuous environmental change. The profitability of a knowledge firm depends on its ability to leverage the learnability of its professionals, and to enhance the re-usability of their knowledge and expertise.

The stock price of a company is the result of the market's valuation of its earnings potential and growth prospects. Thus, the market provides a value to the off-balance-sheet assets of the company – that is, those assets which are invisible or which are not accounted for in the traditional financial statements. The intangible assets of a company include its brand, its ability to attract, develop and nurture a cadre of competent professionals, and its ability to attract and retain marqué clients.

Today's discerning investors take a critical look at both financial and non-financial parameters that determine the long-term success of a company. The non-financial parameters challenge the approach that evaluates companies solely on the traditional measures, as they appear in their financial reports. Thus, intangible assets of a company have been receiving considerable attention from corporate leaders in recent years.

The intangible assets of a company can be classified into four major categories – human resources, intellectual property assets, internal assets and external assets.

Human resources

Human resources represent the collective expertise, innovation, leadership, entrepreneurship and managerial skills endowed in the employees of an organization.

Intellectual property assets

Intellectual property assets include know-how, copyrights, patents, products and tools that are owned by a corporation. These assets are valued based on their commercial potential. A corporation derives its revenues from licensing these assets to outside users.

Internal assets

Internal assets are systems, technologies, methodologies, processes and tools that are specific to an organization. These assets give the organization a unique advantage over its competitors in the marketplace. These assets are not licensed to outsiders. Examples of internal assets include methodologies for assessing risk, methodologies for managing projects, risk policies, and communication systems.

External assets

External assets are the market-related intangibles that enhance the fitness of an organization for succeeding in the marketplace. Examples are customer loyalty (reflected by the repeat business of the company) and brand value.

The score sheet

Infosys published models for valuing the two most valuable, intangible assets of the company – human resources and the "Infosys" brand. The score sheet published is broadly adopted from the intangible asset score sheet provided in the book titled *The New Organizational Wealth* written by Dr Karl-Erik Sveiby and published by Berrett-Koehler Publishers Inc., San Francisco. We believe such representation of intangible assets provides a tool to our investors for evaluating the market-worthiness of the company.

The Infosys management cautions investors that these data are provided only as additional information to investors. Using such reports for predicting the future of Infosys, or any other company, is risky. The Infosys management is not responsible for any direct, indirect or consequential losses suffered by any person using these data.

The Infosys intangible assets score sheet

Knowledge capital								
Our clients (External structure)			Our organization (Internal structure)			Our people (Competence)		
	2001-2002	2000-2001		2001-2002	2000-2001		2001-2002	2000-2001
Growth / renewal								
Revenue growth over previous year (%)	37	115	IT investment / value added (%)	4.57	9.32	Education index of all staff	31,385	28,725
Percentage of revenue from image-enhancing clients	56	52	R&D / value added (%)	0.66	1.09			
Percentage of revenue from exports	98.04	98.60	Total investment in organization / value added (%)	14.41	29.64			
No. of new clients added during the year	116	122						
Efficiency								
Sales / client (in Rs. lakhs)	889	696	Average proportion of support staff (%)	9.79	10.26	Value added per software engineer (in Rs. lakhs)	23.95	22.14
			Sales per support staff (in Rs. lakhs)	257	235	Value added per employee (in Rs. lakhs)	21.61	19.87
Stability								
Repeat-business revenue/ total revenue (%)	88	85	Average age of support staff (Years)	30.94	30.61	Average age of all employees (Years)	26.60	25.67
Sales from the top Clients / total revenue (%)	6.1	7.3						
Sales from the five largest Clients / total revenue (%)	24.1	26.0						
Sales from the ten largest clients / total revenue (%)	39.4	39.2						
Million dollar clients (Nos)	83	80						
Five-million dollar clients (Nos)	25	19						
Ten-million dollar clients (Nos)	16	11						
Twenty-million dollar clients (Nos)	6	3						

The above figures are based on Indian GAAP financial statements.

Notes:

- Marqué or image-enhancing clients are those who enhance the company's market-worthiness, typically *Global 1000* clients. Often they are reference clients for Infosys.
- Sales per client is calculated by dividing total revenue by the total number of clients.
- Repeat business revenue is the revenue during current year from those clients who contributed to the revenue of the company during the previous year also.
- Value-added is the revenue of the company less payment to all outside resources. The value-added statement is provided in the *Additional information to shareholders* section in this report.
- IT investment includes all investments in hardware and software by the company.
- Total investment in the organization is the investment in the fixed assets of the company.
- Average proportion of support staff is the average number of support staff to average total staff strength of the company during the year.
- Sales per support staff is Infosys revenue divided by the average number of support staff during the year (support staff exclude technical support staff).
- Education index is shown as at the year-end, with primary education calculated as 1, secondary education as 2, and tertiary education as 3.

Clients

The growth in revenue is 37% this year, compared to 115%, in the previous year. The most valuable intangible asset of Infosys is its client base. Marqué clients or image-enhancing clients contributed around 56% of revenue this year, as compared to 52% in the previous year. They give stability to our revenues and also reduce our marketing costs.

The high percentage – 88% – of revenues from repeat orders during the current year is an indication of the satisfaction and loyalty of the clients. The largest client contributed 6.1% to the company's revenue during the year as compared to 7.3% during the previous year. The top 5 and 10 clients contributed around 24% and 39%, respectively, of the company's revenue during the current year, as compared to 26% and 39%, respectively, during the previous year. The company's strategy is to increase its client base, and thereby reduce the risk of depending on a few large clients. During 2001-2002, the company added 116 new clients.

Organization

During the current year, Infosys invested around 5% of the value-added on its IT infrastructure, and around 1% of the value-added on R & D activities.

A young, fast-growing organization requires efficiency in the area of support services. The average age of the support employees is 30.94 years, as against the previous year average age of 30.61 years. The sales per support staff, as well as, the proportion of support staff to the total organizational staff, has shown improvements over the previous year.

People

Infosys is in a people-oriented business. The education index of employees has gone up substantially to 31,385 from 28,725. This reflects the quality of employees at Infosys. The value-added per software engineer and the value-added per employee show an increasing trend. The average age of employees as of March 31, 2002 was 26.60 as compared to 25.67 as of March 31, 2001.

Human resources accounting

The dichotomy in accounting between human and non-human capital is fundamental. The latter is recognized as an asset and is therefore recorded in the books and reported in the financial statements, whereas the former is totally ignored by accountants. The definition of wealth as a source of income inevitably leads to the recognition of human capital as one of several forms of wealth such as money, securities and physical capital.

The *Lev & Schwartz* model has been used by Infosys to compute the value of the human resources as on March 31, 2002. The evaluation is based on the present value of the future earnings of the employees and on the following assumptions:

1. Employee compensation includes all direct and indirect benefits earned both in India and abroad.
2. The incremental earnings based on group/age have been considered.
3. The future earnings have been discounted at 17.17% (previous year – 21.08%), this rate being the cost of capital for Infosys. Beta has been assumed at 1.41 based on the average beta for software stocks in US.

As of March 31	2002		2001	
	No. of employees	Value of human resources (in Rs. crore)	No. of employees	Value of human resources (in Rs. crore)
Production	9,405	8,662.99	7,641	4,406.53
Support: technical*	319	155.67	1,230	302.83
others	1,014	720.49	960	414.06
	10,738	9,539.15	9,831	5,123.42

*Note: Support - technical includes trainees, employees in R&D activities and support personnel allocated to production.

(Rs. crore, unless stated otherwise)

	2002	2001
Number of employees	10,738.00	9,831.00
Value of human resources	9,539.15	5,123.42
Software revenue	2,603.59	1,900.56
Employee cost	1,117.87	717.79
Value-added excluding extraordinary income	2,239.07	1,563.18
Net profits excluding extraordinary income	807.96	623.32
Total software revenue/human resources value (ratio)	0.27	0.37
Value-added/human resources value (ratio)	0.23	0.31
Value of human resources per employee	0.89	0.52
Employee cost/human resources value (%)	11.72 %	14.01 %
Return on human resources value (%)	8.47 %	12.17 %

Value-added statement

in Rs. crore

Year ending March 31	2002	2001
Total revenue including other income	2,670.00	1,959.93
Less:		
Software development expenses (other than employee costs and provision for post-sales client support)	213.29	224.86
Selling and marketing expenses (other than provisions)	68.26	46.75
Administration expenses (other than provisions)	149.38	125.14
Sub-total	430.93	396.75
Total value-added	2,239.07	1,563.18
Applied to meet		
Employee costs	1,117.87	717.79
Provision for post-sales client support	3.65	1.83
Provision for bad and doubtful debts and doubtful loans and advances	13.51	19.35
Provision for investments	–	15.29
Income tax	135.43	72.71
Dividend (including dividend tax)	137.42	74.85
Retained in business	831.19	661.36
	2,239.07	1,563.18

The figures above are based on Indian GAAP financial statements.

Brand valuation

The strength of the invisible

A balance sheet discloses the financial position of a company. The financial position of an enterprise is influenced by the economic resources it controls, its financial structure, liquidity and solvency, and its capacity to adapt to changes in the environment. However, it is becoming increasingly clear that intangible assets have a significant role in defining the growth of a hi-tech company. So, quite often, the search for the added value invariably leads us back to understanding, evaluating and enhancing the intangible assets of the business.

From time to time, Infosys has used various models for evaluating assets off the balance sheet to bring certain advances in financial reporting from the realm of research to the notice of the shareholders. Such an exercise also helps the Infosys management in understanding the components that make up goodwill. The aim of such modeling is to lead the debate on the balance sheet of the next millennium. The Infosys management cautions the investors that these models are still the subject of debate among researchers, and using such models and data in predicting the future of Infosys, or any other company, is risky, and that the Infosys management is not responsible for any direct, indirect or consequential losses suffered by any person using these models or data.

Valuing the brand

A brand is much more than a trademark or a logo. It is a "trustmark" – a promise of quality and authenticity that clients can rely on. Brand equity is the value addition provided to a product or a company by its brand name. It is the financial premium that a buyer is willing to pay for the brand over a generic or less worthy brand. Brand equity is not created overnight. It is the result of relentless pursuit of quality in manufacturing, selling, service, advertising and marketing. It is integral to client experiences in dealing with the company and its services over a sustained period.

Corporate brands and service brands are often perceived to be interchangeable. Both types of brands aim at the enhancement of confidence and the reduction of uncertainty in the quality of what the company offers. Therefore, companies rely heavily on the image and personality they create for their brands, to communicate these qualities to the marketplace.

For many businesses, brands have become critical for shareholder wealth creation. Global brands are still the most powerful and sustainable wealth creators in the business world and will continue to be so in the near future. The task of measuring brand value is a complex one. Several models are available for accomplishing this. The most widely used is the brand-earnings-multiple model. There are several variants of this model. For example, by using one of the brand valuation models, Interbrand, a brand consultancy firm, had valued Coca-Cola as the most valued brand in the world for the year 2001 at $68.9 billion, when its market cap was $117.2 billion, on the date of brand valuation. Thus, the brand valuation of Coca-Cola was around 59% of its market cap on the date of valuation. Interestingly, the study says that fewer than half of the 74 brands for which Interbrand had a 2000 valuation showed a gain in value in 2001. Technology companies such as Microsoft, IBM, Intel and Nokia are part of the world's ten most valuable brands in 2001.

(Source: http://www.businessweek.com/magazine/content/01_32/b3744001.htm)

Goodwill is a nebulous accounting concept that is defined as the premium paid to tangible assets of a company. It is an umbrella concept that transcends components like brand equity and human resources, and is the result of many corporate attributes including core competency, market leadership, copyrights, trademarks, brands, superior earning power, excellence in management, outstanding workforce, competition, longevity and so on.

The management has adapted the generic *brand-earnings-multiple* model (given in the article on *Valuation of Trademarks and Brand Names* by Michael Birkin in the book *Brand Valuation,* edited by John Murphy and published by Business Books Limited, London) to value its corporate brand "Infosys". The methodology followed for valuing the brand is given below:

1. Determine brand earnings

To do this:

- Determine brand profits by eliminating the non-brand profits from the total profits of the company
- Restate the historical profits at present-day values
- Provide for the remuneration of capital to be used for purposes other than promotion of the brand
- Adjust for taxes

2. Determine the brand-strength or brand-earnings multiple

Brand-strength multiple is a function of a multitude of factors such as leadership, stability, market, internationality, trend, support and protection. These factors have been evaluated on a scale of 1 to 100 internally by the Infosys management, based on the information available within the company.

3. Compute the brand value by multiplying the brand earnings with the multiple derived in step 2 above.

The computation is as follows:

in Rs. crore

Year ended March 31	2002	2001	2000
PBIT	943.39	696.03	325.65
Less: non-brand income	59.77	53.43	35.23
Adjusted profit	883.62	642.60	290.42
Inflation compound factor at 6%	1.000	1.064	1.132
Present value of profits for the brand	883.62	683.72	328.76
Weightage factor	3	2	1
Weighted profits	2,650.86	1,367.44	328.76
Three-year average weighted profits	724.51		
Remuneration of capital (5% of average capital employed)	86.75		
Brand-related profits	637.76		
Tax at 36.75%	234.38		
Brand earnings	403.38		
Multiple-applied	17.99		
Brand value	7,256.80		

Assumptions

1. Total revenue excluding other income after adjusting for cost of earning such income is brand revenue, since this is an exercise to determine the brand value of Infosys as a company and not for any of its products or services.
2. Inflation is assumed at 6% per annum.
3. 5% of the average capital employed is used for purposes other than promotion of the brand.
4. Tax rate is at 36.75%.
5. The earnings multiple is based on the ranking of Infosys against the industry average based on certain parameters (exercise undertaken internally and based on available information).
6. The figures above are based on Indian GAAP financial statements.

Thus, it is interesting to note that while Infosys has a market capitalization of Rs. 24,654 crore as on March 31, 2002, the value of the "Infosys" brand alone is estimated at Rs. 7,256.80 crore. The corresponding figures for market capitalization and brand value of Infosys as on March 31, 2001 and March 31, 2000 were Rs. 26,926 crore and Rs. 5,376 crore, and Rs. 59,338 crore and Rs. 5,246 crore respectively.

Balance sheet (including intangible assets) as at March 31, 2002

	in Rs. crore
SOURCES OF FUNDS	
Shareholders' funds	
Share capital	33.09
Reserves and surplus	
Capital reserves	16,795.95
Other reserves	2,047.22
	18,876.26
APPLICATION OF FUNDS	
Fixed assets	
Tangible assets – at cost	960.60
Less: Depreciation	393.03
Net block	567.57
Add: Capital work-in-progress	150.67
	718.24
Intangible assets	
Brand equity	7,256.80
Human resources	9,539.15
INVESTMENTS	44.44
DEFERRED TAX ASSETS	24.22
Current assets, loans and advances	
Sundry debtors	336.73
Cash and bank balances	772.22
Loans and advances	643.87
	1,752.82
Less: Current liabilities	126.11
Provisions	333.30
Net current assets	1,293.41
	18,876.26

Notes:

1. This balance sheet is provided for the purpose of information only. The management accepts no responsibility for any direct, indirect or consequential losses or damages suffered by any person relying on the same.
2. Capital reserves include the value of the "Infosys" brand and human resources.
3. The figures above are based on Indian GAAP financial statements.

Current-cost-adjusted financial statements

Current Cost Accounting ("CCA") seeks to state the value of assets and liabilities in a balance sheet at their value, and measure the profit or loss of an enterprise by matching current costs against current revenues. CCA is based on the concept of "operating capability", which may be viewed as the amount of goods and services that an enterprise is capable of providing with its existing resources during a given period. In order to maintain its operating capability, an enterprise should remain in command of resources that form the basis of its activities. Consequently, it becomes necessary to take into account the rising cost of assets consumed in generating these revenues. CCA takes into account the changes in specific prices of assets as they affect the enterprise.

The balance sheet and profit and loss account of Infosys for fiscal 2002, on a current cost basis are presented below. The methodology prescribed by the *Guidance Note on Accounting for Changing Prices* issued by the Institute of Chartered Accountants of India is adopted in preparing these statements.

Balance sheet as of March 31

in Rs. crore

	2002	2001
Assets employed		
Fixed Assets		
Original cost	858.44	527.47
Accumulated depreciation	(284.46)	(129.69)
	573.98	397.78
Capital work in progress	150.67	170.65
Net fixed assets	724.65	568.43
INVESTMENTS	44.44	34.12
DEFERRED TAX ASSETS	24.22	–
Current Assets, Loans and Advances:		
Cash and bank balances	772.22	385.06
Loans and advances	643.87	430.28
Monetary working capital	210.62	167.45
	1,626.71	982.79
Less: Other liabilities and provisions	(333.30)	(184.93)
Net current assets	1,293.41	797.86
TOTAL	2,086.72	1,400.41
Financed by:		
Share Capital and Reserves		
Share capital	33.09	33.08
Reserves:		
Capital reserve	5.94	5.94
Share premium	325.34	320.75
Current cost reserve	32.70	19.76
General reserve	1,689.65	1,020.88
TOTAL	2,086.72	1,400.41

Current-cost-adjusted financial statements (continued)

Profit and loss account for the year ended March 31

in Rs. crore.

	2002	2001
Total income	2,670.00	1,959.93
Historic cost profit before tax and extraordinary item	943.39	696.03
Less: Current cost operating adjustments	(1.76)	8.99
	941.63	687.04
Less: Gearing adjustment	–	–
Current cost profit before tax and extraordinary item	941.63	687.04
Provision for taxation		
Earlier years	–	1.40
Current year	135.43	71.31
Current cost profit after tax before extraordinary item	806.20	614.33
Extraordinary item – Transfer of intellectual property (net of tax)	–	5.49
Current cost profit after tax and extraordinary item	806.20	619.82
Appropriations		
Dividend		
Interim	49.63	16.54
Final (proposed)	82.73	49.62
Dividend tax	5.06	8.70
Amount transferred – general reserve	668.78	544.96
	806.20	619.82

Statement of retained profits / reserves

Opening balance of reserves	1,040.64	475.50
Retained current cost profit for the year	668.78	544.96
Movements on current cost reserve during the year	12.93	20.18
	1,722.35	1,040.64

Note:

1. The cost of technology assets comprising computer equipment decreases over time. This is offset by an accelerated depreciation charge to the financial statements. Consequently, such assets are not adjusted for changes in prices.
2. This financial statement is provided for the purpose of information only. The management accepts no responsibility for any direct, indirect or consequential losses or damages suffered by any person relying on the same.

Additional information to shareholders (contd.)

Economic Value-Added (EVA) statement

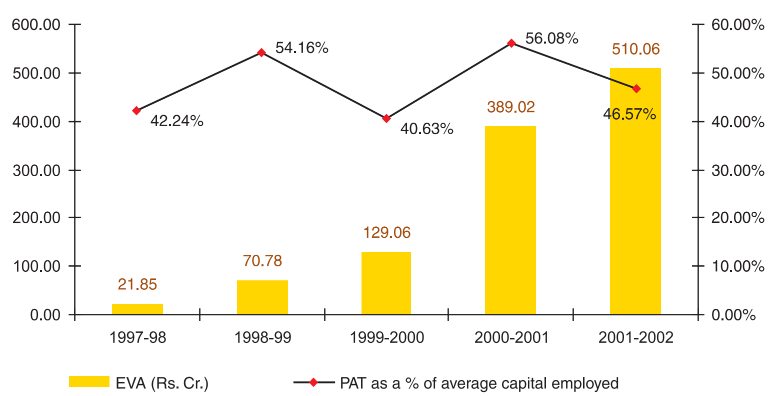
Economic value-added measures the profitability of a company after taking into account the cost of all capital including equity. It is the post-tax return on capital employed (adjusted for the tax shield on debt) minus the cost of capital employed. It is those companies which earn higher returns than cost of capital that create value. Those companies which earn lower returns than cost of capital are deemed destroyers of shareholder value.

Economic value-added analysis

Year ended March 31	2002	2001	2000	1999	1998
1. Average capital employed (Rs. in crore)	1,734.97	1,111.47	703.87	245.42	142.90
2. Average debt/total capital (%)	–	–	–	–	–
3. Beta variant	1.41	1.54	1.48	1.48	1.48
4. Risk-free debt cost (%)	7.30	10.30	10.45	12.00	12.15
5. Market premium	7.00	7.00	8.00	9.00	10.00
6. Cost of equity (%)	17.17	21.08	22.29	25.32	26.95
7. Cost of debt (post tax) (%)	NA	NA	NA	NA	NA
8. Weighted average cost of capital (WACC) (%)	17.17	21.08	22.29	25.32	26.95
9. PAT as a percentage of average capital employed (%)	46.57	56.08	40.63	54.16	42.24
10. Economic Value-Added (EVA)					*(in Rs. crore)*
Operating profit					
(PBT excluding extraordinary income)	943.39	696.03	325.65	155.86	65.86
Less: tax	135.43	72.71	39.70	22.94	5.50
Less: cost of capital	297.90	234.30	156.89	62.14	38.51
Economic value-added	510.06	389.02	129.06	70.78	21.85
11. Enterprise value					(*in Rs.* crore)
Market value of equity	24,654.33	26,926.35	59,338.17	9,672.80	2,963.42
Less: cash and cash equivalents	1,026.96	577.74	508.37	416.66	51.14
Add: debt	–	–	–	–	–
Enterprise value	23,627.37	26,348.61	58,829.80	9,256.14	2,912.28
12. Ratios					
EVA as a percentage of average capital employed (%)	29.40	35.00	18.34	28.84	15.29
Enterprise value / average capital employed	13.62	23.71	83.58	37.72	20.38

Notes:

1. The cost of equity is calculated by using the following formula:
   return on risk-free investment + expected risk premium on equity investment adjusted for the average beta variant for software stocks in US
2. The figures above are based on Indian GAAP financial statements.



Additional information to shareholders (contd.)

Ratio analysis for the year ended March 31

	2002	2001	2000
Ratios – financial performance			
Export revenue / total revenue (%)	98.04	98.60	98.57
Domestic revenue / total revenue (%)	1.96	1.40	1.43
Software development expenses / total revenue (%)	47.04	45.82	47.57
Gross Profit / total revenue (%)	52.96	54.18	52.43
Selling and marketing expenses / total revenue (%)	4.99	4.84	4.74
General and administration expenses / total revenue (%)	8.12	9.09	8.41
Selling, general and administration expenses / total revenue (%)	13.11	13.93	13.15
Employee costs / total revenue (%)	42.94	37.77	37.92
Operating profit / total revenue (%)	39.85	40.24	39.28
Operating profit after depreciation and interest / total revenue (%)	33.68	34.30	33.25
Depreciation / total revenue (%)	6.17	5.94	6.03
Other income / total revenue (%)	2.55	3.12	4.44
Profit before tax / total revenue (%)	36.23	36.62	36.91
Tax / total revenue (%)	5.20	3.83	4.50
Tax / PBT (%)	14.36	10.45	12.19
PAT from ordinary activities / total revenue (%)	31.03	32.80	32.41
Capital expenditure / total revenue (%)	12.40	24.38	18.12
PAT from ordinary activities / average net worth (%)	46.57	56.08	40.63
ROCE (PBIT/average capital employed) (%)	54.37	62.62	46.27
Return on invested capital (%)	83.10	105.43	111.57
Capital output ratio	1.50	1.71	1.25
Invested capital output ratio	2.79	3.34	3.66
Value-added / total revenue (%)	83.86	79.76	78.50
Enterprise-value / total revenue (%)	9.07	13.86	66.68
Ratios – balance sheet			
Debt-equity ratio	–	–	–
Debtors turnover (Days)	47	58	56
Current ratio	3.82	3.49	4.69
Cash and equivalents / total assets (%)	49.37	41.57	61.01
Cash and equivalents / total revenue (%)	39.44	30.40	57.62
Depreciation/ average gross block (%)	20.18	24.67	23.50
Technology investment / total revenue (%)	3.93	7.67	6.12
Ratios – growth			
Export revenue (%)	36.20	115.48	73.85
Total revenue (%)	36.99	115.40	73.38
Operating profit (%)	35.66	120.69	71.89
Net profit (from ordinary activities) (%)	29.62	117.98	115.14
EPS (from ordinary activities) growth (%)	29.60	117.97	108.74
Per-share data			
Basic earnings per share from ordinary activities (Rs.)	122.12	94.23	43.23
Basic earnings per share (including extraordinary items) (Rs.)	122.12	95.06	44.38
Cash earnings per share from ordinary activities (Rs.)	146.40	111.29	51.28
Cash earnings per share (including extraordinary items) (Rs.)	146.40	112.12	52.43
Book value (Rs.)	314.31	210.05	125.97
Price / earning, end of year	30.50	43.19	207.48
Price / cash earnings, end of year	25.44	36.57	174.92
Price / book value, end of year	11.85	19.38	71.21
PE / EPS Growth	1.03	0.37	1.91
Dividend per share	20.00	10.00	4.50
Price / total revenue, end of year	9.47	14.17	67.25
Dividend (%)	400	200	90
Dividend payout (%)	17.01	12.01	11.55
Dividend / adjusted public offer price (%)	337	168	76
Market price / adjusted public offer price (%)	62,737	68,547	151,076

Note: The ratio calculations are based on Indian GAAP and have been adjusted for stock split.

Ratio analysis

Ratio analysis is among the best tools available to analyze the financial performance of a company. It allows inter-company and intra-company comparison and analysis. Ratios also provide a bird's eye view of the financial condition of the company. The ratios analyzed in this section are based on Indian GAAP financial statements.

Financial performance

Exports have grown by 36% during the year, as against 115% in the previous year. Export revenue is from various parts of the globe and is well segmented. Segmental analysis of the revenue is provided under the *Notes to financial statements* section in this report. During the year ended March 31, 2002, exports constituted 98% of total revenue, as compared to 98.6% during the previous year. USA continued to be a major market. Domestic revenue constituted 2.0% of total revenue, as compared to 1.4% during the previous year.

Employee costs were approximately 43% of total revenue as compared to 38% during the previous year. Selling, general and administration expenses were approximately 8% and 9% during the years ended March 31, 2002 and 2001, respectively.

Depreciation was approximately 6% of total revenue, which is same as during the previous year. Depreciation to average gross block was at 20%, as compared to 25% during the previous year.

Income tax expense was approximately 5% of total revenue during the current year as compared to 4% during the previous year.

Profit after tax from ordinary activities was 31% of total revenue, as against 33% during the previous year.

Balance sheet analysis

The key ratios affecting the company's financial condition are discussed below:

1. Return on average net worth

Return on average net worth is 46.6% as against 56.1% during the previous year.

As the company is maintaining around 49.4% of its assets in liquid funds, where the returns are less, the above figures need further analysis. If the average liquid assets are adjusted against the average net worth, and revenue earned after tax from liquid assets is adjusted against net profit, return on invested capital stands at 83%, as compared to 105% during the previous year.

2. Debt-equity ratio

The company funds its short-term and long-term cash requirements primarily from internal accruals. As on March 31, 2002, the company was debt-free.

3. Current ratio

Current ratio is 3.82, as compared to 3.49 as on March 31, 2001.

4. Capital output ratio

Capital output ratio is 1.50, as compared to 1.71 for the previous year. Invested capital output ratio is 2.79, as compared to 3.34 for the previous year

5. Value-added to total revenue

Value-added to total revenue is 84%, as compared to 80% for the previous year.

6. Enterprise value to total revenue

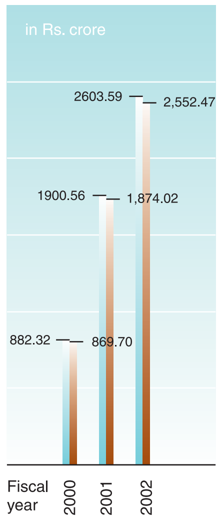
Enterprise value to total revenue is 9 times, as compared to 14 times in the previous year.

7. Per share data

Earnings per share (EPS) (basic) is Rs. 122.12, as compared to Rs. 94.23 for the previous year. Cash earnings per share (basic) is Rs. 146.40, as compared to Rs. 111.29 during the previous year. This is due to higher cash generation and due to higher value addition. Book value per share has increased to Rs. 314, as against Rs. 210 on March 31, 2001. Dividend payout ratio for the years ended March 31, 2002 and 2001, was 17% and 12% respectively.

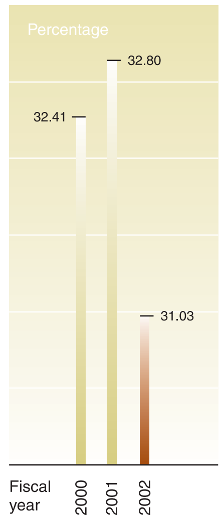
The P/E to EPS growth was approximately 1.03, as compared to 0.37 for the previous year. This represents the valuation of the company in comparison to its growth in earnings.

Appreciation in the Infosys share price (adjusted for bonus issues in 1994, 1997 & 1999 and a stock split of 2-for-1 in 2000) over the public issue price is more than 62737%. Since the public issue, the market capitalization of the company has grown to Rs. 24,654.33 crore, as on March 31, 2002, from the public issue valuation of Rs. 31.84 crore during February 1993.

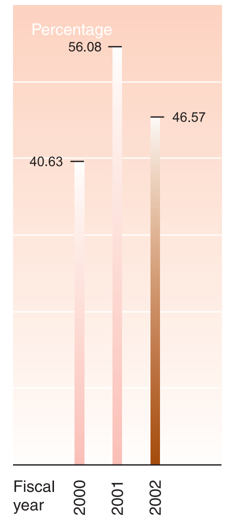


Revenue and exports

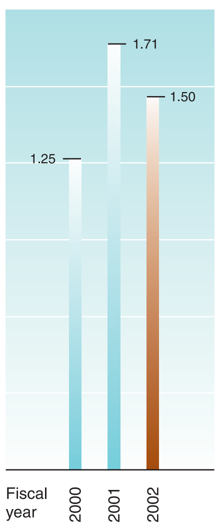
Revenue Exports



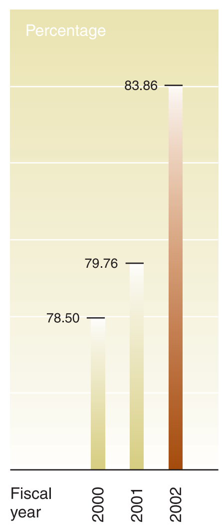
Net profit as % to total revenue (from ordinary activities)



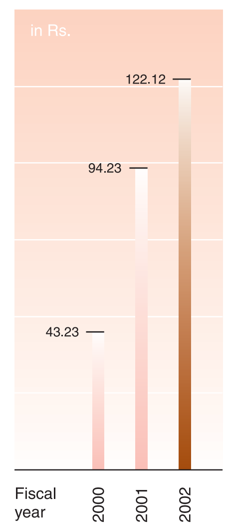
Return on average capital employed



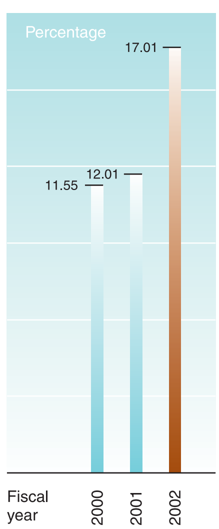
Capital output ratio



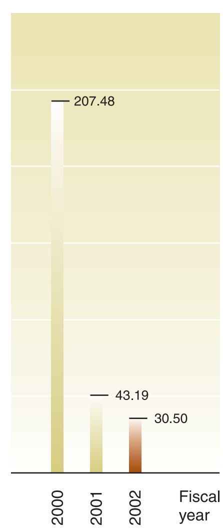
Value added to total revenue



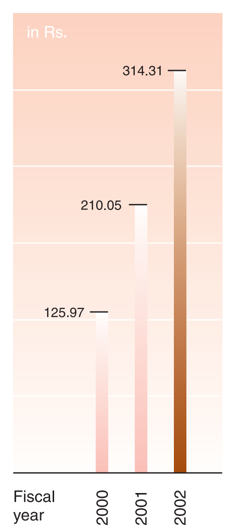
Earnings per share (from ordinary activities)



Dividend pay-out



Price earning multiple



Book value

Additional information to shareholders (contd.)

Statutory obligations

The company has established Software Technology Parks – 100% export-oriented units – for the development of software at Electronics City, Koramangala and J. P. Nagar at Bangalore as well as at Mangalore, Pune, Chennai, Bhubaneswar, Hyderabad, Mohali and Mysore (all in India). Certain capital items purchased for these centers are eligible for 100% customs and excise duty exemption, subject to fulfillment of stipulated export obligations, namely, five times the value of duty-free imports of capital goods, or duty-free purchase of goods subject to excise, over a period of 5 years on a yearly basis. Beginning April 2001, the export obligation on duty-free import of capital goods, or duty-free purchase of goods subject to excise is 3 times the value of such goods over a period of 5 years. All STP units started after April 2001 and all the existing units which come up for renewal after that date are subject to the new guidelines on calculation of export obligation. The export obligation on the wage bill was removed a year ago.

The non-fulfillment of export obligations may result in penalties as stipulated by the government which may have an impact on future profitability. The table showing the export obligation, and the export obligation fulfilled by the company, on a global basis, for all its STP units together, is given below:

in Rs. crore

Year ended March 31	Export obligation	Export obligation fulfilled	Excess/ (shortfall)	Cumulative excess/ (shortfall)
1993	0.11	0.28	0.17	0.17
1994	2.69	8.05	5.35	5.52
1995	7.70	15.64	7.94	13.46
1996	28.43	47.64	19.21	32.67
1997	39.67	68.94	29.27	61.94
1998	73.56	142.41	68.85	130.79
1999	124.98	305.51	180.53	311.32
2000	106.88	493.46	386.58	697.90
2001	359.88	1,010.27	650.39	1,348.29
2002	461.99	1,360.21	898.22	2246.51

The total customs and excise duty exempted on both computer software and hardware imported and indigenously procured by the company since 1993 amounts to Rs. 158.64 crore.

The company has fulfilled its export obligations on a global basis for all its operations under the Software Technology Park Scheme (STP). However, in case of STPs operationalized during the year, the export obligation will be met in the future years. On a forward basis, the company's management is confident of fulfilling all its export obligations.

Taxation

The economic reforms program of the government has enhanced the velocity of business for companies in India. Being one of the signatories to the World Trade Organization, India is committed to reducing import tariff levels, thereby exposing the Indian entrepreneurs to global competition. The present Indian corporate tax rate is 35.7% (comprising a base rate of 35% and a surcharge of 2% on the base rate).

The company benefits from certain significant tax incentives provided to software firms under Indian tax laws. These incentives presently include: (i) an exemption from payment of Indian corporate income taxes for a period of ten consecutive years of operation of software development facilities designated as "Software Technology Parks" (the "STP tax holiday"); and (ii) a tax deduction for profits derived from exporting computer software under Section 80 HHE of the Income Tax Act (the "Export deduction"). All but one of the company's software development facilities are located in a designated Software Technology Park ("STP"). The period of the STP tax holiday available to such companies is restricted to 10 consecutive years beginning from the financial year when the unit started producing computer software or March 31, 2000, whichever is earlier. The recent Finance Bill presented to the parliament proposes to tax 10% of the profits generated by units operating under the STP scheme for fiscal 2003 only. Additionally, the export deduction will be phased out equally over a period of five years starting from fiscal 2000.

The details of the operationalization of various software development centers and the year to which the exemption under the Software Technology Park Scheme is valid, are presented elsewhere in this Annual Report.

The benefits of these tax incentive programs have historically resulted in an effective tax rate for the company well below statutory rates. There is no assurance that the Government of India will continue to provide these incentives. The government may reduce or eliminate the tax exemptions provided to Indian exporters anytime in the future. This may result in the export profits of the company being fully taxed, and may adversely affect the post-tax profits of the company in the future. On a full-tax-paid basis, without any duty concessions on equipment, hardware and software, the company's post-tax profits for the relevant years are estimated as given below.

in Rs. crore

Year ended March 31	2002	2001	2000
Profit before tax (excluding extraordinary items)	943.39	696.03	325.65
Less: Additional depreciation to be provided on duty waiver for computer equipment	44.37	26.33	12.75
Reduction in other income	10.21	7.74	3.25
Adjusted profit before tax	888.81	661.96	309.65
Less: Income tax on full tax basis	328.50	264.76	128.01
Adjusted profit after tax	560.31	397.20	181.64
Adjusted earnings per share [1]	84.69	60.04	27.46

1. The earnings per share for earlier years has been restated on par value of Rs. 5 per share and adjusted for bonus issues during the previous years.
2. The figures above are based on Indian GAAP financial statements. However, it may be noted that this is only an academic exercise. The company has provided for income tax in full in the respective years and there is no carried-forward liability on this account.

Additional information to shareholders (contd.)

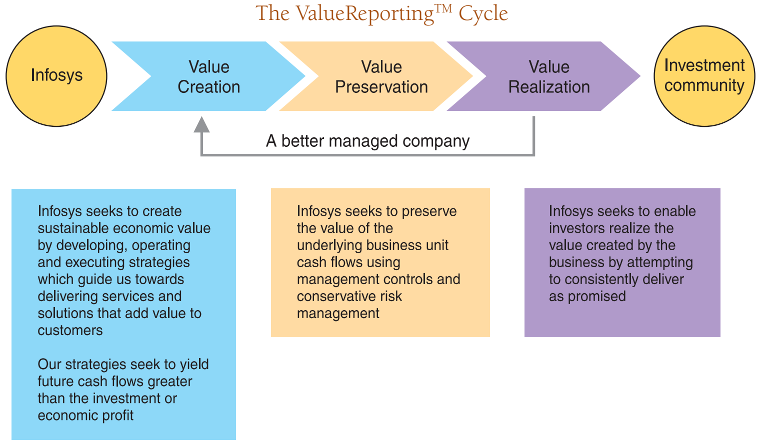
ValueReporting™

In their book, *The ValueReporting™ Revolution: Moving Beyond the Earnings Game* (published by John Wiley & Sons, Inc., USA, ©2001), the authors – Robert Eccles, Robert Herz, Mary Keegan and David Phillips, associated with the accounting firm, PricewaterhouseCoopers, indicate the increasing importance of non-financial data and reporting beyond the constraints posed by Generally Accepted Accounting Principles (GAAP). They highlight the increasing necessity of providing stakeholders qualitative information enabling them to make informed investment decisions.

ValueReporting™ is a comprehensive set of financial and non-financial performance measures and processes, tailored to a company, that provide both historical and predictive indicators of shareholder value. ValueReporting™ also provides a methodology for improving transparency and providing the capital markets with information needed to accurately assess future value.

In keeping with our desire for increased transparency and high standards of corporate governance, Infosys has always endeavored to provide information to stakeholders, more often than not going beyond minimum prescribed regulatory requirements, than not. While financial statements are provided along with other mandated information, we have always attempted to provide stakeholders the financial and non-financial parameters we use on an on-going basis to manage our business. The recommended ValueReporting™ methodology in the context of Infosys is described below.

The ValueReporting™ Cycle



While financial statements indicate historic performance along uniform financial parameters, they do not fully reflect the performance of the company along all parameters that are critical for creating shareholder value in the long-term. In order to enhance the ability of the stakeholder to measure our performance, Infosys identified the need to provide non-financial parameters even before it went public in India in 1993. A description of recommended ValueReporting™ disclosures is set out below.

The ValueReporting™ Disclosure Model

External market overview	Internal value strategy	Managing for value	Value platform
• Competitive environment	• Goals	• Financial performance	• Innovation
• Regulatory environment	• Objectives	• Financial position	• Brands
• Macro-economic environment	• Governance	• Risk management	• Customers
	• Organization	• Segment performance	• Supply chain
			• People
			• Social reputation

Infosys believes in being a leader or early-adopter of transparency and openness for competitive advantage. In its approach towards external reporting, Infosys has consciously attempted to bridge the gap between the information available to the management and the information available to the stakeholders by providing the non-financial and intangible performance measures to its stakeholders. These include:

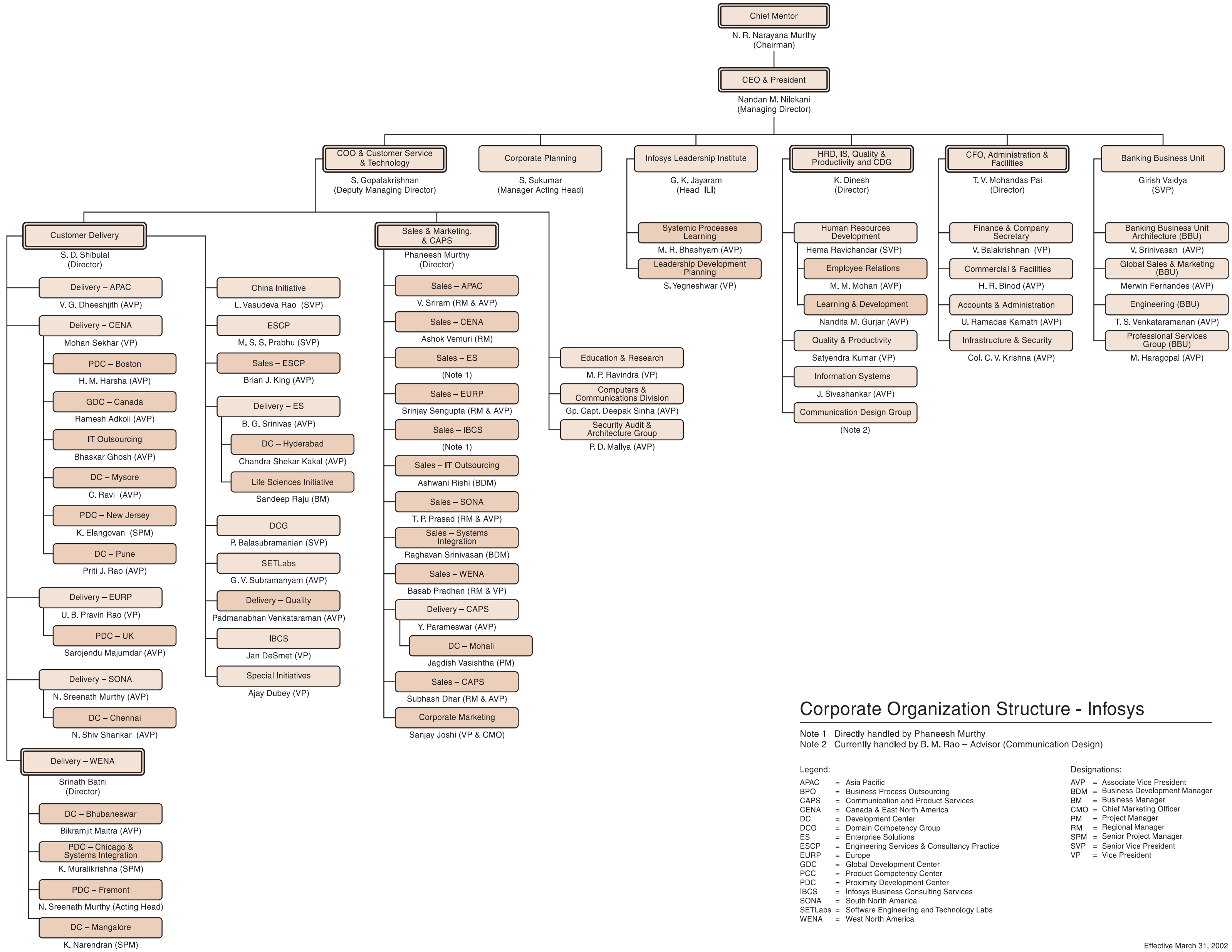
- Intangible asset scorecard.
- Human resource accounting and value-added statement
- Brand valuation
- Balance sheet including intangible assets
- Economic Value-Added (EVA®) statement

In order to enhance the quality of reporting Infosys also casts "Current-cost-adjusted" financial statements.

We at Infosys have also adopted similar measures for internal measurement of business performance. Employee performance measurement for evaluating performance also considers performance indicators that go beyond the financials and seek to balance the financial and non-financial measures at the individual and enterprise level. This ensures that the measures we perform internally are truly reflective of the measures by which our corporate performance is judged by the stakeholders.

Additional information to shareholders (contd.)

Management structure



Corporate Organization Structure - Infosys

Note 1 Directly handled by Phaneesh Murthy
Note 2 Currently handled by B. M. Rao – Advisor (Communication Design)

Legend:

APAC = Asia Pacific
BPO = Business Process Outsourcing
CAPS = Communication and Product Services
CENA = Canada & East North America
DC = Development Center
DCG = Domain Competency Group
ES = Enterprise Solutions
ESCP = Engineering Services & Consultancy Practice
EURP = Europe
GDC = Global Development Center
PCC = Product Competency Center
PDC = Proximity Development Center
IBCS = Infosys Business Consulting Services
SONA = South North America
SETLabs = Software Engineering and Technology Labs
WENA = West North America

Designations:

AVP = Associate Vice President
BDM = Business Development Manager
BM = Business Manager
CMO = Chief Marketing Officer
PM = Project Manager
RM = Regional Manager
SPM = Senior Project Manager
SVP = Senior Vice President
VP = Vice President

Effective March 31, 2002

Financial statements for the year ended March 31, 2002

prepared in accordance with
United States Generally Accepted Accounting Principles

(U.S. GAAP)

"The ultimate measure of a man is not where he stands in moments of comfort, but where he stands at times of challenges and controversy"

– Martin Luther King Jr.

Summary of selected consolidated financial data

in thousands, except per share data

	2002	2001	2000	1999	1998
Statements of income data:					
Revenues	$545,051	$413,850	$203,444	$120,955	$68,330
Cost of revenues	290,032	213,614	111,081	65,331	40,157
Gross profit	255,019	200,237	92,363	55,624	28,173
Operating expenses:					
Selling and marketing expenses	27,113	20,683	9,644	4,944	3,370
General and administrative expenses	44,348	36,958	17,102	11,255	9,855
Amortization of deferred stock compensation expense	5,010	5,081	5,118	3,646	1,520
Compensation arising from stock split	–	–	–	12,906	1,047
Total operating expenses	76,471	62,722	31,864	32,751	15,792
Operating income	178,548	137,515	60,499	22,873	12,381
Equity in loss of deconsolidated subsidiary	–	–	–	(2,086)	–
Other income, net	13,865	9,505	9,039	1,537	801
Income before income taxes	192,413	147,020	69,538	22,324	13,182
Provision for income taxes	27,947	15,072	8,193	4,878	770
Subsidiary preferred stock dividends	–	–	–	–	68
Net income	$164,466	$131,948	$61,345	$17,446	$12,344
Earnings per equity share:					
Basic	$2.51	$2.01	$0.93	$0.28	$0.21
Diluted	$2.49	$1.98	$0.93	$0.28	$0.20
Weighted equity shares used in computing earnings per equity share:					
Basic	65,557	65,771	65,660	61,379	59,574
Diluted	66,085	66,715	65,864	61,507	60,808
Cash dividend per equity share	$0.35	$0.14	$0.11	$0.09	$0.04
Balance sheet data:					
Cash and cash equivalents	$210,486	$124,084	$116,599	$98,875	$15,419
Total assets	471,161	342,348	219,283	153,658	48,782
Total long-term debt	–	–	–	–	–
Total shareholders equity	$442,379	$311,792	$198,137	$139,610	$41,146

1. The information presented above reflects our 2-for-1 stock split by means of a stock dividend announced on December 20, 1998 and a 2-for-1 stock split announced on November 29, 1999.

2. The financial statements of Yantra Corporation, were consolidated with our financial statements through October 20, 1998, and has been accounted for using the equity method upto fiscal 1999.

3. The earnings per share calculations for fiscal years 2002, 2001, 2000 and 1999, includes 2,070,000 equity shares (representing 4,140,000 ADSs) issued in March 1999, pursuant to our initial U.S. public offering.

4. Dividends are declared in Indian rupees. Amounts presented are translated into U.S. dollars.

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

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

1. Overview

We are an India based IT consulting and services company, that utilizes an extensive infrastructure in India, which we call Offshore Software Development Centers or "OSDCs", to provide managed software solutions to clients worldwide. Our service offerings include business consulting, systems integration, application development, maintenance, re-engineering and product engineering. From fiscal 1998 through fiscal 2002, our total revenue increased from $68.3 million to $545.1 million. During the same period, the total number of our IT professionals increased from 2,200 to 9,400, and our OSDCs increased from nine to 16. We also commenced operations in four proximity development centers in the UK and the U.S. in fiscal 2001, one global development center in Canada, and two proximity development centers in the U.S. in fiscal 2000.

Our revenues are generated principally from software services provided on either a time-and-material or a fixed-price, fixed-timeframe basis. Revenues from services provided on a time-and-material basis are recognized as the related costs are incurred. Revenues from services provided on a fixed-price, fixed-timeframe basis are recognized pursuant to the percentage of completion method. Since we bear the risk of cost overruns and inflation with respect to fixed-price, fixed-timeframe projects, our operating results could be adversely affected by inaccurate estimates of contract completion costs and dates, including wage inflation rates and currency exchange rates that may affect cost projections. Although we revise our project completion estimates from time to time, such revisions have not, to date, had a material adverse effect on our operating results or financial condition. We also develop and market certain software application products, including banking software that is licensed primarily to clients in Asia and Africa. Such software products represented 4.0% of total revenues in fiscal 2002. We earned 71.2% of our total revenues from North America, 19.5% from Europe, 2.0% from India and 7.3% from the rest of the world in fiscal 2002.

In fiscal 2002, 2001 and 2000, we earned 23.0%, 28.4% and 13.6% of our total revenues from Internet and e-commerce projects.

Our cost of revenues primarily consists of salary and other compensation expenses, depreciation, data communications expenses, computer maintenance, cost of software purchased for internal use and foreign travel expenses. We depreciate our personal computers and servers over two years and mainframe computers over three years. Third party software is expensed at the time of acquisition.

We assume full project management responsibility for each project that we undertake. In fiscal 2002, approximately 69% of the work on a project was performed at our facilities in India, and the balance of the work was performed at the client site. The proportion of work performed at our facilities and at client sites varies from quarter to quarter. We charge higher rates and incur higher compensation expenses for work performed at the client site. Services performed at a client site typically generate higher revenues per-capita at a lower gross margin than the same services performed at our facilities in India. As a result, total revenues, cost of revenues and gross profit in absolute terms and as a percentage of revenues fluctuate from quarter to quarter based on the proportion of work performed offshore at our facilities and at client sites. Additionally, any increase in work at client sites can decrease our gross margins.

Revenues and gross profits are affected by employee utilization rates. Utilization rates depend, among other factors, on the number of employees enrolled in training programs, particularly our 14.5 week training course for new employees. Since a large percentage of new hires begin their initial training in the second quarter, our utilization rates have historically been lower in the second and third quarters of our fiscal year.

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

Other income includes interest income and foreign currency exchange gains.

2. Results of operations

Fiscal year ended March 31, 2002 compared to fiscal year ended March 31, 2001

Revenues. Our total revenues were $545.1 million in fiscal 2002, representing an increase of $131.2 million or 31.7% over total revenues of $413.8 million in fiscal 2001. This increase was attributable to an increase of $141.6 million or 34.2%, in the number of projects executed offset by a $10.4 million or 2.5% decrease in prices at which contracts were executed. Revenues continued to increase in most segments of our services. Custom software development, re-engineering, maintenance and software development through OSDCs formed the majority of our revenues. The increase in revenues was attributable, in part, to a steady increase in business from existing clients and from new clients, particularly in the financial services and retail industry segments. Our financial services clients comprised 36.6% and 33.7% of revenues in fiscal 2002 and fiscal 2001, while our retail clients comprised 12.3% and 9.1% of revenues in fiscal 2002 and fiscal 2001. Net sales of FINACLE™ and other products represented 4.0% of our total revenues in fiscal 2002, as compared to 2.5% for fiscal 2001. Revenues from services represented 96.0% of total revenues in fiscal 2002 as compared to 97.5% for fiscal 2001. Revenues from fixed-price, fixed-timeframe contracts and from time-and-material contracts represented 31.6% and 68.4% of total revenues for fiscal 2002, as compared to 28.2% and 71.8% for fiscal 2001. Revenues from North America and Europe represented 71.2% and 19.5% of total revenues for fiscal 2002, as compared to 73.5% and 18.8% for fiscal 2001.

Cost of revenues. Our cost of revenues was $290.0 million for fiscal 2002, representing an increase of 35.8% over cost of revenues of $213.6 million in fiscal 2001. Cost of revenues represented 53.2% and 51.6% of total revenues in fiscal 2002 and 2001. This increase in our cost of revenues as a percentage of revenues was attributable to: (i) an increase in our personnel costs from annual salary increments effective April 1, 2001; (ii) an increase in compensation paid to our U.S. based Indian employees to comply with new immigration regulations introduced in the U.S. effective July 2001; (iii) increased personnel costs for new hires; and (iv) an increase in depreciation. This increase was offset by a decrease in our foreign travel expenses and cost of software purchased for internal use, which represented 2.7% and 1.3% of revenues in fiscal 2002 as compared to 4.2% and 1.7% of revenues in fiscal 2001.

Gross profit. As a result of the foregoing, our gross profit was $255.0 million for fiscal 2002, representing an increase of 27.4% over gross profit of $200.2 million for fiscal 2001. As a percentage of total revenues, gross profit decreased to 46.8% for fiscal 2002 from 48.4% for fiscal 2001. This decrease was attributable to: (i) an increase in our personnel costs from annual salary increments effective April 1, 2001; (ii) an increase in compensation paid to our U.S. based Indian employees to comply with new immigration regulations introduced in the U.S. effective July 2001; (iii) increased personnel costs for new hires; and (iv) an increase in depreciation. This increase was offset by a decrease in our foreign travel expenses and cost of software purchased for internal use.

Sales and marketing expenses. We incurred sales and marketing expenses of $27.1 million in fiscal 2002, representing an increase of 31.1% over sales and marketing expenses of $20.7 million for fiscal 2001. As a percentage of total revenues, sales and marketing expenses was 5.0% in both fiscal 2002 and 2001. The number of our sales offices increased to 28 as of March 31, 2002 from 25 as of March 31, 2001, and the number of our sales and marketing personnel increased to 143 as of March 31, 2002, up from 105 as of March 31, 2001.

General and administrative expenses. Our general and administrative expenses were $44.3 million for fiscal 2002, representing an increase of 20.0% over general and administrative expenses of $37.0 million for fiscal 2001. General and administrative expenses were 8.1% and 8.9% of total revenues for fiscal 2002 and 2001. This decrease in general and administrative expense as a percentage of revenues was primarily attributable to a decrease in the provision for doubtful accounts receivable, which comprised 0.5% and 1.0% of revenues in fiscal 2002 and 2001.

Amortization of deferred stock compensation expense. Amortization of deferred stock compensation expense was $5.0 million and $5.1 million in fiscal 2002 and 2001.

Operating income. Our operating income was $178.5 million for fiscal 2002, representing an increase of 29.8% over the operating income of $137.5 million for fiscal 2001. As a percentage of revenues, operating income decreased to 32.8% for fiscal 2002, from 33.2% for fiscal 2001. Excluding the amortization of deferred stock compensation expense, the operating margin was 33.7% for fiscal 2002 as compared to 34.5% for fiscal 2001.

Other income. Other income was $13.9 million for fiscal 2002 as compared to $9.5 million for fiscal 2001. Other income in fiscal 2002 primarily comprised of interest income of $10.4 million arising from the investment of cash balances, and exchange income of $2.7 million and miscellaneous income of $0.7 million. Other income in fiscal 2001 primarily comprised of $8.5 million in interest income from the investment of cash balances, and currency exchange income of $4.4 million, which were partially offset by a $3.5 million provision for investments in EC Cubed Inc. and Alpha Thinx Mobile Services AG, two companies we made strategic investments in.

Provision for income taxes. Our provision for income taxes was $27.9 million for fiscal 2002 compared to $15.1 million for fiscal 2001. Our effective tax rate increased to 14.5% for fiscal 2002 as compared to 10.3% for fiscal 2001. The increase in the effective tax rate was primarily attributable to an increase in foreign taxes paid on our overseas operations in fiscal 2002 as compared to fiscal 2001.

Net income. Our net income was $164.5 million for fiscal 2002, representing an increase of 24.6% over net income of $131.9 million for fiscal 2001. As a percentage of total revenues, net income decreased to 30.2% for fiscal 2002 from 31.9% for fiscal 2001.

Fiscal year ended March 31, 2001 compared to fiscal year ended March 31, 2000

Revenues. Our total revenues were $413.8 million for fiscal 2001, representing an increase of $210.4 million or 103.4% over total revenues of $203.4 million for fiscal 2000. This increase is attributable to an increase of $126.1 million or 62.0%, in the number of projects executed, and an increase of $84.3 million or 41.4% in prices at which contracts were executed. Revenues continued to increase in all segments of our services. Custom software development, re-engineering, maintenance and software development through OSDCs comprised the majority of our revenues. The increase in revenues was attributable, in part, to a substantial increase in business from our existing clients and from certain new clients, particularly in the telecom and financial services industry segments. Our telecom clients comprised 18.4% of revenues in fiscal 2001 as compared to 15.4% of revenues in fiscal 2000. Our financial services clients comprised 33.7% and 30.1% of revenues in fiscal 2001 and 2000. Our revenue growth was also attributable to an increase in e-commerce related revenues, which represented 28.4% of total revenues for fiscal 2001, as compared to 13.6% of total revenues in fiscal 2000. Net sales of FINACLE™ and other products represented 2.5% of total revenues for fiscal 2001 as compared to 2.6% for fiscal 2000. Revenues from services represented 97.5% of total revenues for fiscal 2001 as compared to 97.4% for fiscal 2000. Revenues from fixed-price, fixed-timeframe contracts and from time-and-material contracts represented 28.2% and 71.8% of total revenues for fiscal 2001, as compared to 31.5% and 68.5% for fiscal 2000. Revenues from North America and Europe represented 73.5% and 18.8% of total revenues for fiscal 2001, as compared to 78.0% and 14.8% for fiscal 2000.

Cost of revenues. Our cost of revenues was $213.6 million for fiscal 2001, representing an increase of 92.2% over cost of revenues of $111.1 million for fiscal 2000. Cost of revenues represented 51.6% and 54.6% of total revenues for fiscal 2001 and 2000. This decrease in our cost of revenues as a percentage of total revenues was attributable to a favorable business mix and a decrease in our depreciation and software expenses, which represented 7.6% and 7.9% of total revenues in fiscal 2001 and 2000, as well as a decrease in overseas short-term allowances which represented 26.0% and 26.4% of revenues in fiscal 2001 and 2000.

Gross profit. As a result of the foregoing, our gross profit was $200.2 million for fiscal 2001, representing an increase of 116.7% over gross profit of $92.4 million for fiscal 2000. As a percentage of total revenues, our gross profit increased to 48.4% for fiscal 2001 from 45.4% for fiscal 2000. This increase was attributable to a favorable business mix and a decrease in our depreciation and software expenses as a percentage of total revenue due to improved infrastructure utilization and a decrease in overseas short-term allowances.

Sales and marketing expenses. We incurred sales and marketing expenses amounting to $20.7 million in fiscal 2001, representing an increase of 115.6% over sales and marketing expenses of $9.6 million in fiscal 2000. As a percentage of total revenues, our sales and marketing expenses increased to 5.0% for fiscal 2001 from 4.7% for fiscal 2000. The number of our sales offices increased to 25 as of March 31, 2001 from 20 as of March 31, 2000. The increase in sales and marketing expenses as a percentage of revenues was due to additional sales offices opened during the year and also due to an increase in the number of our marketing personnel, which increased to 105 in fiscal 2001 from 62 in fiscal 2000.

General and administrative expenses. Our general and administrative expenses were $36.9 million in fiscal 2001, representing an increase of 115.8% over general and administrative expenses of $17.1 million in fiscal 2000. General and administrative expenses were 8.9% and 8.4% of total revenues for fiscal 2001 and 2000. This marginal increase in general and administrative expense as a percentage of revenues was a result of increases in our management, finance, administrative, and occupancy costs in fiscal 2001, due to an increase in the scale of operations.

Amortization of deferred stock compensation expense. Amortization of deferred stock compensation expense was $5.1 million in both fiscal 2001 and 2000.

Operating income. Our operating income was $137.5 million for fiscal 2001, representing an increase of 127.3% over operating income of $60.5 million for fiscal 2000. As a percentage of revenues, operating income increased to 33.2% for fiscal 2001 from 29.7% for fiscal 2000. Excluding the amortization of deferred stock compensation expense, the operating margin was 34.5% for fiscal 2001 as compared to 32.3% for fiscal 2000.

Other income. Other income was $9.5 million for fiscal 2001 as compared to $9.0 million for fiscal 2000. This increase in other income was due to an increase in interest income of $2.8 million resulting from the investment of a larger cash balance and $1.5 million due to increase in exchange differences on translation of foreign currency deposits. This increase was offset by a $3.5 million decrease in other income attributable to a provision for investments in EC Cubed Inc. and Alpha Thinx Mobile Services AG, two companies we made strategic investments in, and a $0.4 million decrease in income from the sale of special import licences.

Provision for income taxes. Our provision for income taxes was $15.1 million for fiscal 2001 as compared to $8.2 million for fiscal 2000. Our effective tax rate decreased to 10.3% for fiscal 2001 as compared to 11.8% for fiscal 2000. The reduction in our effective tax rate in fiscal 2001 was due to a decrease in the Indian tax liability resulting from a higher proportion of our operations qualifying for Indian tax exemptions applicable to designated Software Technology Parks.

Net income. Our net income was $131.9 million for fiscal 2001, representing an increase of 115.2% over the net income of $61.3 million for fiscal 2000. As a percentage of total revenues, our net income increased to 31.9% for fiscal 2001 from 30.1% for fiscal 2000.

Liquidity and capital resources

Our growth has been financed largely by cash generated from operations and, to a lesser extent, from the proceeds of equity issues and borrowings. In 1993, we raised approximately $4.4 million in gross aggregate proceeds from our initial public offering of equity shares on Indian stock exchanges. In 1994, we raised an additional $7.7 million through private placements of our equity shares with foreign institutional investors, mutual funds, Indian domestic financial institutions and corporations. On March 11, 1999 we raised $70.4 million in gross aggregate proceeds from our initial U.S. public offering of ADSs on the NASDAQ.

As of March 31, 2002, we had $210.5 million in cash and cash equivalents, $270.4 million in working capital and no outstanding bank borrowings. We believe that a sustained cut in IT spending, the longer decision time that may be taken by our customers, and the continued downturn in any of the various industry segments that we operate in, will result in the decline of our revenue growth and affect our liquidity and cash resources.

Net cash provided by operating activities was $191.5 million, $136.7 million and $70.2 million in fiscal 2002, 2001 and 2000. Net cash provided by operations consisted primarily of net income offset, in part, by an increase in accounts receivable. Accounts receivable as a percentage of total revenue represented 12.7%, 15.7% and 15.4% for fiscal 2002, 2001 and 2000.

Prepaid expenses and other current assets increased by $2.0 million, $2.6 million and $2.5 million during fiscal 2002, 2001 and 2000. The increase in fiscal 2002 was primarily due to an increase in unbilled revenues of $3.1 million and other current assets of $0.6 million, offset by a decrease in prepaid expenses of $1.3 million and rent deposits of $0.4 million. The increases in fiscal 2001 and 2000 were primarily due to increases in rental deposits for new software development centers and prepaid expenses. Income tax payable increased by $0.9 million in fiscal 2002 primarily due to higher tax provisions made during the year.

Unearned revenue as of March 31, 2002 and 2001 consists primarily of advance client billings on fixed-price, fixed-timeframe contracts for which related costs were not yet incurred. The proportion of fixed-price, fixed-timeframe contracts under which we were entitled to bill clients in advance decreased as of March 31, 2002 over the previous year.

Net cash used in investing activities was $75.8 million, $112.0 million and $46.9 million in fiscal 2002, 2001 and 2000. Net cash used in investing activities in fiscal 2002 consisted primarily of $68.3 million for property, plant and equipment, $5.5 million for loans to employees $2.2 million for the purchase of investments. Net cash used in investing activities in fiscal 2001 consisted primarily of $101.2 million for property, plant and equipment, $4.9 million for loans to employees and $5.9 million for the purchase of investments. Net cash used in investing activities in fiscal 2000 primarily consisted of $36.9 million for property, plant and equipment, $7.0 million for loans to employees and $3.0 million for the purchase of investments. As of March 31, 2002, we had $20.8 million in loans outstanding to employees, of which $0.5 million was loans receivable from our executive officers in amounts less than $60,000 per person.

Publicly-traded Indian companies customarily pay dividends. For fiscal 2002, we declared and paid a dividend of $11.5 million. Our board of directors also declared a dividend of $17.0 million at their meeting held on April 10, 2002, which is subject to the approval of the stockholders in the Annual General Meeting scheduled on June 08, 2002. For fiscal 2001, we declared a dividend of $15.6 million, which was paid partly in fiscal 2001 and partly in fiscal 2002. For fiscal 2000, we declared a dividend of $7.1 million, which was paid partly in fiscal 2000 and partly in fiscal 2001.

We expect that our primary financing requirements in the future will be capital expenditure and working capital requirements in connection with our growing business. We continue to invest substantial amounts of our cash assets in the construction of new facilities in India and worldwide. As of March 31, 2002, we had contractual commitments of $13.0 million for capital expenditure, and have budgeted for significant infrastructure expansion in the near future. We believe that cash generated from operations will be sufficient to satisfy our currently foreseeable working capital and capital expenditure requirements. However, our liquidity and capital requirements are affected by many factors, some of which are based on the normal ongoing operations of our business and some of which arise from uncertainties related to global economies and the sectors that we target for our services. In the future, we may require or choose to obtain additional debt or equity financing. We cannot be certain that additional financing, if needed, will be available on favorable terms. We routinely review potential acquisitions; however, currently we have no agreements to enter into any material acquisition.

Reconciliation between Indian and U.S. GAAP

There are material differences between the financial statements prepared according to Indian and U.S. GAAP. The material differences are primarily attributable to U.S. GAAP requirements for the:

- accounting for deferred taxes;
- accounting for stock based compensation; and
- non-recognition of unrealized gains on transfers of intellectual property rights.

Indian GAAP does not require the amortization of deferred stock compensation and permits the recognition of unrealized gains on transfers of intellectual property rights.

Generally, Indian GAAP did not require the provision for deferred taxes prior to fiscal 2002. However, certain transactions in fiscal 2002 did require us to provide for deferred taxes under U.S. GAAP with no corresponding requirement under Indian GAAP. The table provided below provides a reconciliation of our net income.

Reconciliation of net income

	2002	2001	2000
Net income (Indian GAAP)	$169,102,534	$136,837,806	$67,775,087
Adjustments:			
Deferred tax	373,547	769,304	850,891
Provision for retirement benefits to employees	–	741,000	(741,000)
Employee stock-based compensation plan charge under APB Opinion no. 25	(5,009,772)	(5,081,795)	(5,117,635)
Provision for contingency / e-inventing the company (net)	–	(87,387)	(1,422,815)
Transfer of intellectual property rights (net of tax)	–	(1,230,824)	–
Net income (U.S. GAAP)	$164,466,309	$131,948,104	$61,344,528

Income taxes

Our net income earned from providing services in client premises outside India is subject to tax in the country where we perform the work. Most of our tax paid in countries other than India can be applied as a credit against our Indian tax liability to the extent that the same income is subject to tax in India.

Currently, we benefit from the tax holidays the Government of India gives to the export of information technology services from specially designated "Software Technology Parks" in India. As a result of these incentives, our operations have been subject to relatively insignificant tax liabilities. These tax incentives include a 10-year tax holiday from payment of Indian corporate income taxes for the operation of our Indian facilities, all but one of which are "Export Oriented Undertakings" or located in "Software Technology Parks" or "Export Processing Zones"; and an income tax deduction of 100% for profits derived from exporting information technology services. We can use either of these two tax incentives. As a result of these two tax exemptions, a substantial portion of our pre-tax income has not been subject to significant tax in recent years. For the years ended March 31, 2002, 2001 and 2000, without accounting for double taxation treaty set-offs, our tax benefits were $67.3 million, $57.3 million and $24.0 million, from such tax incentives.

The Finance Act, 2000 phases out the 10-year tax holiday over a ten-year period from fiscal 2000 through fiscal 2009. Accordingly, facilities set up in India on or before March 31, 2000 have a 10-year tax holiday, new facilities set up on or before March 31, 2001 have a 9-year tax holiday and so forth until March 31, 2009, after which the tax holiday will no longer be available to new facilities. Our current tax holidays expire in stages by 2009. Additionally, the Finance Bill, 2002 had proposed that ten percent of all income derived from services located in "Software Technology Parks" be subject to income tax for a one-year period ending March 31, 2003.

The Finance Act, 2000 also restricts the scope of the tax exemption to export income earned by software development centers that are "Export Oriented Undertakings" or located in "Software Technology Parks" or "Export Processing Zones" as compared to the earlier exemption which was available to business profits earned by them. For companies opting for the 100% tax deduction for profits derived from exporting information technology services, the Finance Act, 2000 phases out the income tax deduction over the next five years beginning on April 1, 2000.

Quantitative and qualitative disclosures about market risk

General

Market risk is the loss of future earnings, to fair values or to future cash flows that may result from a change in the price of a financial instrument. The value of a financial instrument may change as a result of changes in the interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes that affect market risk sensitive instruments. Market risk is attributable to all market risk sensitive financial instruments including foreign currency receivables and payables.

Our exposure to market risk is a function of our borrowing activities and revenue generating activities in foreign currency. The objective of market risk management is to avoid excessive exposure of our earnings and equity to loss. Most of our exposure to market arises out of our foreign currency account receivables.

Risk management procedures

Management is responsible for our internal controls and financial reporting process. The independent auditors are responsible for performing an independent audit of our financial statements in accordance with the generally accepted auditing standards, and for issuing a report thereon. Our audit committee's responsibility is to monitor these processes. The audit committee is also responsible for overseeing the processes related to financial reporting and information dissemination, in order to ensure that the financial statements are fair, sufficient and credible. In addition, the audit committee recommends to the board of directors, the appointment of our internal and statutory auditors.

Components of market risk

Our exposure to market risk arises principally from exchange rate risk.

Exchange rate risk: Even though our functional currency is the Indian rupee, we transact a major portion of our business in foreign currencies, particularly the U.S. dollar. Our exchange rate risk primarily arises from our foreign currency revenues, receivables and payables. Although we constantly evaluate our net exchange rate exposure arising from these transactions, we do not actively hedge against such exposure. We may, in the future, adopt more active hedging policies, and have done so in the past. As a result, changes in exchange rates may adversely affect our operating results. As of March 31, 2002 and 2001, we had outstanding foreign exchange forward contracts in the aggregate amounts of $2.0 million and $20.0 million. These contracts typically mature within three months, must be settled on the day of maturity, and may be canceled subject to the payment of any gains or losses in the difference between the contract exchange rate and the market rate on the date of cancellation.

Principles of currency translation

The exchange rate between the rupee and the dollar has changed substantially in recent years and may fluctuate substantially in the future. During the four year period from March 31, 1998 through March 31, 2002, the value of the rupee against the dollar declined by approximately 23.5%. For fiscal 2002, 2001, and 2000, our U.S. dollar denominated revenues represented 87.7%, 89.6% and 88.3% of our total revenues. We expect that a majority of our total revenues will continue to be generated in dollars and that a significant portion of our expenses, including personnel costs as well as capital expenditures, will continue to be incurred in rupees. Consequently, our operating results may be adversely affected to the extent the rupee appreciates against the dollar.

Our revenues generated in foreign currencies are translated into rupees at the exchange rate prevailing on the dates we recognized these revenues. The expenses of our overseas operations incurred in foreign currencies are translated in rupees at either the monthly average exchange rate or the exchange rate on the date the expense is incurred, depending on the source of the payment for such expense. Assets and liabilities of our foreign branches held in foreign currency are translated into rupees at the end of the applicable reporting period. For U.S. GAAP reporting, our financial statements are translated into dollars using the average monthly exchange rate for revenues and expenses and the period end rate for assets and liabilities. The gains or losses from such translation are reported as *"Other comprehensive income"*, a separate component of stockholders' equity. We expect that a majority of our total revenues will continue to be generated in dollars and that significant portion of our expenses, including personnel costs as well as capital expenditures, will continue to be incurred in rupees. Consequently, our operating results may be adversely affected to the extent the rupee appreciates against the dollar.

Accounting pronouncements

In June 2001, the Financial Accounting Standards Board, or FASB, issued SFAS 141, Business Combinations and SFAS 142, Goodwill and Other Intangible Assets. SFAS 141 requires that all business combinations be accounted for under a single method known as the purchase method. The pooling-of-interests method has been abolished and may not be used for business combinations initiated after June 30, 2001. SFAS 142 requires that goodwill no longer be amortized to earnings, but instead be reviewed for impairment; and is effective for fiscal years beginning after December 15, 2001, with earlier application of the rule permitted for entities with fiscal years beginning after March 31, 2001.

In August 2001, the FASB issued SFAS 143, Accounting for Asset Retirement Obligations. SFAS 143 requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity capitalizes a cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss upon settlement. The standard is effective for fiscal years beginning after June 15, 2002, with earlier application encouraged.

In August 2001, the FASB also issued SFAS 144, Accounting for the Impairment or Disposal of Long-Lived Assets. SFAS 144 requires that those long-lived assets be measured at the lower of the carrying amount or fair value less the cost to sell, whether reported in continuing operations or in discontinued operations. Under this standard, discontinued operations will no longer be measured at net realizable value or include amounts for operating losses that have not yet occurred. The provisions of SFAS 144 are effective for financial statements issued for fiscal years beginning after December 15, 2001 and, generally, are to be applied prospectively. Early application is encouraged.

Currently, both SFAS 141 and 142 do not apply to our operations. SFAS 143 and 144 may not have a material impact on our operations.

Critical accounting policies

High-quality financial statements require rigorous application of high-quality accounting policies. We consider the policies discussed below to be critical to an understanding of our financial statements as their application places the most significant demands on management's judgment, with financial reporting results relying on estimation about the effect of matters that are inherently uncertain. Specific risks for these critical accounting policies are described in the following paragraphs. For all of these policies, future events rarely develop exactly as forecast, and the best estimates routinely require adjustment.

We prepare financial statements in conformity with U.S. GAAP which requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the financial reporting period. We primarily make estimates of contracts costs expected to be incurred to complete development of software, allowances for doubtful accounts receivable, our future obligations under employee retirement and benefit plans, useful lives of property, plant and equipment, and contingencies and litigation.

We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from those estimates. Certain of our accounting policies require higher degrees of judgment than others in their application. These include revenue recognition as well as accounting for income taxes. Our accounting policy and related procedures for revenue recognition on such contracts and on income taxes are set out below.

Revenue recognition

We derive our revenues primarily from software services and licensing of software products. We make and use significant management judgments and estimates in connection with the revenue that we recognize in any accounting period. Material differences may result in the amount and timing of our revenue for any period, if we made different judgments or utilized different estimates.

We enter into contracts for software services with clients either on a time-and-material basis or on a fixed-price, fixed-timeframe basis. Such contracts require us to deliver software that involves significant production, modification or customization. We therefore apply the provisions of Statement of Position ("SOP") 97-2, *"Software Revenue Recognition,"* as amended, read together with certain provisions of SOP 81-1, *"Accounting for Performance of Construction-Type and Certain Production-Type Contracts,"* and Accounting Research Bulletin 45, *"Long-Term Construction-Type Contracts and Certain Production-Type Contracts,"* in recognizing revenue arising from such contracts for software services. For contracts that are entered into on a time-and-material basis, we recognize revenue as the related costs of providing the underlying software services are incurred. For contracts that are entered into on a fixed-price, fixed-timeframe basis, we recognize revenue under the percentage-of-completion method. This is because we believe that estimates of costs to complete and extent of progress toward completion of such contracts are reasonably dependable. We estimate the percentage-of-completion based on the ratio of efforts performed to date to estimated total efforts at completion.

Clients with whom we have entered into contracts for software services on a fixed-price, fixed-timeframe basis are provided with a fixed-period warranty for corrections of errors and telephone support. We accrue for costs associated with such support services at the time related revenues are recorded based on our historical experience.

We also earn fees from clients for the license of software products. We apply the provisions of SOP 97-2, *"Software Revenue Recognition,"* as amended by SOP 98-9, *"Modification of SOP 97-2, Software Revenue Recognition, With Respect to Certain Transactions"* to all transactions involving the sale of software products. In accordance with SOP 97-2, we recognize license fee revenues when persuasive evidence of an arrangement exists, delivery has occurred, the license fee is fixed and determinable, and the collection of the fee is probable. At the time of the transaction, we assess whether the fee associated with our revenue transactions is fixed and determinable and whether or not collection is reasonably assured. We assess whether the fee is fixed and determinable based on the payment terms associated with the transaction. We assess collection based on a number of factors, including the credit-worthiness of the client. We also provide other services in conjunction with such licensing arrangements. In such cases, we allocate the total revenue from such contracts to each component of the contract using the residual method. Under this method, we defer revenue for the undelivered services and recognize only the residual amounts as revenue for delivered elements.

We recognize revenue for maintenance services ratably over the term of the underlying maintenance agreement, generally 12 months. We earn revenues from client training, support, and other services related to the license of software products, which is generally recognized as these services are performed. In certain instances, we receive advances for software development services and products. We report such amounts as client deposits until all conditions for revenue recognition are met.

Income taxes

As part of our financial reporting process, we are required to estimate our liability to income taxes in each of the tax jurisdictions in which we operate. This process requires us to estimate our actual current tax exposure together with an assessment of temporary differences resulting from differing treatment of items, such as depreciation on property, plant and equipment, for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within our balance sheet.

We face challenges from domestic and foreign tax authorities regarding the amount of current taxes due. These challenges include questions regarding the timing and amount of deductions and the allocation of income among various tax jurisdictions. Based on our evaluation of our tax position, we believe we have adequately accrued for probable exposures. To the extent we are able to prevail in matters for which accruals have been established or are required to pay amounts in excess of our reserves, our effective tax rate in a given financial statement period may be materially impacted.

Our deferred tax assets comprise assets arising from basis differences in depreciation on property, plant and equipment, investments for which the ultimate realization of the tax asset may be dependent on the availability of future capital gains, and provisions for doubtful accounts receivable. We assess the likelihood that our deferred tax assets will be recovered from future taxable income. This assessment takes into consideration tax planning strategies, including levels of historical taxable income and assumptions regarding the availability and character of future taxable income over the periods in which the deferred tax assets are deductible. We believe it is more likely than not that we will realize the benefits of those deductible differences, net of the existing valuation differences at March 31, 2002. The ultimate amount of deferred tax assets realized may be materially different from those recorded, as influenced by potential changes in income-tax laws in the tax jurisdictions where we operate.

To the extent we believe that realization of a deferred tax asset is not likely, we establish a valuation allowance or increase this allowance in an accounting period and include an expense within the tax provision in our statements of income. As of March 31, 2002, 2001 and 2002, we recorded valuation allowances of \$0.7 million, \$1.6 million and \$0.1 million due to uncertainties related to our ability to utilize some of our deferred tax assets comprising provisions for doubtful accounts receivable. In the event that actual results differ from these estimates of valuation allowance or if we adjust these estimates in future periods, we may need to establish an additional valuation allowance, which could materially impact our financial position and results of operations.

Risk factors

Risks related to our company

Any inability to manage our rapid growth could disrupt our business and reduce our profitability.

We have experienced significant growth in recent periods. Our revenues increased 31.7% in fiscal 2002 as compared to fiscal 2001, and increased 103.4% in fiscal 2001 as compared to fiscal 2000. As of March 31, 2002, we employed approximately 9,400 IT professionals worldwide as compared to 8,660 and 4,625 IT professionals as of March 31, 2001 and 2000. In the last four fiscal years we have approved and undertaken major expansions of our existing facilities as well as the construction of new facilities.

We expect our growth to place significant demands on our management and other resources. It will require us to continue to develop and improve our operational, financial and other internal controls, both in India and elsewhere. In particular, continued growth increases the challenges involved in:

- recruiting and retaining sufficient skilled technical, marketing and management personnel;
- providing adequate training and supervision to maintain our high quality standards; and
- preserving our culture and values and our entrepreneurial environment.

Inability to manage our growth effectively could adversely affect our business and reduce our profitability.

Our revenues are difficult to predict and can vary significantly from quarter to quarter which could cause our share price to decline significantly.

Our revenues have historically fluctuated and may fluctuate significantly in the future depending on a number of factors, including:

- the size, timing and profitability of significant projects;
- the proportion of services that we perform at client sites rather than at our offshore facilities;
- the accuracy of our estimates of the resources required to complete ongoing projects, particularly projects performed under fixed-price, fixed-timeframe contracts;
- a change in the mix of services provided to our clients, or in the relative proportion of services and product revenues;
- the effect of seasonal hiring patterns and the time required to train and productively utilize new employees;
- the size and timing of facilities expansion; and
- unanticipated variations in the duration, size and scope of our projects.

The majority of our total operating expenses, particularly of personnel and facilities, are fixed in advance of any particular quarter. As a result, unanticipated variations in the number and timing of our projects or employee utilization rates may cause significant variations in our operating results in any particular quarter.

There are also a number of factors other than our performance and not within our control that could cause fluctuations in our operating results from quarter to quarter. These include:

- the timing of tax holidays and other Government of India incentives;
- currency exchange rate fluctuations; and
- other general economic factors.

We believe that period-to-period comparisons of our results of operations are not necessarily meaningful and should not be relied upon as indication of our future performance. Thus, it is possible that in the future some of our quarterly results of operations may be below the expectations of market analysts and our investors, and the share price of our equity shares and our ADSs could decline significantly.

Our customers may defer or terminate projects before completion or choose not to renew contracts, most of which are terminable at will, which could adversely affect our profitability.

Our contracts with customers do not commit our customers to provide us with a specific volume of business and can typically be terminated by our clients with or without cause, with little or no advance notice and without penalty, which could reduce our revenues significantly. Additionally, our contracts with clients typically are limited to a specific project without any commitment of future work. There are also a number of factors other than our performance and not within our control that could cause the loss of a client, including:

- financial difficulties for a client;
- a demand for price reductions;
- a change in outsourcing strategy by moving more work in-house; and
- the replacement of existing software with packaged software supported by licensors.

Any of these factors could reduce our profitability.

A significant portion of our revenues is earned from the United States and derived from clients in only a few industry segments. This increases the likelihood that the slowdown in IT spending in the United States will affect our profitability.

We have historically earned a significant portion of our revenues from the United States. In fiscal 2002 and 2001, approximately 71.2% and 73.5% of our revenues were from the United States. In addition, we derive a significant proportion of our revenues from certain industry segments. In fiscal 2002 and 2001, we earned 36.6% and 33.7% of our revenues from the financial services segment, and 12.3% and 9.1% from the retail segment. During an economic slowdown, our clients in the United States may reduce or postpone their IT spending significantly, which may in turn, lower the demand for our services and affect our profitability. Additionally, any significant decrease in the growth of the financial services or retail industry segments may reduce the demand for our services and affect our profitability significantly.

Currency exchange rate fluctuations may affect the value of the ADSs

Market risks relating to our operations result primarily from changes in interest rates and changes in foreign exchange rates. Our functional currency is the Indian rupee although we transact a major portion of our business in foreign currencies and accordingly face foreign currency exposure through our sales in the United States and purchases from overseas suppliers in dollars. In our U.S. operations, we do not actively hedge against exchange rate fluctuations, although we may elect to do so in the future. Accordingly, changes in exchange rates may have a material adverse effect on our net sales, cost of services sold, gross margin and net income, any of which alone or in the aggregate may in turn have a material adverse effect on our business, operating results and financial condition. The exchange rate between the rupee and the dollar has changed substantially in recent years and may fluctuate substantially in the future. During the four-year period from March 31, 1998 through March 31, 2002, the value of the rupee against the dollar declined by approximately 29.5%. For fiscal 2002, 2001 and 2000, our dollar-denominated revenues represented 87.7%, 89.5% and 88.3%, respectively, of our total revenues. We expect that a majority of our revenues will continue to be generated in dollars for the foreseeable future and that a significant portion of our expenses, including personnel costs as well as capital and operating expenditures, will continue to be denominated in Indian rupees. Consequently, the results of our operations will be adversely affected to the extent the rupee appreciates against the dollar. We have sought to reduce the effect of exchange rate fluctuations on our operating results by purchasing foreign exchange forward contracts to cover a portion of outstanding accounts receivable on a need basis. As of March 31, 2002, we had outstanding forward contracts in the amount of $2.0 million. These contracts typically mature within three months, must be settled on the day of maturity and may be cancelled subject to the payment of any gains or losses in the difference between the contract exchange rate and the market exchange rate on the date of cancellation. We use these instruments only as a hedging mechanism and not for speculative purposes. We cannot assure you that we will purchase contracts adequate to insulate ourselves from foreign exchange currency risks or that any such contracts will perform adequately as a hedging mechanism. Devaluation of the Indian rupee will result in foreign currency translation losses. For example, for fiscal 2002 and 2001, our foreign currency translation losses were approximately $16.7 million and $14.5 million.

Fluctuations in the exchange rate between the rupee and the dollar will also affect the dollar conversion by the Depositary of any cash dividends paid in rupees on the equity shares represented by the ADSs. In addition, fluctuations in the exchange rate between the rupee and the dollar will affect the dollar equivalent of the rupee price of equity shares on the Indian Stock Exchanges and, as a result, are likely to affect the prices of our ADSs in the United States. Such fluctuations will also affect the dollar value of the proceeds a holder would receive upon the sale in India of any equity shares withdrawn from the Depositary under the Depositary Agreement. We cannot assure you that holders will be able to convert rupee proceeds into dollars or any other currency or with respect to the rate at which any such conversion could occur.

We are investing substantial cash assets in new facilities.

As of March 31, 2002, we had contractual commitments of $13.0 million for capital expenditure and have budgeted for significant infrastructure expansion in the near future. Although we have successfully developed new facilities in the past, we may still encounter cost overruns or project delays in connection with the new facilities. Additionally, future financing for additional facilities, whether within India or elsewhere, may not be available on attractive terms or at all. Such an expansion will significantly increase our fixed costs. Therefore, if we are unable to grow our business proportionately, our profitability will be reduced.

Restrictions on immigration may affect our ability to compete for and provide services to clients in the United States, which could hamper our growth and cause our revenues to decline.

If U.S. immigration laws change and make it more difficult for us to obtain H-1B and L-1 visas for our employees, our ability to compete for and provide services to clients in the United States could be impaired. This in turn could hamper our growth and cause our revenues to decline. Our employees who work onsite at client facilities or at our facilities in the United States on temporary and extended assignments typically must obtain visas. As of March 31, 2002, the majority of our personnel in the United States held H-1B visas (1,582 persons) or L-1 visas (445 persons). An H-1B visa is a temporary work visa, which allows the employee to remain in the U.S. while he or she remains an employee of the sponsoring firm, and the L-1 visa is an intra-company transfer visa, which only allows the employee to remain in the United States temporarily. Although there is no limit to new L-1 petitions, there is a limit to the aggregate number of new H-1B petitions that the U.S. Immigration and Naturalization Service ("USINS") may approve in any government fiscal year. We may not be able to obtain the H-1B visas necessary to bring critical Indian professionals to the United States on an extended basis during the years in which this limit is reached. This limit was reached in March 2000 for the U.S. Government's fiscal year ended September 30, 2000. While we anticipated that this limit would be reached before the end of the U.S. Government's fiscal year, and made efforts to plan accordingly, we cannot assure you that we will continue to be able to obtain a sufficient number of H-1B visas. In response to the recent terrorist attacks in the United States, the USINS has increased the level of scrutiny in granting visas. As a result, we may not be able to obtain a sufficient number of H-1B visas for our employees.

Our international operations subject us to risks inherent in doing business on an international level. This could harm our operating results.

While to date most of our software development facilities are located in India and in the United States, we intend to establish new development facilities, potentially in Southeast Asia and Europe. We have not yet made substantial contractual commitments to establish any new facilities and we cannot assure you that we will not significantly alter or reduce our proposed expansion plans. Because of our limited experience with facilities outside of India, we are subject to additional risks including, among other things, difficulties in regulating our business globally, export requirements and restrictions, and multiple and possibly overlapping tax structures. Any of these events could harm our future performance.

Our success depends in large part upon our management team and other highly skilled professionals. If we fail to retain and attract these personnel, our business may be unable to grow and our revenues could decline, which may decrease the value of our shareholders' investment.

We are highly dependent on the senior members of our management team, including the continued efforts of our Chairman, our CEO, our COO, other executive members of the board and the management council members. Our ability to execute project engagements and to obtain new clients depends in large part on our ability to attract, train, motivate and retain highly skilled professionals, especially project managers, software engineers and other senior technical personnel. If we cannot hire and retain additional qualified personnel, our ability to bid on and obtain new projects, and to continue to expand our business will be impaired and our revenues could decline. We believe that there is significant competition for professionals with the skills necessary to perform the services we offer. We may not be able to hire and retain enough skilled and experienced employees to replace those who leave. Additionally, we may not be able to redeploy and retrain our employees to keep pace with continuing changes in technology, evolving standards and changing client preferences.

Our revenues are highly dependent upon a small number of clients.

We have historically earned, and believe that in the future too will continue to derive, a significant portion of our revenues from a limited number of corporate clients. In fiscal 2002 and fiscal 2001, our largest client accounted for 6.1% and 7.3%, of our total revenues, and our five largest clients accounted for 24.1% and 26.0% of our total revenues. The volume of work we perform for specific clients is likely to vary from year to year, particularly since we are usually not the exclusive outside software service provider for our clients. Thus, a major client in one year may not provide the same level of revenues in a subsequent year. There are a number of factors other than our performance that could cause the loss of a client and that may not be predictable. For example, in 1995, we chose to reduce significantly the services provided to our then-largest client rather than accept the price reductions and increased resources sought by the client. In other circumstances, we reduced significantly the services provided to a client when the client either changed its outsourcing strategy by moving more work in-house and reducing the number of its vendors, or replaced its existing software with packaged software supported by the licensor. As a result, if we were to lose one of our major clients or have it significantly reduce its volume of business with us, our profitability could be reduced.

Our costs could increase if the Government of India reduces or withholds tax benefits and other incentives it provides to us.

Currently, we benefit from certain tax incentives under Indian tax laws. As a result of these incentives, our operations have been subject to relatively insignificant Indian tax liabilities. These tax incentives include a 10-year tax holiday from payment of Indian corporate income taxes for the operation of our Indian facilities, all but one of which are "Export Oriented Undertakings" or located in "Software Technology Parks" or "Export Processing Zones"; and an income tax deduction of 100% for profits derived from exporting information technology services. As a result, a substantial portion of our pre-tax income has not been subject to significant tax in recent years. For the years ended March 31, 2002, 2001 and 2000, without accounting for double taxation treaty set-offs, our tax benefits were $67.3 million, $57.3 million and $24.0 million from such tax incentives. We are currently also eligible for exemptions from other taxes, including customs duties. The Finance Act, 2000 phases out the 10-year tax holiday over a ten-year period from fiscal 1999-2000 through fiscal 2008-2009. Our current tax holidays expire in stages by 2009. Additionally, the Finance Bill, 2002 has proposed that ten percent of all income derived from services located in "Software Technology Parks" be subject to income tax for the one-year period ending March 31, 2003. For companies opting for the 100% tax deduction for profits derived from exporting information technology services, the Finance Act, 2000 phases out the income tax deduction over the next five years beginning on April 1, 2000. When our tax holiday and income tax deduction exemptions expire or terminate, our costs will increase. Additionally, the Government of India could enact similar laws in the future, which could further impair our other tax incentives.

Our failure to complete fixed-price, fixed-timeframe contracts on budget and on time may negatively affect our profitability, which could decrease the value of our shareholders' investment.

As a core element of our business strategy, we offer a portion of our services on a fixed-price, fixed-timeframe basis, rather than on a time-and-material basis. Although we use specified software engineering processes and our past project experience to reduce the risks associated with estimating, planning and performing fixed-price, fixed-timeframe projects, we bear the risk of cost overruns, completion delays and wage inflation in connection with these projects. If we fail to accurately estimate the resources and time required for a project, future wage inflation rate and currency exchange rates, or if we fail to complete our contractual obligations within the contracted timeframe, our profitability may suffer.

Disruptions in telecommunications could harm our service model, which could result in a reduction of our revenues.

A significant element of our business strategy is to continue to leverage and expand our software development centers in Bangalore, Bhubaneshwar, Chennai, Hyderabad, Mangalore, Mohali, Mysore and Pune, all in India, as well as overseas. We believe that the use of a strategically located network of software development centers will provide us with cost advantages, the ability to attract highly skilled personnel in various regions of the country and the world, the ability to service clients on a regional and global basis, and the ability to provide services to our clients 24 hours a day, seven days a week. Part of our service model is to maintain active voice and data communications between our main offices in Bangalore, our clients' offices, and our other software development and support facilities. Although we maintain redundant facilities and satellite communications links, any significant loss in our ability to transmit voice and data through satellite and telephone communications would result in a reduction of our revenues.

Intense competition in the market for IT services could affect our cost advantages, which could decrease our revenues.

The market for IT services is highly competitive. Our competitors include software companies, IT companies, large international accounting firms and their consulting affiliates, systems consulting and integration firms, other technology companies and client in-house information services departments, both international and domestic. Many of our competitors have significantly greater financial, technical and marketing resources and generate greater revenue than we do. We cannot be reasonably certain that we will be able to compete successfully against such competitors, or that we will not lose clients to such competitors. Additionally, we believe that our ability to compete also depends in part on factors outside our control, such as our ability to attract, motivate and retain skilled employees, the price at which our competitors offer comparable services, and the extent of our competitors' responsiveness to their clients' needs.

Wages in India have historically been lower than wages in the United States and Europe, which has been one of our competitive advantages. Wage increases in India may prevent us from sustaining this competitive advantage and may reduce our profit margins.

Wage costs in India have historically been significantly lower than wage costs in the United States and Europe for comparably skilled professionals, which has been one of our competitive advantages. However, wage increases in India may prevent us from sustaining this competitive advantage and may negatively affect our profit margins. We may need to increase the levels of our employee compensation more rapidly than in the past to remain competitive. Additionally, recent and future changes in the immigration laws of the countries where our employees are working on-site at client facilities on short-term assignments may require us to compensate such employees at a minimum wage level that is higher than our current India-based wage rates. Unless we are able to continue to increase the efficiency and productivity of our employees, wage increases in the long term may reduce our profit margins.

We may be liable to our clients for damages caused by system failures, which could damage our reputation and cause us to lose customers.

Many of our contracts involve projects that are critical to the operations of our clients' businesses, and provide benefits which may be difficult to quantify. Any failure in a client's system could result in a claim for substantial damages against us, regardless of our responsibility for such failure. Although we attempt to limit our contractual liability for damages resulting from negligent acts, errors, mistakes or omissions, in rendering our services, we cannot be assured that the limitations on liability we provide for in our service contracts will be enforceable in all cases, or that it will otherwise protect us from liability for damages. Although we maintain general liability insurance coverage, including coverage for errors or omissions, we cannot be assured that such coverage will continue to be available on reasonable terms or will be available in sufficient amounts to cover one or more large claims, or that the insurer will not disclaim coverage as to any future claim. A successful assertion of one or more large claims against us that exceeds our available insurance coverage or changes in our insurance policies, including premium increases or the imposition of a large deductible or co-insurance requirement, could reduce our operating results.

We may engage in future acquisitions, investments, strategic partnerships or other ventures that may harm our performance, dilute the holdings of our shareholders and cause us to incur debt or assume contingent liabilities.

We may acquire or make investments in complementary businesses, technologies, services or products, or enter into strategic partnerships with parties who can provide access to those assets. We may not identify suitable acquisition, investment or strategic partnership candidates, or if we do identify suitable candidates, we may not complete those transactions on terms commercially acceptable to us or at all. If we acquire another company, we could have difficulty in assimilating that company's personnel, operations, technology and software. In addition, the key personnel of the acquired company may decide not to work for us. If we make other types of acquisitions, we could have difficulty in integrating the acquired products, services or technologies into our operations. These difficulties could disrupt our ongoing business, distract our management and employees and increase our expenses. As of the date of this report, we have no agreement to enter into any material investment or acquisition transaction.

If our strategic investments fail, the write-offs on such investments could affect our profitability.

We make strategic investments in new technology start-ups in order to gain experience in niche technologies. We had invested an aggregate amount of $2.2 million in strategic investments in fiscal 2002. However, we cannot assure you that our investments will be successful and we will benefit from such investments. The loss of any such investments could have a material adverse effect on our operating results. In fiscal 2001, we wrote off our investments in EC Cubed Inc. and Alpha Thinx Mobile Services AG.

We may be unable to recoup our investment costs to develop our software products.

In fiscal 2002 and 2001, we earned 4.0% and 2.5% of our total revenue from the sale of software products. The development of our software products requires significant investments. The markets for our primary software product are competitive and currently located in developing countries, and we cannot assure you that such a product will continue to be commercially successful. Also, we cannot assure you that any new products we develop will be commercially successful or that the costs of developing such new products will be recouped. Since software product revenues typically occur in periods subsequent to the periods in which the costs are incurred for development of such products, delayed revenues may cause periodic fluctuations of our operating results.

Our officers and directors can continue to control our board and may have interests which conflict with those of our other shareholders or holders of our ADSs.

Our officers and directors, together with members of their immediate families, in the aggregate, beneficially own approximately 24.9% of our issued equity shares. As a result, acting together, this group has the ability to exercise significant control over most matters requiring our shareholders' approval, including the election and removal of directors and significant corporate transactions. Additionally, our Articles provide that Mr. N. R. Narayana Murthy, our Chairman and one of our principal founders, shall serve as the Chairman of our board and shall not be subject to re-election as long as he and his relatives own at least 5% of our outstanding equity shares. This control could delay, defer or prevent a change in control of our company, impede a merger, consolidation, takeover or other business combination involving us, or discourage a potential acquiror from attempting to obtain control over us.

You may be restricted in your ability to exercise preemptive rights under Indian law and thereby suffer dilution of your ownership position.

Under the Indian Companies Act, 1956 or the "Indian Companies Act", a company incorporated in India must offer its holders of equity shares preemptive rights to subscribe and pay for a proportionate number of shares to maintain their existing ownership percentages prior to the issuance of any new equity shares, unless such preemptive rights have been waived by three-fourths of the shares voted on the resolution. U.S. holders of ADSs may be unable to exercise preemptive rights for equity shares underlying ADSs unless a registration statement under the Securities Act of 1933, as amended, or "Securities Act", is effective with respect to such rights or an exemption from the registration requirements of the Securities Act is available. Our decision to file a registration statement will depend on the costs and potential liabilities associated with any such registration statement as well as the perceived benefits of enabling the holders of ADSs to exercise their preemptive rights and any other factors we consider appropriate at the time. We may elect not to file a registration statement related to preemptive rights otherwise available by law to you. In the case of future issuances, the new securities may be issued to our depositary, which may sell the securities for your benefit. The value, if any, our depositary would receive upon the sale of such securities cannot be predicted. To the extent that you are unable to exercise preemptive rights granted in respect of the equity shares represented by your ADSs, your proportional interests in our company would be reduced.

Holders of ADSs may be restricted in their ability to exercise voting rights.

At our request, the depositary bank will mail to you any notice of shareholders' meeting received from us together with information explaining how to instruct the depositary bank to exercise the voting rights of the securities represented by ADSs. If the depositary bank receives voting instructions from you in time, it will endeavor to vote the securities represented by your ADSs in accordance with such voting instructions. However, the ability of the depositary bank to carry out voting instructions may be limited by practical and legal limitations and the terms of the securities on deposit. We cannot assure that you will receive voting materials in time to enable you to return voting instructions to the depositary bank in a timely manner. Securities for which no voting instructions have been received will not be voted.

Risks related to investments in Indian companies.

We are incorporated in India, and a substantial amount of our assets and our employees are located in India. Consequently, our financial performance and the market price of our ADSs will be affected by political, social and economic developments affecting India, Government of India policies, including taxation and foreign investment policies, government currency exchange control, as well as changes in exchange rates and interest rates.

Regional conflicts in South Asia could adversely affect the Indian economy, disrupt our operations and cause our business to suffer.

South Asia has from time to time experienced instances of civil unrest and hostilities among neighboring countries, including between India and Pakistan. In recent years there have been military confrontations between India and Pakistan that have occurred in the region of Kashmir. Events of this nature in the future could influence the Indian economy and could have a material adverse effect on the market for securities of Indian companies, including our ADSs, and on the market for our services.

Political instability or changes in the government in India could delay the liberalization of the Indian economy and adversely affect economic conditions in India generally, which could impact our financial results and prospects.

Since 1991, successive Indian governments have pursued policies of economic liberalization, including significantly relaxing restrictions on the private sector. Nevertheless, the role of the Indian central and state governments in the Indian economy as producers, consumers and regulators has remained significant. The Government of India has changed five times since 1996. The current Government of India, formed in October 1999, has announced policies and taken initiatives that support the continued economic liberalization policies that have been pursued by previous governments. We cannot assure you that these liberalization policies will continue in the future. The rate of economic liberalization could change, and specific laws and policies affecting technology companies, foreign investment, currency exchange and other matters affecting investment in our securities could change as well. A significant change in India's economic liberalization and deregulation policies could adversely affect business and economic conditions in India generally, and our business in particular.

Indian law limits our ability to raise capital outside India and may limit the ability of others to acquire us, which could prevent us from operating our business or entering into a transaction that is in the best interests of our shareholders.

Indian law relating to foreign exchange management constrains our ability to raise capital outside India through the issuance of equity or convertible debt securities. Generally, any foreign investment in, or an acquisition of, an Indian company requires approval from relevant government authorities in India including the Reserve Bank of India. However, the Government of India currently does not require prior approvals for IT companies, subject to certain exceptions. Under any such exception, if the Government of India does not approve the investment or implements a limit on the foreign equity ownership of IT companies, our ability to seek and obtain additional equity investment by foreign investors will be constrained. In addition, these restrictions, if applied to us, may prevent us from entering into a transaction, such as an acquisition by a non-Indian company, which would otherwise be beneficial for our company and the holders of our equity shares and ADSs.

Indian law imposes foreign investment restrictions that limit a holder's ability to convert equity shares into ADSs, which may cause our equity shares to trade at a discount or premium to the market price of our ADSs.

Recently, the Government of India has permitted two-way fungibility of ADSs, subject however to sectoral caps and certain conditions. Additionally, investors who exchange ADSs for the underlying equity shares and are not holders of record will be required to declare to us details of the holder of record, and the holder of record will be required to disclose the details of the beneficial owner. Any investor who fails to comply with this requirement may be liable for a fine of up to Indian Rs.1,000 for each day such failure continues. Such restrictions on foreign ownership of the underlying equity shares may cause our equity shares to trade at a discount or premium to the ADSs.

Except for limited circumstances, the Reserve Bank of India must approve the sale of equity shares underlying ADSs by a non-resident of India to a resident of India. Since currency exchange controls are in effect in India, the Reserve Bank of India will approve the price at which equity shares are transferred based on a specified formula, and a higher price per share may not be permitted. Additionally, except in certain limited circumstances, if an investor seeks to convert the rupee proceeds from a sale of equity shares in India into foreign currency and then repatriate that foreign currency from India, he or she will have to obtain an additional Reserve Bank of India approval for each transaction. We cannot assure our ADS holders that any required approval from the Reserve Bank of India or any other government agency can be obtained on any terms or at all.

Our ability to acquire companies organized outside India depends on the approval of the Government of India and/or the Reserve Bank of India. Our failure to obtain approval from the Government of India and/ or the Reserve Bank of India for acquisitions of companies organized outside India may restrict our international growth, which could negatively affect our revenues.

The Ministry of Finance of the Government of India and the Reserve Bank of India must approve our acquisition of any company organized outside of India. The Government of India has recently issued a policy statement permitting acquisitions of companies organized outside India with a transaction value:

- if in cash, effective April 28, 2001 up to 100% of the proceeds from an ADSs offering; and
- if in stock, the greater of $100 million or ten times the acquiring company's previous fiscal year's export earnings.

We cannot assure you that any required approval from the Reserve Bank of India and the Ministry of Finance or any other government agency can be obtained. Our failure to obtain approval from the Government of India for acquisitions of companies organized outside India may restrict our international growth, which could negatively affect our revenues.

The laws of India do not protect intellectual property rights to the same extent as those of the United States, and we may be unsuccessful in protecting our intellectual property rights. Unauthorized use of our intellectual property may result in development of technology, products or services which compete with our products.

Our intellectual property rights are important to our business. We rely on a combination of copyright and trademark laws, trade secrets, confidentiality procedures and contractual provisions to protect our intellectual property. However, the laws of India do not protect proprietary rights to the same extent as laws in the United States. Therefore, our efforts to protect our intellectual property may not be adequate. Our competitors may independently develop similar technology or duplicate our products or services. Unauthorized parties may infringe upon or misappropriate our products, services or proprietary information.

The misappropriation or duplication of our intellectual property could disrupt our ongoing business, distract our management and employees, reduce our revenues and increase our expenses. We may need to litigate to enforce our intellectual property rights or to determine the validity and scope of the proprietary rights of others. Any such litigation could be time-consuming and costly. As the number of patents, copyrights and other intellectual property rights in our industry increases, and as the coverage of these rights increase, we believe that companies in our industry will face more frequent patent infringement claims. Defense against these claims, even if not meritorious, could be expensive and divert our attention and resources from operating our company. Although there are no pending or threatened intellectual property lawsuits against us, if we become liable to third parties for infringing their intellectual property rights, we could be required to pay a substantial damage award and forced to develop non-infringing technology, obtain a license or cease selling the applications or products that contain the infringing technology. We may be unable to develop non-infringing technology or to obtain a license on commercially reasonable terms, or at all.

It may be difficult for you to enforce any judgment obtained in the United States against us or our affiliates.

We are incorporated under the laws of India and many of our directors and executive officers, and some of the experts named in this document, reside outside the United States. In addition, virtually all of our assets and the assets of many of these persons are located outside the United States. As a result, you may be unable to:

- effect service of process upon us outside India, or these persons outside the jurisdiction of their residence; or
- enforce against us in courts outside of India, or these persons outside the jurisdiction of their residence, judgments obtained in U.S. courts, including judgments predicated solely upon the federal securities laws of the United States.

We have been advised by our Indian counsel that the United States and India do not currently have a treaty providing for reciprocal recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any federal or state court in the United States on civil liability, whether or not predicated solely upon the federal securities laws of the United States, would not be enforceable in India. However, the party in whose favor such final judgment is rendered may bring a new suit in a competent court in India based on a final judgment which has been obtained in the United States. If and to the extent Indian courts are of the opinion that fairness and good faith so required, it would, under current practice, give binding effect to the final judgment which had been rendered in the United States unless such a judgment contravened principles of public policy of India.

Report of the audit committee

To the members of Infosys Technologies Limited

In connection with the March 31, 2002 financial statements prepared under U.S. GAAP, the audit committee: (1) reviewed and discussed the audited financial statements with management; (2) discussed with the auditors the matters required by Statement on Auditing Standards No. 61; and (3) reviewed and discussed with the auditors the matters required by Independence Standards Board Statement No. 1. Based upon these reviews and discussions, the audit committee recommended to the board of directors that the audited financial statements be included in the Annual Report on Form 20-F filed with the Securities and Exchange Commission of the United States of America.

Deepak M. Satwalekar
Chairman, audit committee

Dr. Marti G. Subrahmanyam
Member, audit committee

Dr. Omkar Goswami
Member, audit committee

Senator Larry L. Pressler
Member, audit committee

Rama Bijapurkar
Member, audit committee

Claude Smadja
Member, audit committee

Bangalore, India
April 10, 2002

Report of management

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

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

KPMG audits the company's financial statements in accordance with the generally accepted auditing standards in the United States of America.

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

T. V. Mohandas Pai
Director – Finance and Administration and Chief Financial Officer

S. Gopalakrishnan
Chief Operating Officer and Deputy Managing Director

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

Bangalore, India
April 10, 2002

Independent auditor's report

The Board of Directors and Stockholders
Infosys Technologies Limited

We have audited the accompanying balance sheets of Infosys Technologies Limited as of March 31, 2002 and 2001, and the related statements of income, stockholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended March 31, 2002. In connection with our audits of the financial statements, we also have audited the financial statement schedule. These financial statements and the financial statement schedule are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements and the financial statement schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Infosys Technologies Limited as of March 31, 2002 and 2001, and the results of its operations and its cash flows for each of the years in the three-year period ended March 31, 2002, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

KPMG

KPMG

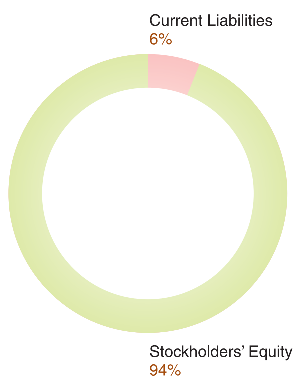
Bangalore, India
April 10, 2002

Balance sheets as of March 31

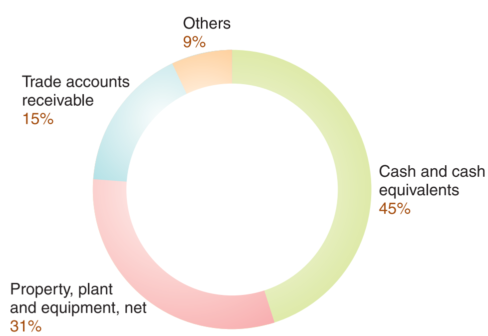
	2002	2001
ASSETS		
Current Assets		
Cash and cash equivalents	$210,485,940	$124,084,245
Trade accounts receivable, net of allowances	69,017,110	64,942,062
Deferred tax assets	774,107	1,265,142
Prepaid expenses and other current assets	18,875,904	16,452,863
Total current assets	299,153,061	206,744,312
Property, plant and equipment, net	147,211,731	119,773,030
Deferred tax assets	4,560,934	2,070,428
Investments	7,777,393	5,577,393
Advance income taxes	–	180,113
Other assets	12,458,615	8,002,543
TOTAL ASSETS	$471,161,734	$342,347,819
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	–	$28,082
Client deposits	$2,215,001	1,217,737
Other accrued liabilities	22,424,646	21,830,484
Income taxes payable	678,703	–
Unearned revenue	3,464,018	7,479,815
Total current liabilities	28,782,368	30,556,118
Stockholders' Equity		
Common stock, $0.16 par value; 100,000,000 equity shares authorized, issued and outstanding – 66,186,130 and 66,158,117 as of March 31, 2002 and 2001, respectively	8,597,001	8,594,106
Additional paid-in capital	123,079,948	122,017,518
Accumulated other comprehensive income	(45,441,148)	(28,664,972)
Deferred stock compensation	(7,620,600)	(12,517,018)
Retained earnings	363,764,165	222,362,067
Total stockholders' equity	442,379,366	311,791,701
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$471,161,734	$342,347,819

See accompanying notes to the financial statements

Liabilities and stockholders' equity – 2002



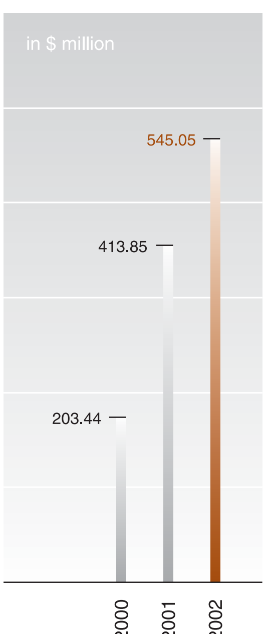
Assets – 2002



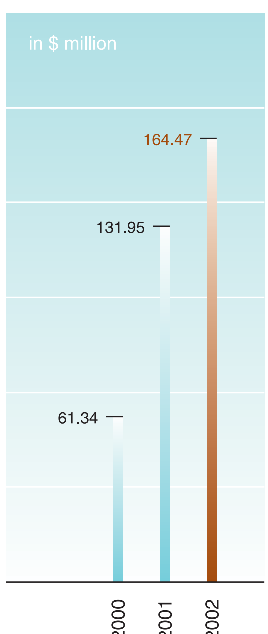
Statements of income for the years ended March 31

	2002	2001	2000
Revenues	$545,051,214	$413,850,510	$203,443,754
Cost of revenues	290,032,232	213,613,744	111,080,546
Gross profit	255,018,982	200,236,766	92,363,208
Operating Expenses:			
Selling and marketing expenses	27,113,122	20,682,776	9,643,970
General and administrative expenses	44,348,181	36,957,609	17,102,550
Amortization of stock compensation expense	5,009,772	5,081,795	5,117,635
Total operating expenses	76,471,075	62,722,180	31,864,155
Operating income	178,547,907	137,514,586	60,499,053
Other income, net	13,865,294	9,505,343	9,038,792
Income before income taxes	192,413,201	147,019,929	69,537,845
Provision for income taxes	27,946,892	15,071,825	8,193,317
Net income	$164,466,309	$131,948,104	$61,344,528
Earnings per equity share			
Basic	$2.51	$2.01	$0.93
Diluted	$2.49	$1.98	$0.93
Weighted equity shares used in computing earnings per equity share			
Basic	65,556,648	65,771,256	65,659,625
Diluted	66,084,874	66,714,739	65,863,990

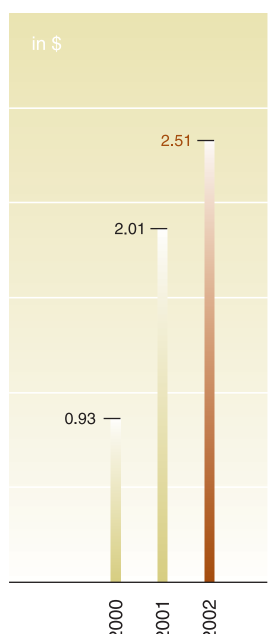
See accompanying notes to the financial statements



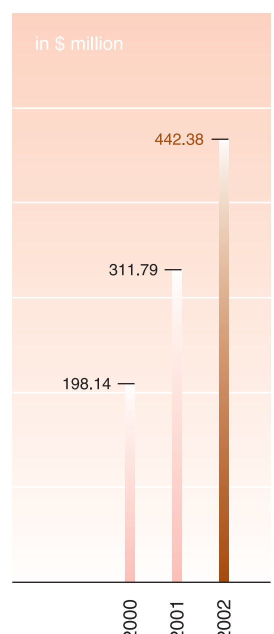
Revenues



Net income



Earnings per share



Stockholders' Equity

Statements of stockholders' equity and comprehensive income

	Common stock		Additional paid-in capital	Comprehensive income	Accumulated other comprehensive income	Deferred stock compensation	Retained earnings	Total stockholders' equity
	Shares	Par value						
Balance as of March 31, 1999	66,138,800	$8,592,137	$120,849,511		$(9,100,662)	$(21,686,799)	$40,955,375	$139,609,562
Cash dividends declared	–	–	–		–	–	(2,526,872)	(2,526,872)
Common stock issued	11,900	1,373	405,489		–	–	–	406,862
ADR issue expenses	–	–	(777,923)		–	–	–	(777,923)
Compensation related to stock option grants	–	–	1,029,649		–	(1,029,649)	–	–
Amortization of compensation related to stock option grants	–	–	–		–	5,117,635	–	5,117,635
Comprehensive income								
Net income	–	–	–	$61,344,528	–	–	61,344,528	61,344,528
Other comprehensive income								
Translation adjustment	–	–	–	(5,037,271)	(5,037,271)	–	–	(5,037,271)
Comprehensive income				$56,307,257				
Balance as of March 31, 2000	66,150,700	8,593,510	121,506,726		(14,137,933)	(17,598,813)	99,773,031	198,136,521
Cash dividends declared	–	–	–		–	–	(9,359,068)	(9,359,068)
Common stock issued	7,417	596	510,792		–	–	–	511,388
Amortization of compensation related to stock option grants	–	–	–		–	5,081,795	–	5,081,795
Comprehensive income								
Net income	–	–	–	$131,948,104	–	–	131,948,104	131,948,104
Other comprehensive income								
Translation adjustment	–	–	–	(14,527,039)	(14,527,039)	–	–	(14,527,039)
Comprehensive income				$117,421,065				
Balance as of March 31, 2001	66,158,117	8,594,106	122,017,518		(28,664,972)	(12,517,018)	222,362,067	311,791,701
Common stock issued	28,013	2,895	949,076		–	–	–	951,971
Cash dividends declared	–	–	–		–	–	(23,064,211)	(23,064,211)
Deferred stock compensation related to stock option grants	–	–	113,354		–	(113,354)	–	–
Amortization of compensation related to stock option grants	–	–	–		–	5,009,772	–	5,009,772
Comprehensive income								
Net income	–	–	–	$164,466,309	–	–	164,466,309	164,466,309
Other comprehensive income								
Translation adjustment	–	–	–	(16,736,176)	(16,736,176)	–	–	(16,736,176)
Comprehensive income				$147,690,133				
Balance as of March 31, 2002	66,186,130	$8,597,001	$123,079,948		$(45,441,148)	$(7,620,600)	$363,764,165	$442,379,366

See accompanying notes to the financial statements

Statements of cash flows for the years ended March 31

	2002	2001	2000
OPERATING ACTIVITIES:			
Net income	$164,466,309	$131,948,104	$61,344,528
Adjustments to reconcile net income to net cash provided by operating activities			
Gain on sale of property, plant and equipment	(16,754)	(20,053)	(20,153)
Depreciation and amortization	33,608,391	24,527,867	12,268,169
Deferred tax benefit	(1,999,471)	(769,304)	(850,891)
Amortization of deferred stock compensation expense	5,009,772	5,081,795	5,117,635
Provision for investments	–	3,480,300	–
Changes in assets and liabilities			
Trade accounts receivable	(7,196,700)	(36,310,272)	(11,927,796)
Prepaid expenses and other current assets	(2,052,721)	(2,654,466)	(2,532,524)
Income taxes	869,109	(1,973,114)	961,582
Accounts payable	(27,382)	(901,961)	910,011
Client deposits	1,075,855	833,215	410,555
Unearned revenue	(3,753,943)	3,770,772	(418,230)
Other accrued liabilities	1,492,616	9,651,967	4,984,495
Net cash provided by operating activities	191,475,081	136,664,850	70,247,381
INVESTING ACTIVITIES:			
Expenditure on property, plant and equipment	(68,347,644)	(101,235,420)	(36,913,037)
Proceeds from sale of property, plant and equipment	335,079	49,676	23,555
Loans to employees	(5,547,203)	(4,932,703)	(7,048,879)
Purchase of investments	(2,200,000)	(5,879,755)	(3,000,000)
Net cash used in investing activities	(75,759,768)	(111,998,202)	(46,938,361)
FINANCING ACTIVITIES:			
Proceeds from issuance of common stock	963,351	511,388	406,862
ADR issue expenses	–	–	(777,923)
Payment of dividends	(22,902,618)	(9,220,142)	(2,526,872)
Net cash used in financing activities	(21,939,267)	(8,708,754)	(2,897,933)
Effect of exchange rate changes on cash	(7,374,351)	(8,473,135)	(2,686,564)
Net increase in cash and cash equivalents during the period	86,401,695	7,484,759	17,724,523
Cash and cash equivalents at the beginning of the period	124,084,245	116,599,486	98,874,963
Cash and cash equivalents at the end of the period	$210,485,940	$124,084,245	$116,599,486
Supplementary information:			
Cash paid towards taxes	$27,493,194	$16,950,802	$7,270,137

See accompanying notes to the financial statements

Notes to financial statements

1 Company overview and significant accounting policies

1.1 Company overview

Infosys, a world leader in consulting and information technology services, partners with *Global 2000* companies to provide business consulting, systems integration, application development, maintenance, re-engineering and product engineering services. Through these services, Infosys enables its clients to fully exploit technology for business transformation.

1.2 Basis of preparation of financial statements

The accompanying financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"). All amounts are stated in U.S. dollars, except as otherwise specified.

1.3 Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the year. Examples of estimates include accounting for contract costs expected to be incurred to complete software development, allowance for uncollectible accounts receivable, future obligations under employee benefit plans and the useful lives of property, plant and equipment. Actual results could differ from those estimates.

1.4 Revenue recognition

The company derives its revenues primarily from software services and also from the licensing of software products. Revenue on time-and-material contracts is recognized as the related costs are incurred. Revenue from fixed-price, fixed-timeframe contracts is recognized as per the percentage-of-completion method. Provisions for estimated losses on uncompleted contracts are recorded in the period in which such losses become probable based on the current contract estimates. The company provides its clients with a fixed-period warranty for corrections of errors and telephone support on all its fixed-price, fixed-timeframe contracts. Costs associated with such support services are accrued at the time related revenues are recorded.

In accordance with SOP 97-2, license fee revenues are recognized when persuasive evidence of an arrangement exists, delivery has occurred, the license fee is fixed and determinable, and the collection of the fee is probable. When other services are provided in conjunction with the licensing arrangement, the revenue from such contracts are allocated to each component of the contract using the residual method, whereby revenue is deferred for the undelivered services and the residual amounts are recognized as revenue for delivered elements. When the company receives advances for software development services and products, such amounts are reported as client deposits until all conditions for revenue recognition are met. Maintenance revenue is deferred and recognized ratably over the term of the underlying maintenance agreement, generally 12 months. Revenue from client training, support and other services arising due to the sale of software products is recognized as the services are performed.

1.5 Cash and cash equivalents

The company considers all highly liquid investments with a remaining maturity at the date of purchase/ investment of three months or less to be cash equivalents. Cash and cash equivalents comprise cash, cash on deposit with banks, marketable securities and deposits with corporations.

1.6 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. The company depreciates property, plant and equipment over their estimated useful lives using the straight-line method. The estimated useful lives of assets are as follows:

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

The cost of software purchased for use in software development and services is charged to the cost of revenues at the time of acquisition. Deposits paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date and the cost of property, plant and equipment not put to use before such date are disclosed under "*Capital work-in-progress*".

1.7 Impairment of long-lived assets

The company evaluates the recoverability of its long-lived assets and certain identifiable intangibles, if any, whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying value of the assets exceeds the fair value of the assets. Assets to be disposed are reported at the lower of the carrying value or the fair value less the cost to sell.

1.8 Research and development

Research and development costs are expensed as incurred. Software product development costs are expensed as incurred until technological feasibility is achieved.

1.9 Foreign currency translation

The accompanying financial statements are reported in U.S. dollars. The functional currency of the company is the Indian rupee ("Rs."). The translation of Rs. to U.S. dollars is performed for balance sheet accounts using the exchange rate in effect at the balance sheet date, and for revenue and expense accounts using a monthly average exchange rate for the respective periods. The gains or losses resulting from such translation are reported as *"Other comprehensive income"*, a separate component of stockholders' equity. The method for translating expenses of overseas operations depends upon the funds used. If the payment is made from a rupee denominated bank account, the exchange rate prevailing on the date of the payment would apply. If the payment is made from a foreign currency, i.e., non-rupee denominated account, the translation into rupees is performed at the average monthly exchange rate.

1.10 Earnings per share

In accordance with Statement of Financial Accounting Standards ("SFAS") 128, *Earnings Per Share*, basic earnings per share are computed using the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of common and dilutive common equivalent shares outstanding during the period, using the treasury stock method for options and warrants, except where the result would be anti-dilutive.

1.11 Income taxes

Income taxes are accounted for using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax bases and operating loss carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of changes in tax rates on deferred tax assets and liabilities is recognized as income in the period that includes the enactment date. The measurement of deferred tax assets is reduced, if necessary, by a valuation allowance for any tax benefits of which future realization is uncertain.

1.12 Fair value of financial instruments

The carrying amounts reflected in the balance sheets for cash, cash equivalents, accounts receivable and accounts payable approximate their respective fair values due to the short maturities of these instruments.

1.13 Concentration of risk

Financial instruments that potentially subject the company to concentrations of credit risk consist principally of cash equivalents, trade accounts receivable, investment securities and hedging instruments. By their nature, all such financial instruments involve risk including the credit risk of non-performance by counterparties. In management's opinion, as of March 31, 2002 and 2001, there was no significant risk of loss in the event of non-performance of the counterparties to these financial instruments, other than the amounts already provided for in the financial statements, if any. Exposure to credit risk is managed through credit approvals, establishing credit limits and monitoring procedures. The company's cash resources are invested with corporations, financial institutions and banks with high investment grade credit ratings. Limitations are established by the company as to the maximum amount of cash that may be invested with any such single entity.

1.14 Retirement benefits to employees

1.14.1 Gratuity

In accordance with the Payment of Gratuity Act, 1972, Infosys provides for gratuity, a defined benefit retirement plan (the "Gratuity Plan") covering eligible employees. The Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment. Liabilities with regard to the Gratuity Plan are determined by actuarial valuation, based upon which, the company contributes to the Infosys Technologies Limited Employees' Gratuity Fund Trust (the "Trust"). Trustees administer contributions made to the Trust and invest in specific designated securities as mandated by law, which generally comprise central and state government bonds and debt instruments of government-owned corporations.

1.14.2 Superannuation

Apart from being covered under the Gratuity Plan described above, certain employees of Infosys are also participants of a defined contribution plan. The company makes monthly contributions under the superannuation plan (the "Plan") to the Infosys Technologies Limited Employees Superannuation Fund Trust based on a specified percentage of each covered employee's salary. The company has no further obligations to the Plan beyond its monthly contributions.

1.14.3 Provident fund

Eligible employees also receive benefits from a provident fund, which is a defined contribution plan. Both the employee and the company make monthly contributions to this provident fund plan equal to a specified percentage of the covered employee's salary. Infosys contributes a part of the contributions to the Infosys Technologies Limited Employees Provident Fund Trust. The remainders of the contributions are made to the Government administered provident fund. The company has no further obligations under the provident fund plan beyond its monthly contributions.

1.15 Investments

The company accounts by the equity method for investments between 20% and 50% or where it is otherwise able to exercise significant influence over the operating and financial policies of the investee. Investment securities in which the company controls less than 20% voting interest are currently classified as "Available-for-sale securities". Non-readily marketable equity securities for which there are no readily determinable fair values are recorded at cost.

Investment securities designated as "available-for-sale" are carried at their fair value. Fair value is based on quoted market prices. Unquoted securities are carried at cost, adjusted for declines in value judged to be other than temporary. Temporary unrealized gains and losses, net of the related tax effect are reported as a separate component of stockholders' equity until realized. Realized gains and losses and declines in value judged to be other than temporary on available-for-sale securities are included in the statements of income. The cost of securities sold is based on the specific identification method. Interest and dividend income is recognized when earned.

1.16 Stock-based compensation

The company applies the intrinsic value-based method of accounting prescribed by Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees,* and related interpretations including FASB Interpretation No. 44, *Accounting for Certain Transactions involving Stock Compensation an interpretation of APB Opinion No. 25,* issued in March 2000, to account for its fixed plan stock options. Under this method, compensation expense is recorded on the date of grant only if the current market price of the underlying stock exceeds the exercise price. SFAS 123, *Accounting for Stock-Based Compensation*, established accounting and disclosure requirements using a fair value-based method of accounting for stock-based employee compensation plans. As allowed by SFAS 123, the company has elected to continue to apply the intrinsic value-based method of accounting described above, and has adopted the disclosure requirements of SFAS 123. All stock options issued to date have been accounted as a fixed stock option plan.

1.17 Dividends

Dividend on common stock and the related dividend tax are recorded as a liability on declaration.

1.18 Derivative financial instruments

On April 1, 2001, the company adopted SFAS 133, *Accounting for Derivative Instruments and Hedging Activities* as amended, when the rules became effective for companies with fiscal years ending March 31. The company enters into forward foreign exchange contracts where the counter party is generally a bank. The company purchases forward foreign exchange contracts to mitigate the risk of changes in foreign exchange rates on accounts receivable and forecasted cash flows denominated in certain foreign currencies. Although these contracts are effective as hedges from an economic perspective, they do not qualify for hedge accounting under SFAS 133, as amended. Any derivative that is either not designated hedge, or is so designated but is ineffective per SFAS 133, is marked to market and recognized in earnings immediately.

1.19 Reclassifications

Certain reclassifications have been made to conform prior period data to the current presentations. These reclassifications had no effect on reported earnings.

1.20 Recently issued accounting standards

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS 141, *Business Combinations* and SFAS 142, *Goodwill and Other Intangible Assets*. SFAS 141 requires that all business combinations be accounted for under a single method-the purchase method. Use of the pooling-of-interests method is no longer permitted and is effective for business combinations initiated after June 30, 2001. SFAS 142 requires that goodwill no longer be amortized to earnings, but instead be reviewed for impairment and is effective for fiscal years beginning after December 15, 2001, with earlier application permitted for entities with fiscal years beginning after March 31, 2001.

In August 2001, the FASB issued SFAS 143, *Accounting for Asset Retirement Obligations*. SFAS 143 requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity capitalizes a cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss upon settlement. The standard is effective for fiscal years beginning after June 15, 2002, with earlier application encouraged.

In August 2001, the FASB also issued SFAS 144, *Accounting for the Impairment or Disposal of Long-Lived Assets.* SFAS 144 requires that those long-lived assets be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or in discontinued operations. Under this standard, discontinued operations will no longer be measured at net realizable value or include amounts for operating losses that have not yet occurred. The provisions of SFAS 144 are effective for financial statements issued for fiscal years beginning after December 15, 2001 and, generally, are to be applied prospectively. Early application is encouraged.

Both SFAS 141 and 142 are not currently applicable to the operations of the company. The company is evaluating the impact of SFAS 143 and 144 on its operations.

2 Notes to the financial statements

2.1 Cash and cash equivalents

The cost and fair values for cash and cash equivalents as of March 31, 2002 and 2001, respectively are as follows:

	2002	2001
Cost and fair values		
Cash and bank deposits	$158,274,886	$82,702,111
Deposits with corporations	52,211,054	41,382,134
	$210,485,940	$124,084,245

Cash and cash equivalents include restricted cash balances amounting to $284,839 and $103,418 as of March 31, 2002 and 2001 respectively.

2.2 Trade accounts receivable

Trade accounts receivable, as of March 31, 2002 and March 31, 2001, net of allowance for doubtful accounts of $3,941,245 and $3,902,996, respectively amounted to $69,017,110 and $64,942,062, respectively. The age profile of trade accounts receivable, net of allowances is given below.

in %

	2002	2001
Period (in days)		
0 – 30	69.0	69.2
31 – 60	30.0	26.6
61 – 90	0.5	1.7
More than 90	0.5	2.5
	100.0	100.0

2.3 Prepaid expenses and other current assets

Prepaid expenses and other current assets consist of the following:

	2002	2001
Rent deposits	$2,079,155	$2,484,794
Deposits with government organizations	1,220,401	945,189
Loans to employees	8,331,779	8,091,866
Prepaid expenses	2,990,523	4,349,913
Unbilled revenues	3,635,989	503,694
Other current assets	618,057	77,407
	$18,875,904	$16,452,863

Other current assets represent advance payments to vendors for the supply of goods and rendering of services and certain costs incurred towards software. Deposits with government organizations relate principally to leased telephone lines and electricity supplies.

2.4 Property, plant and equipment, net

Property, plant and equipment consist of the following:

	2002	2001
Land	$8,955,962	$7,865,351
Buildings	58,481,413	33,871,448
Furniture and fixtures	32,683,315	21,579,707
Computer equipment	59,006,470	48,098,099
Plant and equipment	37,685,337	24,064,927
Vehicles	72,085	75,537
Capital work-in-progress	30,881,704	36,651,724
	227,766,286	172,206,793
Accumulated depreciation	(80,554,555)	(52,433,763)
	$147,211,731	$119,773,030

Depreciation expense amounted to $33,608,391, $24,527,867 and $12,268,169 for fiscal 2002, 2001 and 2000 respectively. The amount of third party software expensed during fiscal 2002, 2001 and 2000 was $7,147,614, $6,979,492 and $3,816,840 respectively.

2.5 Investments

The carrying cost and fair values of available-for-sale securities are as follows:

	Carrying cost	Fair value
As of March 31, 2002		
M-Commerce Ventures Pte Ltd – 70 units, each unit representing 1 Ordinary Share of S$1 each at par and 9 Redeemable Preference Shares of S$1 each at par, with a premium of S$1,110 per Redeemable Preference Share	$399,485	$399,485
Asia Net Media BVI Limited – 30,000,000 Ordinary Shares at $0.05 each, fully paid, par value $0.01 each	1,500,000	1,500,000
EC Cubed Inc. – 1,300,108 Series D Convertible Preferred Stock, at $2.3075 each, fully paid, par value $0.0001 each	–	–
Alpha Thinx Mobile Services AG – 27,790 Bearer Shares, at € 20 each, fully paid, par value € 1 each	–	–
CiDRA Corporation – 33,333 Series D Convertible Preferred Stock, at $90 each, fully paid, par value $0.01 each	2,999,970	2,999,970
Workadia Inc., U.S.A – 880,000 Series B Preferred Stock at $2.5 each, fully paid, par value $0.0005 each	2,200,000	2,200,000
JASDIC Park Company – 480 Common Stock, at ¥ 50,000 each, fully paid, par value ¥ 50,000 each	177,576	177,576
Stratify Inc. (formerly Purple Yogi Inc.) – 276,243 Series D Convertible Preferred Stock, at $1.81 each fully paid, par value $0.001 each	500,000	500,000
Others	362	362
	$7,777,393	$7,777,393
As of March 31, 2001		
M-Commerce Ventures Pte Ltd – 70 units, each unit representing 1 Ordinary Share of S$1 each at par and 9 Redeemable Preference Shares of S$1 each at par, with a premium of S$1,110 per Redeemable Preference Share	$399,485	$399,485
Asia Net Media BVI Limited – 30,000,000 Ordinary Shares at $0.05 each, fully paid, par value $0.01 each	1,500,000	1,500,000
EC Cubed Inc. – 1,300,108 Series D Convertible Preferred Stock, at $2.3075 each, fully paid, par value $0.0001 each	–	–
Alpha Thinx Mobile Services AG - 27,790 Bearer Shares, at € 20 each, fully paid, par value € 1 each	–	–
CiDRA Corporation – 33,333 Series D Convertible Preferred Stock, at $90 each, fully paid, par value $0.01 each	2,999,970	2,999,970
JASDIC Park Company – 480 Common Stock, at ¥ 50,000 each, fully paid, par value ¥ 50,000 each	177,576	177,576
Stratify Inc. (formerly Purple Yogi Inc.) – 276,243 Series D Convertible Preferred Stock, at $1.81 each fully paid, par value $0.001 each	500,000	500,000
Others	362	362
	$5,577,393	$5,577,393

2.6 Other assets

Other assets represent the non-current portion of loans to employees.

2.7 Related parties

The company grants loans to employees for acquiring assets such as property and cars. Such loans are repayable over fixed periods ranging from 1 to 100 months. The annual rates of interest at which the loans have been made to employees vary between 0% through 4%. No loans have been made to employees in connection with equity issues. The loans are generally secured by the assets acquired by the employees. As of March 31, 2002 and 2001, amounts receivable from officers amounting to $473,464 and $227,121 respectively are included in prepaid expenses and other current assets, and other assets in the accompanying balance sheets.

The required repayments of loans by employees are as detailed below.

	2002	2001
2002	–	$8,091,866
2003	$8,331,779	2,517,809
2004	3,755,840	1,718,884
2005	2,670,075	1,033,107
2006	1,826,748	800,198
2007	1,454,086	–
Thereafter	2,751,866	1,932,545
Total	$20,790,394	$16,094,409

The estimated fair values of related party receivables amounted to $17,905,507 and $12,465,374 as of March 31, 2002 and 2001, respectively. These amounts have been determined using available market information and appropriate valuation methodologies. Considerable judgment is required to develop these estimates of fair value. Consequently, these estimates are not necessarily indicative of the amounts that the company could realize in the market.

2.8 Other accrued liabilities

Other accrued liabilities comprise the following:

	2002	2001
Accrued compensation to staff	$11,575,996	$12,332,869
Accrued dividends	229,839	103,418
Provision for post sales client support	2,255,573	1,578,859
Employee withholding taxes payable	2,614,479	25,000
Provision for expenses	3,356,760	3,768,256
Retention money	1,918,203	2,425,439
Others	473,796	1,596,643
	$22,424,646	$21,830,484

2.9 Employee post-retirement benefits

2.9.1 Gratuity

The following tables set out the funded status of the Gratuity Plan and the amounts recognized in the company's financial statements in fiscal 2002, 2001 and 2000.

	2002	2001	2000
Change in benefit obligations			
Benefit obligations at the beginning of the year	$13,581,972	$11,043,208	$10,551,069
Effect of changes in assumptions used	–	–	(2,142,149)
Amortization of unrecognized actuarial loss	–	(329,928)	(368,548)
Service cost	1,341,313	2,627,599	3,418,688
Interest cost	1,376,398	1,183,461	939,603
Benefits paid	(175,364)	(184,247)	(128,803)
Effect of exchange rate changes	(272,421)	(758,121)	(1,226,652)
Benefit obligations at the end of the year	$15,851,898	$13,581,972	$11,043,208
Change in plan assets			
Fair value of plan assets at the beginning of the year	$10,147,905	$4,375,821	$2,497,335
Effect of exchange rate changes	(524,191)	(468,275)	(134,018)
Actual return on plan assets	1,324,702	1,061,611	404,526
Employer contributions	1,675,480	5,362,995	1,736,781
Benefits paid	(175,364)	(184,247)	(128,803)
Plan assets at the end of the year	$12,448,532	$10,147,905	$4,375,821
Funded status	$(3,403,366)	$(3,434,067)	$(6,667,387)
Excess of actual return over estimated return on plan assets	141,394	301,791	93,716
Unrecognized transitional obligation	594,784	639,319	694,446
Unrecognized actuarial cost	3,131,389	4,216,291	4,546,219
(Accrued) / prepaid benefit	$464,201	$1,723,334	$(1,333,006)

Net gratuity cost for fiscal 2002, 2001 and 2000 comprises the following components:

	2002	2001	2000
Service cost	$1,341,313	$2,627,599	$3,418,688
Interest cost	1,376,398	1,183,461	939,603
Expected return on assets	(1,183,308)	(759,820)	(310,810)
Amortization of unrecognized transitional obligation	44,535	55,127	58,245
Amortization of unrecognized actuarial loss	105,330	329,928	368,548
Net gratuity cost	$1,684,268	$3,436,295	$4,474,274

The assumptions used in accounting for the Gratuity Plan in fiscal 2002, 2001 and 2000 are set out below.

	2002	2001	2000
Discount rate	10%	10%	10%
Rate of increase in compensation levels	9%	9%	9%
Rate of return on plan assets	10%	10%	10%

The company assesses these assumptions with its projected long-term plans of growth and prevalent industry standards.

2.9.2 Superannuation

The company contributed $1,220,716, $796,739 and $244,248 to the superannuation plan in fiscal 2002, 2001 and 2000, respectively.

2.9.3 Provident fund

The company contributed $3,146,742, $2,339,794 and $1,198,772 to the provident fund in fiscal 2002, 2001 and 2000, respectively.

2.10 Stockholders' equity

The company has only one class of capital stock referred to as equity shares. All references in these financial statements to number of shares, per share amounts and market prices of the company's equity shares have been retroactively restated to reflect stock splits made by the company.

2.11 Equity shares

2.11.1 Voting

Each holder of equity shares is entitled to one vote per share. The equity shares represented by American Depositary Shares ("ADS") carry similar rights to voting and dividends as the other equity shares. Two ADS represent one underlying equity share.

2.11.2 Dividends

Should the company declare and pay dividends, such dividends will be paid in Indian Rupees. Indian law mandates that any dividend be declared out of distributable profits only after the transfer of a specified percentage of net income computed in accordance with current regulations to a general reserve. Moreover, the remittance of dividends outside India is governed by Indian law on foreign exchange and is subject to applicable taxes.

2.11.3 Liquidation

In the event of a liquidation of the company, the holders of common stock shall be entitled to receive any of the remaining assets of the company, after distribution of all preferential amounts. The amounts will be in proportion to the number of equity shares held by the stockholders.

2.11.4 Stock options

There are no voting, dividend or liquidation rights to the holders of warrants issued under the company's stock option plan.

2.12 Other income, net

Other income, net, consists of the following:

	2002	2001	2000
Interest income and others	$10,423,654	$8,526,635	$5,729,653
Income from sale of special import licenses	–	14,800	426,407
Exchange gains	2,749,162	4,444,208	2,882,732
Provision for investments	–	(3,480,300)	–
Others	692,478	–	–
	$13,865,294	$9,505,343	$9,038,792

2.13 Operating leases

The company has various operating leases for office buildings that are renewable on a periodic basis. Rental expense for operating leases in fiscal 2002, 2001 and 2000 were $5,109,690, $3,689,822 and $2,387,334, respectively. The operating leases can be renewed or canceled at the company's option. The company leases some of its office space under non-cancelable operating leases for periods ranging between three through ten years. The schedule of future minimum rental payments in respect of these leases is set out below.

Year ending March 31	
2003	$3,473,587
2004	3,517,933
2005	3,112,407
2006	2,218,192
2007	765,395
Thereafter	1,475,671
	$14,563,185

2.14 Research and development

General and administrative expenses in the accompanying statements of income include research and development expenses of $3,083,994, $3,610,550 and $1,904,123 for fiscal 2002, 2001 and 2000, respectively.

2.15 Employees' Stock Offer Plans ("ESOP")

In September 1994, the company established the 1994 plan, which provided for the issue of 6,000,000 warrants, as adjusted, to eligible employees. The warrants were issued to an employee welfare trust (the "Trust"). In 1997, in anticipation of a share dividend to be declared by the company, the Trust exercised all warrants held by it and converted them into equity shares. As and when the Trust issued options/stock to eligible employees, the difference between the market price and the exercise price was accounted as deferred stock compensation expense and amortized over the vesting period. Such amortized deferred compensation expense was $5,009,772, $5,081,795 and $5,117,635 in the fiscal 2002, 2001 and 2000, respectively. The 1994 plan lapsed in fiscal 2000, and consequently no further shares will be issued to employees under this plan.

1998 Employees Stock Offer Plan (the "1998 Plan"). The company's 1998 Plan provides for the grant of non-statutory stock options and incentive stock options to employees of the company. The establishment of the 1998 Plan was approved by the board of directors in

December 1997 and by the stockholders in January 1998. The Government of India has approved the 1998 Plan, subject to a limit of 1,470,000 equity shares representing 2,940,000 American Depositary Shares ("ADS") to be issued under the 1998 Plan. Unless terminated sooner, the 1998 Plan will terminate automatically in January 2008. All options under the 1998 Plan will be exercisable for equity shares represented by American Depositary Shares ("ADSs"). The 1998 Plan is administered by a compensation committee comprising five members, all of who are independent directors on the board of directors. All options under the 1998 Plan are exercisable for equity shares represented by ADSs.

1999 Stock Offer Plan (the "1999 Plan"). In fiscal 2000, the company instituted the 1999 Plan. The stockholders and the board of directors approved the 1999 Plan in June 1999. The 1999 Plan provides for the issue of 6,600,000 equity shares to employees. The 1999 Plan is administered by a compensation committee comprising five members, all of whom are independent directors on the board of directors. Under the 1999 Plan, options will be issued to employees at an exercise price, which shall not be less than the Fair Market Value ("FMV"). Under the 1999 Plan, options may also be issued to employees at exercise prices that are less than FMV only if specifically approved by the members of the company in a General Meeting. All options under the 1999 plan are exercised for equity shares.

The options under all our plans vest over a period of 1-5 years.

The company adopted the pro forma disclosure provisions of SFAS No. 123, *Accounting for Stock-Based Compensation.* Had compensation cost for the company's stock-based compensation plan been determined in a manner consistent with the fair value approach described in SFAS No. 123, the company's net income as reported would have reduced to the pro forma amounts of $105,181,094, $99,690,666 and $54,649,727 in fiscal 2002, 2001 and 2000, respectively. Basic earnings per share as reported would have reduced to the pro forma amounts of $1.60, $1.52 and $0.83, in fiscal 2002, 2001 and 2000, respectively. Diluted earnings per share as reported would have reduced to the pro forma amounts of $1.59, $1.49 and $0.83, in fiscal 2002, 2001 and 2000, respectively.

The fair value of each warrant is estimated on the date of grant using the Black-Scholes model with the following assumptions:

	2002	2001	2000
Dividend yield %	0.2%	0.1%	0.1%
Expected life	5 years	5 years	5 years
Risk free interest rate	9.5%	10.8%	10.8%
Volatility	69.0%	44.0%	44.0%

The activity in the warrants/equity shares of the 1994, 1998 and 1999 Employees Stock Offer Plans in fiscal 2002, 2001 and 2000 are set out below.

	2002		2001		2000	
	Shares arising out of options	Weighted average exercise price	Shares arising out of options exercise price	Weighted average exercise price	Shares arising out of options exercise price	Weighted average exercise price
1994 Option plan:						
Outstanding at the beginning of the period	330,000	–	341,400	–	328,000	–
Granted	–	–	–	–	30,000	$1.15
Forfeited	(8,600)	$1.15	(10,600)	$1.15	(16,600)	$1.15
Exercised	–	–	(800)	$1.15	–	–
Outstanding at the end of the period	321,400	–	330,000	–	341,400	–
Exercisable at the end of the period	–		–		–	
Weighted-average fair value of grants during the period at less than market		–		–		$35.48
1998 Option plan:						
Outstanding at the beginning of the period	782,753	–	344,750	–	213,000	–
Granted	454,250	$98.06	482,420	$230.88	147,150	$228.60
Forfeited	(77,773)	$240.90	(38,200)	$172.58	(3,500)	$34.00
Exercised	(27,983)	$44.32	(6,217)	$53.82	(11,900)	$34.00
Outstanding at the end of the period	1,131,247	–	782,753	–	344,750	–
Exercisable at the end of the period	164,527		55,558		18,100	
Weighted-average fair value of grants during the period		$98.06		$230.88		$228.60
1999 Option plan:						
Outstanding at the beginning of the period	2,793,980	–	1,006,800	–	–	–
Granted	2,050,500	$64.74	1,957,830	$136.68	1,014,500	$99.12
Forfeited	(175,635)	$119.23	(169,450)	$110.06	(7,700)	$127.98
Exercised	(30)	$84.95	(1,200)	$89.98	–	–
Outstanding at the end of the period	4,668,815	–	2,793,980	–	1,006,800	–
Exercisable at the end of the period	448,530		93,400		–	
Weighted-average fair value of grants during the period		$64.74		$136.68		$99.12

The following table summarizes information about stock option outstanding as of March 31,2002.

	Outstanding			Exercisable	
Range of exercise price	No.of shares arising out of options	Weighted average remaining contractual life	Weighted average exercise price	No. of shares arising out of options	Weighted average exercise price
$1.15 – $304.04	6,106,712	2.84 years	$56.36	613,057	$205.54

2.16 Income taxes

The provision for income taxes comprises:

	2002	2001	2000
Cur rent taxes			
Domestic taxes	$6,483,255	$5,315,961	$2,505,952
Foreign taxes	23,463,108	10,525,168	6,538,256
	29,946,363	15,841,129	9,044,208
Deferred taxes			
Domestic taxes	27,126	(769,304)	(850,891)
Foreign taxes	(2,026,597)	–	–
	(1,999,471)	(769,304)	(850,891)
Aggregate taxes	$27,946,892	$15,071,825	$8,193,317

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities and a description of the financial statement items that created these differences are as follows:

	2002	2001	2000
Deferred tax assets:			
Property, plant and equipment	$2,989,348	$1,519,016	$2,480,883
Provision for doubtful debts	1,448,407	1,587,629	110,000
Investments	1,571,586	1,598,712	–
Others	–	217,842	85,383
	6,009,341	4,923,199	2,676,266
Less: Valuation allowance	(674,300)	(1,587,629)	(110,000)
Net deferred tax assets	$5,335,041	$3,335,570	$2,566,266

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the scheduled reversal of the projected future taxable income, and tax planning strategies in making this assessment. Based on the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes that it is more likely than not the company will realize the benefits of those deductible differences, net of the existing valuation differences at March 31, 2002. The amount of the deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carry forward period are reduced.

All deferred tax expenses / (benefits) are allocated to the continuing operations of the company.

A reconciliation of the income tax provision to the amount computed by applying the statutory income tax rate to the income before provision for income taxes is summarized below.

	2002	2001	2000
Net income before taxes	$192,413,201	$147,019,929	$69,537,845
Enacted tax rates in India	35.70%	39.55%	38.50%
Computed expected tax expense	68,691,513	58,146,382	26,772,070
Less: Tax effect due to non-taxable income for Indian tax purposes	(67,338,527)	(57,334,527)	(24,019,942)
Others	5,014,830	3,437,865	(1,121,972)
Effect of tax rate change	142,565	(8,077)	(29,771)
Effect of prior period tax adjustments	–	305,014	54,676
Provision for Indian income tax	6,510,381	4,546,657	1,655,061
Effect of tax on foreign income	21,436,511	10,525,168	6,538,256
Aggregate taxes	$27,946,892	$15,071,825	$8,193,317

The provision for foreign taxes is due to income taxes payable overseas, principally in the United States of America. The company benefits from certain significant tax incentives provided to software firms under Indian tax laws. These incentives presently include: (i) an exemption from payment of Indian corporate income taxes for a period of ten consecutive years of operation of software development facilities designated as "Software Technology Parks" (the "STP Tax Holiday"); and (ii) a tax deduction for profits derived from exporting computer software (the "Export Deduction"). All but one of the company's software development facilities are located in a designated Software Technology Park ("STP"). The Government of India has recently amended the tax incentives available to companies set up in designated STPs. The period of the STP Tax Holiday available to such companies is restricted to 10 consecutive years beginning from the financial year when the unit started producing computer software or March 31, 2000, whichever is earlier. Additionally, the Export Deduction will be phased out equally over a period of five years starting from fiscal 2000.

2.17 Earnings per share

The following is a reconciliation of the equity shares used in the computation of basic and diluted earnings per equity share:

	2002	2001	2000
Basic earnings per equity share – weighted average number of common shares outstanding excluding unallocated shares of ESOP	65,556,648	65,771,256	65,659,625
Effect of dilutive common equivalent shares – stock options outstanding	528,226	943,483	204,365
Diluted earnings per equity share – weighted average number of common shares and common equivalent shares outstanding	66,084,874	66,714,739	65,863,990

Shares held by the Trust were excluded for the purposes of computing basic earnings per share.

2.18 Derivative financial instruments

The company enters into forward foreign exchange contracts where the counter party is generally a bank. The company considers the risks of non-performance by the counter party as non-material. Infosys held foreign exchange forward contracts of $2,000,000 and $20,000,000 as of March 31, 2002 and 2001, respectively. The foreign forward exchange contracts mature between one to six months.

2.19 Segment reporting

SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information*, establishes standards for the way that public business enterprises report information about operating segments and related disclosures about products and services, geographic areas, and major customers. The company's operations predominantly relate to providing IT solutions, delivered to customers located globally, across various industry segments. In the year ended March 31, 2000, the company provided segmental disclosures based on geographical segmentation. However, from the fiscal year ended March 31, 2001, the Chief Operating Decision Maker evaluates the company's performance and allocates resources based on an analysis of various performance indicators by industry classes and geographic segmentation of customers. Accordingly, revenues represented along industry classes comprise the principal basis of segmental information set out in these financial statements. Secondary segmental reporting is performed on the basis of the geographical location of customers. The accounting principles consistently used in the preparation of the financial statements are consistently applied to record revenue and expenditure in individual segments, and are as set out in the summary of significant accounting policies.

Industry segments for the company are primarily *financial services* comprising enterprises providing banking finance and insurance services, *manufacturing* enterprises, enterprises in the *telecommunications ("telecom")* and *retail* industries, and *others* such as utilities, transportation and logistics companies.

Revenue in relation to segments is categorized based on items that are individually identifiable to that segment, while expenditure is categorized in relation to the associated turnover of the segment. Certain expenses such as depreciation, which form a significant component of total expenses, are not specifically allocable to specific segments as the underlying services are used interchangeably. Management believes that it is not practical to provide segment disclosures relating to those costs and expenses, and accordingly these expenses are separately disclosed as "unallocated" and adjusted only against the total income of the company.

Geographic segmentation is driven based on the location of the respective client. *North America* comprises the United States of America, Canada and Mexico; *Europe* includes continental Europe (both the east and the west), Ireland and the United Kingdom; and the *Rest of the world* comprising all other places except those mentioned above and *India*.

Fixed assets used in the company's business are not identified to any of the reportable segments, as these are used interchangeably between segments. Management believes that it is currently not practicable to provide segment disclosures relating to total assets and liabilities since a meaningful segregation of the available data is onerous.

Geographical information on revenue and industry revenue information is collated based on individual customers invoiced or in relation to which the revenue is otherwise recognized.

2.19.1 Industry segments

Year ended March 31, 2002

	Financial services	Manufacturing	Telecom	Retail	Others	Total
Revenues	$199,725,558	$93,404,474	$85,190,054	$67,027,323	$99,703,805	$545,051,214
Identifiable operating expenses	74,364,097	38,112,096	23,873,023	18,696,233	34,831,145	189,876,594
Allocated expenses	51,905,935	23,321,898	21,273,366	16,667,939	24,840,829	138,009,967
Segmental operating income	$73,455,526	$31,970,480	$40,043,665	$31,663,151	$40,031,831	217,164,653
Unallocable expenses						38,616,746
Operating income						178,547,907
Other income (expense), net						13,865,294
Net income before taxes						192,413,201
Taxes						27,946,892
Net income after taxes						$164,466,309

Year ended March 31, 2001

	Financial services	Manufacturing	Telecom	Retail	Others	Total
Revenues	$139,616,739	$74,004,867	$76,412,722	$37,684,446	$86,131,736	$413,850,510
Identifiable operating expenses	49,021,150	28,363,069	19,219,376	11,893,574	26,233,048	134,730,217
Allocated expenses	38,589,808	19,736,596	20,423,026	10,057,009	23,189,607	111,996,046
Segmental operating income	$52,005,781	$25,905,202	$36,770,320	$15,733,863	$36,709,081	167,124,247
Unallocable expenses						29,609,661
Operating income						137,514,586
Other income (expense), net						9,505,343
Net income before taxes						147,019,929
Taxes						15,071,825
Net income after taxes						$131,948,104

Year ended March 31, 2000

	Financial services	Manufacturing	Telecom	Retail	Others	Total
Revenues	$61,153,566	$46,770,389	$31,248,637	$21,637,626	$42,633,536	$203,443,754
Identifiable operating expenses	23,665,914	16,612,901	10,222,455	6,349,884	15,971,172	72,822,326
Allocated expenses	16,326,836	11,955,090	8,010,255	5,544,554	10,899,835	52,736,570
Segmental operating income	$21,160,816	$18,202,398	$13,015,927	$9,743,188	$15,762,529	77,884,858
Unallocable expenses						17,385,805
Operating income						60,499,053
Other income (expense), net						9,038,792
Net income before taxes						69,537,845
Taxes						8,193,317
Net income after taxes						$61,344,528

2.19.2 *Geographic segments*

Year ended March 31, 2002

	North America	Europe	India	Rest of the world	Total
Revenues	$388,168,447	$106,103,448	$10,735,626	$40,043,693	$545,051,214
Identifiable operating expenses	135,362,671	38,013,083	4,183,775	12,317,065	189,876,594
Allocated expenses	98,093,268	26,809,588	3,119,373	9,987,738	138,009,967
Segmental operating income	$154,712,508	$41,280,777	$3,432,478	$17,738,890	217,164,653
Unallocable expenses					38,616,746
Operating income					178,547,907
Other income (expense), net					13,865,294
Net income before taxes					192,413,201
Taxes					27,946,892
Net income after taxes					$164,466,309

Year ended March 31, 2001

	North America	Europe	India	Rest of the world	Total
Revenues	$304,242,537	$77,892,656	$5,778,286	$25,937,031	$413,850,510
Identifiable operating expenses	96,358,758	27,210,316	1,943,571	9,217,572	134,730,217
Allocated expenses	82,053,059	20,951,885	1,866,259	7,124,843	111,996,046
Segmental operating income	$125,830,720	$29,730,455	$1,968,456	$9,594,616	167,124,247
Unallocable expenses					29,609,661
Operating income					137,514,586
Other income (expense), net					9,505,343
Net income before taxes					147,019,929
Taxes					15,071,825
Net income after taxes					$131,948,104

Year ended March 31, 2000

	North America	Europe	India	Rest of the world	Total
Revenues	$158,723,649	$30,064,939	$2,912,091	$11,743,075	$203,443,754
Identifiable operating expenses	54,672,143	12,722,875	913,895	4,513,413	72,822,326
Allocated expenses	40,875,291	7,759,319	1,061,766	3.040,194	52,736,570
Segmental operating income	$63,176,215	$9,582,745	$936,430	$4,189,468	77,884,858
Unallocable expenses					17,385,805
Operating income					60,499,053
Other income (expense), net					9,038,792
Net income before taxes					69,537,845
Taxes					8,193,317
Net income after taxes					$61,344,528

2.19.3 *Significant clients*

No clients individually accounted for more than 10% of the revenues in fiscal 2002, 2001 and 2000, respectively.

2.20 Commitments and contingencies

The company has outstanding performance guarantees for various statutory purposes totaling $3,334,700, $1,126,611 and $1,207,110 as of March 31, 2002, 2001 and 2000, respectively. These guarantees are generally provided to governmental agencies.

2.21 Litigation

The company is subject to legal proceedings and claims, which have arisen, in the ordinary course of its business. These actions, when ultimately concluded and determined, will not, in the opinion of management, have a material effect on the results of operations or the financial position of the company.

2.22 Non-monetary transaction

During the year ended March 31, 2001, the company transferred certain Intellectual Property Rights ("IPR") that it had developed and owned in a product called Onscan to OnMobile Systems Inc. (formerly Onscan Inc). Onscan is a comprehensive web-enabled wireless notification product. In exchange for the transfer, the company received consideration in the form of securities including 100,000 Common Stock, par value $0.001 each, 100,000 Series A Voting Convertible Preferred Stock, par value $0.001 each and 4,400,000 Series A Nonvoting Convertible Preferred Stock, par value $0.001 each. Convertible Preferred Stock is convertible into Common Stock automatically upon the closing of an Initial Public Offering by OnMobile Systems Inc. As of March 31, 2002, the company's voting interest in OnMobile Systems Inc. was 9.7%. The transfer was recorded at historic cost and, accordingly, no gain was recognized on this transaction as of the date of transfer of the IPR.

Financial Schedule

(Schedule II of Reg. §210.5-04(c) of Regulation S-X-17 of the Securities Act of 1933 and Securities Exchange Act of 1934)

Valuation and qualifying accounts

Allowance for doubtful accounts on trade accounts receivable (denominated in United States dollars)

Description	Balance at beginning of period	Charged to cost and expenses	Write offs	Balance at end of period
Fiscal 2002	3,902,996	2,856,689	(2,818,440)	3,941,245
Fiscal 2001	507,487	4,225,902	(830,393)	3,902,996

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 20-F

(Mark One)

☐ Registration statement pursuant to section 12(b) or (g) of the Securities Exchange Act of 1934

☒ Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended March 31, 2002

☐ Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Transition period from __________ to __________

Commission File Number 333-72195

Infosys Technologies Limited

(Exact name of Registrant as specified in its charter)

Not Applicable
(Translation of Registrant's name into English)

Bangalore, Karnataka, India
(Jurisdiction of incorporation or organization)

Electronics City, Hosur Road,
Bangalore, Karnataka
India 561 229
+91-80-852-0261
(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
None	Not Applicable

Securities registered pursuant to Section 12(g) of the Act:

American Depositary Shares,
each represented by one-half of one Equity Share, par value Rs. 5 per share.

(Title of class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

Not Applicable

(Title of class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the Annual Report 66,186,130 Equity Shares

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes .... No ....x.............

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 .... Item 18 ....x.............

Currency of Presentation and Certain Defined Terms

In this Annual Report on Form 20-F, references to "$" or "dollars" or "U.S. dollars" are to the legal currency of the United States and references to "Rs." or "rupees" or "Indian rupees" are to the legal currency of India. Our financial statements are presented in Indian rupees and translated into U.S. dollars and are prepared in accordance with United States Generally Accepted Accounting Principles ("U.S. GAAP"). References to "Indian GAAP" are to Indian Generally Accepted Accounting Principles. References to a particular "fiscal" year are to our fiscal year ended March 31 of such year.

References to "U.S." or "United States" are to the United States of America, its territories and its possessions. References to "India" are to the Republic of India. "Infosys" is a registered trademark of Infosys Technologies Limited in the United States and India. All other trademarks or tradenames used in this Annual Report on Form 20-F are the property of their respective owners.

Except as otherwise stated in this report, all translations from Indian rupees to U.S. dollars are based on the noon buying rate in the City of New York on March 29, 2002, for cable transfers in Indian rupees as certified for customs purposes by the Federal Reserve Bank of New York which was Rs. 48.83 per $1.00. No representation is made that the Indian rupee amounts have been, could have been or could be converted into United States dollars at such a rate or any other rate. Any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

Information contained in our website, www.infy.com, is not part of this Annual Report.

Forward-Looking Statements May Prove Inaccurate

IN ADDITION TO HISTORICAL INFORMATION, THIS ANNUAL REPORT CONTAINS CERTAIN FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933, AS AMENDED, AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. THE FORWARD-LOOKING STATEMENTS CONTAINED HEREIN ARE SUBJECT TO CERTAIN RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE REFLECTED IN THE FORWARD-LOOKING STATEMENTS. FACTORS THAT MIGHT CAUSE SUCH A DIFFERENCE INCLUDE, BUT ARE NOT LIMITED TO, THOSE DISCUSSED IN THE SECTION ENTITLED "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS" AND ELSEWHERE IN THIS REPORT. READERS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON THESE FORWARD-LOOKING STATEMENTS, WHICH REFLECT MANAGEMENT'S ANALYSIS ONLY AS OF THE DATE HEREOF. IN ADDITION, READERS SHOULD CAREFULLY REVIEW THE OTHER INFORMATION IN THIS ANNUAL REPORT AND IN THE COMPANY'S PERIODIC REPORTS AND OTHER DOCUMENTS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ("SEC") FROM TIME TO TIME.

Part I

Item 1. Identity of Directors, Senior Management and Advisors

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

Selected financial data

This information is set forth under the caption "Summary of selected consolidated financial data" on page 128 of our Annual Report for the fiscal year ended March 31, 2002, and is incorporated herein by reference.

Exchange rates

Fluctuations in the exchange rate between the Indian rupee and the U.S. dollar will affect the U.S. dollar equivalent of the Indian rupee price of our equity shares on the Indian stock exchanges and, as a result, will likely affect the market price of our American Depositary Shares, or ADSs, listed on the Nasdaq, and vice versa. Such fluctuations will also affect the U.S. dollar conversion by our depositary for the ADSs, Deutsche Bank Trust Company Americas, or Depositary, of any cash dividends paid in Indian rupees on our equity shares represented by the ADSs.

The following table sets forth, for the fiscal years indicated, information concerning the number of Indian rupees for which one U.S. dollar could be exchanged based on the average of the noon buying rate in the City of New York on the last business day of each month during the period for cable transfers in Indian rupees as certified for customs purposes by the Federal Reserve Bank of New York. The column titled "Average" in the table below is the average of the daily noon buying rate on the last business day of each month during the year.

Fiscal year ended March 31	Period end	Average	High	Low
1996	Rs. 31.43	Rs. 31.38	Rs. 31.90	Rs. 31.37
1997	34.35	33.47	38.05	31.36
1998	35.88	35.70	36.85	34.15
1999	39.53	37.37	40.40	35.71
2000	42.35	42.10	43.68	39.25
2001	43.65	43.46	43.68	42.84
2002	48.83	47.81	48.91	46.58

The following table sets forth the high and low exchange rates for the previous six months and are based on the average of the noon buying rate in the City of New York on the last business day of each month during the period for cable transfers in Indian rupees as certified for customs purposes by the Federal Reserve Bank of New York:

Month	High	Low
November 2001	Rs. 48.11	Rs. 47.98
December 2001	48.29	47.80
January 2002	48.58	48.27
February 2002	48.90	48.55
March 2002	48.83	48.71
April 2002	49.01	48.83

Capitalization and indebtedness

Not applicable.

Reasons for the offer and use of proceeds

Not applicable.

Risk factors

This information is set forth under the caption "Risk factors" on pages 134 through 140 of our Annual Report for the fiscal year ended March 31, 2002, and such information is incorporated herein by reference.

Item 4: Information on the Company

Company overview and history of development

We are a world leader in consulting and information technology, or IT, services. We utilize an extensive offshore infrastructure based outside the U.S. to provide managed software solutions to clients worldwide. Our clients leverage our proprietary Global Delivery Model to achieve higher quality, rapid time-to-market and cost-effective solutions. We offer a comprehensive range of services including business consulting, system integration, application development, product engineering services, custom software development, maintenance and re-engineering services apart from dedicated offshore development centers, which we call OSDCs, for certain clients. In addition, we develop and license certain software products.

We are headquartered in Bangalore, India, and have operations all over the world. We provide our services through 16 state-of-the-art offshore development facilities, located in various cities in India, and one in Canada. We also have proximity development centers, which we refer to as PDCs, in the United States and the United Kingdom. We have significantly expanded our facilities over the past few years and will continue to do so in the near future. We incurred $68.3 million, $101.2 million and $36.9 million in capital expenditures in fiscal 2002, 2001and 2000. As of March 31, 2002, we employed approximately 9,400 IT professionals worldwide.

Infosys was incorporated in 1981 as Infosys Consultants Private Limited, as a private limited company under the Indian Companies Act, 1956. We changed our name to Infosys Technologies Private Limited in April 1992 and later to Infosys Technologies Limited in June 1992, when we became a public limited company. Our registered office is located at Electronics City, Hosur Road, Bangalore – 561 229, Karnataka, India. Our agent for service in the United States is CT Corporation, 1350, Treat Blvd, Suite 100, Walnut Creek, CA. 94596.

We completed our initial public offering in February 1993 on the Bangalore Stock Exchange and raised approximately $4.4 million in gross aggregate proceeds. We raised another $7.7 million through a private placement of shares in October 1994 and on March 11, 1999, we raised $70.4 million in gross aggregate proceeds through our initial U. S. public offering of American depositary shares, or ADSs.

In recognition of our efforts, the *Far Eastern Economic Review* voted us as the "The Best Company in India". The *Business Today*-Hewitt Study voted us the "Best Employer of India" for 2001 and 2002. We were the first recipient of the National Award for Excellence in Corporate Governance instituted by the Ministry of Finance of the Government of India. *Financial Technology Asia* has also voted us as the "Best Regional Software House" and we have won the Silver Shield for the last seven years from the Institute of Chartered Accountants of India, as the Indian company with the best presented financial statements by a non-financial company.

Industry overview

The role of IT in transforming businesses and economies worldwide is widely recognized. The recent shift in the role of IT from merely supporting businesses to transforming businesses, driving productivity gains and creating new business models has increased the importance of IT to the success of companies worldwide. This has resulted in an increased focus by companies on areas such as:

- Reducing the time it takes to introduce new software applications, commonly known as time-to-application advantage; and
- Reducing the time it takes to develop new technologies, commonly known as time-to-market advantage.

As a result, corporate budgets for IT services and research and development budgets of technology companies have grown significantly. International Data Corporation, or IDC, estimates that the global IT services market will grow from approximately $349 billion in 1999 to $585 billion by 2004, reflecting a compound annual growth rate of 11%; the market for research and development services is comparable in size.

Along with the increase in IT services spending, companies are increasingly using external professional services as an effective tool to meet their IT requirements. The trend towards outsourcing is driven by a growing shortage of IT professionals in developed economies and the threat of economic slowdown forcing cost-optimization strategies. By deploying high-speed communications equipment, companies can access skilled IT services from remote locations to meet their complex IT requirements in a cost-effective manner.

The India Advantage

According to a survey of U.S. software service vendors conducted by the World Bank, India is one of the leading offshore destinations for companies seeking to outsource software development of IT projects. A McKinsey & Co. study conducted in 1999 for the Indian National Association of Software and Service Companies, or NASSCOM, estimates that India's export revenue from IT services will grow from approximately $6.2 billion in the fiscal year ended March 31, 2001 to $50 billion by March 31, 2008. NASSCOM estimates that for the fiscal year ended March 31, 2001, more than 40% of *Fortune 500* companies used services offered by Indian IT service providers.

There are several key factors contributing to this rapid growth of India-based IT services:

- India-based IT companies have proven their capability to deliver IT services that satisfy the requirements of international clients who expect the highest quality standards. The NASSCOM survey of international quality standards of the top 400 Indian software companies conducted in January 2001, showed that 201 were already ISO 9000 or SEI-CMM Level 3 certified, with an additional 80 expected to acquire such certifications by end of 2002.
- India has a large, highly skilled English-speaking labor pool that is available at a relatively low labor cost. According to NASSCOM, the number of software professionals employed by the Indian software industry was approximately 410,000 as of December 31, 2000, making it the second largest employer in the IT services industry after the United States. In addition, India has more than 1,800 engineering colleges and technical institutes that train approximately 68,000 graduates annually in IT. According to a McKinsey study conducted for NASSCOM, the average annual wage for software professionals in India is approximately 20% of the average U.S. rate. Although wages in India are rising faster than in the United States, the labor rate differential is anticipated to remain a competitive advantage for Indian companies in the foreseeable future.
- With the time differential between India and its largest market, the United States, Indian companies are able to provide a combination of onsite and offshore services on a 24-hour basis on specific projects.

Our business strategy

Our objective is to become one of the leading worldwide providers of IT consulting and services by utilizing a global network of resources to offer a comprehensive array of managed software solutions. In order to achieve this goal, we focus on the following key elements of our business strategy:

Pursue a world-class operating model

We believe that one of the most critical contributing factors to our success has been our commitment to high-quality standards in all aspects of our business, including the quality of our services, operations, human resource management and infrastructure. We achieve our quality through highly evolved processes, including a detailed approach to planning and execution, multi-level testing and careful tracking and analysis of quality control. We have recently launched the Infosys Excellence Initiative, or IEI, to integrate all of our quality programs and initiatives. Currently, the IEI is managing our ISO 9001 and TickIT quality standards, as well as our Level 5 Capability Maturity Model, or CMM and Six Sigma Cross Functional Process Mapping processes. We have been assessed at SEI-CMM Level 5, the highest level of quality certification, as a measure of the maturity and effectiveness of our software processes. Only 62 companies in the world have been assessed at Level 5. Six Sigma Cross Functional Process Mapping is a process mapping system that is designed to improve productivity and ensure the quality of operations across multiple departments or operational functions within an organization. We also adhere to high-quality standards in our investor relations. For example, we were one of the first Indian companies to adopt U.S. GAAP reporting in fiscal 1995 and quarterly-audited Indian financial statements in fiscal 1998.

Invest heavily in human resources

We believe that our continued success will depend upon our ability to recruit, train, deploy and retain highly talented IT professionals. We focus our recruiting efforts on the top 20% of the students from the engineering departments of universities and use a series of tests to identify the best candidates. In an effort to attract the most highly qualified candidates, we have spent significant resources in creating a quality work environment. For example, our headquarter facilities in Bangalore, India spans approximately 50 acres, with approximately 1.1 million square feet of office space. The campus also includes, several cafeterias, a library, swimming pool, health club, lake, tennis, volleyball, and basketball courts. The environment fosters a collegial atmosphere and informal culture which is augmented by our open door operating philosophy that allows communication and ideas to flow freely irrespective of title or tenure.

We also offer our IT professionals challenging assignments, competitive salaries and benefits and one of the first stock option plans adopted by a public Indian company. We recently established a Leadership Institute in a 200 acre campus in Mysore, India to train and prepare employees to face the complexities of the rapidly changing marketplace, and to influence work culture through leadership training. As a result of this high level of investment in our people, we believe that our company has become one of the most attractive employers for Indian software professionals and that our attrition rate is significantly below the industry average.

Focus on managed software solutions

Since our inception, we have dedicated ourselves to providing managed software solutions by taking full responsibility for project management, some of which are offered on a fixed-price, fixed-timeframe basis. We believe that we are better positioned to become long-term partners to our clients for all of their software needs by managing and successfully executing large projects. These services offer us the opportunity to build client confidence with the potential benefit of enhanced margins. In addition, by retaining project management responsibility, we also accumulate significant industry expertise and continue to refine our software development tools and proprietary methodologies.

Capitalize on well-established offshore development model

As one of the pioneers of the offshore software development model, we have made significant investments in our infrastructure and have developed the advanced processes and expertise necessary to manage and execute projects in multiple locations with seamless integration. Our commitment to quality allows us to successfully complete approximately 69% of our project work in India while maintaining a high level of client satisfaction. These capabilities not only provide significant cost advantages but also shorten the time required to deliver a solution to a client. We believe we are well positioned with this model, to deliver our services globally in a cost sensitive and resource constrained environment.

Maintain disciplined focus on business and client mix

We provide a wide range of IT services and maintain a disciplined focus on business mix in an effort to avoid service or client concentration. We typically only accept clients that meet strict guidelines for overall revenue potential and profitability. In fiscal 2002 and 2001, our largest client accounted for 6.1% and 7.3% of revenues, respectively and our five largest clients for 24.1% and 26.0% of revenues, respectively. This balance is key to ensuring that the technology skills sets of our IT professionals remain diversified to provide us the flexibility to adapt to changing market conditions and to attract and retain highly skilled professionals who seek the opportunity to continue to learn new technologies.

Our growth strategy

From fiscal 1998 through fiscal 2002, we experienced compounded annual revenue and net income growth rates of 68.1% and 91.8%, and grew from approximately 2,200 IT professionals to approximately 9,400. The key elements of our growth strategy are:

Broaden service offerings

In order to meet all of our client needs, we strive to offer a comprehensive range of services by continuously evaluating new and emerging technologies. As a full-service provider, we believe that we can increase our revenues from existing clients as well as attract new clients. In pursuit of this objective, we have opportunistically expanded our services beyond our core development, maintenance and re-engineering services. For example, in recent years we have added e-commerce and Internet/Intranet services, and packaged application implementation services to our range of services.

Increase business with existing clients

As of March 31, 2002, we had 293 active clients in the United States, Europe, Australia, Asia and Japan. One of our key objectives is to expand the nature and scope of our engagements with existing clients by both increasing the volume of our projects and expanding the breadth of the services offered. Establishing broad, long-term relationships with a client:

- Increases our quality and efficiency of services to a client since each project performed for a client increases our understanding of the client's systems, requirements and business processes;
- Reduces our marketing costs;
- Increases the client's reliance on us; and
- Creates barriers to entry for competitors.

During the last few years, over 87.60% of our revenues in fiscal 2002, and over 84.0% of our revenues in both fiscal 2001 and 2000, were generated from companies who were clients in the prior fiscal year.

Develop new clients

Client development is an important component of our growth strategy. We pursue several client development strategies:

- We offer a broad array of managed software solutions that provide an initial entry into a new client. Some of these services are designed as low cost services to allow us to enter into new client relationships without large client commitments.
- We believe that we can leverage the industry-specific expertise that we have developed in key vertical markets including financial services, manufacturing and distribution, retail, telecommunications and technology to further develop our portfolio of clients in these targeted markets.
- We also intend to expand our global sales and marketing infrastructure by hiring new sales and marketing personnel, opening additional regional sales offices and increasing marketing expenditures. We currently have sales and marketing offices in 28 cities, worldwide.

Increase revenue per IT professional

In order to increase our revenue per IT professional, we continually focus on improving efficiency and productivity by:

- Building expertise in vertical markets;
- Refining our software development tools and methodologies; and
- Storing and disseminating institutional knowledge.

We also continually monitor client accounts for profitability and seek to focus on select new clients and on those existing client relationships that have the potential for high long-term profitability. As compare to the previous year, we have increased the proportion of projects that are undertaken on a fixed-price, fixed-timeframe, rather than a time-and-material basis, which reduce client risk, and if effectively structured and executed, provide opportunities for enhanced margins.

Expand and diversify base of IT professionals

We have built, and plan to continue to build new software development facilities in locations where we can access local pools of talent, as well as increase the number of IT professionals employed at our existing locations. In addition, we also recruit from other fields of expertise, such as business school graduates and accountants.

Pursue selective strategic acquisitions

We believe that selective acquisitions of IT services and software applications firms could potentially expand our technical expertise, facilitate expansion into new vertical markets and increase our client base. Although, we constantly evaluate potential acquisitions, strategic partnerships and other business combinations, as of the date of this report, we have no agreement to enter into any material acquisition, strategic partnership or other business combination transaction.

Our offshore development model

One of our strengths is our ability to leverage our OSDCs. We were one of the pioneers of the offshore development model as a method for delivering high-quality services at a rapidly reduced time-to-market and at a relatively lower cost to international clients. The OSDC model has many features that are attractive to our clients who are primarily located in the United States, Europe and Japan, including:

- A 24-hour work schedule that takes advantage of time zone differences between our centers in India and client sites;
- Access to our large pool of highly skilled English-speaking IT professionals located in India;
- Relatively low costs of IT professionals offshore;
- The ability to provide high-quality IT services at internationally recognized standards;
- The ability to accelerate the delivery time of large projects by parallel processing of different phases of a project's development; and
- Physical and operational separation from all other client projects, providing enhanced security for a client's intellectual property.

We have a long history of successfully executing projects between our client's sites in North America, Europe and Asia and our OSDCs. In a typical software development or re-engineering assignment, we assign a small team of two to five IT professionals to visit a client's site and determine the scope and requirements of the project. Once the initial specifications of the engagement have been established, our project managers return to India to supervise a much larger team of 10 to 50 IT professionals dedicated to the development of the required software or system. A small team remains at the client's site to manage changes in the scope of a project and address new requirements as the project progresses.

The client's systems are then linked via satellite to our facilities enabling simultaneous processing in as many as four OSDCs. Once the development stage of the assignment is completed and tested in India, a team returns to the client's site to install the newly developed software or system and ensure its functionality.

After the installation, we will often enter into an ongoing agreement to provide the client with comprehensive maintenance services from one of our OSDCs. In contrast to development projects, a typical maintenance assignment requires a larger team of 10 to 20 IT professionals to travel to the client's site to gain a thorough understanding of all aspects of the client's system. The majority of the maintenance team subsequently returns to the OSDC, where it assumes full responsibility for day-to-day maintenance of the client's system, while coordinating with a few maintenance professionals who remain stationed at the client's site. By pursuing this model, we complete approximately 69% of the project work in our OSDCs in India.

Certified under ISO 9001 and TickIT and at Level 5 of the Capability Maturity Model, we rigorously adhere to highly evolved processes. These processes govern all aspects of the software product life cycle, from requirements to testing and maintenance. We seek to prevent defects through our quality program, which includes obtaining early sign off on acceptance test scripts, project specifications and design documents. Software quality advisors are also assigned to help each team set up appropriate processes for each project and adhere to a multi-level testing strategy. The project manager is routinely provided with feedback about defects which are documented, measured, tracked and analyzed. We compile metrics for not only defect density and size, but also actual effort as compared to project estimates; assure compliance with procedures.

We have invested significant resources in our infrastructure to ensure uninterrupted service to our clients, having "warm" backup sites as redundant infrastructure. The network architecture, designed and implemented with diversified telecommunication capabilities (multiple service providers with a mix of satellite and fiber links) with alternate routing, provides clients with high service levels. We also use two telecommunications carriers in India and have installed multiple international satellite links connecting the development centers in India with international network hubs in California, Massachusetts, the United Kingdom and Japan. A different ocean cable connecting Europe and the United States serves each of these hubs. Within India, we have high-speed links interconnecting the development centers to our corporate headquarters in Bangalore.

Our service offerings and products

Our services include software development, maintenance and re-engineering services, business consulting, product engineering as well as dedicated OSDCs for certain clients. We also continue to offer new services to our clients and adapt to client demand and market conditions. In each of our service offerings we assume full project management responsibility. In addition to our IT services, we also market and license our own centralized bank automation software application, known as FINACLE™.

Software development

We provide turnkey software development which may involve the development of new applications or new functions for existing software applications. The projects vary in size and duration and are often offered pursuant to fixed-price, fixed-timeframe contracts. Each project typically involves all aspects of the software development process, including definition, prototyping, design, pilots, programming, testing, installation, and maintenance. In the early stage of a development project, our IT professionals typically work at a client's site to help define the project and to estimate the scope and cost of the project. We then perform the design review, software programming, program testing, module testing, integration and volume testing primarily at our facilities in India. For example, for one of the world's leading risk management and consulting organizations we provided the design, development and deployment of the client's core commercial brokerage policy management system and risk management system for global risk managers.

Software maintenance

We provide maintenance services for large legacy software systems. Such systems are either mainframe-based or client-server based, and are typically essential to a client's business. Our IT professionals take an engineering approach to software maintenance, focusing on the long-term functionality and stability of the client's overall system by seeking to avoid problems that typically arise from incomplete or short-term solutions. We perform most of the maintenance work at our own facilities using satellite-based links to the client's system. We also maintain a small team at the client's facility to coordinate support functions. As an example, a leading provider of health and retirement benefit plans and financial services was facing difficulties in balancing its need to maintain existing systems while simultaneously working on its new Internet based initiative. We assumed the client's maintenance responsibilities in a significantly short timeframe and provided substantial cost benefits by utilizing our global delivery model.

Software re-engineering

Our re-engineering services assist clients in moving to new technologies while extending the life cycle of existing systems that are rich in functionality. Projects include re-engineering software to migrate applications from mainframe to client-server architectures, to extend existing applications to the Internet, to migrate existing systems to UNIX or WINDOWS NT or to update from a non-relational to a relational database technology. For companies with extensive proprietary software applications, implementing such technologies may require rewriting and testing millions of lines of software code. As with our other services, we have developed proprietary methodologies that govern the planning, execution and testing of the software re-engineering process. For example, we re-engineered the on-line analytical processing system of a leading computer manufacturing firm by changing the legacy systems to new generation systems. As a result, the client had more robust systems for better transaction processing and decision support.

Dedicated offshore software development centers

We pioneered the concept of dedicated OSDCs, in which a software development team that is dedicated to a single client uses technology, tools, processes and methodologies unique to that client. Each dedicated OSDC is located at one of our facilities in India and is staffed and managed by us. By focusing on a single client over an extended timeframe, the dedicated OSDC team gains a deeper understanding of the client's business and technology and can function as a virtual extension of the client's software team.

Global delivery model

We use a distributed project management methodology which we call the global delivery model. This model divides project into components that are executed independently and concurrently – part at the client site and rest at our remote development centers. These components are subsequently integrated into robust, high quality solutions. We spread software solution development across time zones, allowing us to benefit from 24 hour work days. Our model ensures that the project manager is in total control of project execution, regardless of physical location, and that deliverables are distributed across the life of the project. Our proximity development centers enable us to develop solutions at locations nearer to where clients are situated, while our global development centers cater to clients' needs irrespective of their geographical location.

Other Services

We offer end-to-end solutions to our clients including business consulting, system integration, product engineering services, IT outsourcing and Business Process Management services. Through these services, we enable our clients to fully exploit technology for business transformation.

Software products

We also develop, market and license proprietary software applications for the banking industry. Currently, we offer a suite of software applications under an umbrella brand named, Infosys Enterprise Banking E-Platform. This suite is comprised of the following proprietary software applications:

- FINACLE™ – This application is a fully web-enabled, integrated core banking solution that addresses the retail, corporate and trade finance activities of a bank. Features include workflow capability to map the business process in the bank and a tool kit to extend and integrate the application with other applications, and support for true 24x7x365 capability.
- BankAway™ – This is an Internet banking application with added features such as an internal shopping mall, an external shopping gateway, support for electronic bill presentment and payment, corporate limits inquiries, letters of credit and bank guarantees. It also allows customers of a bank to access their accounts or receive alerts on their banking transactions through any devices enabled with the Wireless Application Protocol (WAP), or Short Messaging Service (SMS) standards.
- PayAway™ – This is a universal bill presentment and payment application that supports both the business-to-consumer and the business-to-business payment requirements for banks.

Sales and marketing

We sell and market our services and products from 28 sales offices located in 15 countries. With our global sales headquarters in Fremont, California and our corporate marketing group in Bangalore, India, we target our sales and marketing efforts towards IT-intensive organizations in North America, Europe, Australia and Japan. Our sales efforts are complemented by our marketing team, which assists in brand building and other corporate level marketing efforts. We use a cross functional integrated sales approach where our sales personnel, in tandem with our IT professionals and technical managers, work together in analyzing potential projects and selling our expertise to potential clients. This allows for a smooth transition to an execution team once the sale is completed. As of March 31, 2002, we had 117 sales and marketing employees outside of India and 25 in India.

From our offices located around the world, our sales professionals contact prospective clients in developed markets and position us as a leading IT services provider with operations in India. In some cases, potential clients in their search for IT service providers submit a request for proposal from potential service providers such as us. Our superior management team, quality of work and IT professionals, and competitive prices are often cited as reasons for the award of competitive contracts. Our client references and endorsements, as well as our willingness to participate in trade shows and speaking engagements have helped us generate greater awareness for our services. We believe that our listing on the NASDAQ and our profile as a public company in the United States have further enhanced our corporate marketing efforts.

We have focused our sales and marketing efforts on expanding the scope and depth of our relationships with existing clients. Although, initially, we may only provide one service to a client, we seek to convince the client to expand and diversify the type of services the client outsources to us. We also seek to provide a wide range of IT services and maintain a disciplined focus on our business mix in an effort to avoid service or client concentration. Over 84.0% of our revenues in each of the last two fiscal years were generated from pre-existing clients. We focus on certain market segments, including financial services, manufacturing and distribution, retail, telecommunications and technology. Our revenues for the last three fiscal years by geographic area are as follows:

Year ended March 31,	2002	2001	2000
North America	$388,168,447	$304,242,537	$158,723,649
Europe	106,103,448	77,892,656	30,064,939
India	10,735,626	5,778,286	2,912,091
Rest of the world	40,043,693	25,937,031	11,743,075
	$545,051,214	$413,850,510	$203,443,754

Competition

The market for IT services is highly competitive, with competitors from a variety of market segments including IT service companies, large international accounting firms and their consulting affiliates, systems consulting and integration firms, applications software firms, temporary employment agencies, service groups of computer equipment companies and client in-house MIS departments. Our primary competitors based in the U.S. include Electronic Data Systems, Accenture, KPMG Consulting, IBM Global Systems and Computer Sciences Corporation. Our primary competitors based in India include Tata Consultancy Services and Wipro.

We expect that future competition will include firms with operations in other countries, potentially including countries with lower personnel costs than those prevailing in India. Part of our competitive advantage has historically been a wage cost advantage relative to service providers in the United States and Europe.

Since wage costs in India are presently increasing at a faster rate than those in the United States, our ability to compete effectively will become increasingly dependent on reputation, the quality of our services and our expertise in specific markets. We believe that our ability to compete also depends in part on a number of factors not within our control, including:

- The price at which our competitors offer comparable services;
- The extent to which our competitors can respond to client needs; and
- The ability of our competitors to attract and retain highly skilled IT professionals.

Intellectual Property

Our intellectual property rights are important to our business. We rely on a combination of patent, copyright, trademark and design laws, trade secrets, confidentiality procedures and contractual provisions to protect our intellectual property. We require employees, independent contractors and, whenever possible, vendors to enter into confidentiality agreements upon the commencement of their relationships with us. These agreements generally provide that any confidential or proprietary information developed by us or on our behalf be kept confidential. These agreements also provide that any confidential or proprietary information disclosed to third parties in the course of our business be kept confidential by such third parties. However, our clients usually own the intellectual property in the software we develop for them.

Our efforts to protect our intellectual property may not be adequate. Our competitors may independently develop similar technology or duplicate our products and/or services. Unauthorized parties may infringe upon or misappropriate our products, services or proprietary information. In addition, the laws of India do not protect intellectual property rights to the same extent as laws in the United States. For example, India does not grant patents for software applications or products. In the future, litigation may be necessary to enforce our intellectual property rights or to determine the validity and scope of the proprietary rights of others. Any such litigation could be time-consuming and costly.

We could be subject to intellectual property infringement claims as the number of our competitors grows and our product or service offerings overlap with competitive offerings. In addition, we may become subject to such claims since we may not always be able to verify the intellectual property rights of third parties from which we license a variety of technologies. Defending against these claims, even if not meritorious, could be expensive and divert our attention from operating our company. If we become liable to third parties for infringing their intellectual property rights, we could be required to pay substantial damage awards and be forced to develop non-infringing technology, obtain a license or cease selling the applications that contain the infringing technology. The loss of some of our existing licenses could delay the introduction of software enhancements, interactive tools and other new products and services until equivalent technology could be licensed or developed. We may be unable to develop non-infringing technology or obtain a license on commercially reasonable terms, or at all.

We have obtained registration of “INFOSYS” as a trademark in India and in the United States. We generally apply for trademarks and service marks to identify our various service and product offerings.

Organizational structure

We hold minority interest in the following companies:

- *Yantra.* We established Yantra as a company in Delaware, U.S.A. in May 1995, by transferring the intellectual property rights to the Eagle (subsequently renamed WMS Yantra) software application for warehouse management in exchange for the common stock of Yantra. The company is based in Acton, Massachusetts and provides enterprise software that gives companies control over distributed orders and inventory. We currently hold 16% of the total outstanding voting stock of Yantra. The remainder of the capital stock is largely held by U.S. based venture investors and management. Because of our current share ownership and our current intent not to provide any financial support to Yantra, we have not recognized its performance in our financial statements after October 20, 1998.
- *OnMobile Systems.* We established OnMobile (formerly Onscan), or OnMobile, as a company in Delaware, U.S.A. in May 2000, by transferring the intellectual property rights to the Onscan software application for web-enabled wireless notification systems in exchange for common and preferred stock of OnMobile. OnMobile is based in Los Altos, California and offers wireless solutions to enterprises and wireless carriers around the world. The OnMobile solution allows wireless carriers to provide innovative services to their customers and enterprises targeted at the mobile work force. We currently own a voting interest of 9.7% in OnMobile. The remainder of the capital stock is largely held by U.S. based venture investors and management.

We have also made a number of strategic investments in private venture financed companies. We typically make these investments based on the valuable experience our IT professionals will gain in the niche technologies that these investee companies work on. The aggregate value of such investments is $7.8 million. During the year ended March 31, 2002, we invested $2.2 million in such companies. A table detailing our strategic investments is set forth under the caption “Notes to Financial Statements” on page 146 of our Annual Report for the fiscal year ended March 31, 2002, and such information is incorporated herein by reference.

We are also member of a consortium of companies named JASDIC Park Company. This is a joint venture of several Japanese companies and three Indian companies, including ours. Its primary objective is to provide high-quality software services from India to the Japanese market. During fiscal 1999, we invested ¥ 24 million, or $0.18 million to strategically further our efforts to diversify our geographic customer base.

Property, plants and equipment

Our principal campus, “Infosys City” is located at Electronics City, Bangalore, India. Infosys City consists of approximately 2.1 million square feet of land and 1.1 million square feet of operational facilities. The campus features:

- 755, 000 square feet of landscaped area;
- 138 conference rooms;
- An Education and Research unit consisting of 115,000 square feet of facilities space, including a library, six class rooms and six training rooms, computer-based learning and audio-visual aids, and over 70 faculty rooms;
- A Management Development Center consisting of 75,500 square feet of facilities space, with 21 class rooms and 22 faculty rooms;
- A world-class conference room with the capacity to simultaneously video-conference 24 locations across the globe; and
- Leisure facilities, including cafeterias, tennis courts, a miniature golf course, a basketball court, a swimming pool, a company shop, a grocery store and a meditation and health club;
- A store selling Infosys branded merchandise and a grocery store.

Our software development facilities are equipped with a world-class technology infrastructure that includes networked workstations, servers, data communication links, video-conferencing and captive generators.

We have acquired some land parcels for various facilities, pursuant to long-term leases with a purchase option, by entering into "conditional purchase agreements" which are used by the State of Karnataka to make land available to private companies for specific purposes. Under the conditional purchase agreements, property is sold subject to a long-term (typically 25-year), rental-free lease that transfers ownership to the buyer at the end of the period provided that the buyer uses the land for specified purposes. These agreements require us to use the various parcels for software development facilities. Typically, we pay 99% of the purchase price at the time the agreement is signed and pay the remaining 1% when the term is concluded. Land so acquired is shown as a "conditional purchase" in the table below.

We have nine sales and marketing offices in the United States, four in India, two in Australia and one each in Argentina, Belgium, Canada, Germany, France, Hong Kong, Japan, Netherlands, Singapore, Sweden, Switzerland, the UAE and the United Kingdom. We believe our facilities are optimally utilized. Appropriate expansion plans are being planned and undertaken to meet our future growth.

Material plans to construct, expand and improve facilities

As of March 31, 2002, we had contractual commitments for capital expenditure of $13.0 million. We intend to spend approximately $45.0 million on various capital expenditures during the fiscal year ending March 31, 2003, which will be financed from our internal accruals and existing cash balances.

Our most significant leased and owned properties are listed in the table below:

Location	Building Approx. Sq. ft.	Land Approx Sq. ft.	Ownership
Software Development Facilities			
Bangalore (Infosys City), Karnataka	1,116,044	1,844,394	Conditional Purchase
		305,139	Owned
Bangalore (B.T.M. Layout), Karnataka	11,300	–	Leased
Bangalore (Koramangala), Karnataka	22,000	–	Leased
Bangalore (Dickenson Road), Karnataka	7,000	–	Owned
Bangalore (J.P. Nagar), Karnataka	59,500	–	Leased
Bhubaneswar (Chandaka Industrial Park), Orissa	189,000	1,089,004	Conditional Purchase
Chennai (Sholinganallur), Tamil Nadu	198,000	577,608	Conditional Purchase
Hyderabad (Manikonda Village), Andhra Pradesh	135,800	1,306,805	Owned
Mangalore (Kottara), Karnataka	198,000	119,790	Owned
Mohali (S.A.S. Nagar Industrial Area), Chandigarh	21,000	–	Leased
Mysore (Hebbal Electronic City), Karnataka	378,450	9,452,992	Conditional Purchase
Pune (Hinjewadi), Maharashtra	333,497	1,089,004	Conditional Purchase
Total	2,669,591	15,784,736	
Proposed Software Development Facilities			
Bangalore (Infosys City), Karnataka	230,492	–	Owned
Chennai (Sholinganallur), Tamil Nadu	223,317	–	Conditional Purchase
Hyderabad (Manikonda Village), Andhra Pradesh	181,200	–	Owned
Mysore (Hebbal Electronic City), Karnataka	40,000	–	Conditional Purchase
Pune (Hinjewadi), Maharashtra	256,150	–	Conditional Purchase
Total	931,159		
Proximity and Global Development Facilities			
Berkeley Heights, New Jersey	17,000	–	Leased
Boston, Massachussetts	33,600	–	Leased
Chicago, Illinois	17,000	–	Leased
Croydon, England	10,000	–	Leased
Fremont, California	17,700	–	Leased
Phoenix, Arizona	4,000	–	Leased
Toronto, Ontario	20,500	–	Leased
Total	119,800		
Other			
Bangalore (J.P. Nagar Sarakki), Karnataka	–	16,553	Owned
Bangalore (Adarsh Gardens), Karnataka	78,700	–	Owned
Bhubaneswar (Jayadev Vihar Mouza), Orissa	–	293,334	Conditional Purchase
Mangalore (Kadri Kambala Crossroad), Karnataka	5,100	—	Owned
Mumbai (Vallabhai Patel Road), Maharashtra	13,620	—	Owned
Pune (Shanti Sadan Erandawane), Maharashtra	3,300	—	Owned
Total	100,720	309,887	

Item 5: Operating and Financial Review and Prospects

Operating results

This information is set forth under the caption "Management's discussion and analysis of financial condition and results of operations" on pages 129 through 140 of our Annual Report for the fiscal year ended March 31, 2002 and such information is incorporated herein by reference.

Liquidity and Capital Resources

This information is set forth under the caption "Management's discussion and analysis of financial condition and results of operations" on pages 129 through 140 of our Annual Report for the fiscal year ended March 31, 2002 and such information is hereby incorporated herein by reference.

Research and development, patents and licenses, etc.

We have committed and expect to continue to commit in the future, a material portion of resources to research and development. Efforts towards research and development are focused on refinement of methodologies, tools and techniques, implementation of metrics, improvement in estimation process and the adoption of new technologies.

Our research and development expenses for the fiscal years ended March 31, 2002, 2001 and 2000 were $3.1 million, $3.6 million and $1.9 million, respectively.

Trend information

Management's Discussion and Analysis

This information is set forth under the caption "Management's discussion and analysis of financial condition and results of operations" on pages 129 through 140 of our Annual Report for the fiscal year ended March 31, 2002 and such information is incorporated herein by reference.

Business Outlook for Fiscal 2003

We believe that the economic slowdown in the U.S. may affect our revenue growth and operating results for fiscal 2003. The economic slowdown in the U.S. has impacted the growth prospects of companies that are in the insurance, banking and financial services and telecom segments.

Due to this slowdown, companies may cut their IT spending or postpone decisions regarding new IT expenditures. Based on currently available information, we expect our business outlook for the quarter ending June 30, 2002 and the fiscal year ending March 31, 2003 to be as follows:

- Net revenues expected to be between $141 million and $143 million for the quarter ending June 30, 2002, and between $636 million and $654 million for the fiscal year ending March 31, 2003
- Earnings per ADS expected to be $0.32 for the quarter ending June 30, 2002, and between $1.43 and $1.47 for the fiscal year ending March 31, 2003

The above expectations and projections are forward-looking statements. They are based on currently available economic and financial information. Combined with our operating plans and future uncertainties, actual results could differ materially from those stated earlier. We do not undertake to update any forward-looking statement that may be made from time to time by or on behalf of us.

Item 6: Directors, Senior Management and Employees

Directors and senior management

Our policy in determining our executive officers for SEC reporting purposes has traditionally been to include all statutory officers and all members of our management council. As of April 1, 2002, in line with our growth and strategic objectives, we divided our management council into two levels comprised of senior executives and all other members. In accordance with this policy, our directors and executive officers, which include only senior executives of our management council, their respective ages and positions as of March 31, 2002 are as follows:

Name	Age	Position
N. R. Narayana Murthy	55	Chairman and Chief Mentor
Nandan M. Nilekani [4]	46	Chief Executive Officer, President and Managing Director
S. Gopalakrishnan	46	Chief Operating Officer and Deputy Managing Director, Head – Customer Service and Technology
Deepak Satwalekar [1, 2]	53	Independent director
Dr. Marti G. Subrahmanyam [1, 2]	55	Independent director
Philip Yeo [1, 3, 4]	56	Independent director
Dr. Jitendra Vir Singh [1, 3]	48	Independent director
Dr. Omkar Goswami [1, 2]	45	Independent director
Larry Pressler [2, 3]	59	Independent director
Rama Bijapurkar [2, 4]	45	Independent director
Claude Smadja[2,3]	56	Independent director
K. Dinesh [4]	47	Director and Head – Human Resources Development, Information Systems, Quality & Productivity and Communication Design Group
S. D. Shibulal [4]	47	Director and Head – Customer Delivery
T. V. Mohandas Pai	43	Director and Head – Finance and Administration and Chief Financial Officer
Phaneesh Murthy	38	Director and Head – Sales and Marketing and Communications and Products Services
Srinath Batni	47	Director and Head – Delivery (West North America)
Dr. P. Balasubramanian	52	Senior Vice President – Domain Competency Group
V. Balakrishnan	37	Company Secretary and Vice President – Finance
Girish Vaidya	51	Senior Vice President – Banking Business Unit
Hema Ravichandar	40	Senior Vice President – Human Resources Development
Dr. M. S. S. Prabhu	54	Senior Vice President – Engineering Services and Consultancy Practice

[1] Member of the Compensation Committee
[2] Member of the Audit Committee
[3] Member of the Nominations Committee
[4] Member of the Investors Grievance Committee

N. R. Narayana Murthy has been our Chairman and Chief Mentor since March 31, 2002. Mr. Murthy along with six software professionals founded our company in 1981 and has been our Chairman and Chief Executive Officer from inception to March 30, 2002. In 2002, *TIME/CNN* named him among the "25 most influential global executives". From 1992 to 1994, Mr. Murthy also served as the President of the National Association of Software and Service Companies, or NASSCOM. Mr. Murthy is on the Governing Council of the National Information Technology Task Force of India and was voted "IT Man of the Year" for 1996 by *Dataquest India*. In 1998, Mr. Murthy was awarded the prestigious J.R.D. Tata Corporate Leadership Award. Since December 2000, he has been a director on the board of the Reserve Bank of India, and since January 2001, the Chairman of the Bangalore International Airport Limited. He is a Fellow of the All India Management Association, or AIMA and the Computer Society of India, or CSI. Mr. Murthy is a member of the Prime Minister's Council on Trade and Industry (India), the Asian Executive Board at the Wharton Business School and the Board of Councilors at the University of Southern California School of Engineering. He is a member of the Board of Advisors for the William F. Achtmeyer Center for Global Leadership at the Tuck School of Business. Mr. Murthy has won several awards such as Nikkei Asia Award, the Wharton School Dean's Medal and the 2001 Freedom Prize by the Max Schmidheiny Foundation (St. Gallen). Mr. Murthy received a B.E. in Electrical Engineering from the University of Mysore and an M.Tech. from the Indian Institute of Technology, or IIT, Kanpur.

Nandan M. Nilekani co-founded our company and has been our Chief Executive Officer, President and Managing Director since March 31, 2002. Prior to this, Mr. Nilekani has been our director since 1981. Since February 1999, he has also been our Managing Director, President and Chief Operating Officer. Mr. Nilekani was our Head – Marketing and Sales since 1987, Head – Banking Business Unit since 1997. From 1981 to 1987, Mr. Nilekani was in the United States managing our marketing and development efforts. Mr. Nilekani is a co-founder of NASSCOM as well as the Bangalore Chapter of The IndUS Entrepreneurs (TiE). Mr. Nilekani serves on the London Business School's Asia Pacific Regional Advisory Board. In addition, he is a member of the Global Advisory Council of the Conference Board, an international research and business membership organization. He is the Co-chairman of the Business Leaders Dialogue of the Initiative for Social Innovation through Business (ISIB) at the Aspen Institute. He also serves as the Co-chairman of the Advisory Board of the IIT Bombay Heritage Fund. Mr. Nilekani has been involved in various initiatives of the central and state governments. He is the Chairman of the Bangalore Agenda Task Force set up by the Karantaka state government. He is also a member of the steering committee on communications & information on the Planning Commission of the Government of India, for the formulation of the tenth Five Year Plan. In addition, Mr. Nilekani has served as a member of the sub-committee of the Securities and Exchange Board of India that dealt with issues related to insider trading, and as a member of the Reserve Bank of India's Advisory Group on Corporate Governance. He received a B.Tech. in Electrical Engineering from IIT, Bombay in 1978, and received the Institute's distinguished alumnus award in 1999.

Deepak M. Satwalekar has been our Director since October 1997. He is the Managing Director of HDFC Standard Life Insurance Company Limited. From 1993 to 2000, he was Managing Director of Housing Development Finance Corporation Ltd., or HDFC, and was Deputy Managing Director between 1990 and 1993. He is currently a director on the boards of HDFC Ltd., HDFC Bank Ltd., Tube Investments of India Ltd. and Chemplast Sanmar Ltd. Mr. Satwalekar has been a consultant to the World Bank and the Asian Development Bank, and is a member on the governing council of various management and educational institutions. Mr. Satwalekar serves on the Advisory Council of IIT, Bombay. He is on several industry and government expert groups. Mr. Satwalekar received a B.Tech. in Mechanical Engineering from IIT Bombay and an M.B.A. from American University.

Dr. Marti G. Subrahmanyam has served as our Director since April 1998. He has served as the Charles E. Merrill Professor of Finance and Economics at the Stern School of Business at New York University since 1991, and has been a visiting professor at leading academic institutions in England, France, Germany and India including, INSEAD, and Churchill College, Cambridge University. He is a director of ICICI Ltd. and Nomura Asset Management (U.S.A.) Inc. Dr. Subrahmanyam has served or currently serves as an associate editor/editor of several leading academic journals in finance. He received a B.Tech. from IIT Madras, a Diploma in Business Administration from IIM Ahmedabad and a Ph.D. in Finance and Economics from the Massachusetts Institute of Technology.

Philip Yeo has been our Director since October 1999. Mr. Yeo has served as the Co-Chairman of the Singapore Economic Development Board since February 2001, and as Chairman of Singapore's National Science and Technology Board since February 2001. Mr. Yeo was the first Chairman of Singapore's National Computer Board from 1981 to 1987. Mr. Yeo joined the Administrative Service in 1970 and served in the Ministry of Defence where he held several appointments including the appointment of Permanent Secretary for logistics, technology research & development and defence industries upto January 1986. He retired from the Administrative Service on March 31, 1999. Mr. Yeo graduated in 1970 in Applied Science in Industrial Engineering from the University of Toronto, Canada under a Colombo Plan Scholarship. He later obtained a Master of Science in Systems Engineering from the University of Singapore in 1974. In 1976, he obtained a MBA from Harvard University, under a Fulbright scholarship. He is the recipient of many international awards, and was conferred an honorary Doctorate in Engineering from the University of Toronto.

Dr. Jitendra Vir Singh has been our Director since October, 2000. Dr. Singh is Saul P. Steinberg Professor of Management at the Wharton School, University of Pennsylvania. He was earlier Vice Dean – International Academic Affairs at the Wharton School between 1998 and 2001. Prior to that, Dr. Singh was Director of the Emerging Economies Program at Wharton from 1996 to 1998. From 1991 to 1995, he was Research Director – Entrepreneurship at the Sol C. Snider Entrepreneurial Center at Wharton. Prof. Singh has been a faculty member at Wharton since 1987. Prior to that, he was an Associate Professor in the Rotman School of Business, University of Toronto in Canada. Dr. Singh serves as advisor for several high technology start up firms. He received his Ph.D. from Stanford Business School in 1983. In 1991, he received an M.A. from University of Pennsylvania. Dr. Singh received his MBA from the Indian Institute of Management, Ahmedabad, India in 1975 and his B.Sc. from Lucknow University, India in 1972.

Dr. Omkar Goswami has been our Director since November, 2000. He has been working as Senior Consultant and Chief Economist to the Confederation of Indian Industry since August 1998. Prior to that, from March 1997 through July 1998, Dr. Goswami was the Editor of Business India magazine. He was a research professor at Oxford University, Delhi School of Economics, Harvard, Tufts, Jawaharlal Nehru University, Rutgers University and the Indian Statistical Institute, New Delhi between 1981 and 1997. Dr. Goswami has served on several government committees and has also been a consultant to the World Bank, the International Monetary Fund, the Asian Development Bank and the Organization for Economic Co-operation and Development. He is a director on the board of Dr. Reddy's Laboratories and DSP Merrill Lynch. Dr. Goswami received his Masters in Economics from the Delhi School of Economics in 1978 and his D.Phil. (Ph.D.) from Oxford in 1982.

Larry Pressler has served as our Director since January 9, 2001. He is a Senior Partner in the Washington, D.C. law firm of O'Connor & Hannan LLP, and chairs the law firm's Telecommunications and Business Group. Prior to that, from 1974 to 1997, he was Member of U.S. Congress, with 18 years in the U.S. Senate. He was Chairman of the Senate Commerce, Science and Transportation Committee and was the author of the Telecommunications Act of 1996 among others. He has also worked with McKinsey & Company, and spent three years as a government lawyer in the U.S. State Department Legal Advisor's Office. Senator Pressler is a former Rhodes Scholar and graduate of Oxford University and Harvard Law School. Currently, Senator Pressler serves on the boards of directors of Global Light Telecommunications Inc. and Customerlinx. He also serves on the boards of advisors of several companies in the pharmaceutical, telecommunications and financial sectors.

Rama Bijapurkar has served as our Director since March, 2001. Prior to that, from 1995 to 1997, Ms. Bijapurkar worked with McKinsey and Company as a Senior Marketing Consultant. From 1989 to 1995 she was the Deputy Managing Director of MARG Marketing and Research Group and worked between 1982 and 1987 with MODE Services, which she co-founded. She is a recognized thought leader on marketing strategy and consumer related issues in India. She has her own strategic marketing consulting practice working across a wide range of sectors helping organizations become more consumer focused. Ms. Bijapurkar serves on the boards of Titan Watches Ltd., Godrej Consumer Products Ltd. and CRISIL Ltd. In addition, she is a visiting faculty at IIM Ahmedabad. She is an alumna of IIM Ahmedabad and holds a B.Sc. Honors degree in Physics from the Delhi University.

Claude Smadja has been our Director since October, 2001. He is President of Smadja & Associates: Strategic Advisory, a firm advising global corporations and governments on strategic issues, global trends and their implications on policies. His portfolio of responsibilities included, among other domains, direct responsibility for the World Economic Forum's Annual Meeting in Davos and its activities in Asia, especially direct responsibility for organizing the yearly East Asia Economic Summit. Between January 1996 and April 2001, he had been the Managing Director of the World Economic Forum. Prior to that, Mr. Smadja had been Director for the News and Current Affairs Department of the Swiss Broadcasting Corporation in Geneva for three years and a Senior Advisor to the World Economic Forum. He had been associated with the World Economic Forum from June 1987 to January 1993 as a Director and Member of the Executive Board. He is also on the board of several corporations in Switzerland and abroad, and is the Chairman of the International Board of Overseers at the Illinois Institute of Technology.

S. Gopalakrishnan is a co-founder of our company and has been our Director from 1981 to 1987, and since 1994. Mr. Gopalakrishnan is currently our Chief Operating Officer, Deputy Managing Director and Head – Customer Service and Technology. From 1987 to 1994, he was Technical Vice President and managed all projects at the U.S.-based KSA/Infosys, a former joint venture between our company and Kurt Salmon Associates. In addition to being our Deputy Managing Director, Mr. Gopalakrishnan has been Head of Technical Support Services from 1994 to 1996 and Head – Client Delivery and Technology from 1996 to 1999. Mr. Gopalakrishnan received an M.Sc. in Physics and an M.Tech. in Computer Science from IIT, Madras.

K. Dinesh is a co-founder of our company and has been our Director since 1985. He is currently our Director and Head – Human Resources Development, Information Systems, Quality and Productivity and Communication Design Group. From 1996 to 2001, he was our Head – Quality, Productivity and MIS. From 1991 to 1996, Mr. Dinesh served in various project management positions and was responsible for our worldwide software development efforts. From 1981 to 1990, he managed our projects in the United States. Mr. Dinesh received an M.Sc. degree in Mathematics from Bangalore University in 1979.

S. D. Shibulal is a co-founder of our company and has been our Director from 1984 to 1991, and from 1997 to present. He is currently our Director and Head – Customer Delivery. Prior to that, from 1998 he was Head – Manufacturing, Distribution and Year 2000 Business Unit, and Head – Internet and Intranet Business Unit. From 1991 to 1996, Mr. Shibulal was on sabbatical and served as Senior Information Resource Manager at Sun Microsystems. From 1981 to 1991, he worked for our company in the United States on projects in the retail and manufacturing industries. He is also a director on the board of OnMobile Systems Inc., U.S.A. and Progeon Ltd. Mr. Shibulal received an M.Sc. degree in Physics from the University of Kerala and an M.S. degree in Computer Science from Boston University.

T. V. Mohandas Pai has been our Director, Head – Finance and Administration and Chief Financial Officer since May 2000. From 1996 to May 2000 he was our Senior Vice President, Head – Finance and Administration and Chief Financial Officer. From 1994 to 1996, he served as our Vice President of Finance. From 1988 to 1994, Mr. Pai was Executive Director of Prakash Leasing Ltd. He is also a director on the board of Progeon Ltd. Mr. Pai received a B.Com. from St. Joseph's College of Commerce, Bangalore and an LL.B. from the University Law College, Bangalore. Mr. Pai is a Fellow Member of the Institute of Chartered Accountants of India.

Phaneesh Murthy has been our Director since May 2000. He is currently our Director and Head – Sales and Marketing and Communications and Product Services. From 1999, he was Head – Sales and Marketing. From 1996 to May 2000, he was our Senior Vice President and Head – Worldwide Sales. From 1992 to 1996, Mr. Murthy worked for us as our Marketing Manager and was based in the United States. From 1987 to 1992, he worked in sales and marketing for Sonata Software Ltd. Mr. Murthy is also a director on the board of Progeon Ltd. and Workadia, Inc. Mr. Murthy received a B.Tech. in Mechanical Engineering from IIT Madras and a post graduate diploma in business administration from IIM Ahmedabad.

Srinath Batni has been our Director since May 2000. He is currently our Director and Head – Delivery (West North America). From 1996 to 2000 he was our Senior Vice President and Head – Retail and Telecommunications Business Unit. He has worked with us in various capacities since joining us as a Project Manager in 1992. From 1990 to 1992, he was Manager of Technical Support for PSI Bull. Mr. Batni received a B.E. in Mechanical Engineering from Mysore University and an M.E. in Mechanical Engineering from the Indian Institute of Science, Bangalore.

Dr. P. Balasubramanian has been our Senior Vice President – Domain Competency Group since 1999. Prior to that, from 1995 to 1999 he was our Senior Vice President and Head – Financial Services and Transportation Business Unit. From 1992 to 1994, he was a Technical Director of Hitek Software Engineers Ltd., and its Chief Executive Officer from 1989 to 1992. From 1986 to 1989, Dr. Balasubramanian was Chief Executive Officer of Cholamandalam Software Ltd. Dr. Balasubramanian received a B.Tech. and an M.Tech. from IIT Madras and a Ph.D. in Operations Research and Financial Management from Purdue University.

V. Balakrishnan has been our Company Secretary and Vice President – Finance since April, 2001. Prior to that, from 1999 to January 2001, he was our Associate Vice President – Finance. He has served in various capacities in the Finance department of our company since he joined us in 1991. Prior to that, he was Senior Accounts Executive for Amco Batteries Ltd. Mr. Balakrishnan received a B.Sc. from the University of Madras and is an Associate Member of the Institute of Chartered Accountants of India, a Member of the Institute of Company Secretaries of India and an Associate Member of the Institute of Cost & Works Accountants of India.

Girish Vaidya has served as our Senior Vice President – Banking Business Unit since April 1999. Prior to that, Mr. Vaidya was Director and Head – Operations, India for ANZ Grindlays with whom he worked from 1975 through March 1999. Mr. Vaidya received a B.E. from S.P College of Engineering, Mumbai in 1973 and a Post Graduate Diploma in Management from IIM Calcutta in 1975.

Hema Ravichandar has been our Senior Vice President – Human Resources Development since 1998. From 1996 to 1998, Ms. Ravichandar was an independent consultant. From 1992 to 1995, she was our Head – Human Resources. From 1983 to 1992, Ms. Ravichandar was Deputy Manager – Human Resource Development at Motor Industries Company Ltd. Ms. Ravichandar received a B.A. in Economics and a Post Graduate Diploma in Management from IIM Ahmedabad.

Dr. M. S. S. Prabhu has been our Senior Vice President – Engineering Services and Consultancy Practice since 1997. From 1994 to 1997, Dr. Prabhu was head of the CAD/CAM group at Tata Consultancy Services. From 1972 to 1994, he served in various capacities for the Indian Satellite Research Organization. Dr. Prabhu received a B.E. in Civil Engineering from Bangalore University and a Ph.D. in Aeronautical Engineering from the Indian Institute of Science, Bangalore.

Compensation

In fiscal 2002, our eight non-employee directors were paid an aggregate of $200,000. Directors who are also employees do not receive any additional compensation for their service on the board of directors. Directors are also reimbursed for certain expenses in connection with their attendance at board and the committee meetings.

The table below describes the compensation for our officers and directors, for the fiscal year ended March 31, 2002.

Name	Salary	Bonus	Other Annual Compensation	Annual compensation awards: No. of Options granted during the year	Grant price (1999 ESOP)	Stock options: No. of Options granted during the year	Grant price (1998 ESOP)	Expiration date	Amount accrued for long term benefits
N. R. Narayana Murthy	$17,667	–	$20,593	–	–	–	–	–	$5620
Nandan M. Nilekani	17,667	–	19,047	–	–	–	–	–	5,620
S. Gopalakrishnan	17,667	–	18,440	–	–	–	–	–	5,620
K. Dinesh	17,667	–	20,648	–	–	–	–	–	5,620
S. D. Shibulal	17,667	–	15,900	–	–	–	–	–	5,620
Deepak M. Satwalekar	–	–	25,000	7,000	$65.85	–	–	Apr 11, 2010	–
Ramesh Vangal[1]	–	–	14,178	7,000[2]	65.85	–	–	Apr 11, 2010	–
Dr. Marti G. Subrahmanyam	–	–	25,000	6,000	65.85	–	–	Apr 11, 2010	–
Philip Yeo	–	–	25,000	3,000	65.85	–	–	Apr 11, 2010	–
Dr. Jitendra Vir Singh	–	–	25,000	2,000	65.85	–	–	Apr 11, 2010	–
Dr. Omkar Goswami	–	–	25,000	2,000	65.85	–	–	Apr 11, 2010	–
Larry Pressler	–	–	25,000	2,000	65.85	–	–	Apr 11, 2010	–
Rama Bijapurkar	–	–	25,000	2,000	65.85	–	–	Apr 11, 2010	–
Claude Smadja	–	–	10,822	–	–	–	–	–	–
T. V. Mohandas Pai	19,956	–	15,486	–	–	–	–	–	6,348
Phaneesh Murthy	253,022	150,000	–	–	–	–	–	–	1,625
Srinath Batni	17,933	–	13,485	–	–	–	–	–	5,704
Dr. P. Balasubramaniam	15,327	–	22,186	–	–	–	–	–	4,876
V. Balakrishnan	12,120	–	20,410	2,000	61.78	–	–	Oct 29, 2011	3,855
Girish Vaidya	17,157	–	23,218	3,000	61.78	–	–	Oct 29, 2011	5,458
Hema Ravichandar	12,535	–	15,973	–	–	–	–	–	3,987
Dr. M. S. S. Prabhu	14,478	–	15,842	–	–	–	–	–	4,605

[1] Retired on October 24, 2001

[2] Forfeited on October 24, 2001

Board composition

Our Articles of Association provide that the minimum number of directors shall be three and the maximum number of directors shall be 18. Currently, we have 16 directors. Our Articles of Association and the Indian Companies Act require that at least two-thirds of our directors be subject to retirement by rotation. One-third of these directors must retire from office at each Annual General Meeting of the shareholders. A retiring director is eligible for re-election. Our executive directors are appointed for five-year terms by the shareholders. They customarily retire every three years and are eligible for re-election at that time. Our Articles of Association also provide that our Chairman, Mr. N. R. Narayana Murthy, is not required to retire by rotation so long as he and his family together hold at least 5% of our voting shares. Executive directors are required to retire at age 60 in accordance with our employee retirement policies. Other board members must retire from the board at age 65.

Our board has reappointed Messrs. N. R. Narayana Murthy, Nandan M. Nilekani and K. Dinesh as directors for a term of five years, which ends on April 30, 2007, and reappointed Mr. S. D. Shibulal as director for a term of five years, which ends on January 9, 2007. Their proposed reappointments are subject to the approval of our stockholders at our Annual General Meeting of our stockholders scheduled to take place on June 8, 2002. The terms of each of our directors and their expiration dates are provided in the table below:

Name	Expiration of current term of office	Term of office
N. R. Narayana Murthy	April 30, 2007	5 years
Nandan M. Nilekani	April 30, 2007	5 years
S. Gopalakrishnan	October 17, 2004	5 years
K. Dinesh	April 30, 2007	5 years
S. D. Shibulal	January 09, 2007	5 years
T. V. Mohandas Pai	May 26, 2005	5 years
Phaneesh Murthy	May 26, 2005	5 years
Srinath Batni	May 26, 2005	5 years
Deepak M. Satwalekar	–	Retirement by rotation
Dr. Marti G. Subrahmanyam	–	Retirement by rotation
Philip Yeo	–	Retirement by rotation
Dr. Jitendra Vir Singh	–	Retirement by rotation
Dr. Omkar Goswami	–	Retirement by rotation
Larry Pressler	–	Retirement by rotation
Rama Bijapurkar	–	Retirement by rotation
Claude Smadja	–	Retirement by rotation

Option Grants

There were no option grants to our Chairman, CEO, or our COO in the fiscal years ended March 31, 2002, 2001 and 2000. Details of options granted to other senior executives are reported elsewhere in this Item 6 in the section titled “Compensation.”

Option Exercises and Holdings

Our Chairman, CEO and COO did not exercise or hold any options during the fiscal year ended March 31, 2002. The details of stock options held and exercised with respect to other senior executives are reported elsewhere in this Item 6 in the section titled "Share Ownership."

Employment and Indemnification Contracts

Under the Indian Companies Act, our shareholders must approve the salary, bonus and benefits of all employee directors at an Annual General Meeting of shareholders. Each of our employee directors has signed an agreement containing the terms and conditions of employment, including a monthly salary, performance bonus and benefits including vacation, medical reimbursement and pension fund contributions. These agreements are made for a five-year period, but either we or the employee director may terminate the agreement upon six months notice to the other party.

We also have entered into agreements to indemnify our directors and officers for claims brought under U.S. laws to the fullest extent permitted by Indian law. These agreements, among other things, indemnify our directors and officers for certain expenses, judgments, fines and settlement amounts incurred by any such person in any action or proceeding, including any action by or in the right of Infosys Technologies Limited, arising out of such person's services as our director or officer.

Board committee information

Details relating to our board committees listed below are on pages 94 through 96 of our Annual Report for the fiscal year ended March 31, 2002 and are incorporated herein by reference.

- Audit committee;
- Compensation committee;
- Nominations committee; and
- Investors grievance committee

Employees

As of March 31, 2002, we had approximately 10,740 employees, including 9,400 IT professionals. We seek to attract and motivate IT professionals by offering:

- an entrepreneurial environment that empowers IT professionals;
- programs that recognize and reward performance;
- challenging assignments;
- constant exposure to new skills and technologies; and
- a culture that emphasizes openness, integrity and respect for the employee.

Recruiting

We focus our recruiting on the top 20% of students from engineering departments of Indian schools and rely on a rigorous selection process involving a series of tests and interviews to identify the best applicants. Our reputation as a premier employer enables us to select from a large pool of qualified applicants. For example, in fiscal 2002, we received approximately 193,640 applications, interviewed approximately 6,730 applicants and extended job offers to approximately 1,710, of whom approximately 1,550 accepted.

Performance Appraisals

We use a 360-degree appraisal system in addition to our proprietary performance appraisal methodology to appraise each employee and to provide him or her feedback and set objectives for career development.

Training and Development

We spend significant resources on training and continuing education. We employ 57 faculty members, including 39 with doctorate or master's degrees. The faculty conducts three-month training sessions for new recruits and a variety of two-week continuing education courses in technology and management skills for all employees. We have recently set up a 200-acre campus at Mysore, India, which we call the Infosys Leadership Institute, to prepare our employees to face the complexities of the rapidly changing marketplace, and to influence work culture through leadership training.

Compensation

Our IT professionals receive competitive salaries and benefits and are eligible to participate in our stock option plans. We have also adopted a performance incentive plan to link our performance as a company and compensation for each employee.

Share ownership

The following table sets forth as of March 31, 2002, for each director and executive officer, the total number of equity shares, ADSs and options to purchase equity shares and ADSs exercisable within 60 days from March 31, 2002. Beneficial ownership is determined in accordance with rules of the Securities and Exchange Commission. All information with respect to the beneficial ownership of any principal shareholder has been furnished by such shareholder and, unless otherwise indicated below, we believe that persons named in the table have sole voting and sole investment power with respect to all the shares shown as beneficially owned, subject to community property laws, where applicable. The shares beneficially owned by the directors include the equity shares owned by their family members to which such directors disclaim beneficial ownership.

For the convenience of the readers, the stock option grant price has been translated into U.S. dollars based on the noon buying rate in the City of New York on March 29, 2002, for cable transfers in Indian rupees as certified for customs purposes by the Federal Reserve Bank of New York which was Rs. 48.83 per $1.00. The share numbers and percentages listed below are based on 66,186,130 equity shares outstanding as of March 31, 2002. Amounts representing less than 1% are indicated with an "*".

Name beneficially owned	Equity Shares shares beneficially owned	% of equity underlying options granted	Equity Shares	Exercise price	Date of Expiration
N. R. Narayana Murthy [1]	4,819,400	7.28	–	–	–
Nandan M. Nilekani [2]	3,295,900	4.98	–	–	–
S. Gopalakrishnan [3]	3,180,000	4.80	–	–	–
K. Dinesh [4]	2,333,400	3.53	–	–	–
S. D. Shibulal [5]	2,112,000	3.19	–	–	–
T. V. Mohandas Pai	*	*	–	–	–
Phaneesh Murthy	*	*	–	–	–
Srinath Batni	*	*	–	–	–
Deepak Satwalekar	*	*	–	–	–
Dr. Marti G. Subrahmanyam	*	*	–	–	–
Philip Yeo	*	*	–	–	–
Dr. Jitendra Vir Singh	*	*	–	–	–
Dr. Omkar Goswami	*	*	–	–	–
Larry Pressler	*	*	–	–	–
Rama Bijapurkar	*	*	–	–	–
Claude Smadja	*	*	–	–	–
Dr. P. Balasubramanian	*	*	–	–	–
V. Balakrishnan	*	*	–	–	–
Girish Vaidya	*	*	–	–	–
Hema Ravichandar	*	*	–	–	–
Dr. M. S. S. Prabhu	*	*	–	–	–
Total	15,740,700	23.78			

[1] Shares beneficially owned by Mr. Murthy include 4,255,000 Equity Shares owned by members of Mr. Murthy's immediate family. Mr. Murthy disclaims beneficial ownership of such shares.

[2] Shares beneficially owned by Mr. Nilekani include 1,905,000 Equity Shares owned by members of Mr. Nilekani's immediate family. Mr. Nilekani disclaims beneficial ownership of such shares.

[3] Shares beneficially owned by Mr. Gopalakrishnan include 2,141,160 Equity Shares owned by members of Mr. Gopalakrishnan's immediate family. Mr. Gopalakrishnan disclaims beneficial ownership of such shares.

[4] Shares beneficially owned by Mr. Dinesh include 1,570,200 Equity Shares owned by members of Mr. Dinesh's immediate family. Mr. Dinesh disclaims beneficial ownership of such shares.

[5] Shares beneficially owned by Mr. Shibulal include 1,702,080 Equity Shares owned by members of Mr. Shibulal's immediate family. Mr. Shibulal disclaims beneficial ownership of such shares.

The following table sets forth the options to purchase securities granted to executive officers and directors that were outstanding as of March 31, 2002

Class of securities	Total securities	Weighted average exercise price	Expiration dates
Equity shares	24,101	$85.42	Nov 2003-Oct 2011
American Depositary Shares	49,778	$25.93	Nov 2003-Oct 2011

Option plans

1994 Employees Stock Offer Plan

In September 1994, we established our 1994 Employees Stock Offer Plan, or the 1994 Plan, which provided for the issue of 6,000,000 warrants, as adjusted, to eligible employees. The warrants were issued to an employee welfare trust (the "Trust"). In 1997, in anticipation of a share dividend to be declared by us, the Trust exercised all warrants held by it and converted them into equity shares. As and when the Trust issued options/stock to eligible employees, the difference between the market price and the exercise price was accounted as deferred stock compensation expense and amortized over the vesting period. Such amortized deferred compensation expense was $5,009,772, $5,081,795 and $5,117,635 in the fiscal 2002, 2001 and 2000, respectively. The 1994 plan lapsed in fiscal 2000 and, consequently, no further shares will be issued to employees under this plan.

1998 Stock Option Plan

Our 1998 Stock Option Plan, or the 1998 stock plan, provides for the grant of two types of options to our employees and directors: incentive stock options, which may provide our employees with beneficial tax treatment, and non-statutory stock options. The 1998 stock plan was approved by our board of directors in December 1997, and by our shareholders in January 1998. Unless terminated sooner by our board of directors, the 1998 stock plan will terminate automatically in January 2008. A total of 1,600,000 ADSs, representing 800,000 equity shares, are currently reserved for issuance under the 1998 stock plan. All options granted under the 1998 stock plan will be exercisable for our ADSs.

Our compensation committee comprising of the board of directors administers the 1998 stock plan. The committee has the power to determine the terms of the options granted, including exercise prices, the number of ADSs subject to each option, the exercisability thereof, and the form of consideration payable upon such exercise. In addition, the committee has the authority to amend, suspend, or terminate the 1998 stock plan, provided that no such action may affect any ADS previously issued and sold or any option to purchase an ADS previously granted under the 1998 stock plan.

The 1998 stock plan generally does not allow for transfer of options, and only the optionee may exercise an option during his or her lifetime. An optionee generally must exercise an option within three months of termination of service. If an optionee's termination is due to death or disability, his or her option will fully vest and become exercisable and the option must be exercised within twelve months after such termination. The exercise price of incentive stock options granted under the 1998 stock plan must at least equal the fair market value of the ADSs on the date of grant. The exercise price of nonstatutory stock options granted under the 1998 stock plan must at least equal 90% of the fair market value of the ADSs on the date of grant. The term of options granted under the 1998 stock plan may not exceed 10 years.

The 1998 stock plan provides that in the event of our merger with or into another corporation or a sale of substantially all of our assets, the successor corporation shall either assume the outstanding options or grant equivalent options to the holders. If the successor corporation neither assumes the outstanding options nor grants equivalent options, such outstanding options shall vest immediately, and become exercisable in full.

1999 Stock Option Plan

In fiscal 2000, we instituted the 1999 Stock Option Plan, or the 1999 Plan. The stockholders and the board of directors approved the 1999 Plan in June 1999. The 1999 Plan provides for the issue of 6,600,000 equity shares to employees. The 1999 Plan is administered by a compensation committee comprising five members, all of who are independent directors on the board of directors. Under the 1999 Plan, options will be issued to employees at an exercise price, which shall not be less than the Fair Market Value, or FMV. Under the 1999 Plan, options may also be issued to employees at exercise prices that are less than FMV only if specifically approved by our members in a General Meeting. All options under the 1999 plan are exercised for equity shares.

The 1999 Plan generally does not allow for transfer of options, and only the optionee may exercise an option during his or her lifetime. An optionee generally must exercise an option within three months of termination of service. If an optionee's termination is due to death or disability, his or her option will fully vest and become exercisable and the option must be exercised within twelve months after such termination. Unless a prior shareholder approval has been obtained, the exercise price of stock options granted under the 1999 Plan must at least equal the fair market value of the equity shares on the date of grant.

The 1999 Plan provides that in the event of our merger with or into another corporation or a sale of substantially all of our assets, the successor corporation shall either assume the outstanding options or grant equivalent options to the holders. If the successor corporation neither assumes the outstanding options nor grants equivalent options, such outstanding options shall vest immediately, and become exercisable in full.

Item 7: Major Shareholders and Related Party Transactions

Major shareholders

The following table sets forth certain information regarding the beneficial ownership of our equity shares as of March 31, 2002, of each person or group known by us to own beneficially 5% or more of the outstanding equity shares.

Beneficial ownership is determined in accordance with rules of the SEC and includes voting and investment power with respect to such shares. Shares subject to options that are currently exercisable or exercisable within 60 days of March 31, 2002 are deemed to be outstanding and to be beneficially owned by the person holding such options for the purpose of computing the percentage ownership of such person, but are not deemed to be outstanding and to be beneficially owned for the purpose of computing the percentage ownership of any other person. All information with respect to the beneficial ownership of any principal shareholder has been furnished by such shareholder and, unless otherwise indicated below, we believe that persons named in the table have sole voting and sole investment power with respect to all the shares shown as beneficially owned, subject to community property laws, where applicable. The number of shares and percentage ownership are adjusted to reflect our 2-for-1 stock splits in 1998, 1999 and 2000, and are based on 66,186,130 equity shares outstanding as of March 31, 2002.

Name of the beneficial owner	Class of security	No of shares beneficially held[1, 2]	% of class	No of shares beneficially held[1, 2]	% of class	No of shares beneficially held[1, 2]	% of class
		March 31, 2002		March 31, 2001		March 31, 2000	
N. R. Narayana Murthy	Equity shares	4,819,400	7.28	4,906,400	7.42	4,931,300	7.45
Nandan M. Nilekani	Equity shares	3,295,900	4.98	3,331,900	5.04	3,334,900	5.04
Emerging Markets Growth Fund Inc.	Equity shares	4,046,080	6.11	3,335,820	5.04	2,905,830	4.39
Government of Singapore	Equity shares	2,484,655	3.75	3,625,402	5.48	408,800	0.62
Shareholding of all directors and officers as a group (21 persons)[3]		16,198,635	24.20				

1. Shares beneficially owned by Mr. Murthy include 4,255,000 Equity Shares owned by members of Mr. Murthy's immediate family. Mr. Murthy disclaims beneficial ownership of such shares.
2. Shares beneficially owned by Mr. Nilekani include 1,905,000 Equity Shares owned by members of Mr. Nilekani's immediate family. Mr. Nilekani disclaims beneficial ownership of such shares.
3. Comprised of 405,545 shares owned by non-founder directors and officers and 52,390 options that are currently exercisable or exercisable within 60 days of March 31, 2002 by our various officers and directors. These have been deemed to be outstanding and to be beneficially owned by the person holding such options for calculating the total shareholding of all directors and officers as a group. Accordingly, the percentage ownership of the group is calculated on a base of 66,934,800 equity shares which includes 748,670 options that are currently exercisable or exercisable by all employees within 60 days of March 31, 2002.

Our American Depositary Shares are listed on the NASDAQ National Market. Each ADS represents one-half of one equity share of par value Rs. 5 per share. Our ADSs are registered pursuant to Section 12(g) of the Securities Exchange Act of 1934 and, as of March 31, 2002 are held by approximately 10,500 holders of record in the United States.

Our equity shares can be held by Foreign Institutional Investors, or FIIs, Overseas Corporate Bodies, or OCBs, and Non-resident Indians, or NRIs, who are registered with the Securities and Exchange Board of India, or SEBI, and the Reserve Bank of India, or RBI. Currently over 37.24% of our equity shares are held by these FIIs, OCBs and NRIs of which some of them may be residents or bodies corporate registered in the United States and elsewhere. We are not aware of which FIIs, OCBs and NRIs hold our equity shares as residents or as corporate entities registered in the United States.

Our major shareholders do not have differential voting rights with respect to their equity shares. To the best of our knowledge, we are not owned or controlled directly or indirectly by any government or by any other corporation. We are not aware of any arrangement, the operation of which may at a subsequent date result in a change in control.

Related party transactions

We believe that all transactions described in this section are on no less favorable terms to us than on terms that could be obtained from disinterested third parties.

Yantra Corporation

We established Yantra as a company in Delaware, U.S.A. in December 1996, by transferring the intellectual property rights to the Eagle (subsequently renamed WMSYantra) software application for warehouse management in exchange for the common stock of Yantra. Yantra is based in Acton, Massachusetts and provides enterprise software that gives companies control over distributed orders and inventory. In this transaction, Yantra also granted us a non-exclusive right to reproduce, distribute and service the product to the extent necessary to fulfill our pre-existing contractual obligations for the product. We received 7,500,000 shares of common stock of Yantra, which had a fair market value of $0.20 per share, in consideration for this transaction.

In September 1997, we purchased 2,000,000 shares of series A preferred stock of Yantra at $0.75 per share. Our director and head of sales and marketing and communication products services, Phaneesh Murthy, served on the board of Yantra up to December 2000. On September 20, 1997, in recognition of his service as a member of the board of directors, Yantra granted Mr. Murthy an option to purchase 100,000 shares of common stock of Yantra at an exercise price of $0.10 per share. Mr. Murthy exercised this option and purchased 74,992 shares of common stock in December 2000. The remaining 25,008 shares subject to the options lapsed unvested in December 2000 on his retirement from the board of Yantra.

On October 20, 1998, we sold 1,363,637 shares of series A preferred stock of Yantra at $1.10 per share to an unaffiliated purchaser. As a result of this sale, we reduced our aggregate interest in Yantra to less than 50% of its voting stock. On February 14, 2002, we entered into an agreement with Yantra to exchange 5,500,000 shares of common stock of Yantra, that we held, for a pre-paid warrant to purchase up to 5,500,000 shares of common stock of Yantra at an exercise price of $0.01 per share. We currently hold 16% of the total outstanding stock of Yantra. Venture investors and management hold the remainder of the capital stock. We have not recognized Yantra in our financial statements after October 20, 1998. The carrying value of this investment is nil as of March 31, 2002.

OnMobile Systems

We established OnMobile Systems Inc. (formerly Onscan) as a company in Delaware, U.S.A. in May, 2000, by transferring the intellectual property rights, or IPR, to the Onscan software application for web-enabled wireless notification systems in exchange for 100,000 shares of common stock, 100,000 shares of preferred voting and 4,400,000 shares of preferred non-voting stock of OnMobile valued at in an aggregate amount of $2 million. This transfer was recorded as a historic cost, and accordingly, no gain was recognized on this transaction as of the date of transfer of the IPR. OnMobile is based in Los Altos, California and provides wireless solutions to enterprises and wireless carriers around the world. The OnMobile solution allows wireless carriers to provide innovative services to their customers and enterprises targeted at the mobile work force. We currently own a voting interest of 9.7% in OnMobile. Venture investors and management hold the remainder of the capital stock.

Our following directors and executive officers have a financial interest in OnMobile:

- S.D. Shibulal holds 500,000 shares of common stock of OnMobile, which he purchased for $0.0435 per share in cash;
- S. Gopalakrishnan holds 200,000 shares of common stock of OnMobile, which he purchased for $0.435 per share in cash; and
- V. Balakrishnan holds options to purchase 100,000 shares of common stock of OnMobile at an exercise price of $0.0435 per share.

Mr. S.D. Shibulal also serves as chairman of the board of OnMobile.

Employment and indemnification agreements

We have entered into agreements with our employee directors that provide for a monthly salary, performance bonuses, and benefits including, vacation, medical reimbursements and pension fund contributions. These agreements have a five-year term and either party may terminate the agreement with six months notice.

We have also entered into agreements to indemnify our directors and officers for claims brought under U.S. laws to the fullest extent permitted by Indian law. These agreements, among other things, indemnify our directors and officers for certain expenses, judgments, fines and settlement amounts incurred by any such person in any action or proceeding, including any action by or in the right of Infosys Technologies Limited, arising out of such person's services as our director or officer.

Loans to employees

We have a loan employee program that grants secured asset loans to employees to acquire homes and vehicles, or for personal needs. We extend the loans at interest rates ranging from 0% to 4% with repayment terms ranging from one to one hundred months. As of March 31, 2002, we had $20.8 million in loans outstanding to employees, of which $0.5 million were loans receivable from our executive officers in amounts less than $60,000 per person.

Interests of experts and counsel

Not applicable.

Item 8: Financial Information

Consolidated statements and other financial information

The following financial statements and auditors' report appearing on pages 141 to 156 of our Annual Report for the fiscal year ended March 31, 2002 and are incorporated herein by reference:

- Independent auditor's report.
- Balance sheets as of March 31, 2002 and 2001.
- Statements of Income for the years ended March 31, 2002, 2001 and 2000.
- Statements of Stockholders' Equity and Comprehensive Income for the years ended March 31, 2002, 2001 and 2000.
- Statements of Cash Flows for the years ended March 31, 2002, 2001 and 2000.
- Notes to the financial statements
- Financial Statement Schedule – Valuation and qualifying accounts

Our Annual Report for the fiscal year ended March 31, 2002, except for those portions which are expressly incorporated by reference in this filing, is furnished for the information of the Securities and Exchange Commission and our shareholders and is not to be deemed as filed as a part of this Annual Report on Form 20-F.

Legal proceedings

Infosys Technologies Limited, its directors, senior executive officers and affiliates are not currently party to any material legal proceedings.

Dividends

Although the amount varies, public companies in India typically pay cash dividends. Under Indian law, a corporation pays dividends upon a recommendation by the board of directors and approval by a majority of the shareholders, who have the right to decrease but not increase the amount of the dividend recommended by the board of directors. Under the Indian Companies Act, dividends may be paid out of profits of a company in the year in which the dividend is declared or out of the undistributed profits of previous fiscal years.

In the fiscal year ended March 31, 2002, we declared cash dividends of approximately $0.42 per equity share or $0.21 per ADS. Although we have no current intention to discontinue dividend payments, we cannot assure you that any future dividends will be declared or paid or that the amount thereof will not be decreased. Holders of ADSs will be entitled to receive dividends payable on equity shares represented by such ADSs. Cash dividends on equity shares represented by ADSs are paid to the Depositary in Indian rupees and are generally converted by the Depositary into U.S. dollars and distributed, net of depositary fees, taxes, if any, and expenses, to the holders of such ADSs.

The table below shows the annual dividends declared per equity share for each of the years indicated and have been adjusted to reflect our 2-for-1 stock splits by way of stock dividend in fiscal 1998 and 1999 and our 2-for-1 stock split in fiscal 2000.

	Year ended March 31, Indian rupees	Dividend per equity share $
2002	20.00	0.42
2001	10.00	0.22
2000	4.50	0.11
1999	3.75	0.09
1998	3.00	0.04
1997	2.75	0.02

Export Revenue

For the fiscal year ended March 31, 2002, we generated $534.3 million or 98% of our total revenues, from the export of our products and services out of India.

Significant changes

None.

Item 9: The Offer and Listing

Price history

Our equity shares are traded on the BSE, known as the Stock Exchange, Mumbai, formerly known as the Bombay Stock Exchange, or BSE, Bangalore Stock Exchange, or BgSE, and the National Stock Exchange of India Limited, or NSE, in India, or collectively, the Indian stock exchanges. A significant portion of our equity shares is traded on the BSE and the NSE. Our American Depositary Shares as evidenced by American Depositary Receipts, or ADRs, are traded in the U.S. Nasdaq National Market®, under the ticker symbol "INFY". Each ADS represents one-half of one equity share. Our ADSs began trading on the Nasdaq on March 11, 1999.

As of March 31, 2002, we had 66,186,130 equity shares issued and outstanding. As of March 31, 2002, there were approximately 10,500 record holders of ADRs evidencing 4,232,200 ADSs (equivalent to 2,116,100 equity shares). As of March 31, 2002, there were approximately 88,650 record holders of our equity shares listed and traded on the Indian stock exchanges.

The following tables set forth for the periods indicated, the price history of the equity shares and the ADSs on the Indian stock exchanges and the NASDAQ. Stock prices have been restated to reflect our 2-for-1 stock splits by stock dividend in the fiscal year ended 1998 and 1999 and our 2-for-1 stock split in fiscal year ended 2000:

	BSE Price per equity share		NSE Price per equity share		BgSE Price per equity share[1]		NASDAQ Price per ADS	
Fiscal Year ended March 31,	High	Low	High	Low	High	Low	High	Low
2002	$100.53	$44.88	$100.80	$44.30	$91.59	$58.35	$81.50	$30.60
2001	239.97	80.41	239.41	80.92	238.66	80.71	284.56	60.13
2000	316.84	29.29	319.57	28.90	320.55	55.24	375.00	19.63
1999	40.73	11.16	40.82	10.84	13.18	7.21	$25.00	$18.69
1998	$11.56	$3.54	$11.89	$3.32	$9.85	$3.76	–	–

[1] Our shares were not traded on the BgSE between October 2001 and April 2002.

	BSE Price per equity share		NSE Price per equity share		BgSE Price per equity share[1]		NASDAQ Price per ADS	
Fiscal Year ended March 31,	High	Low	High	Low	High	Low	High	Low
2002								
First quarter	$92.32	$58.16	$92.19	$57.73	$91.59	$58.35	$81.50	$50.65
Second quarter	85.38	46.29	84.55	44.30	76.31	69.95	69.90	30.60
Third quarter	97.74	44.88	97.53	44.92	–	–	70.11	31.69
Fourth quarter	100.53	71.61	100.80	71.62	–	–	76.20	51.15
2001								
First quarter	$239.97	$126.47	$239.41	$124.77	$238.66	$124.23	$284.56	$130.74
Second quarter	196.08	137.34	196.49	137.36	197.57	136.79	186.94	96.5
Third quarter	172.06	115.88	172.06	116.00	171.69	115.77	147.25	90.6
Fourth quarter	150.19	80.41	149.16	80.92	152.60	80.71	131.38	60.13

[1] Our shares were not traded on the BgSE between October 2001 and April 2002.

	BSE Price per equity share		NSE Price per equity share		BgSE Price per equity share[1]		NASDAQ Price per ADS	
Six Months ended	High	Low	High	Low	High	Low	High	Low
Nov 2001	$85.53	$58.33	$87.22	$58.33	–	–	$66.50	$47.00
Dec 2001	97.74	78.48	97.53	77.86	–	–	70.11	55.66
Jan 2002	100.53	75.11	100.80	75.13	–	–	76.20	54.40
Feb 2002	81.70	71.64	81.68	71.62	–	–	63.46	51.15
Mar 2002	88.26	71.61	88.07	71.67	–	–	73.14	55.02
Apr 2002	81.67	71.43	81.71	71.41	–	–	70.50	60.11

[1] Our shares were not traded on the BgSE between October 2001 and April 2002.

Source for all tables above: www.bseindia.com for BSE quotes, *The Economic Times* for NSE and BgSE quotes and finance.yahoo.com for Nasdaq quotes.

Trading practices and procedures on the Indian Stock Exchanges

The BSE and NSE together account for more than 80% of the total trading volume on Indian stock exchanges. Trading on both of these exchanges is accomplished through on-line execution. These two stock exchanges handle over 1.4 million trades per day.

Trading is done on a daily settlement basis and any outstanding amount at the end of the settlement period is settled by delivery and payment. However, institutional investors are not permitted to 'net out' their transactions and must trade on a delivery basis only. From July 2001, our shares as well as other securities classified by the BSE and the NSE as 'A' Group securities are traded compulsorily on a rolling settlement basis. In fact, since then, all the stocks traded on the Indian stock exchanges have gradually moved to rolling settlement basis, with the T+5 settlement cycle having recently been moved to T+3.

Trading on both the exchanges normally takes place from 9:55 a.m. to 3:30 p.m. on all weekdays, except holidays. Orders can be entered with a specified term of validity that may last until the end of the session or day. Dealers must specify whether orders are for a proprietary account or for a client and also key in the client ID while putting in the order. Both exchanges specify certain margin requirements based on the exposure that the broker has on the market. The NSE does not permit carry forwards of trades. It has separate margin requirements based on the net exposure of the broker on the exchange. The exchanges also permit trading in derivative products (futures and options) on the indices and specified group of stocks, which includes our company. Contracts are available for the current month, the next month and the one following. Margins are payable on outstanding contracts depending on the type and nature of contract besides mark to market margins. The NSE and BSE also have separate online trading systems and separate clearing houses.

There have been no closures of the Indian Stock Exchanges in response to "panic" trading or large fluctuations. Most of the Indian stock exchanges do, however, have a specific price band for each security listed (defined as the percentage change over the previous day's closing price), beyond which the trading system does not accept any orders. Such price volatility controls and the specific price bands are decided by the regulatory body, the Securities and Exchange Board of India.

Our equity shares were not traded on the BgSE between May 1998 and July 1999 and between October 2001 and April 2002 owing to the absence of quotes for trades on the BgSE.

Item 10: Additional Information

Share capital

Not applicable.

Memorandum and Articles of Association

Set forth below is a brief summary of the material provisions of our Articles of Association and the Companies Act, 1956, or the Indian Companies Act, all as currently in effect. Infosys Technologies Limited is registered under the Indian Companies Act, with the Registrar of Companies, Bangalore, Karnataka, India with Company No. 13115. The following description of our Articles of Association does not purport to be complete and is qualified in its entirety by the Articles of Association, and Memorandum of Association, of Infosys Technologies Limited that are included as exhibits to our quarterly report on Form 6-K field with the Commission on January 21, 2000.

Our Articles of Association provide that the minimum number of directors shall be three and the maximum number of directors shall be 18. Currently, we have 16 directors. Our Articles of Association provide that at least two-thirds of our directors shall be subject to retirement by rotation. One third of these directors must retire from office at each Annual General Meeting of the shareholders. A retiring director is eligible for re-election. Our executive directors are appointed for five-year terms by shareholders. They customarily retire every three years and are eligible for re-election at that time. Our Articles of Association also provide that our Chairman, Mr. N. R. Narayana Murthy, is not required to retire by rotation, so long as he and his family together hold at least 5% of our voting shares. Executive directors are required to retire at age 60 in accordance with our employee retirement policies. Other board members must retire from the board at age 65.

Our Articles of Association provide that any director who has a personal interest in a transaction must disclose such interest, must abstain from voting on such a transaction and may not be counted for purposes of determining whether a quorum is present at the meeting. Such director's interest in any such transaction shall be reported at the next meeting of shareholders. The remuneration payable to our directors may be fixed by the board of directors in accordance with provisions prescribed by the Government of India.

Objects and Purposes of our Memorandum of Association

The following is a summary of our Objects as set forth in Section 3 of our Memorandum of Association:

- To provide services of every kind including commercial, statistical, financial, accountancy, medical, legal, management, educational, engineering, data processing, communication and other technological, social or other services.
- To carry on all kinds of business as importer, exporter, buyers, sellers and lessor of and dealers in all types of components and equipments necessary to provide the services our objects enlist.
- To manufacture, export, import, buy, sell, rent, hire or lease or otherwise acquire or dispose or deal in all kinds of digital equipments, numerical controller, flexible manufacturing systems, robots, communication systems, computers, computer peripherals, computer software, computer hardware, computer technology, machines, computer aided teaching aids, energy saving devices, alternative sources of energy, electrical and electronics components, devices, instruments, equipments and controls for any engineering applications, and all other related components, parts and products used in communication and computers.
- To conduct or otherwise subsidise or promote research and experiments for scientific, industrial, commercial economic, statistical and technical purposes.
- To carry on any other trade or business whatsoever as can in our opinion can be advantageously or conveniently carried on by us.

Description of Equity Shares

Our authorized share capital is 100,000,000 equity shares, par value Rs. 5 per share. As of March 31, 2002, 66,186,130 equity shares were issued and outstanding. The equity shares are our only class of share capital. We currently have no convertible debentures or warrants outstanding.

Dividends

Under the Indian Companies Act, unless our board of directors recommends the payment of a dividend, we may not declare a dividend. Similarly, under our Articles of Association, although the shareholders may, at the Annual General Meeting, approve a dividend in an amount less than that recommended by the board of directors; they cannot increase the amount of the dividend. In India, dividends generally are declared as a percentage of the par value of a company's equity shares. The dividend recommended by the board, if any, and subject to the limitations described above, is distributed and paid to shareholders in proportion to the paid up value of their shares within 30 days of the approval by the shareholders at the Annual General Meeting. Pursuant to our Articles of Association, our board of directors has discretion to declare and pay interim dividends without shareholder approval. With respect to equity shares issued during a particular fiscal year, including any equity shares underlying ADSs issued to the Depositary or in the future, unless otherwise determined by shareholders, cash dividends declared and paid for such fiscal year generally will be prorated from the date of issuance to the end of such fiscal year. Under the Indian Companies Act, dividends can only be paid in cash to the registered shareholder at a record date fixed on or prior to the Annual General Meeting or to his order or his banker's order.

The Indian Companies Act provides that any dividends that remain unpaid or unclaimed after the 30-day period are to be transferred to a special bank account. We transfer any dividends that remain unclaimed for seven years from the date of the transfer to a fund created by the Indian Government. After the transfer to this fund, such unclaimed dividends may be claimed only from the fund.

Under the Indian Companies Act, dividends may be paid out of profits of a company in the year in which the dividend is declared or out of the undistributed profits of previous fiscal years. Before declaring a dividend greater than 10% of the par value of its equity shares, a company is required under the Indian Companies Act to transfer to its reserves a minimum percentage of its profits for that year, ranging from 2.5% to 10% depending upon the dividend percentage to be declared in such year.

The Indian Companies Act further provides that, in the event of an inadequacy or absence of profits in any year, a dividend may be declared for such year out of the company's accumulated profits, subject to the following conditions:

- the rate of dividend to be declared may not exceed 10% of its paid up capital or the average of the rate at which dividends were declared by the company in the prior five years, whichever is less;
- the total amount to be drawn from the accumulated profits earned in the previous years and transferred to the reserves may not exceed an amount equivalent to 10% of its paid up capital and free reserves, and the amount so drawn is to be used first to set off the losses incurred in the fiscal year before any dividends in respect of preference or equity shares are declared; and
- the balance of reserves after withdrawals shall not fall below 15% of its paid up capital.

As per the Finance Bill, 2002, we are obligated to withhold tax at the rate of 10.5%, including the presently applicable surcharge, on the dividend paid to each shareholder for a relevant period.

Bonus Shares

In addition to permitting dividends to be paid out of current or retained earnings as described above, the Indian Companies Act permits a company to distribute an amount transferred from the general reserve or surplus in the company's profit and loss account to its shareholders in the form of bonus shares (similar to a stock dividend). The Indian Companies Act also permits the issuance of bonus shares from a share premium account. Bonus shares are distributed to shareholders in the proportion recommended by the board of directors. Shareholders of record on a fixed record date are entitled to receive such bonus shares.

Audit and Annual Report

At least 21 days before the Annual General Meeting of shareholders, a company must distribute a detailed version of the company's audited balance sheet and profit and loss account and the reports of the board of directors and the auditors thereon. Under the Indian Companies Act, a company must file the balance sheet and annual profit and loss account presented to the shareholders within 30 days of the conclusion of the Annual General Meeting with the Registrar of Companies.

A company must also file an annual return containing a list of the company's shareholders and other company information, within 60 days of the conclusion of the meeting.

Preemptive Rights and Issue of Additional Shares

The Indian Companies Act gives shareholders the right to subscribe for new shares in proportion to their respective existing shareholdings unless otherwise determined by a special resolution passed by a General Meeting of the shareholders. Under the Indian Companies Act, in the event of an issuance of securities, subject to the limitations set forth above, a company must first offer the new shares to the shareholders on a fixed record date. The offer must include: (i) the right, exercisable by the shareholders of record, to renounce the shares offered in favor of any other person; and (ii) the number of shares offered and the period of the offer, which may not be less than 15 days from the date of offer. If the offer is not accepted it is deemed to have been declined. The board of directors is authorized under the Indian Companies Act to distribute any new shares not purchased by the preemptive rights holders in the manner that it deems most beneficial to the company.

Voting Rights

At any General Meeting, voting is by show of hands unless a poll is demanded by a shareholder or shareholders present in person or by proxy holding at least 10% of the total shares entitled to vote on the resolution or by those holding shares with an aggregate paid up capital of at least Rs. 50,000. Upon a show of hands, every shareholder entitled to vote and present in person has one vote and, on a poll, every shareholder entitled to vote and present in person or by proxy has voting rights in proportion to the paid up capital held by such shareholders. The Chairman of the board has a deciding vote in the case of any tie. Any shareholder of the company may appoint a proxy. The instrument appointing a proxy must be delivered to the company at least 48 hours prior to the meeting. A proxy may not vote except on a poll. A corporate shareholder may appoint an authorized representative who can vote on behalf of the shareholder, both upon a show of hands and upon a poll.

Ordinary resolutions may be passed by simple majority of those present and voting at any General Meeting for which the required period of notice has been given. However, certain resolutions such as amendments of the Articles and the Memorandum of Association, commencement of a new line of business, the waiver of preemptive rights for the issuance of any new shares and a reduction of share capital, require that votes cast in favor of the resolution (whether by show of hands or poll) are not less than three times the number of votes, if any, cast against the resolution. As per the Indian Companies Act, not less than two-third of the directors of a public company shall retire by rotation and be appointed by the shareholders in the General Meeting. Further, the Indian Companies (Amendment) Act, 2000 requires certain resolutions such as those listed below to be voted on only by a postal ballot:

- amendments of the Articles and Memorandum of Association to alter the objects of the company and changing the registered office of the company;
- the issuance of shares with differential voting rights;
- the sale of any real property or facilities of the company;
- providing loans, extending guarantees or providing a security in excess of the limits allowed under Section 372A of the Indian Companies Act;
- varying the rights of the holders of any class of shares or debentures;
- the election of a small shareholders' director; and
- buy back of shares.

Liquidation Rights

Subject to the rights of creditors, employees and the holders of any shares entitled by their terms to preferential repayment over the equity shares, if any, in the event of our winding-up, the holders of the equity shares are entitled to be repaid the amounts of paid up capital or credited as paid upon those equity shares. All surplus assets after payments to the holders of any preference shares at the commencement of the winding-up shall be paid to holders of equity shares in proportion to their shareholdings.

Redemption of Equity Shares

Under the Indian Companies Act, unlike preference shares, equity shares are not redeemable.

Liability on Calls

Not applicable.

Discriminatory Provisions in Articles

There are no provisions in the Articles of Association discriminating against any existing or prospective holder of such securities as a result of such shareholder owning a substantial number of shares.

Alteration of Shareholder Rights

Under the Indian Companies Act, the rights of any class of shareholders can be altered or varied with the consent in writing of the holder of not less than three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the issued shares of that class – if the provisions with respect to such variation is contained in the memorandum or articles of the company, or in the absence of any such provision in the memorandum or articles, if such variation is not prohibited by the terms of issue of the shares of that class.

Under the Indian Companies Act, the Articles may be altered only by way of a special resolution.

Meetings of Shareholders

We must convene an Annual General Meeting of shareholders within six months after the end of each fiscal year and may convene an Extraordinary General Meeting of shareholders when necessary or at the request of a shareholder or shareholders holding at least 10% of our paid up capital carrying voting rights. The Annual General Meeting of the shareholders is generally convened by our Secretary pursuant to a resolution of the board of directors. Written notice setting out the agenda of the meeting must be given at least 21 days, excluding the days of mailing and date of the meeting, prior to the date of the General Meeting to the shareholders of record. Shareholders who are registered as shareholders on the date of the general meeting are entitled to attend or vote at such meeting. The Annual General Meeting of shareholders must be held at our registered office or at such other place within the city in which the registered office is located; meetings other than the Annual General Meeting may be held at any other place if so determined by the board of directors. Our Articles of Association provide that a quorum for a General Meeting is the presence of at least five shareholders in person.

Limitations on the Rights to Own Securities

The limitations on the rights to own securities, including the rights of non-resident or foreign shareholders to hold the securities imposed by Indian law are discussed under the "Risk factors" at pages 139 and 140 of our Annual Report, and is incorporated herein by reference.

Voting Rights of Deposited Equity Shares Represented by ADSs

Under Indian law, voting of the equity shares is by show of hands unless a poll is demanded by a member or members present in person or by proxy holding at least one-tenth of the total shares entitled to vote on the resolution or by those holding an aggregate paid up capital of at least Rs. 50,000. A proxy may not vote except on a poll.

As soon as practicable after receipt of notice of any meetings or solicitation of consents or proxies of holders of shares or other deposited securities, our Depositary shall fix a record date for determining the holders entitled to give instructions for the exercise of voting rights. The Depositary shall then mail to the holders of ADSs a notice stating (i) such information as is contained in such notice of meeting and any solicitation materials, (ii) that each holder on the record date set by the Depositary therefore will be entitled to instruct the Depositary as to the exercise of the voting rights, if any pertaining to the deposited securities represented by the ADSs evidenced by such holders ADRs, (iii) the manner in which such instruction may be given, including instructions to give discretionary proxy to a person designated by us, and (iv) if the Depositary does not receive instructions from a holder, he would be deemed to have instructed the Depositary to give a discretionary proxy to the person designated by us to vote for such deposited securities.

On receipt of the aforesaid notice from the Depositary, our ADS holders may instruct the Depositary on how to exercise the voting rights for the shares that underlie their ADSs. For such instructions to be valid, the Depositary must receive them on or before a specified date.

The Depositary will try, as far as is practical, and subject to the provisions of Indian law and our Memorandum of Association and our Articles of Association, to vote or to have its agents vote the shares or other deposited securities as per our ADS holders' instructions. The Depositary will only vote or attempt to vote as per an ADS holder's instructions. The Depositary will not itself exercise any voting discretion.

Neither the Depositary nor its agents are responsible for any failure to carry out any voting instructions, for the manner in which any vote is cast, or for the effect of any vote. There is no guarantee that our shareholders will receive voting materials in time to instruct the Depositary to vote and it is possible that ADS holders, or persons who hold their ADSs through brokers, dealers or other third parties, will not have the opportunity to exercise a right to vote.

Register of Shareholders; Record Dates; Transfer of Shares

We maintain a register of shareholders. For the purpose of determining the shares entitled to annual dividends, the register is closed for a specified period prior to the Annual General Meeting. The date on which this period begins is the record date.

To determine which shareholders are entitled to specified shareholder rights, we may close the register of shareholders. The Indian Companies Act requires us to give at least seven days' prior notice to the public before such closure. We may not close the register of shareholders for more than thirty consecutive days, and in no event for more than forty-five days in a year. Trading of our equity shares, however, may continue while the register of shareholders is closed.

Following the introduction of the Depositories Act, 1996, and the repeal of Section 22A of the Securities Contracts (Regulation) Act, 1956, which enabled companies to refuse to register transfers of shares in some circumstances, the equity shares of a public company are freely transferable, subject only to the provisions of Section 111A of the Indian Companies Act. Since we are a public company, the provisions of Section 111A will apply to us. Our Articles of Association currently contain provisions which give our directors discretion to refuse to register a transfer of shares in some circumstances. Furthermore, in accordance with the provisions of Section 111A(2) of the Indian Companies Act, our directors may refuse to register a transfer of shares if they have sufficient cause to do so. If our directors refuse to register a transfer of shares, the shareholder wishing to transfer his, her or its shares may file a civil suit or an appeal with the Company Law Board.

Pursuant to Section 111A(3), if a transfer of shares contravenes any of the provisions of the Indian Securities and Exchange Board of India Act, 1992 or the regulations issued thereunder or the Indian Sick Industrial Companies (Special Provisions) Act, 1985 or any other Indian laws, the Company Law Board may, on application made by the company, a depositary incorporated in India, an investor, the Securities and Exchange Board of India or other parties, direct the rectification of the register of records. The Company Law Board may, in its discretion, issue an interim order suspending the voting rights attached to the relevant shares before making or completing its investigation into the alleged contravention. Notwithstanding such investigation, the rights of a shareholder to transfer the shares will not be restricted.

Under the Indian Companies Act, unless the shares of a company are held in a dematerialized form, a transfer of shares is effected by an instrument of transfer in the form prescribed by the Indian Companies Act and the rules thereunder together with delivery of the share certificates. Our transfer agent for our equity shares is Karvy Consultants Limited located in Bangalore, Karnataka, India.

Company Acquisition of Equity Shares

Under the Indian Companies Act, approval of at least 75% of a company's shareholders voting on the matter and approval of the High Court of the state in which the registered office of the company is situated is required to reduce a company's share capital. A company may, under some circumstances, acquire its own equity shares without seeking the approval of the High Court. However, a company would have to extinguish the shares it has so acquired within the prescribed time period. A company is not permitted to acquire its own shares for treasury operations.

An acquisition by a company of its own shares that does not rely on an approval of the High Court must comply with prescribed rules, regulations and conditions of the Indian Companies Act. In addition, public companies which are listed on a recognized stock exchange in India must comply with the provisions of the Securities and Exchange Board of India (Buy-back of Securities) Regulations, 1998, or Buy-back Regulations. Since we are a public company listed on several recognized stock exchanges in India, we would have to comply with the relevant provisions of the Indian Companies Act and the provisions of the Buy-back Regulations.

Disclosure of Ownership Interest

Section 187C of the Indian Companies Act requires beneficial owners of shares of Indian companies who are not holders of record to declare to the company details of the holder of record and the holder of record to declare details of the beneficial owner. Any person who fails to make the required declaration within 30 days may be liable for a fine of up to Rs. 1,000 for each day the declaration is not made. Any lien, promissory note or other collateral agreement created, executed or entered into with respect to any share by the registered owner thereof, or any hypothecation by the registered owner of any share, pursuant to which a declaration is required to be made under Section 187C, shall not be enforceable by the beneficial owner or any person claiming through the beneficial owner if such declaration is not made. Failure to comply with Section 187C will not affect the obligation of the company to register a transfer of shares or to pay any dividends to the registered holder of any shares pursuant to which such declaration has not been made. While it is unclear under Indian law whether Section 187C applies to holders of ADSs of the company, investors who exchange ADSs for the underlying Equity Shares of the company will be subject to the restrictions of Section 187C. Additionally, holders of ADSs may be required to comply with such notification and disclosure obligations pursuant to the provisions of the Deposit Agreement to be entered into by such holders, the company and a depositary.

Provisions on Changes in Capital

Our authorized capital can be altered by an ordinary resolution of the shareholders in a General Meeting. The additional issue of shares is subject to the preemptive rights of the shareholders and provisions governing the issue of additional shares are discussed in Item 10 of this Annual Report. In addition a company may increase its share capital, consolidate its share capital into shares of larger face value than its existing shares or sub-divide its shares by reducing their par value, subject to an ordinary resolution of the shareholders in a General Meeting.

Takeover Code and Listing Agreements

Under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, or Takeover Code, upon the acquisition of more than 5% of the outstanding shares or voting rights of a publicly-listed Indian company, a purchaser is required to notify the company, and the company and the purchaser are required to notify all the stock exchanges on which the shares of such company are listed. An ADS holder would be subject to these notification requirements.

Upon the acquisition of 15% or more of such shares or voting rights, or a change in control of the company, the purchaser is required to make an open offer to the other shareholders, offering to purchase at least 20% of all the outstanding shares of the company at a minimum offer price as determined pursuant to the Takeover Code. Since we are a listed company in India, the provisions of the Takeover Code will apply to us. However, the Takeover Code provides for a specific exemption from this provision to an ADS holder and states that this provision will apply to an ADS holder only once he or she converts the ADSs into the underlying equity shares.

We have entered into listing agreements with each of the Indian stock exchanges on which our equity shares are listed. Each of the listing agreements provides that if a purchase of a listed company's shares results in the purchaser and its affiliates holding more than 5% of the company's outstanding equity shares or voting rights, the purchaser and the company must report its holding to the company and the relevant stock exchange(s). The agreements also provide that if an acquisition results in the purchaser and its affiliates holding equity shares representing more than 15% of the voting rights in the company, then the purchaser must, before acquiring such equity shares, make an offer on a uniform basis to all remaining shareholders of the company to acquire equity shares that have at least an additional 20% of the voting rights of the total equity shares of the company at a prescribed price.

Although the provisions of the listing agreements entered into between us and the Indian stock exchanges on which our equity shares are listed will not apply to equity shares represented by ADSs, holders of ADSs may be required to comply with such notification and disclosure obligations pursuant to the provisions of the Deposit Agreement to be entered into by such holders, our company and a depositary.

Material Contracts

Not applicable.

Currency Exchange Controls

Foreign investment in Indian securities is governed by the Foreign Exchange Management Act, 1999, or FEMA which replaces the more stringent Foreign Exchange Regulation Act, 1973, or FERA. The Foreign Direct Investment Scheme under the Reserve Bank of India's Automatic Route enables Indian companies (other than those specifically excluded in the scheme) to issue shares to persons resident outside

India without prior permission from the Reserve Bank of India or RBI, subject to certain conditions. General permission has been granted for the transfer of shares and convertible debentures by a person resident outside India as follows: (i) for transfers of shares or convertible debentures held by a person resident outside India other than NRI or overseas corporate bodies, or OCBs, to any person resident outside India, provided that the transferee has obtained permission of the Central Government and if that person had any previous venture or tie-up in India through investment in any manner or a technical collaboration or trademark agreement in the same field or allied field in which the Indian company whose shares are being transferred is engaged, and (ii) NRIs or OCBs are permitted to transfer shares or convertible debentures of Indian company to another NRIs or OCBs. A person resident outside India may transfer securities of an Indian company to a person resident in India by way of gift. However where such transfer is not by way of gift, prior approval of the RBI is necessary. For transfer of existing shares or convertible debentures of an Indian company by a resident to a non resident by way of sale the transferor should obtain an approval of Central Government of India and thereafter make an application to RBI for permission. In such cases the RBI may permit the transfer subject to such terms and conditions including the price at which the sale may be made.

General

Shares of Indian companies represented by ADSs may be approved for issuance to foreign investors by the Government of India under the Issue of Foreign Currency Convertible Bonds and Equity Shares (through Depositary Receipt Mechanism) Scheme, 1993, or the 1993 Regulation, as modified from time to time, promulgated by the Government of India. The 1993 Regulation is distinct from other policies or facilities, as described below, relating to investments in Indian companies by foreign investors. The issuance of ADSs pursuant to the 1993 Regulation also affords to holders of the ADSs the benefits of Section 115AC of the Indian Income Tax Act, 1961 for purposes of the application of Indian tax law. In March 2001, the RBI has issued a notification permitting, subject to certain conditions, two-way fungibility of ADRs. This would mean that ADRs converted into Indian shares may be converted back into ADRs, subject to the limits of sectoral caps as applicable.

Fungibility of ADSs

In March 2001, the RBI amended the Transfer of Securities Regulations, 2000 allowing a registered broker in India to purchase shares of an Indian company that has issued ADSs, on behalf of a person resident outside India, for the purposes of converting the shares into ADSs. However, such conversion of equity shares into ADSs may be done only if the following conditions are satisfied:

- the shares may be purchased only with the permission of the Custodian to the ADS offering of the Indian company.
- the shares that are purchased for conversion into ADSs may not exceed the number of shares that were released by the Custodian pursuant to conversions of ADSs into equity shares under the Depositary Agreement.

Alternatively, an issuer like ourselves, can sponsor the issue of ADRs with an overseas depository against underlying equity shares accepted from our shareholders in India and offered at a price to be determined by the lead manager to such offering, after obtaining RBI approval under the regulations for the issue of ADRs.

Foreign Direct Investment

In July 1991, the Government of India raised the limit on foreign equity holdings in Indian companies from 40% to 51% in certain high priority industries. The RBI gives automatic approval for such foreign equity holdings. The Foreign Investment Promotion Board or FIPB, currently under the ministry of Industry, was thereafter formed to negotiate with large foreign companies wishing to make considerable long-term investments. Over time, the Government of India has relaxed the restrictions on foreign investment considerably. Currently, subject to certain exceptions, foreign direct investment by individuals of Indian nationality or origin residing outside India, or NRIs or OCBs, up to 49% in most sectors of industry do not require the prior approval of the FIPB. Foreign equity participation in excess of 51% in high priority industries is currently allowed only with the approval of the FIPB.

Proposals involving the public sector and other sensitive areas require the approval of the Cabinet Committee on Economic Affairs. These are designed for direct foreign investments by non-residents of India who are not NRIs, OCBs or FIIs ("Foreign Direct Investors"). The Department of Industrial Policy and Promotion, a part of the ministry of Industry, issued detailed guidelines in January 1997 for consideration of foreign direct investment proposals by the FIPB (the "Guidelines"). Under the Guidelines, sector specific guidelines for foreign direct investment and the levels of permitted equity participation have been established. In February 2000, the Department of Industrial Policy and Promotion, issued a notification that foreign ownership of up to 50%, 51%, 74% or 100%, depending on the category, would be allowed without prior permission of the RBI. The issues to be considered by the FIPB, and the FIPB's areas of priority in granting approvals are also set out in the Guidelines.

The basic objective of the Guidelines is to improve the transparency and objectivity of the FIPB's consideration of proposals. However, because the Guidelines are administrative guidelines and have not been codified as either law or regulations, they are not legally binding with respect to any recommendation made by the FIPB or with respect to any decision taken by the Government of India in cases involving foreign direct investment.

In May 1994, the Government of India announced that purchases by foreign investors of ADSs as evidenced by ADRs and foreign currency convertible bonds of Indian companies would be treated as direct foreign investment in the equity issued by Indian companies for such offerings. Therefore, offerings that involve the issuance of equity that results in Foreign Direct Investors holding more than the stipulated percentage of direct foreign investments (which depends on the category of industry) would require approval from the FIPB.

In addition, in connection with offerings of any such securities to foreign investors, approval of the FIPB is required for Indian companies whether or not the stipulated percentage limit would be reached. This is in the case of the proceeds being used for investment in non-high priority industries. In August 2000, the Department of Industrial Policy and Promotion removed all limitations on Foreign Direct Investment in the information technology sector.

Investment by Non-Resident Indians and Overseas Corporate Bodies

A variety of special facilities for making investments in shares of Indian companies is available to individuals of Indian nationality or origin residing outside India, or Non Resident Indians or NRIs, and to Overseas Corporate Bodies, or OCBs. These facilities permit NRIs and OCBs to make portfolio investments in shares and other securities of Indian companies on a basis that is not generally available to other foreign investors. These facilities are different and distinct from investments by Foreign Direct Investors described above.

Investment by Foreign Institutional Investors

In September 1992, the Government of India issued guidelines which enable Foreign Institutional Investors or FIIs, including institutions such as pension funds, investment trusts, asset management companies, nominee companies and incorporated/institutional portfolio managers, to invest in all the securities traded on the primary and secondary markets in India. Under the guidelines, FIIs are required to obtain an initial registration from the Securities and Exchange Board of India, or SEBI, and a general permission from the RBI to engage in transactions regulated under FEMA. FIIs must also comply with the provisions of the SEBI Foreign Institutional Investors Regulations, 1995. When it receives the initial registration, the FII also obtains general permission from the RBI to engage in transactions regulated under FEMA. Together, the initial registration and the RBI's general permission enable the registered FII to: (i) buy (subject to the ownership restrictions discussed below) and sell freely tradable securities issued by Indian companies; (ii) realize capital gains on investments made through the initial amount invested in India; (iii) subscribe or renounce rights offerings for shares; (iv) appoint a domestic custodian for custody of investments held; and (v) repatriate the capital, capital gains, dividends, income received by way of interest and any other compensation received towards the sale or renunciation of rights offerings of shares.

Ownership Restrictions

SEBI and RBI regulations restrict investments in Indian companies by FIIs, NRIs and OCBs or collectively, Foreign Direct Investors. Under current SEBI regulations applicable to us, subject to the requisite approvals of the shareholders in a General Meeting, Foreign Direct Investors in aggregate may hold no more than 49% of a company's equity shares, excluding the equity shares underlying the ADSs. Pursuant to Notification No. FEMA.45/2001-RB dated September 20, 2001 under Foreign Exchange Management (Transfer or Issue of any Foreign Security) (Amendment) Regulations, 2001, upon obtaining the approval of the shareholders by a special resolution, the limit of FII investment in a company may be increased to 100% for companies in the information technology sector. NRIs and OCBs in aggregate may hold no more than 10% of a company's equity shares, excluding the equity shares underlying the ADSs. Furthermore, SEBI regulations provide that no single FII may hold more than 10% of a company's total equity shares and no single NRI or OCB may hold more than 5% of a company's total equity shares.

There is uncertainty under Indian law about the tax regime applicable to FIIs which hold and trade ADSs. FIIs are urged to consult with their Indian legal and tax advisers about the relationship between the FII guidelines and the ADSs and any equity shares withdrawn upon surrender of ADSs.

More detailed provisions relating to FII investment have been introduced by the SEBI with the introduction of the SEBI Foreign Institutional Investors Regulations, 1995. These provisions relate to the registration of FIIs, their general obligations and responsibilities, and certain investment conditions and restrictions. One such restriction is that the total investment in equity and equity-related instruments should not be less than 70% of the aggregate of all investments of an FII in India. The SEBI has also permitted private placements of shares by listed companies with FIIs, subject to the prior approval of the RBI under FERA. Such private placement must be made at the average of the weekly highs and lows of the closing price over the preceding six months or the preceding two weeks, whichever is higher.

Under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1998 approved by the SEBI in January 1998 and promulgated by the Government of India in February 1998, or the Takeover Code, which replaced the 1994 Takeover Code (as defined herein), upon the acquisition of more than 5% of the outstanding shares of a public Indian company, a purchaser is required to notify the company and all the stock exchanges on which the shares of the company are listed. Upon the acquisition of 15% or more of such shares or a change in control of the company, the purchaser is required to make an open offer to the other shareholders offering to purchase at least 20% of all the outstanding shares of the company at a minimum offer price as determined pursuant to the rules of the Takeover Code. Upon conversion of ADSs into equity shares, an ADS holder will be subject to the Takeover Code.

Open market purchases of securities of Indian companies in India by Foreign Direct Investors or investments by NRIs, OCBs and FIIs above the ownership levels set forth above require Government of India approval on a case-by-case basis.

Government of India Approvals

Approval of the Foreign Investment Promotion Board for foreign direct investment by ADS holders is required.

Specific approval of the RBI will have to be obtained for:

- any renunciation of rights in the underlying equity shares in favor of a person resident in India; and
- the sale of the underlying equity shares by a person resident outside India to a person resident in India.

In such cases, the foreign investor would have to apply to the RBI by submitting Form TS1, that requires information as to the transferor, the transferee, the shareholding structure of the company whose shares are to be sold, the proposed price and other information. The RBI is not required to respond to a Form TS1 application within any specific time period and may grant or deny the application at its discretion.

Exceptions to this requirement of RBI of India approval include sales made in the stock market through a registered Indian broker, through a recognized stock exchange in India at the prevailing market rates, or if the shares are offered in accordance with the terms of an offer under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

The proceeds from any sale of the underlying equity shares by a person resident outside India to a person resident in India may be transferred outside India after receipt of RBI approval (if required), and the payment of applicable taxes and stamp duties.

No approval is required for transfers of ADSs outside India between two non-residents.

Any person resident outside India who desires to sell equity shares received upon surrender of ADSs or otherwise transfer such equity shares within India should seek the advice of Indian counsel as to the requirements applicable at that time.

Taxation

Indian Taxation

The following summary is based on the law and practice of the Indian Income-tax Act, 1961, or Income-Tax Act, including the special tax regime contained in Sections 115AC and 115ACA of the Income-tax Act read with the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism) Scheme, 1993, as amended on, January 19, 2000. The Income-tax Act is amended every year by the Finance Act of the relevant year. Some or all of the tax consequences of Sections 115AC and 115ACA may be amended or changed by future amendments to the Income-tax Act.

We believe this information is materially complete as of the date hereof. However, this summary is not intended to constitute a complete analysis of the individual tax consequences to non-resident holders or employees under Indian law for the acquisition, ownership and sale of ADSs and equity shares.

Residence. For purposes of the Income-tax Act, an individual is considered to be a resident of India during any fiscal year if he or she is in India in that year for:

- a period or periods amounting to 182 days or more; or
- 60 days or more and, within the four preceding years has been in India for a period or periods amounting to 365 days or more; or
- 182 days or more in case of a citizen of India or a person of Indian origin living abroad who visits India and within the four preceding years has been in India for a period or periods amounting to 365 days or more.

A company is a resident of India if it is incorporated in India or the control and the management of its affairs is situated wholly in India. Individuals and companies that are not residents of India would be treated as non-residents for purposes of the Income-tax Act.

Taxation of Distributions. Pursuant to the Finance Bill, 2002, dividends paid to shareholders (whether resident in India or not) are subject to withholding tax of 10.5% including the applicable surcharge, on the total amount paid as a dividend.

Any distributions of additional ADSs or equity shares to resident or non- resident holders will not be subject to Indian tax.

Taxation of Capital Gains. The following is a brief summary of capital gains taxation of non-resident holders and resident employees in respect of the sale of ADSs and equity shares received upon redemption of ADSs. The relevant provisions are contained mainly in sections 45, 47(vii)(a), 115AC and 115ACA, of the Income Tax Act, in conjunction with the Issue of Foreign Currency Convertible Bonds and Ordinary Shares Scheme.

Gains realized upon the sale of ADSs or shares that have been held for a period of more than thirty-six months and twelve months, respectively, are considered long-term capital gains. Gains realized upon the sale of ADSs or shares that have been held for a period of thirty six months or less and twelve months or less, respectively, are considered short-term capital gains. Capital gains are taxed as follows:

- Gains from a sale of ADSs outside India, by a non-resident to another non-resident are not taxable in India.
- Long-term capital gains realized by a resident employee from the transfer of the ADSs will be subject to tax at the rate of 10.5%. Short-term capital gains on such a transfer will be taxed at graduated rates with a maximum of 31.5%, including the applicable surcharge.
- Redemption of ADSs into the underlying equity shares is not a taxable event.
- Long-term capital gains realized by an individual holder upon the sale of equity shares obtained from the redemption of ADSs are subject to tax at a rate of 10.5%.
- Long-term capital gains realized by non-resident corporate holders upon the sale of equity shares obtained through the redemption of ADSs are subject to taxation at the rate of 10.5%.
- Short-term capital gains realized upon the sale of equity shares obtained from the redemption of ADSs will be taxed at variable rates with a maximum of 42% including the prevailing surcharge, in case of foreign companies, and 31.5% including the applicable surcharge in the case of resident employees and non-resident individuals with taxable income over Rs. 150,000.

The above rates may be offset by the applicable credit mechanism allowed under double tax avoidance agreements in case of non-residents. The capital gains tax is computed by applying the appropriate tax rates to the difference between the sale price and the purchase price of the equity shares or ADSs. Under the Issue of Foreign Currency Convertible Bonds and Ordinary Shares Scheme, the purchase price of equity shares in an Indian listed company received in exchange for ADSs will be the market price of the underlying shares on the date that the depositary gives notice to the custodian of the delivery of the equity shares in exchange for the corresponding ADSs' or "stepped up" basis purchase price. The market price will be the price of the equity shares prevailing on the Stock Exchange, Mumbai or the National Stock Exchange. There is no corresponding provision under the Income Tax Act in relation to the "stepped up" basis for the purchase price of equity shares. However the tax department has not denied this benefit. In the event that the tax department denies this benefit, the original purchase price of ADSs would be considered the purchase price for computing the capital gains tax.

According to the Issue of Foreign Currency Convertible Bonds and Ordinary Shares Scheme, a non-resident holder's holding period for the purposes of determining the applicable Indian capital gains tax rate in respect of equity shares received in exchange for ADSs commences on the date of the notice of the redemption by the depositary to the custodian. However, the Issue of Foreign Currency Convertible Bonds and Ordinary Shares Scheme does not address this issue in the case of resident employees, and it is therefore unclear as to when the holding period for the purposes of determining capital gains tax commences for such a resident employee.

The Issue of Foreign Currency Convertible Bonds and Ordinary Shares Scheme provides that if the equity shares are sold on a recognized stock exchange in India against payment in Indian rupees, they will no longer be eligible for the preferential tax treatment.

It is unclear as to whether section 115AC and the Issue of Foreign Currency Convertible Bonds and Ordinary Shares Scheme are applicable to a non-resident who acquires equity shares outside India from a non-resident holder of equity shares after receipt of the equity shares upon redemption of the ADSs.

If section 115AC and the Issue of Foreign Currency Convertible Bonds and Ordinary Shares Scheme are not applicable to a non-resident holder, long-term capital gains realized on the sale of such equity shares which are listed in India will still be subject to tax at the rate of 10.5%, and to a tax at the rate of 10.5% if the non-resident holder is a foreign corporation. The non-resident holders will also be able to avail of the benefits of exchange rate fluctuations for the computation of capital gains tax which are not available to a non-resident holder under section 115AC and the Issue of Foreign Currency Convertible Bonds and Ordinary Shares Scheme.

It is unclear as to whether capital gains derived from the sale of subscription rights or other rights by a non-resident holder not entitled to an exemption under a tax treaty will be subject to Indian capital gains tax. If such subscription rights or other rights are deemed by the Indian tax authorities to be situated within India, the gains realized on the sale of such subscription rights or other rights will be subject to Indian taxation. The capital gains realized on the sale of such subscription rights or other rights, which will generally be in the nature of short-term capital gains, will be subject to tax at variable rates with a maximum rate of 42% including the prevailing surcharge, in case of a foreign company and 31.5%, including the applicable surcharge, in case of resident employees and non-resident individuals with taxable income over Rs. 150,000.

Withholding Tax on Capital Gains. Any gain realized by a non-resident or resident employee on the sale of equity shares is subject to Indian capital gains tax, which, in the case of a non-resident employee is to be withheld at the source by the buyer.

Buy-back of Securities. Indian companies are not subject to any tax on the buy-back of their shares. However, the shareholders will be taxed on any resulting gains. Our company would be required to deduct tax at source according to the capital gains tax liability of a non-resident shareholder.

Stamp Duty and Transfer Tax. Upon issuance of the equity shares underlying our ADSs, companies will be required to pay a stamp duty of 0.1% per share of the issue price of the underlying equity shares. A transfer of ADSs is not subject to Indian stamp duty. However, upon the acquisition of equity shares from the depositary in exchange for ADSs, the non-resident holder will be liable for Indian stamp duty at the rate of 0.5% of the market value of the ADSs or equity shares exchanged. A sale of equity shares by a non-resident holder will also be subject to Indian stamp duty at the rate of 0.5% of the market value of the equity shares on the trade date, although customarily such tax is borne by the transferee. Shares must be traded in dematerialized form. The transfer of shares in dematerialized form is currently not subject to stamp duty.

Wealth Tax. The holding of the ADSs and the holding of underlying equity shares by resident and non-resident holders will be exempt from Indian wealth tax. Non-resident holders are advised to consult their own tax advisors regarding this issue.

Gift Tax and Estate Duty. Indian gift tax was abolished as of October 1998. Indian Estate Duty was abolished as of March 1985. We cannot assure that these taxes and duties will not be restored in future. Non-resident holders are advised to consult their own tax advisors regarding this issue.

Service Tax. Brokerage or commission paid to stock brokers in connection with the sale or purchase of shares is subject to a service tax of 5%. The stock broker is responsible for collecting the service tax from the shareholder and paying it to the relevant authority.

PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE INDIAN AND THEIR LOCAL TAX CONSEQUENCES OF ACQUIRING, OWNING OR DISPOSING OF EQUITY SHARES OR ADSs.

United States Federal Taxation

The following is a summary of the material U.S. federal income and estate tax consequences that may be relevant with respect to the acquisition, ownership and disposition of equity shares or ADSs. This summary addresses the U.S. federal income and estate tax considerations of holders that are U.S. persons. U.S. persons are citizens or residents of the United States, or corporations created in or under the laws of the United States or any political subdivision thereof or therein, estates, the income of which is subject to U.S. federal income taxation regardless of its source, and trusts for which a U.S. court exercises primary supervision and a U.S. person has the authority to control all substantial decisions and who will hold equity shares or ADSs as capital assets or U.S. Holder.

This summary does not address tax considerations applicable to holders that may be subject to special tax rules, such as banks, insurance companies, dealers in securities or currencies, tax-exempt entities, persons that will hold equity shares or ADSs as a position in a "straddle" or as part of a "hedging" or "conversion" transaction for tax purposes, persons that have a "functional currency" other than the U.S. dollar or holders of 10% or more, by voting power or value, of the stock of our company. This summary is based on the tax laws of the United States as in effect on the date of this document and on United States Treasury Regulations in effect or, in some cases, proposed, as of the date of this document, as well as judicial and administrative interpretations thereof available on or before such date and is based in part on the assumption that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms. All of the foregoing are subject to change, which change could apply retroactively and could affect the tax consequences described below.

EACH PROSPECTIVE INVESTOR SHOULD CONSULT HIS, HER OR ITS OWN TAX ADVISOR WITH RESPECT TO THE U.S. FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF ACQUIRING, OWNING OR DISPOSING OF EQUITY SHARES OR ADSs.

Ownership of ADSs. For U.S. federal income tax purposes, holders of ADSs will be treated as the owners of equity shares represented by such ADSs.

Dividends. Except for equity shares, if any, distributed pro rata to all shareholders of our company, including holders of ADSs, distributions of cash or property with respect to equity shares will be included in income by a U.S. holder as foreign source dividend income at the time of receipt, which in the case of a U.S. holder of ADSs generally will be the date of receipt by the depositary, to the extent such distributions are made from the current or accumulated earnings and profits (as determined under U.S. federal income tax principles) of our company. Such dividends will not be eligible for the dividends received deduction generally allowed to corporate U.S. holders. To the extent, if any, that the amount of any distribution by our company exceeds our company's current and accumulated earnings and profits as determined under U.S. federal income tax principles, it will be treated first as a tax-free return of the U.S. holder's tax basis in the equity shares or ADSs and thereafter as capital gain.

Subject to certain conditions and limitations, any Indian dividend distribution taxes imposed upon distributions paid to a U.S. holder will be eligible for credit against the U.S. holder's federal income tax liability. Alternatively, a U.S. holder may claim a deduction for such amount, but only for a year in which a U.S. holder elects to do so with respect to all foreign income taxes. The overall limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends distributed by us with respect to equity shares or ADSs will generally constitute foreign source "passive income."

If dividends are paid in Indian rupees, the amount of the dividend distribution included in the income of a U.S. holder will be in the U.S. dollar value of the payments made in Indian rupees, determined at a spot exchange rate between Indian rupees and U.S. dollars applicable to the date such dividend is included in the income of the U.S. holder, regardless of whether the payment is in fact converted into U.S. dollars. Generally, gain or loss, if any, resulting from currency exchange fluctuations during the period from the date the dividend is paid to the date such payment is converted into U.S. dollars will be treated as U.S. source ordinary income or loss.

A non-U.S. holder of equity shares or ADSs generally will not be subject to U.S. federal income tax or withholding tax on dividends received on equity shares or ADSs unless such income is effectively connected with the conduct by such non-U.S. holder of a trade or business in the United States.

Sale or Exchange of Equity Shares or ADSs. A U.S. holder generally will recognize gain or loss on the sale or exchange of equity shares or ADSs equal to the difference between the amount realized on such sale or exchange and the U.S. holder's tax basis in the equity shares or ADSs, as the case may be. Such gain or loss will be capital gain or loss, and will be long-term capital gain or loss if the equity shares or ADSs, as the case may be, were held for more than one year. Gain or loss, if any, recognized by a U.S. holder generally will be treated as U.S. source passive income or loss for U.S. foreign tax credit purposes.

A non-U.S. holder of equity shares or ADSs generally will not be subject to U.S. federal income or withholding tax on any gain realized on the sale or exchange of such equity shares or ADSs unless:

- such gain is effectively connected with the conduct by such non-U.S. holder of a trade or business in the U.S.; or
- in the case of any gain realized by an individual non-U.S. holder, such holder is present in the United States for 183 days or more in the taxable year of such sale and other conditions are met.

Estate Taxes. An individual shareholder who is a citizen or resident of the United States for U.S. federal estate tax purposes will have the value of the equity shares or ADSs owned by such holder included in his or her gross estate for U.S. federal estate tax purposes. An individual holder who actually pays Indian estate tax with respect to the equity shares will, however, be entitled to credit the amount of such tax against his or her U.S. federal estate tax liability, subject to a number of conditions and limitations.

Any dividends paid, or proceeds on a sale of, equity shares or ADSs to or by a U.S. holder may be subject to U.S. information reporting, and a 31% backup withholding tax may apply unless the holder is an exempt recipient or provides a U.S. taxpayer identification number, certifies that such holder is not subject to backup withholding and otherwise complies with any applicable backup withholding requirements. Any amount withheld under the backup withholding rules will be allowed as a refund or credit against the holder's U.S. federal income tax, provided that the required information is furnished to the Internal Revenue Service.

Passive Foreign Investment Company. A non-U.S. corporation will be classified as a passive foreign investment company for U.S. Federal income tax purposes if either:

- 75% or more of its gross income for the taxable year is passive income; or
- on average for the taxable year by value, or, if it is not a publicly traded corporation and so elects, by adjusted basis, if 50% or more of its assets produce or are held for the production of passive income.

We do not believe that we satisfy either of the tests for passive foreign investment company status. If we were to be a passive foreign investment company for any taxable year, U.S. holders would be required to either:

- pay an interest charge together with tax calculated at maximum ordinary income rates on "excess distributions," which is defined to include gain on a sale or other disposition of equity shares;
- if a qualified electing fund election is made, include in their taxable income their pro rata share of undistributed amounts of our income; or
- if the equity shares are "marketable" and a mark-to-market election is made, mark-to-market the equity shares each taxable year and recognize ordinary gain and, to the extent of prior ordinary gain, ordinary loss for the increase or decrease in market value for such taxable year.

The above summary is not intended to constitute a complete analysis of all tax consequences relating to ownership of equity shares or ADSs. You should consult your own tax advisor concerning the tax consequences of your particular situation.

Documents on Display

This report and other information filed or to be filed by Infosys Technologies Limited can be inspected and copied at the public reference facilities maintained by the SEC at:

- Judiciary Plaza
  450 Fifth Street, N.W.
  Room 1024
  Washington, D.C. 20529
- Northwestern Atrium Center
  500 West Madison Street
  Suite 1400
  Chicago, Illinois 60661 - 2511

Copies of these materials can also be obtained from the Public Reference Section of the SEC, 450th Street, N.W. Washington, D.C. 20549, at prescribed rates.

The SEC maintains a web site at www. sec.gov that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system. As a foreign private issuer, we are not required to use the EDGAR system, but currently intend to do so in order to make our report available over the Internet.

Additionally, documents referred to in this Form 20-F may be inspected at our corporate offices which are located at Electronics City, Hosur Road, Bangalore - 561 229.

Subsidiary information

Not applicable.

Item 11: Quantitative and Qualitative Disclosure About Market Risk

This information is set forth under the caption "Management's discussion and analysis of financial condition and results of operations" on pages 129 through 140 of our Annual Report for the fiscal year ended March 31, 2002 and such information is incorporated herein by reference.

Item 12: Description of Securities Other than Equity Securities

Not applicable.

Part II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

None.

Item 17

Not Applicable.

Part III

Item 18. Financial Statements

The following financial statements of the company included in Item 18 of this Report on Form 20-F are hereby incorporated by reference from our Annual Report for fiscal 2002, filed as Exhibit 13.1 to this Report on Form 20-F.

- Independent auditor's report.
- Balance Sheets as of March 31, 2002 and 2001
- Statements of Income for the years ended March 31, 2002, 2001 and 2000.
- Statements of Stockholders' Equity and comprehensive income for the years ended March 31, 2002, 2001 and 2000
- Statements of Cash Flows for the years ended March 31, 2002, 2001 and 2000.
- Notes to financial statements.
- Financial Statement Schedule – Valuation and qualifying accounts

Item 19. Exhibits

Exhibit number	Description of document
**3.1	Articles of Association of the Registrant, as amended
**3.2	Memorandum of Association of the Registrant, as amended
*3.3	Certificate of Incorporation of the Registrant, as currently in effect
*4.1	Form of Deposit Agreement among the Registrant, Bankers Trust Receipts issued thereunder (including as an exhibit, the form of American Depositary Receipt)
*4.2	Registrant's Specimen Certificate for Equity Shares
*10.1	Registrant's 1998 Stock Option Plan
*10.2	Registrant's Employee Stock Offer Plan
*10.3	Employees Welfare Trust Deed of Registrant Pursuant to Employee Stock Offer Plan
*10.4	Form of Indemnification Agreement
***10.5	Registrant's 1999 Stock Option Plan
13.1	Infosys Annual Report for fiscal 2002
23.1	Consent of KPMG, India
99.1	Proxy Information Statement to holders of American Depositary Shares
99.2	Proxy Information Statement to holders of Equity Shares
99.3	Proxy Form to holders of Equity Shares
99.4	Proxy Form to holders of American Depositary Shares
****99.5	Audit committee charter
99.6	Abstract of the terms of appointment of Messrs. N. R. Narayana Murthy, Nandan M. Nilekani, K. Dinesh and S. D. Shibulal dated April 10, 2002.

* Incorporated by reference to exhibits filed with the Registrant's Registration Statement on Form F-1 (File No. 333-72195) in the form declared effective on March 10, 1999.

** Incorporated by reference to exhibits filed with the Registrant's Quarterly Report on Form 6-K filed on January 21, 2000

*** Incorporated by reference to exhibits filed with the Registrant's Quarterly Report on Form 6-K filed on August 4, 1999.

**** Incorporated by reference to exhibits filed with the Registrant's Annual Report on Form 20-F filed on May 3, 2001.

Signatures

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

for Infosys Technologies Limited

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

N. R. Narayana Murthy
Chairman and Chief Mentor

Bangalore, India
May 8, 2002

Infosys Foundation

A strong sense of social responsibility is foremost among the core values of Infosys. This translates into a commitment to help people and communities, to enhance living conditions, and to improve education.

In fiscal 2002, the Infosys Foundation continued its commitment to the rural poor, to the underprivileged, and to the cause of education. It also helped promote Indian arts and culture. Grants from Infosys during the year aggregated Rs. 3.75 crore as compared to Rs. 5.26 crore in the previous year.

The following are some of the projects undertaken by the Foundation during the year:

1. Initiatives for the rural poor and the underprivileged

a. Built cyclone/flood relief shelters which could be used as schools-cum-community halls-cum-relief shelters in different districts of Orissa at a cost of Rs. 12.64 lakh.

b. Commenced construction of a hostel for visually impaired tribal girls in Banapur, Behrampur District, Orissa at a cost of about Rs. 10 lakh.

c. Completed orphan girls' hostel at Maharshi Karve Sthree Shikshan Samstha, Pune at a total cost of Rs. 60 lakh of which Rs. 30 lakh was incurred during the year.

d. Provided financial assistance for war widows in different parts of India, amounting to Rs. 38 lakh.

2. Health care for the poor

a. Started the construction of a super-specialty hospital in Pune at an estimated cost of Rs. 3.50 crore. Amount incurred till date is Rs. 37.98 lakh.

b. Completed the construction of additional wards at the Swami Sivananda Memorial Hospital, Pattamadai at a total cost of Rs. 25 lakh, out of which Rs. 5 lakh was incurred during the year.

c. Other contributions have been made towards medical assistance and hospitalization at a cost of Rs. 37.82 lakh.

d. Computerized the medical departments of KEM Hospital, Mumbai at a total cost of Rs. 55 lakh out of which Rs. 10 lakh was incurred during the year.

3. Education

a. Re-constructed schools in Andhra Pradesh & Karnataka at a total cost of Rs. 11 lakh, out of which Rs. 2 lakh was incurred during the year.

b. Set up 6,500 libraries in rural areas of Karnataka at a cost of Rs. 17.20 lakh.

c. More than 200 sets of books have been donated to youth clubs at various villages in Karnataka at a cost of Rs. 6 lakh.

d. Completed the construction of the first floor for the Ramakrishna Mission Students' Home in Chennai at a total cost of Rs. 30 lakh, out of which Rs. 15 lakh was incurred during the year.

e. Scholarships, one time awards and other forms of assistance were given to economically poor but deserving students, amounting to Rs. 27.46 lakh.

f. Sponsored 'Wizkid Pavilion', in which more than 500 students and young scientists participated, at a science exhibition organized by the National Science Congress, at a cost of Rs. 3 lakh.

g. A three-days Teacher's Training Workshop on environmental sciences was conducted, which attracted participation of over 250 teachers from rural areas of Karnataka.

4. Arts & Culture

a. Honored senior artists from different walks of life.

for Infosys Foundation

Bangalore	Srinath Batni	Sudha Gopalakrishnan	Sudha Murty
April 10, 2002	*Trustee*	*Trustee*	*Chairperson*

Financial statements (unaudited) prepared in substantial compliance with GAAP requirements of various countries and reports of compliance with the respective corporate governance standards

Over the past decade, the technology and information revolutions have fundamentally transformed economic and political relationships between nations. Thanks to the opening up of financial markets across the globe, investors today have a wide choice of capital markets to invest in. Consequently, the global investor must have access to information about the performance of any company, in any market that he or she chooses to invest in. However, differences in language, accounting practices, and reporting requirements in various countries render performance reports by many companies rather investor-unfriendly.

Today, the strength of a global company lies in its ability to access high-quality capital at the lowest cost from a global pool of investors. Such companies study the needs of global investors and publish financial information in a language and form understood by their existing as well as prospective investors. In the process, financial statistics may have to be restated and financial terminology may need to be translated. Indeed, a key issue in international financial analysis is the restatement and translation of financial reports that describe operations conducted in one environment, but which are the subject of review and analysis in another.

As an investor-friendly company, committed to the highest standards of disclosure, we voluntarily provide unaudited financial statements prepared in substantial compliance with the GAAP requirements of Australia, Canada, France, Germany, Japan and the United Kingdom, besides those of the US and India (which information appears separately elsewhere). The financial statements are in the respective national languages of these countries.

Further, keeping in mind their local regulations and practices, these countries have formulated their own corporate governance standards. We have provided statements on compliance with these standards in the respective national languages of these countries.

The unaudited consolidated profit & loss accounts and balance sheets have been prepared by converting the various financial parameters, reported in the audited income statement of Infosys (according to the Indian GAAP), into the respective currencies of the above countries. In addition, adjustments have been made for differences in accounting principles, and in formats, between India and these countries, if any.

The summary financial information provided in this section does not contain sufficient information to allow full understanding of the results or the state of affairs of the company. In the event of a conflict in interpretation, the "Audited Indian GAAP financial statements" section and the "Corporate governance report" of the Annual Report should be considered. The Infosys management cautions investors that these reports are provided only as additional information to our global investors. Using such reports for predicting the future of Infosys, or any other company, is risky. The Infosys management is not responsible for any direct, indirect or consequential losses suffered by any person using these financial statements or data.

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Corporate governance report — Australia, Canada and France

Australia

The Australian Institute of Company Directors, Australian Society of Certified Practicing Accountants, Business Council of Australia, Law Council of Australia, the Institute of Chartered Accountants of Australia and the Securities Institute of Australia had formed a working group to look into corporate governance issues. The working group submitted its report – The Bosch Report in 1995.

The working group made several recommendations. Your company complies substantially with all recommendations made by the committee, except the following:

1. *Composition of the board* – The current strength of the board is 16 with 8 executive directors and 8 non-executive, independent directors.
2. *Board membership term* – The current law in India mandates the retirement of one-third of the board members every year and qualifies the retiring members for re-appointment. The executive directors are appointed by the shareholders for a maximum period of five years at one time but are eligible for re-appointment upon completion of their term.

Canada

"We believe that good corporate governance benefits all companies – small and large – and that the principles of effective governance do not change as companies get bigger" – Final report, Joint committee on corporate governance, November 2001.

The joint committee on corporate governance was established by the Canadian Institute of Chartered Accountants (CICA), the Canadian Venture Exchange (CDNX) and the Toronto Stock Exchange (TSE) to study various aspects of corporate governance. The committee submitted its final report – *Beyond compliance: building a governance culture* in November 2001.

The committee made several recommendations. Your company complies substantially with all recommendations made by the committee, except the following:

Independent board leader – The chairman of the board is an executive director. The board of the company consists of 8 executive directors and 8 independent directors. The audit committee, nominations committee and the compensation committee consist of independent directors only. The company has not identified any independent lead director to perform the functions specified in the report.

1. *Recommendation 4 – Regular assessments of the effectiveness of the board and its committees, as well as the contribution of individual directors* – The compensation committee of the board consists of independent directors. The compensation committee reviews the performance of all the executive directors on a quarterly basis based on detailed performance parameters set for each of the executive directors at the beginning of the year, in consultation with the CEO of the company. The performance of the independent directors is reviewed by the full board, on a regular basis. The nominations committee recommends size and composition of the board and its committees, establishes procedures for the nomination process, and recommends candidates for election to the board and its committees.
2. *Recommendation 5 – Outside board members to meet regularly* – The outside directors of the board do not formally meet, without the management, at regular intervals. However, they informally discuss with the Chairman and the CEO, if there are any substantive issues that needs the attention of the management.
3. *Recommendation 6 – Selecting the CEO and succession planning* – At present, the succession planning of the CEO is not delegated to the "independent board leader". The chairman reviews succession planning and management development with the full board from time to time.

Rapport sur le gouvernement d'entreprises – France

L'AFG-ASFFI est une association représentant l'activité de gestion d'actifs en France. Cette association a institué une « Commission portant sur le gouvernement d'entreprises » afin d'examiner les divers aspects du gouvernement d'entreprises applicables aux sociétés cotées françaises. Les recommandations de la Commission ont été adoptées le 9 juin 1998 et amendées par la suite en 2001.

La Commission portant sur le gouvernement d'entreprises a fait plusieurs recommandations. Votre société respecte en grande partie toutes les recommandations faites, à l'exception des suivantes :

1. *Recommandation I-B-2 – Publication de deux rapports, une version résumée, une version complète* – La société publie un rapport annuel détaillé contenant des informations financières et autres en détail, et ce même document est adressé à tous les actionnaires quelle que soit leur participation.
2. *Recommandation I-B-3 – Explication de la résolution proposée* – Le nombre de parts détenues par les administrateurs qui sont désignés pour une ré-élection ainsi que l'information relative aux options de souscription d'actions accordées au personnel clé de la société sont divulguées dans le rapport annuel mais pas incluses dans l'état explicatif relatif aux résolutions devant être approuvées lors de l'assemblée générale ordinaire.
3. *Recommandation I-B-5 – Suivi après le vote des résolutions* – La société ne publie pas un extrait des minutes de l'assemblée générale ordinaire à tous les actionnaires à la fin de la réunion. Cependant, l'ensemble du processus relatif à l'assemblée générale ordinaire est diffusé sur Internet et accessible à tous dans le monde entier.
4. *Recommandation I-C-6 – Vote électronique* – La société a recours au système de vote au cas où un scrutin serait demandé. Elle n'a pas recours au vote électronique.
5. *Recommandation II-C – Indemnités des administrateurs* – Le comité des rémunérations détermine et recommande au conseil d'administration les indemnisations allouées aux membres du conseil. L'indemnisation des administrateurs indépendants est approuvée lors d'une réunion du conseil au complet. Les indemnités allouées à l'ensemble de tous les administrateurs indépendants sont limitées à une somme fixée annuellement par le conseil. La somme se situe aux environs de 0,5 % du bénéfice net de la société calculée conformément aux dispositions du Companies Act

(loi sur les sociétés) de 1956, approuvée par les actionnaires, et est présentée séparément dans les états financiers. L'indemnisation allouée aux administrateurs indépendants et la méthode de calcul sont également présentées séparément dans les états financiers. Les directeurs exécutifs qui sont également les fondateurs de la société se sont volontairement exclus du Stock Offer Plan de 1994, de celui de 1998 et de 1999. Les administrateurs indépendants ne sont pas non plus bénéficiaires des options d'achat d'actions dans le cadre de ces plans, sauf pour celui de 1999. cependant, aucune option n'a été émise au cours de l'année aux administrateurs indépendants dans le cadre du plan.

6. *Recommandation II-D-2 – Non-cumul des fonctions d'administrateur* – Selon la loi indienne, personne ne peut être administrateur dans plus de 20 sociétés.
7. *Recommandation II-D-4* – A l'heure actuelle, aucun des administrateurs n'est âgé de plus de 65 ans.

Corporate governance report – Germany

„Corporate Governance Richtlinien fördern und bekräftigen das Vertrauen der gegenwärtigen und zukünftigen Aktionäre, der kreditgebenden Stellen, der Mitarbeiter, der Teilhaber und der Öffentlichkeit im nationalen und internationalen Marktumfeld". Corporate Governance Vorschriften für börsennotierte Unternehmen, Juli 2000

Die deutsche Kommission für Corporate Governance hat die „Corporate Governance Vorschriften für börsennotierte Unternehmen" im Juli 2000 verabschiedet. Die Kommission hat verschiedene Empfehlungen gegeben. Ihre Firma erfüllt im wesentlichen alle Empfehlungen des Ausschusses mit Ausnahme der folgenden:

1. *Empfehlung III, IV und V – Vorstand und Aufsichtsrat* – Das Unternehmen hat eine einstufige Führungsstruktur, welche in die Macht des gesamten Vorstands und Aufsichtsrats eingehüllt ist. Die gegenwärtige Stärke des Boards ist 16 mit 8 Executivdirektoren und 8 non-executive, unabhängige Direktoren. Das Board hat fünf Ausschüsse – Der Bilanzausschuß, der Entschädigungsausschuß, der Nennungausschuß, der Investorbeschwerdeausschuß und ein Investitionausschuß. Alle diese Ausschüsse ausschließlich des Investorbeschwerdeausschusses und des Investitionausschusses bestehen völlig aus unabhängigen Direktoren. Der Investorbeschwerdeausschuß besteht aus einem non-executive Vorsitzenden und einige der Executivdirektoren. Der Investitionausschuß besteht nur aus Executivdirektoren.
2. *Empfehlung II-3.2 – Informationen und Freigabe Anforderungen* – Wie nach indischem Recht, muß die Firma dafür sorgen, dass die jährliche Hauptversammlung allen Aktionären am Berichtstag bekannt gemacht wird.
3. *Empfehlung VI-2 – Transparenz* – Die Firma stellt über alle Aktionäre, welche mehr als 5% der Anteile des Unternehmen halten, Imformationen im Geschäftsbericht zur Verfügung.
4. *Empfehlung VI-6 – Transparenz* – Das Unternehmen hat Insiderhandel-Richtlinien welche von einem Compliance Officer überwacht werden. Alle Officers des Unternehmens müssen im voraus die Genehmigung des Compliances Officers einholen, wenn Sie Aktien des Unternehmens handeln wollen. Alle Transaktionen über bestimmten Grenzen, durch bestimmte Officer, müssen an die Börsen in Indien berichtet werden.
5. *Empfehlung VII-2 – Prüfung von Jahresabschlüssen* – Der Bilanzausschuß des Boards, besteht nur aus unabhängigen Direktoren des Unternehmens. Der Bilanzausschuß erhält von den unabhängigen Wirtschaftsprüfern eine schriftliche Darstellung welche in Einklang mit den einschlägigen rechtlichen Anforderungen das Verhältnis zwischen den Wirtschaftsprüfern und dem Unternehmen darstellt.

Japan

Corporate governance report – United Kingdom

"Companies should be ready to explain their governance policies, including any circumstances justifying departure from best practice." – The Combined Code – Principles of good governance and code of best practice, May 2000.

Directors' report on corporate governance

In May 2000, the committee on corporate governance published the Combined Code – Principles of good governance and code of best practice, which was derived from the committee's final report and from the Cadbury and Greenbury reports.

The company has complied throughout the period under review with all the provisions of the Combined Code except the following:

1. Code A.2.1 – The roles of Chairman and Chief Executive Officer are clearly demarcated. The current policy of the company is to have an Executive Chairman and Chief Mentor, a Chief Executive Officer (CEO), President and Managing Director, and a Chief Operating Officer (COO) and Deputy Managing Director. There is a clear demarcation of responsibilities and authority between all three of them.

   The Chairman and Chief Mentor is responsible for mentoring Infosys' core management team to transform the company into a world-class, next-generation organization that provides state-of-the-art technology-leveraged business solutions to corporations across the world. He is also expected to interact with global thought leaders to enhance the leadership position of Infosys. In addition, he will continue to interact with various institutions to highlight and help bring about the benefits of IT to every section of society. As chairman of the board, he is also responsible for all board matters.

   The CEO, President and Managing Director is responsible for corporate strategy, brand equity, planning, external contacts, new initiatives, and other management matters. He is also responsible for achieving the annual business plan.

   The COO and Deputy Managing Director is responsible for all customer service operations. He is also responsible for technology, acquisitions and investments.

   The company had not identified any senior member other than the chairman to whom concerns can be conveyed.

2. Code A.6.2, B.1.7 and B.1.8 – The current law in India mandates the retirement of one-third of the board members every year and qualifies the retiring members for re-appointment. The executive directors are appointed by the shareholders for a maximum period of five years at one time but are eligible for re-appointment upon completion of their term.

3. Code C.2.1 – Under Indian law, voting on a resolution in the Annual General Meeting is by show of hands unless a poll is demanded by a member or members present in person or by proxy holding atleast one-tenth of the total shares entitled to vote on the resolution or by those holding an aggregate paid up capital of atleast Rs. 50,000. A proxy may not vote except on a poll.

This statement along with the *Corporate governance report* of this Annual Report explains how the company has applied the governance principles set out in section 1 of the Combined Code.

Internal control

The Combined Code has introduced a new requirement that the directors review the effectiveness of the group's system of internal controls. This requirement extends the directors' review to cover all controls including:

- financial;
- operational;
- compliance; and
- risk management.

The company maintains a well established control framework comprising clear structures and accountabilities, well understood policies and procedures and budgeting and review processes. The company has installed a system of internal controls which is reviewed, evaluated and updated on an ongoing basis. Our internal auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the company have been followed. However, there are inherent limitations that should be recognized in weighing the assurances provided by any system of internal controls.

In addition, the company has developed a "risk management" process which defines the significant business risks and controls in place to manage them. The detailed report is provided in the *Risk management report* of this Annual Report. New areas are introduced for assessment as the business risk profile changes. The controls are monitored through the "risk management" process, internal audit coverage and routine management review. The results are reviewed by the audit committee and also the board.

The directors confirm that they are satisfied that the company has sufficient resources to continue operations for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

S. Gopalakrishnan
Chief Operating Officer and Deputy Managing Director

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

Bangalore
April 10, 2002

Financial statements prepared in substantial compliance with GAAP requirements of Australia

Statement of financial performance (unaudited)

Infosys Technologies Limited as at March 31 *in Australian dollars*

	2002	2001
CURRENT ASSETS		
Cash	398,046,512	253,949,997
Receivables	130,515,504	132,909,996
Investments	–	–
Other	34,599,119	33,328,193
TOTAL CURRENT ASSETS	563,161,135	420,188,186
NON-CURRENT ASSETS		
Receivables	–	–
Investments	13,755,814	11,068,783
Property, plant and equipment	278,387,597	245,126,694
Intangibles	–	–
Other	34,788,478	23,204,507
TOTAL NON-CURRENT ASSETS	326,931,889	279,399,984
TOTAL ASSETS	890,093,024	699,588,170
CURRENT LIABILITIES		
Trade creditors	–	57,472
Unearned revenues	6,550,388	15,308,141
Provisions	78,658,915	68,980,707
TOTAL CURRENT LIABILITIES	85,209,303	84,346,320
NON-CURRENT LIABILITIES		
Borrowings	–	–
Provisions	–	–
TOTAL NON-CURRENT LIABILITIES	–	–
TOTAL LIABILITIES	85,209,303	84,346,320
NET ASSETS	804,883,721	615,241,850
SHAREHOLDERS' EQUITY		
Share capital	12,997,309	12,991,471
Reserves	791,886,412	602,250,379
Retained profits	–	–
TOTAL SHAREHOLDERS' EQUITY	804,883,721	615,241,850

Financial statements prepared in substantial compliance with GAAP requirements of Australia

Statement of financial performance (unaudited)

Infosys Technologies Limited for the year ended March 31

in Australian dollars

	2002	2001
Operating revenue	1,112,500,000	771,073,557
Operating profit before abnormal items and income tax	393,079,167	277,109,396
Operating profit before income tax	393,079,167	277,109,396
Income tax expense / (benefit) attributable to		
Operating profit	55,687,500	27,108,845
Income tax expense / (benefit) for the year	55,687,500	27,108,845
Operating profit after income tax	337,391,667	250,000,551
Outside equity interests in operating profit after income tax	–	–
Operating profit after income tax attributable to		
members of Infosys Technologies Limited	337,391,667	250,000,551
Dividend on preferred stock	–	–
Retained profits at the beginning of the financial year	–	–
Aggregate of amounts transferred from reserves	–	–
Total available for appropriation	337,391,667	250,000,551
Dividends provided for or paid	57,258,333	29,681,146
Aggregate of amounts transferred to reserves	280,133,334	220,319,405
Retained profits at the end of the financial year	–	–
Basic earnings per share	5.15	3.80
Diluted earnings per share	5.11	3.75

Notes:

1. The company's financial statements are prepared in Indian rupees, the reporting currency. These financial statements have been prepared by translating revenue and expenditure at an average rate during the year; current assets, current liabilities, property, plant and equipment, long-term borrowings at the year-end rate; and accretions to stockholders' equity at an average rate for the year. The difference arising on translation is shown under reserves.

2. Exchange rates used:

	2002	2001
Average exchange rate used	1 AUD = Rs.24.00	1 AUD = Rs. 25.22
Closing exchange rate used	1 AUD = Rs. 25.80	1 AUD = Rs. 22.75

3. Reconciliation between Indian GAAP and Australian GAAP statements:

Australian dollars

		2002	2001
Net income as per Indian GAAP in Rs.		8,079,600,000	6,288,136,341
Net income as per Indian GAAP in Aus $		336,650,000	249,331,338
Less:	Extraordinary income	–	(2,178,588)
	Expenses against provisions for contingencies and e-inventing the company	–	(154,678)
Add:	Provision for deferred taxes	741,667	1,721,449
	Provision for gratuity	–	1,281,030
Net income as per Australian GAAP		337,391,667	250,000,551

Financial statements prepared in substantial compliance with GAAP requirements of Canada

Balance sheet (unaudited)

in Canadian dollars

As at March 31	2002	2001
ASSETS		
Current assets		
Cash and cash equivalents	336,267,191	195,181,164
Accounts receivable	110,258,677	102,152,109
Inventories	–	–
Prepaid expenses and other assets	29,229,118	25,615,418
	475,754,986	322,948,691
Property, plant and equipment	235,180,092	188,399,740
Investments	11,620,825	8,507,257
Future income taxes	8,513,425	5,246,761
Other assets	20,875,662	12,587,783
	751,944,990	537,690,232
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	–	44,172
Accrued liabilities	62,910,936	51,101,799
Current portion of long-term obligations	–	–
Advances received from clients	3,539,620	1,915,467
Unearned revenue	5,533,727	11,765,547
	71,984,283	64,826,985
Long-term obligations	–	–
	71,984,283	64,826,985
Minority interest	–	–
Share capital		
Common shares – 66,186,130 outstanding (2001 – 66,158,117 outstanding)	12,369,291	12,364,630
Additional paid-in capital	119,110,434	117,583,215
Accumulated foreign currency translation adjustment	(35,097,312)	(16,929,115)
Retained earnings	583,578,294	359,844,517
	751,944,990	537,690,232

Financial statements prepared in substantial compliance with GAAP requirements of Canada

Statement of earnings and retained earnings (unaudited)

in Canadian dollars

Year ended March 31	2002	2001
Sales	866,419,301	625,391,866
Cost of sales	461,054,908	322,784,546
Gross margin	405,364,393	302,607,320
EXPENSES		
Selling, general and administration expenses	113,524,127	87,145,568
Income from operations	291,840,266	215,461,752
Interest and other income	22,099,834	14,505,308
Interest expense	–	–
Earnings before income taxes	313,940,100	229,967,060
Provision for income taxes	44,475,874	22,497,040
Net earnings	269,464,226	207,470,020
Cash dividend declared	45,730,449	24,631,738
	223,733,777	182,838,282
Retained earnings, beginning of the year	359,844,517	177,006,235
Adjustment on deconsolidation of subsidiary	–	–
Capitalization of profits	–	–
Retained earnings, end of the year	583,578,294	359,844,517
EARNINGS PER SHARE		
Net earnings		
Basic	4.11	3.15
Fully diluted	4.08	3.11
Weighted average number of shares		
Basic	65,556,648	65,771,256
Fully diluted	66,084,874	66,714,739

Notes:

1. The company's financial statements are prepared in Indian rupees, the reporting currency. These financial statements have been prepared by translating revenue and expenditure at an average rate for the year; current assets, current liabilities, property, plant and equipment, long-term borrowings at the year-end rate; and accretions to stockholders' equity at an average rate for the year. The difference arising on translation is shown under accumulated foreign currency translation adjustment.

2. Exchange rate used:

	2002	2001
Average exchange rate used	1 CAD = Rs. 30.05	1 CAD = Rs. 30.39
Closing exchange rate used	1 CAD = Rs. 30.54	1 CAD = Rs. 29.60

3. Reconciliation between Indian GAAP and Canadian GAAP statements:

		2002	2001
Net income as per Indian GAAP in Rs.		8,079,600,000	6,288,136,341
Net income as per Indian GAAP in Canadian dollars		268,871,880	206,914,654
Less:	Extraordinary income	–	(1,807,963)
	Expenses against provisions for contingencies and e-inventing the company	–	(128,364)
Add:	Provision for future income taxes	592,346	1,428,593
	Provision for gratuity	–	1,063,100
	Net earnings as per Canadian GAAP	269,464,226	207,470,020

Financial statements prepared in substantial compliance with GAAP requirements of France

Etats financiers préparés selon les principes comptables français (non audités)
Compte de résultat

		FRF
	2002	2001
Produits d'exploitation		
Vente de marchandises	–	–
Production vendues (services)	4,100,141,732	3,021,567,378
Montant net du chiffres d'affaires	4,100,141,732	3,021,567,378
Production stockée	–	–
Production immobilisée	–	–
Subventions d'exploitation	–	–
Reprises sur amortissements, provisions et transfert de charges	–	–
Autres produits	–	–
Total des produits d'exploitation (I)	4,100,141,732	3,021,567,378
Charges d'exploitation		
Achat de marchandises	14,440,945	9,064,190
Variation de stocks des biens achetés	–	–
Achat de matières premières et autres approvisionnements	–	–
Variations de stocks de matières premières et approvisionnements	–	–
Autres achats et charges externes	–	–
Salaires et traitements	1,760,425,197	1,141,149,110
Dotations aux amortissements et aux provisions	–	–
Sur immobilisations: Dotation aux amortissements	252,992,126	179,482,536
Sur immobilisations: Dotations aux provisions	–	–
Sur actif circulant: Dotations aux provisions	–	–
Pour risques et charges: dotation sur provisions	–	–
Autres charges	691,212,598	650,872,709
Total des charges d'exploitation (II)	2,719,070,866	1,980,568,545
Résultat d'exploitation (I-II)	1,381,070,866	1,040,998,833
Quotes-parts de résultat sur opérations faites en commun:		
Bénéfice attribué ou perte transférée (III)	–	–
Perte attribuée ou bénéfices transférés (IV)	–	–
Produits financières		
De participations	–	–
D'autres valeurs mobilières	–	–
Intérêts et produits similaires	104,582,677	70,082,084
Reprises sur provisions et transfert de charges	–	–
Différences positives de change	–	–
Produits nets sur cessions de valeurs immobilières de placements	–	–
Total des produits financiers (V)	104,582,677	70,082,084
Charges financiêres		
Dotations aux amortissements et aux provisions	–	–
Intérêt et charges similaires	–	–
Différences négatives de change	–	–
Charges nettes sur cessions de valeurs mobilières de placements	–	–
Total des charges financières (VI)	–	–
Résultat financier (V-VI)	104,582,677	70,082,084
Résultat courant avant impôts (I-II + III-IV + V-VI)	1,485,653,543	1,111,080,917

Financial statements prepared in substantial compliance with GAAP requirements of France

	2002	2001
		FRF
Produits exceptionnels		
Sur opérations de gestion	–	–
Sue opérations en capital	–	–
Reprises sur provisions et transfert de charges	–	–
Total des produits exceptionnels (VII)	–	–
Charges exceptionnelles		
Sur opérations de gestion	–	–
Sur opérations en capital	–	–
Dotations aux amortissements et aux provisions	–	–
Total des charges exceptionnelles (VIII)	–	–
Résultat exceptionnel (VII-VIII)	–	–
Participation des salariés aux fruits de l'expansion (IX)	–	–
Impôt sur les bénéfices (X)	210,472,441	108,693,968
Total des produits (I + III + V + VII)	4,204,724,409	3,091,649,462
Total des charges (II + IV + VI + VII + IX + X)	2,929,543,307	2,089,262,513
Dividendes préciputaires	–	–
Participation à la perte de filiale déconsolidées	–	–
Bénéfice ou perte	1,275,181,102	1,002,386,949

Notes:

1. Conversion en monnaie étrangère

   Les états financiers de la société sont préparés en roupies indiennes. Ces états financiers ont été préparés par la conversion des produits et des charges au taux moyen mensuel pendant l'année; les actifs et passifs circulants, les immobilisations, les emprunts à long terme et accroissements des fonds propres sont calculés au taux à la fin de l'année et les placements à long terme sont calculés selon le taux au moment du placement. La différence provenant des conversions est enregistrée sous la rubrique *Réserves.*

2. Taux de change utilisé

	2002	2001
Taux moyen de change utilisé	1 FRF = Rs. 6.35	1 FRF= Rs. 6.29
Taux de change de clôture utilisé	1 FRF = Rs. 6.48	1 FRF= Rs. 6.23

3. Rapprochement entre les états financiers établis selon les principes comptables indiens et français: *FRF*

	2002	2001
Résultat net selon les principes comptables indiens en Rs.	8,079,600,000	6,288,136,341
Résultat net selon les principes comptables indiens en FRF	1,272,377,952	999,703,711
Soustraction du revenu net de la filiale inclus en consolidation en FRF		
Moins: Produit extraordinaire	–	(8,735,135)
Moins: Dépenses liées aux provisions pour risques et charges	–	(620,187)
Addition des provisions pour impôts différés en FRF	2,803,150	6,902,216
Addition relatives aux provision pour retraite	–	5,136,344
Résultat net selon les principes comptables français en FRF	1,275,181,102	1,002,386,949

Financial statements prepared in substantial compliance with GAAP requirements of France

Etats financiers préparés selon les principes comptables français (non audités)

Bilan le 31 mars, *FRF*

	2002			2001
Actif	Brut	Amortissements ou Provisions	Net	Net
Actif immobilisé				
Immobilisations incorporelles				
Frais d'établissements	–	–	–	–
Frais de recherche et de développement	–	–	–	–
Fonds comercial	–	–	–	–
Autres	–	–	–	–
Avance et acomptes	–	–	–	–
	–	–	–	–
Immobilisations corporelles				
Terrains	67,438,272	–	67,438,272	58,781,825
Constructions	440,324,074	43,040,123	397,283,951	231,664,598
Installations techniques, matériel	728,024,691	454,429,012	273,595,679	249,698,887
Autres immobilisations corporelles	246,620,370	109,058,642	137,561,728	81,063,045
Immobilisations corporelles en cours	232,515,432	–	232,515,432	273,917,215
Avances et acomptes versés				
	1,714,922,839	606,527,777	1,108,395,062	895,125,570
Immobilisations financières				
Placements évalués selon la participation	–	–	–	–
Autres participations	–	–	–	–
Créances rattachées à des participations	–	–	–	–
Autres titres immobilisés	54,768,519	–	54,768,519	40,419,714
Prêts	–	–	–	–
Autres	–	–	–	–
	54,768,519	–	54,768,519	40,419,714
Total de l'actif immobilisé (I)	1,769,691,358	606,527,777	1,163,163,581	935,545,284
Actif circulant				
Stocks et en-cours				
Matières premières et autres				
Approvisionnements	–	–	–	–
En cours de production (biens)	–	–	–	–
En cours de production (services)	–	–	–	–
Produits intermédiaires et finis	–	–	–	–
Marchandises	–	–	–	–
	–	–	–	–
Prêts aux employés	156,527,778	–	156,527,778	120,281,808
Créances				
Créances clients et comptes rattachés	–	–	–	–
Autres créances	549,320,988	29,675,926	519,645,062	485,345,492
Capital souscrit-appelé, non versé	–	–	–	–
Valeurs immobilières de placement	–	–	–	-
Disponibilités	1,584,814,815	–	1,584,814,815	927,345,496
Charges constatées d'avance	79,614,198	–	79,614,198	61,229,390
Total d'actif circulant (II)	2,370,277,779	29,675,926	2,340,601,853	1,594,202,186
Impôts différés (III)	40,123,457	–	40,123,457	24,928,433
Primes de remboursement des obligations (IV)	–	–	–	–
Ecart de conversion actif (V)	–	–	–	–
Total Général (I + II + III + IV + V)	4,180,092,594	636,203,703	3,543,888,891	2,554,675,903

Financial statements prepared in substantial compliance with GAAP requirements of France

		FRF
Passif	**2002**	**2001**
Capitaux propres		
Capital social	49,279,572	49,257,515
Primes d'émission (de fusion, d'apport)	463,309,463	456,082,232
Ecart de réévaluation	–	–
Réserves (bénéfices non distribués)		
Réserve légale	–	–
Réserve statutaires	–	–
Réserves réglementées	–	–
Autres réserves	2,749,350,767	1,690,576,768
Ecart de conversion	(57,310,170)	50,753,168
Report à nouveau	–	–
Résultat de l'exercice (Bénéfice ou perte)	–	–
Subventions d'investissement	–	–
Provisions réglementées	–	–
Total des capitaux propres (I)	3,204,629,632	2,246,669,683
Autres capitaux propres		
Bénéfice provenant de participation subordonnée	–	–
Avances et acomptes conditionnels	–	–
Total des autres capitaux propres	–	–
Intérêts minoritaires	–	–
Provisions		
Provision pour risques	–	–
Provisions pour charges	–	–
Total des provisions (II)	–	–
Dettes		
Dettes financières		
Emprunts obligatoires convertibles	–	–
Autres emprunts obligatoires	–	–
Emprunts et dettes auprès d'établissements de crédit	–	–
Emprunts et dettes financiers divers	–	–
Avances et acomptes reçus sur commande en cours	42,762,345	65,001,286
Dettes d'exploitation		
Dettes fournisseurs et comptes rattachés	–	209,868
Dettes fiscales et sociales	–	–
Autres dettes		
Dettes sur immobilisations et comptes rattachés	–	–
Autres dettes	296,496,914	242,795,066
Produits constatés d'avance	–	–
Total des dettes (III)	339,259,259	308,006,220
Intérêt minoritaire	–	–
Ecart de conversion passif (IV)	–	–
Total Général (I + II + III + IV)	3,543,888,891	2,554,675,903

Jahresabschluss erarbeitet in wesentlicher Übereinstimmung mit den Grundsätzen einer ordnungsgemäßen Buchführung (GAAP) verschiedener Länder – Deutschland (untestiert)

Bilanz zum 31. März 2002 (ungeprüft)

		(DM)
	2002	2001
AKTIVA		
Sachanlagen	330.529.222	266.696.905
Finanzanlagen	16.332.260	12.042.794
Anlagevermögen	*346.861.482*	*278.739.699*
Forderungen aus Lieferungen und Leistungen	154.960.884	144.605.568
Sonstige Forderungen und sonstige Vermögensgegenstände	41.079.488	36.260.946
Kassenbestand, Bundesbankguthaben, Guthaben bei Kreditinstituten und Schecks	472.600.092	276.296.626
Umlaufvermögen	668.640.464	457.163.140
Aktiver Rechnungsabgrenzungsposten	41.304.313	25.246.415
Aktiva gesamt	1.056.806.259	761.149.254
PASSIVA		
Gezeichnetes Kapital	14.563.096	14.556.575
Kapitalrücklage	137.191.889	135.055.347
Gewinnrücklagen	803.882.383	519.768.859
Eigenkapital	955.637.368	669.380.781
Sonstige Rückstellungen	88.416.935	72.339.228
Rückstellungen	88.416.935	72.339.228
Verbindlichkeiten aus Lieferungen und Leistungen	–	62.529
Sonstige Verbindlichkeiten	4.974.689	2.711.517
Verbindlichkeiten	4.974.689	2.774.046
Passiver Rechnungsabgrenzungsposten	7.777.267	16.655.199
Passiva gesamt	1.056.806.259	761.149.254

Gewinn- und Verlustrechnung für das Geschäftsjahr vom 01. Februar 2001 bis 31. März 2002 (ungeprüft)

		(DM)
	2002	2001
Umsatzerlöse	1.212.099.628	900.315.434
Herstellungskosten der zur Erzielung der Umsatzerlöse erbrachten Leistungen	645.004.655	464.681.305
Bruttoergebnis vom Umsatz	567.094.973	435.634.129
Vertriebskosten und allgemeine Verwaltungskosten	158.817.505	125.454.941
Betriebsergebnis	408.277.468	310.179.188
Zinsen und ähnliche Erträge	30.917.132	20.881.871
Ergebnis der gewöhnlichen Geschäftstätigkeit	439.194.600	331.061.059
Steuern vom Einkommen und vom Ertrag	62.220.670	32.386.786
Jahresüberschuss	376.973.930	298.674.273
Einstellung in Gewinnrücklagen	312,998,138	263.214.372
Ausschüttungen an Aktionäre	63,975,792	35.459.901
Bilanzgewinn	–	–

Anmerkungen:

1. Umrechnung von Auslandswährungen

   Die Unternehmensbilanz wird in der Berichtswährung der indischen Rupie ausgedrückt. Diese Bilanz wurde erstellt durch die Umrechnung der Einnahmen und Ausgaben zum Jahresdurchschnittskurs; Umlaufvermögen, kurzfristigen Verbindlichkeiten, Grundstücke, Maschinen und Anlagen und langfristigen Verbindlichkeiten sowie Erhöhungen des Eigenkapitals zum Wechselkurs am Stichtag, dauerhafte Investitionen zum Umrechnungskurs zum Zeitpunkt der Investition. Die Währungsumrechnungsdifferenz wird unter den Gewinnrücklagen ausgewiesen.

2. Verwendete Wechselkurse

	2002	2001
Verwendeter Wechselkurs im Jahresdurchschnitt	1 DM = Rs. 21,48	1 DM = Rs. 21,11
Verwendeter Wechselkurs zum Stichtag	1 DM = Rs. 21,73	1 DM = Rs. 20,91

3. Überleitung von den Abschlüssen nach indischen GAAP nach deutschen GAAP (DM):

	2002	2001
Jahresüberschuss nach indischen GAAP in Rs.	8.079.600.000	6.288.136.341
Jahresüberschuss nach indischen GAAP in DM	376.145.251	297.874.767
Abzüglich:		
Außerordentliche Erträge	–	(2.602.748)
Aufwendungen für Rückstellungen für Eventualverbindlichkeiten and e-Erfindungen des Unternehmens	–	(184.793)
Plus:		
Rückstellungen für Steuern	828.679	2.056.605
Bestimmung für Gratifikationen	–	1.530.442
Gewinn für das Geschäftsjahr nach deutschen GAAP	376,973,930	298.674.273

Financial statements prepared in substantial compliance with GAAP requirements of various countries - Japan

Financial statements prepared in substantial compliance with GAAP requirements of Japan

Summary financial statements prepared in substantial compliance with GAAP requirements of the United Kingdom

Balance sheet (unaudited) as at March 31

		£
	2002	2001
Fixed assets		
Tangible fixed assets	103,537,552	83,934,863
Investments	5,116,044	3,790,109
	108,653,597	87,724,972
Current assets		
Debtors	48,541,156	45,510,271
Cash at bank and in hand	148,040,940	86,956,087
Prepayments and advances	22,058,527	17,020,090
Deferred tax asset	3,748,018	2,337,510
	222,388,641	151,823,958
Creditors – amounts falling due within a year		
Trade Creditors	–	19,679
Dividend	12,087,358	7,540,654
	12,087,358	7,560,333
Net current assets	186,949,690	144,263,625
Other creditors		
Provisions for liabilities and charges	15,609,053	15,225,952
Accruals and deferred income	3,994,522	6,095,093
Net assets	299,351,305	210,667,552
Capital and reserves		
Called-up share capital	5,252,291	5,250,225
Share premium account	48,924,239	48,247,352
Retained profits	245,174,775	157,169,975
	299,351,304	210,667,552

Financial statements prepared in substantial compliance with GAAP requirements of the United Kingdom

Profit and loss account (unaudited) for the years ended March 31		£
	2002	2001
Turnover	384,010,324	281,648,767
Operating expenses	254,662,241	184,614,347
Operating profit	129,348,083	97,034,420
Interest receivable	9,794,985	6,532,548
Profit on ordinary activities before taxation	139,143,068	103,566,968
Taxation on profit on ordinary activities	19,712,389	10,131,670
Profit on ordinary activities after taxation	119,430,679	93,435,298
Dividends	20,268,437	11,093,042
Retained profits for the financial year	99,162,242	82,342,256
Earnings per ordinary share:		
Undiluted	1.82	1.42
Diluted	1.81	1.40

Notes:

1. The company's financial statements are prepared in Indian rupees, the reporting currency. These financial statements have been prepared by translating revenue and expenditure at an average rate for the year; current assets, current liabilities, fixed assets and long-term borrowings at the year-end rate; and accretions to stockholders' equity at an average rate for the year. The difference arising on translation is shown under retained profits.

2. Exchange rates used:

	2001	2001
Average exchange rate used	1£ = Rs. 67.80	1£ = Rs. 67.48
Closing exchange rate used	1£ = Rs. 69.37	1£ = Rs. 66.44

3. Reconciliation between Indian GAAP and UK GAAP statements:

			£
		2002	2001
Net income as per Indian GAAP in Rs.		8,079,600,000	6,288,136,341
Net income as per Indian GAAP in £		119,168,142	93,185,185
Less:	Expenses against provisions for contingency and e-inventing the company	–	(57,809)
	Extraordinary income	–	(814,226)
Add:	Provision for deferred taxes	262,537	643,375
	Provision for gratuity	–	478,773
Profit for the financial year as per the UK GAAP		119,430,679	93,435,298

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