Infosys – Technology at work

The future depends on what we do in the present.

Mahatma Gandhi
(1869 – 1948)

History is replete with instances of technological breakthroughs that have forever altered the course of humanity. The digital revolution has brought about unprecedented improvements in the price-performance equation for both information storage and processing power. The explosion of the Internet has revolutionized information availability and exchange, and has also spurred extraordinary innovations in business processes and commerce. Today, physical boundaries are becoming increasingly irrelevant and information technology is a boardroom imperative in corporations across the globe. Enhanced communication capabilities, ubiquitous information access, and real-time decision-making have contributed immensely to the rise of organizations that transcend national boundaries. We, at Infosys, believe that technological developments in the areas of enterprise solutions, embedded software, optical networking and convergence will continue to radically impact every one of us. These developments will spur new ways of doing business, help companies increase their focus on consumer needs, and facilitate innovations in the form of hi-tech products and services. This year, we bring you a collection of some of our projects that showcase the impact of leading-edge technologies on business.

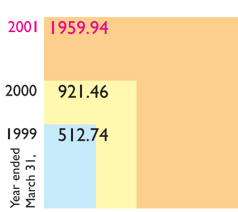
Contents

The year at a glance

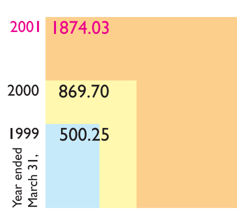
in Rs. crore, except per share data

	March 31, 2001	March 31, 2000	Growth %
For the year			
Total revenues	1,959.94	921.46	113
Export revenues	1,874.03	869.70	115
Operating profit (PBIDT)	808.92	378.88	114
Profit after tax (PAT) from ordinary activities	623.32	285.95	118
Profit after tax and extraordinary items	628.81	293.52	114
PBIDT as a percentage of total revenues	41.27 %	41.12 %	
PAT from ordinary activities			
as a percentage of total revenues	31.80 %	31.03 %	
Earnings per share (from ordinary activities)			
Basic	94.23	43.23	118
Diluted	93.93	43.22	117
Dividend per share	10.00	4.50	122
Dividend amount	66.16	29.76	122
Capital investment	463.35	159.87	190
PAT as a percentage of average net worth	56.08 %	40.63 %	
At the end of the year			
Total assets	1,389.64	833.30	67
Fixed assets – net	557.66	207.34	169
Cash and cash equivalents	577.74	508.37	14
Working capital	797.86	612.13	30
Total debt	–	–	–
Net worth	1,389.64	833.30	67
Equity	33.08	33.08	–
Market capitalization	26,926.35	59,338.17	(55)

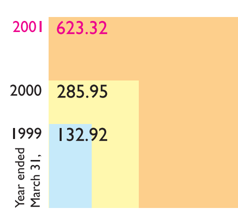
Market capitalization is calculated by considering the share price at the National Stock Exchange on March 31 of the respective years on the shares outstanding as at that date.



Total Revenues
in Rs. crore



Exports
in Rs. crore



PAT from ordinary activities
in Rs. crore

Awards for excellence

"If a man does his best, what else is there?"

General George S. Patton

(1885 – 1945)

Our people work hard designing, developing and implementing high-quality solutions for our clients. Their focus on customer satisfaction is evident in the high repeat business we continue to secure. Further, internal functions play a critical role – both in managing the challenges of growth and in supporting the line functions. On the job, Infoscions maintain an unwavering eye on creating value for the various stakeholders of the company, while demonstrating energy, fairness and professionalism in all transactions.

As Infosys grows to nearly 10,000 people, the process of identifying high-performers, who made valuable contributions to Infosys during the year, emerged as a tough and challenging task. A task made even more difficult by the number of high achievers we came across in the different departments in our organization – each one motivated by the vision that we have set ourselves; to be a globally respected software corporation providing best-in-class business solutions, employing best-of-breed professionals.

The people finally selected are those who qualified on a variety of factors that impacted their external and internal customers in a positive manner, thus leading to substantial benefits to Infosys. These factors include: delivering in challenging circumstances; reacting nimbly to change; rapidly assimilating new knowledge and using it in new, unstructured situations; making significant contributions to the knowledge base of the organization; successfully leading and motivating team members by setting an example; and adhering to the highest norms of values and personal integrity.

We are proud to announce the winners of this year's *Awards for excellence*.

Awards for excellence 2000-2001


























❶ Goldman Sachs

Account management

Naresh D'Mello
Jagadish B. R.
Sajan Verghis Mathew
Sobha Meera P. R.
Joydeep Mukherjee
Satish H. C.
Sandeep Sehgal
Sridhar G.
Sriram P.
Vasudevan V. R.

❶ Communication & Product Services

Practice Unit management

Rajiv Kuchhal
Hariharan S. Murthy
Parameswar Y.
Ravi Kumar Shelvankar

❷ New York Life International

Project management

Ravi R. Anand
Babu S. K.
Poornima Harekrishna
Ritesh Khanna
Manoj O.
Chandra Shekhar Matta
Muthusubramanian B.
Peethamber V. T.
Srinath P.

❷ Toshiba

Project management

Chandra Shekar Kakal
Indranil Mukherjee
Rajesh Rao A.
Sriram V.

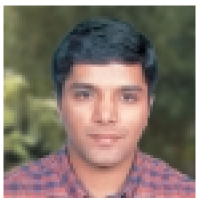
Awards for excellence 2000-2001


























❷ EveryD.com

Project management

Shveta Arora

Amit Deshpande V.

Sudhir Subramanya Holla

Vaishali V. Khandekar

Navin Kumar

Rohit Mehra

George Varghese

Ghanashyam Wagle

❷ Education & Research Team

Scalability & enabling growth

Vivekanand P. Kochikar

Subrahmanya S. V.

Suresh J. K.

❷ HRD Team

Scalability & enabling growth

Gagan Bhargava

Eshan Joshi

Karthikeya N. Sarma

Sreekanth Shenoy P.

George Thomas

❷ Globalization Initiatives

Scalability & enabling growth

Krishnan S.

Sunil Kumar D.

Nithyanandan R.

Jayesh D. Sanghrajka

Chaitanya G.

Santosh Thangavelu

❷ Infrastructure

Creation

Vijay Kumar C.

Maintenance

Binod H. R.

Ramadas Kamath U.

Col. Krishna C. V.

Awards for excellence 2000-2001

























❷ New DC Setups

Infrastructure

Dinesh S.
Ganapathy P. R.
Dass Gunalan
Charles Henry Hawkes
Koushik R. N.
Madhuranath K. V.
Natarajan S.
Vijayeendra S. Purohit

❸ Information Systems Team

Systems & processes

Deepak Bhalla
Nitin Gupta
Narendra Murari S.
Ramesh G.
Sivashankar J.

❸ IMC Ramkrishna Bajaj Team

Systems & processes

Nirmalya Barua
Jude Fernandez
Meera Govind R.
Naresh T. Raisinghani
Sukumar S.

❸ Visasixers

Systems & processes

Ardhendu Sekhar Das
Ganesh G.
Aparna Goenka
Murali S. Kakolu
Khutaija Rahman
Ramesh S.
Hema Ravichandar

Awards for excellence
2000-2001

❸ Internal Customer Delight Champions

Balaji V.

Padmanabha Bhat P.

Abhilash Kumar Y.

Muthanna

Rashmita Parija

Prathviraj K. K.

Shankar D. P.

Joseph Thomas A.

Banking Business Unit Management Team

Great take off

Amit Kumar Bhadra

Merwin Fernandes

Jaymalya Palit

Rangarajan P.

Girish G. Vaidya

Rivi Varghese

Vinay C. S.

Value Systems Champions

Bhaskar Ghosh

Nandita Mohan Gurjar

Narendran Koduvattat

Mohan M. M.

Vinayak Pai V.

Priti Jay Rao

Suma Subramanian

Dear shareholders:

We are delighted to report on our performance in fiscal 2001. Under Indian GAAP, revenues grew by 113% over FY2000 while net profits from ordinary activities witnessed an increase of 118%. As transformation partners to *Fortune 500* and other established corporations, we continued to focus on building long-term relationships, reflected in our repeat business rate of 85%. We added 4,442 employees, net of separations, and signed up 122 new clients during the year.

Recent months have witnessed unprecedented turbulence in the technology sector in the US, which in turn has contributed to a slowdown in the overall economy. Technology sector valuations have dropped; revenue shortfalls, profit warnings and layoffs have become commonplace; most dot-coms are on the way to accelerated oblivion; and the urgency for large corporations to adopt new initiatives has declined.

IT budgets are now subject to careful consideration. Companies now seek to maximize the return on their IT investments and therefore focus on short-gestation projects that promise predictable, substantial payoffs. As the me-too approach to new technology experimentation fades out, CIOs increasingly focus on consolidation, integration and convergence imperatives, rather than on radical advances in technology infrastructure. There is an unmistakable shift towards value-for-money and, as a result, towards longer decision-making cycle times.

Clearly, these are challenging times for an IT services company. As self-preservation and prudence descend on US industry, the near-term demand outlook for IT services is not as rosy as in the boom years. The immediate future is therefore uncertain – which is the key reason for our FY2002 estimates of 30% growth in revenues over the year.

Our estimates are based on our current understanding of the marketplace. We continue to be in close contact with our clients and have factored in our growth expectations from both existing and new clients. We believe that increasing billing rates will be a challenge in the current environment and expect the majority of our FY2002 growth to come from increasing business volumes.

Nevertheless, we continue to be fully prepared to tap into additional business opportunities that may arise and intend to have all the ingredients of growth in place – infrastructure, people, processes and systems. Consequently, we anticipate $ 80 million in capital expenditure, and intend to add between 1,500 and 2,000 people to our workforce during FY2002.

Indeed, it is during times like these that industries undergo profound transformations. The IT services sector has begun to witness an unprecedented flight to quality. Customers, investors and employees will gravitate towards companies that have committed high-quality management teams, deep client relationships, an impeccable track record of customer satisfaction, a de-risked business model, high financial discipline, a strong value system and, above all, the ability to manage change.

Our medium-term outlook for IT services continues to be positive. We believe that large corporations are still in the early stages of their e-business build-out and will face huge integration and enhancement imperatives with their existing systems. Further, despite the current venture funding environment, we believe that select high-quality ventures will continue to push the technology envelope and will need strong IT partnerships to achieve their vision.

Further, we strongly believe that, at the end of the ongoing turbulence, India will emerge stronger than ever as a preferred destination for IT outsourcing. With many US-based IT services players facing extinction, with value-for-money emerging as a key CIO imperative, and with the increasing recognition of the quality of its talent, India is all set to consolidate its position as a major force on the global IT services map. And Infosys, given its brand equity with Indian talent and its relationships with leading universities, continues to be the employer-of-choice for IT professionals.

Infosys continues to focus on building strong relationships with large corporations, gaining an in-depth understanding of their decision cycles, and maintaining an impeccable record in customer satisfaction. Our addition of 37 clients in Q4FY2001 was the highest ever in a quarter. Of the 122 clients added during the year, the majority were large corporations. Key wins included New York Life International, a leading life insurance firm; ABB Alstom, a global specialist in energy and transport infrastructure; Providian, the fifth-largest bankcard provider in the US; The Bank of Nova Scotia, a leading global financial institution headquartered in Canada; Schlumberger, a leading international technical company; Dynegy, a leading provider of energy and communications solutions; Monsanto, a leading global provider of technology-based solutions and agricultural products; Telenet, a premier telecommunications company in Belgium; Vodafone Networks, a large UK-based mobile telecommunications company; Siemens Energy and Automation, a provider of complete electrical, engineering and automation solutions; and Swiss Re, one of the world's leading re-insurers. We also entered into strategic alliances with Microsoft, TIBCO, i2 Technologies and Intel. Further, in order to garner expertise in high-potential technology areas, we continued to work with high-quality venture-funded companies.

During the year, we launched FINACLE™, an integrated core banking solution that leverages Internet technologies to drive the operations of a bank. The banking unit acquired 15 new clients – five out of the eight new private sector banks in India are now powered by FINACLE™. In one of the largest wins for banking software in India, we signed up Punjab National Bank for deployment of our banking platform across 1,500 branches.

Two of Infosys' investee companies – EC Cubed, a US-based provider of B2B e-commerce solutions, and Alpha Thinx, a Vienna-based company operating in the wireless Internet space – filed for liquidation during the year. Due to capital market conditions, they were unable to secure funding for their growth plans. We derived tremendous benefits from these partnerships and were able to leverage the expertise gained from them across our other clients. However, in line with our conservative reporting policies, pending the conclusion of liquidation proceedings, we have fully provided for these investments and for receivables from these clients in our income statement for the year.

We continued to expand our presence overseas and in India, adding approximately 6,40,000 square feet in physical infrastructure space during the year. We operationalized proximity development centers in Croydon, a suburb of London; Lisle, a suburb of Chicago; Berkeley Heights, New Jersey; and Phoenix, Arizona and also expanded capacity at our global development center in Toronto. We established marketing offices in Hong Kong, Sydney, Phoenix, U.A.E., Argentina and Paris and inaugurated the Infosys City facility in Bangalore. In order to groom leaders of the future, we are setting up the Infosys Leadership Institute in Mysore, Karnataka with state-of-the-art training and hostel facilities.

Strict financial discipline has always been a key imperative for Infosys. We continue to be debt-free, to have conservative budgeting and cost management processes, and, with $ 124 million in cash, to have a strong and healthy balance sheet.

Infosys was ranked No. 1 in a survey by Hewitt Associates and *Business Today* on the best companies to work for in India. The *Far Eastern Economic Review* rated Infosys as the No. 1 company in India in the *Review 2000*. Infosys became the first IT company to win the IMC Ramkrishna Bajaj National Quality Award and was also judged by *Financial Technology Asia* as the Best Regional Software House. For the sixth year in succession, we received the Silver Shield from the Institute of Chartered Accountants of India for the Best Presented Accounts, among the entries received from non-financial, private sector companies. The *Asiamoney* poll of financial analysts voted us the best in management among listed companies in India for the fifth time in a row. The BankAway product from Infosys won the CSI-Wipro Award for the Best Packaged Application for the year 2000.

During the year, we inducted Prof. Jitendra Vir Singh, Vice Dean, International Academic Affairs at the Wharton School; Dr. Omkar Goswami, Chief Economist to the Confederation of Indian Industry; Senator Larry Pressler, Former Senator, US Senate and presently Attorney and Senior Partner, O'Connor and Hannan LLP; Rama Bijapurkar, a well-known management consultant; and T. V. Mohandas Pai, Srinath Batni and Phaneesh Murthy, senior officers in the company, onto the board of directors. Also, during the year, S.M. Datta retired from the board of directors. During the year, V. Balakrishnan, Associate Vice President – Finance, took up additional responsibilities as Company Secretary. On your behalf, we wish them the very best and also salute our fellow Infoscions on another year of sterling achievements.

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

N. R. Narayana Murthy
Chairman
and Chief Executive Officer

Bangalore
April 11, 2001

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

Infosys – Technology at work

You on the cutting edge of technology have already made yesterday's impossibilities the commonplace realities of today.

Ronald Reagan

Infosys presents a compilation of projects undertaken during the year that showcase our expertise in leading-edge technologies and its impact on our clients. These projects span various industries and extend from designing automobile seat systems to developing software for enabling next-generation optical networks.

A recurring theme across these projects is the role of Infosys as an end-to-end partner with active involvement from conceptualization to implementation. Further, these projects had strict time-to-market imperatives, requiring Infosys to rapidly scale up its project team and use its Global Delivery Model to deliver within time and budget, while meeting the highest quality benchmarks.

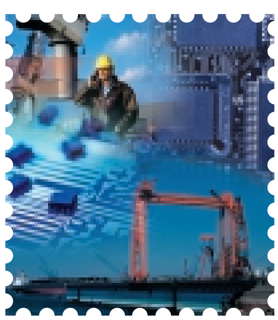
Infosys is partnering *CiDRA* in developing innovative optical networking products that use device-level wavelength management software, thereby increasing network effectiveness. The *Johnson Controls* project showcases Infosys' use of simulation techniques and Finite Element Analysis to engineer state-of-the-art designs for automobile seats. Infosys implemented an end-to-end ERP solution for *Toshiba* and is playing a vital role in *Cisco's* Voice over IP and optical networking projects by developing critical software components and solutions.

We have attempted to convey complex technology ideas in simple terms. However, we request readers to note that it is difficult to convey such ideas without using some technical language.

Software for Optical Networking Products

Automotive Seating System Development

Enterprising Initiatives



Voice over IP

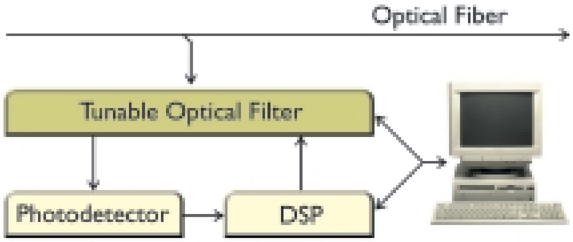
CiDRA Corporation, a high-technology manufacturing company based in the United States, designs, manufactures and markets networking and sensing products based on optical fiber technology. Infosys developed the firmware for key components of the Optical Channel Monitor (OCM), one of CiDRA's offerings for next-generation optical networks.

Infosys managed the entire software lifecycle, from architecture definition to implementation, for the 2-Phase Downhole Flowmeter. This device, a key component of CiDRA's permanent remote sensing system, is designed to operate under a wide range of temperatures, and withstand compression of over 1000 atmospheres. A two-tier architecture was adopted using Microsoft's COM/DCOM technology to separate the process of delivery of results from the data acquisition systems. Further, facilities were provided for system administration, maintenance and data access over a local area network or a modem. Infosys developed embedded software for the Digital Signal Processor, incorporating statistical algorithms for automatic edge detection, to ensure robust detection of optical signals and dynamic rate computation. An Algorithm Manager was developed to control the allocation of computational resources, based on the theory of Directional Acyclic Graphs (DAG). A Fault Manager was also developed to enable self-health diagnosis and autonomous failure recovery.

Next-generation optical networks

Infosys is partnering with CiDRA to develop photonic products for bandwidth management in next-generation communication systems that will rapidly deploy and distribute bandwidth to multiple points within the optical network. This increased provisioning complexity will require Reconfigurable Optical Network Elements (RONE) that have built-in intelligence through embedded software, and provide control closer to the physical layer. Self-aware, Smart Optical Network Elements (SONE), having intelligence in the physical layer, will reduce the complexity of the network software required to control and optimize the optical network.

As part of its family of Agile*Wave*™ products for next-generation communication systems, CiDRA is currently developing an OCM device. This is an optical spectral analyzer for Dense Wavelength Division Multiplexing (DWDM) channel monitoring that uses precisely-tunable Bragg grating technology for improved channel resolution and optical signal-to-noise measurement. A Bragg grating has varying refractive index along the core of the optical fiber. Consequently, wavelength scanners based on this technology have better resolution and higher configurability as compared to contemporary technologies.



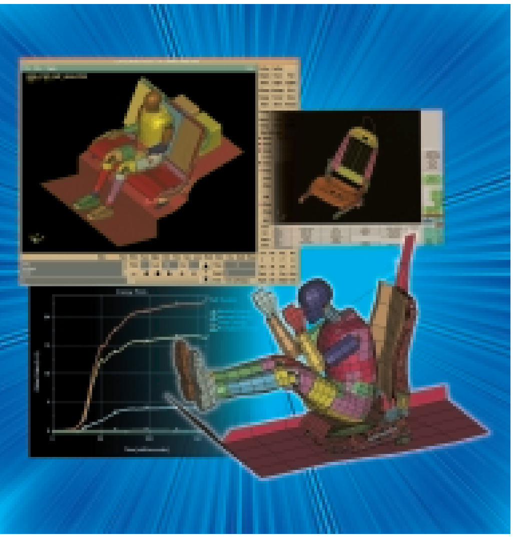
Infosys' contribution to the Optical Channel Monitor

The figure illustrates the basic design of the OCM device. Using an optical tap made on a telecommunications fiber, a small amount of light is passed through an optical filter based on CiDRA's tunable filter technology. The output of the filter is detected by a photodiode that measures the signal power over the wavelength band sampled by the filter. The sampled value is further filtered by the Digital Signal Processor (DSP). Infosys developed an advanced deconvolution signal-processing algorithm to extract data from the photo detector. The firmware developed for the DSP handles signal processing for extracting data from the photodetector, and also performs real-time control for filter positioning.

The filters are scanned using a design that provides highly accurate and fast filter positioning over many cycles. A precision feedback system allows accurate measurement of the filter position in the wavelength domain. The filters are controlled using a dedicated processor. Infosys was involved in developing a real-time, closed-loop controller firmware to enable accurate sweep control of the filter. Separate coordinated processors are currently used to sample and filter optical power, and to control filter tuning. An independent host processor accepts user scan and setup commands, and displays the data acquired by the system. The calibration software developed for the host computer incorporated compensation techniques involving two-dimensional surface approximation techniques.

The cutting edge

Infosys' technical contributions to the OCM, together with its rapid development and implementation of prototype embedded systems, has provided CiDRA with an important technical advantage in the demonstration of new product feasibility in an industry that rewards innovation and speed-to-market.



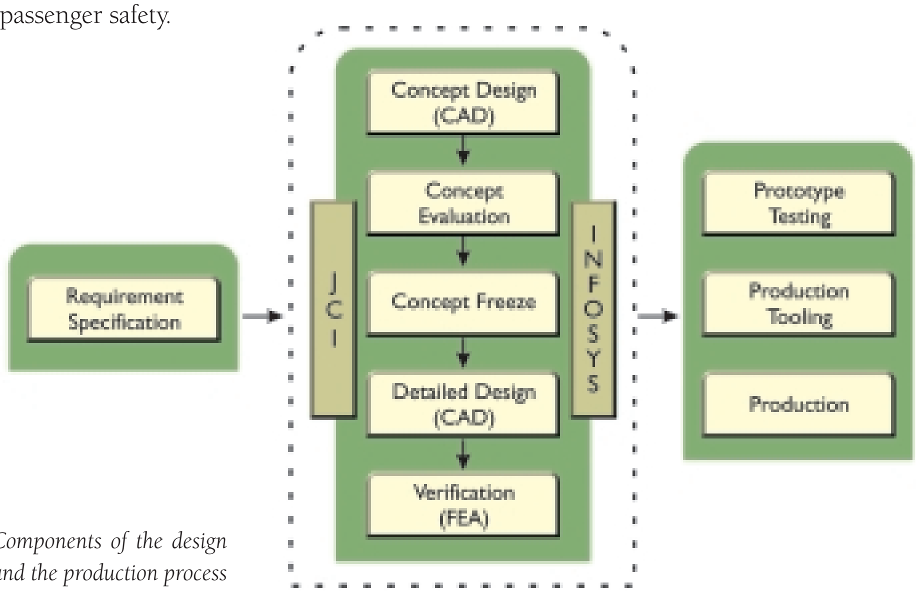
Johnson Controls Inc. (JCI) is a *Fortune 500* multinational corporation involved in the design, development and manufacturing of automotive seating and interior systems. JCI supplies these systems to automotive giants such as Ford, GM, Chrysler and Volvo. Using advanced techniques in mathematics, structural mechanics, Finite Element Analysis (FEA), iterative design, and simulation, Infosys has helped JCI reduce cost and cycle time in the design of automotive seats.

Engineering seating system simulation

In order to ensure occupant safety in road accidents, several countries, as well as, supranational institutions have implemented regulations that prescribe stringent design specifications for seats and accessories.

The key technological challenge in this project was to simulate the crashing of a vehicle. The design cases for crash analysis include head-end and rear-end crashes against another moving or another stationary vehicle. Conventional finite element techniques, based on implicit methods, fall short of addressing such simulations, as the duration of the incident is typically less than one tenth of a second. The Infosys team established an FEA methodology and analysis process using the explicit time integration method, and performed the crash simulation and analysis using various third-party software tools.

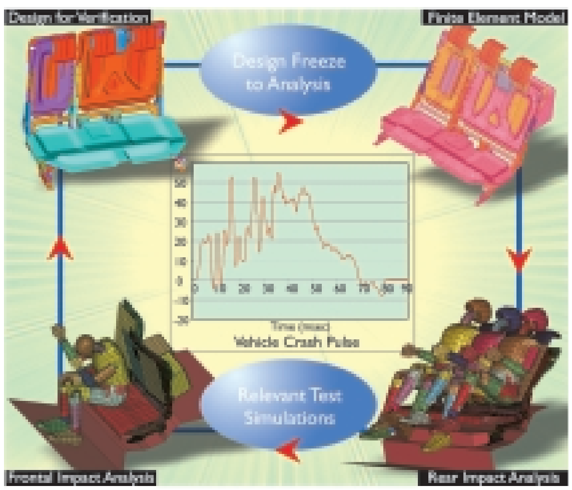
Infosys has implemented and simulated crash scenario models for various combinations of key components including passenger seat, dummy placement, safety feature profile and crash loads. The most complex part of a crash simulation is the occupant modeling. Human dummy models representing the 95th or 50th percentile of the specified country's population were modeled with high accuracy using FEA. Each dummy profile requires specifications for more than 90 components and 43 joints. The simulation takes into account factors such as material non-linearity, contacts, deformation and plastic strain profiles. It also includes safety-modeling features such as seat belts, retractors and pre-tensioners. The output of the simulation process includes crash performance metrics for the seating structure, components, mechanisms, driver safety and passenger safety.



Components of the design and the production process

The Infosys edge

Infosys partnered with JCI's UK division in the complete seating system design life-cycle, and brought its deep domain knowledge as well as its technology expertise to the process. This has resulted in improvements in seat design, and reductions in design cycle time. For instance, Infosys and the JCI Team designed a seat-



The simulation life cycle

back structure concept in three weeks, as opposed to an industry average cycle time of three months.

Other key contributions of Infosys are:

- Playing a significant role in developing a new class of seating systems, compliant with European regulations, from concept to proof.
- Developing critical mechanisms for new generation seating systems, such as a true flat-fold mechanism for tabletop, and a striker-bar mechanism for seat anchorage. One of the sub-systems developed by the Infosys-JCI team is in the process of being patented.
- Re-engineering existing seating systems by adding new functionality and features.
- Rectifying problems concerning in-field seating systems, using Failure Investigation techniques based on FEA, and successfully redesigning these systems.

Global delivery advantage

Infosys has established a dedicated offshore facility for JCI in Bangalore that has state-of-the-art software, such as LS-DYNA from Livermore Software Technology Corporation and MARC from MSC Software Corporation, and high-end multi-processor, number-crunching hardware, such as SGI Origin2200 and HP-J6000. By segregating the product development environment into onsite and offshore components, Infosys has been able to effectively leverage the Global Delivery Model to deliver a high-quality, rapid-deployment solution to JCI.

Toshiba America Electronic Components Inc. is one of the largest suppliers of semiconductors, electronic components and storage devices. The Order Fulfillment project is an end-to-end ERP implementation for Toshiba. Infosys completed the project in 18 months, as compared to an estimated time of 30 months by other vendors. This was accomplished by relying on our IntERPryz methodology for ERP implementation, deep domain expertise, and sound project management techniques.

Toshiba wanted to revamp its business processes to reduce Order-to-Delivery lead-time, minimize inventory, increase customer service levels, and enhance supply chain visibility. Moreover, Toshiba's diverse existing systems, built on heterogeneous technology platforms, needed to be integrated. This was achieved by implementing a robust, scalable, flexible and highly configurable system.

The Infosys edge

Infosys was involved in business process definition, program management, project management, package evaluation, package implementation, key user training, and post-production support.

Infosys helped streamline Toshiba's supply chain by implementing and integrating solutions in Enterprise Resource Planning (ERP), Supply Chain Management (SCM) and Warehouse Management System (WMS) / Transportation Management System (TMS). Oracle Applications R11.0.3 was implemented to streamline manufacturing, distribution, procurement and financial accounting processes, and was integrated with i2 Technologies' Demand Planner. A new enterprise WMS / TMS product from HK Systems was evaluated and implemented for improving order-execution efficiency, outbound visibility, and reverse logistics. These applications run on Sun Solaris 2.6 and Windows NT platforms.

An enterprise-wide data model was prepared for standardizing performance metrics across the organization and streamlining Toshiba's internal processes. This involved gaining a deep understanding of the business processes, and implementing systems to extract and report these data.

Extending the ERP package

Infosys enhanced the functionalities offered by the chosen packages, by using its IntERPryz methodology for extending the ERP solution. More than 20 modules were designed, developed and fully integrated with the ERP package, thus, catering to the specific non-standard functionality requirements. These add-on applications are designed as plug-in modules.

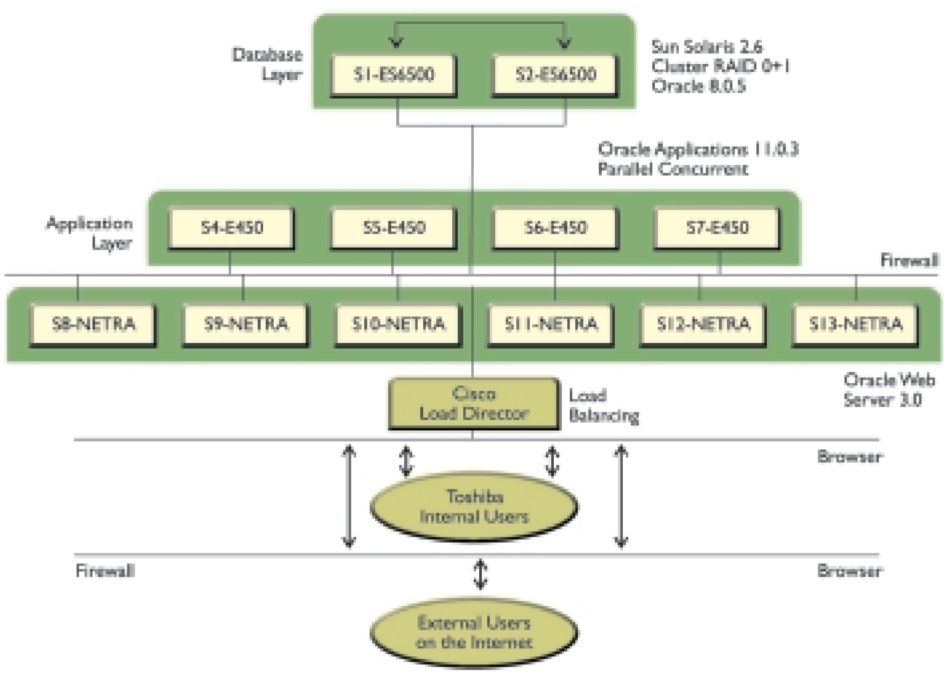
Infosys' contributions for the add-on applications include:

- Developing a stock allocation system incorporating a rule-based algorithm that ensures seamless execution of Toshiba's customer support plan.
- Developing a distribution system for managing the sales channel through distributors, getting real-time visibility to the distributor's inventory, and ensuring price protection.
- Building a sales commission system, which implements a multi-level split commission policy, along with, the engineering design tracking for prototypes.

- Creating an Early Shipping Advance (ESA) system to manage the inbound supply chain visibility, starting from the factory production and warehouse to the shipment's arrival at US ports, and then cross-docking or re-routing directly to the customers.

High performance solution

A high degree of fault tolerance, in hardware and software, was achieved by a three-tier solution. Cisco's Load Director was used for optimal load balancing. A parallel concurrent processing architecture, having multiple concurrent managers, running in separate servers, was able to process a large number of jobs simultaneously, to enhance throughput for batch jobs. Further, 24-hour availability was ensured by having alternate managers execute jobs in the course of failure of any manager. Finally, an elaborate database sizing exercise ensured optimal performance at the database level.

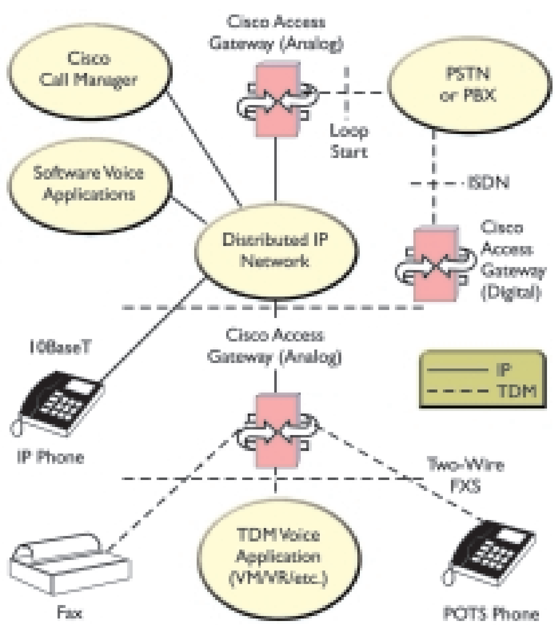


Network, Hardware and Application Architecture

Cisco Systems Inc., a California-based company, is a leader in networking and Internet backbone products such as routers and switches. Infosys has been chosen as a strategic Cisco partner by the company's Global Partner Engineering (GPE) group, and has played a vital role in the development and support of the Cisco Call Manager (CCM), encompassing areas of test automation, stress testing, conference control, and alarm configuration. Infosys has delivered critical products on schedule by leveraging its expertise in the Voice over IP (VoIP) domain. Infosys' domain knowledge in VoIP includes areas such as architecture for IP PBX, call processing features, gateways, routers, IP phone services protocols, routing protocols, and open telephony standards.

Call Manager

The CCM is the software-based call-processing component of the Cisco IP Telephony solution, and is a part of the Cisco Architecture for Voice, Video and Integrated Data (AVVID). The CCM extends enterprise telephony features and functions to



A virtual network

packet telephony network devices such as IP phones, media processing devices, VoIP gateways, and multimedia applications. An IP network consisting of the CCM, IP phones, gateways and applications provides a distributed virtual telephony network.

Infosys' contribution

Infosys played a vital role in the CCM effort by developing a number of tools and utilities for stress-testing and simulation. Key contributions include:

- Developing a Stress-testing and Performance Management tool – a highly-configurable, real-time application for simulating heavy load scenarios for device registration, call processing (with / without voice streaming) and redundancy support. This tool enables the simulation of a network of over 1000 IP phones on a single PC. Multiple servers can be used to scale-up to simulate any number of phones for stress testing.
- Developing a Media Gateway Control Protocol (MGCP) simulator – a tool for setting up a large number of MGCP gateways and load-testing the CCM. It emulates gateway behavior during registration to the CCM, and during switchover and switchback of the CCMs in a cluster setup. A TCP setup has been provided for handling Q931 messages that, in turn, can be used in the future to stress-test such messages between the CCM and the gateways. Currently, each installation supports 50 gateways, with an option to scale up by having multiple installations. A command line interface test- scripting facility has been provided for test automation.
- Building a Script Automation tool for simulating features of IP phones. This application can handle all the messages from IP phones to PBX (a subset of H323).
- Architecting a web-based and cross-platform-compatible Billing and Reporting product for IP PBX. This has been rolled out as a plug-in to the CCM. It records and classifies the call type, as well as, the Quality of Service (QoS). It also applies rating parameters, and provides information on calls made by users, billing, Quality of Service, traffic statistics and device utilization. Further, it provides a Lightweight Directory Access Protocol (LDAP) interface for enterprise information stored in different directory servers. Among other places, the product is deployed in a space ship launched by NASA.

Optical networking

Infosys has played a key role in the Operations Systems Modifications for the Integration of Network Elements (OSMINE) certification for the ONS 15454 product. This required defining a TL1 interface by implementing hundreds of new commands and correcting the behavior of existing commands. Faced with a timeline of three months, Infosys demonstrated its ability to understand complex system architectures rapidly. Infosys has implemented a large number of new commands in areas such as protection switching, performance monitoring and test access, thereby improving the quality of the software.

Board of directors

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

Committees of the board

Audit committee

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

Compensation committee

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

Nominations committee

Ramesh Vangal, *Chairman*
Philip Yeo
Prof. Jitendra Vir Singh
Sen. Larry Pressler

Investor grievance committee

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

As on April 25, 2001

Management council invitees

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

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

Subhash Dhar
Regional Manager and Associate Vice President – Sales

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

Bhaskar Ghosh
Associate Vice President – Development Center – Bhubaneswar

Nandita Gurjar
Associate Vice President – Learning & Development – HRD

Ramadas Kamath U.
Associate Vice President – Accounts & Administration

Vivekanand P. Kochikar
Senior Project Manager – Education & Research

Sudha Kumar
Associate Vice President – Corporate Marketing

Vijay Kumar C.
Associate Vice President – Infrastructure Development

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

Narendran K.
Senior Project Manager – Development Center – Mangalore

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

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

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

Priti Jay Rao
Associate Vice President – Development Center – Pune

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

Sivashankar J.
Associate Vice President – Information Systems

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

Srinivas B. G.
Associate Vice President – Delivery – Enterprise Solutions

Srinivasan V.
Associate Vice President – Delivery – Banking Business Unit

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

Srivathsa P. S.
Senior Manager – Recruitment – HRD

Subramanyam G. V.
Associate Vice President – Software Engineering & Technology Labs

Sukumar S.
Manager – Corporate Planning

Padmanabhan Venkataraman
Associate Vice President – Delivery – Quality

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

Advisor to the management council

Jayaram G. K., Dr.
Head – Infosys Leadership Institute

Voice of the Youth

Ayan Chatterjee
Ashiss Kumar Dash
Mukul Gupta
Eshan Joshi
Madhavan V. B.
Manjula M. K.
Nagaraj N. S.
Vinayak Pai V.
Meera Rajeevan

Infosys Foundation

Trustees

Raghavan N. S., *Chairman*
Sudha Murty
Sudha Gopalakrishnan

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, 2001.

Financial results

*in Rs. crore except per share data **

Year ended March 31	2001	2000
Total income	1,959.94	921.46
Total expenditure	1,135.73	542.58
Provision for investments	15.29	–
Operating profit (PBIDT)	808.92	378.88
Interest	–	–
Depreciation	112.89	53.23
Profit before tax and extraordinary item	696.03	325.65
Provision for tax	72.71	39.70
Profit after tax before extraordinary item	623.32	285.95
Extraordinary item		
transfer of intellectual property right (net of tax)	5.49	–
provision no longer required	–	7.57
Net profit after tax and extraordinary item	628.81	293.52
Appropriations		
Interim dividend – paid	16.54	9.92
Final dividend – recommended	49.62	19.84
Total dividend	66.16	29.76
Dividend tax	8.70	3.27
Transferred to general reserve	553.96	260.49
Earnings per share (equity shares, par value Rs.5 each)		
Basic	95.06	44.38
Diluted	94.76	44.37

* 1 crore equals 10 million.

Results of operations

Total revenues grew to Rs. 1,959.94 crore from Rs. 921.46 crore last year, a growth rate of 112.7%. Operating profit grew to Rs. 808.92 crore (41.27% of total revenues) from Rs. 378.88 crore (41.12% of total revenues), a growth rate of 113.5%. Profit after tax, from ordinary activities, increased to Rs. 623.32 crore (31.80% of total revenue) from Rs. 285.95 crore (31.03% of total revenue), an increase of 118.0%.

During the year, the company transferred its intellectual property rights in Onscan, a web-enabled notification product, to OnMobile Systems Inc. (formerly known as Onscan Inc.). The product was transferred for a gross consideration of Rs. 8.93 crore (US$ 2 million), received in the form of preferred voting and 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.

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

Dividend

An interim dividend of Rs. 2.50 per share (50% on par value of Rs. 5) was paid in November 2000. Your directors now recommend a final dividend of Rs. 7.50 per share (150% on par value of Rs. 5) aggregating Rs. 10.00 per share (200% on par value of Rs. 5), for the current year. The total amount of dividend is Rs. 66.16 crore, as against Rs. 29.76 crore for the previous year. Dividend (including dividend tax), as a percentage of net profit after tax from ordinary activities, is 12.00%, as compared to 11.55% in the previous year. Under the Indian Income Tax Act 1961, the receipt of dividend is tax-free in the hands of the shareholders. The tax on distributed profits, payable by the company, increased to Rs. 8.70 crore from Rs. 3.27 crore in the previous year.

Increase in share capital

Your company issued 7,417 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 6,61,50,700 shares, during the previous year, to 6,61,58,117 shares in the year under review.

Business

Your company demonstrated all-round growth during the year. Under Indian GAAP, revenues grew by 113% over FY2000 while net profits from ordinary activities witnessed an increase of 118%. As transformation partners to *Fortune 500* corporations, your company continued to focus on building long-term relationships, reflected in its repeat business rate of 85%. Your company signed up 122 new clients, the majority of whom were large corporations, and had a total client base of 273 at the end of the year. Further, your company had 80 million-dollar clients, 19 five-million-dollar clients and 11 ten-million-dollar clients as compared to 42, 10 and 4 in the previous year.

A sizeable proportion of your company's growth was driven by helping *Fortune 500* and other established companies to embrace the new economy paradigm. The company also worked with various venture-funded clients to garner expertise in niche technology areas, which was leveraged to provide high-technology solutions to larger corporations around the world. Revenues from start-up and venture-funded companies accounted for 10.8% of total revenues. The following table provides the percentage of income from dot-com and Internet, and telecom start-up companies during the year.

	Q1	Q2	Q3	Q4	FY 2001
Dot-com and Internet start-up companies	10.9%	9.5%	5.8%	4.0%	7.1%
Telecom start-up companies	6.3%	2.7%	3.5%	3.0%	3.7%
Total start-up and venture-funded companies	17.2%	12.2%	9.3%	7.0%	10.8%

Given recent conditions in the capital markets, your company intends to reduce its exposure to venture-funded companies, and to work even more selectively in this space.

The year also saw your company scaling up on the human resources and infrastructure front. Net of separations, 4,442 employees were added, taking the total strength to 9,831. Your company added another 6.4 lakh square feet of physical infrastructure space, taking the total space available to 16.7 lakh square feet. The total number of marketing offices increased to 25, up from 20 in the previous year.

Your company's software export revenues aggregated Rs. 1,874.03 crore, up 115.48% from Rs. 869.70 crore the previous year. During the year, 74.6% of the export revenues came from North America, 19.1% from Europe, and 6.3% from the rest of the world. The share of the fixed-price component of the business was 28.2%, as compared to 31.5% during the previous year. Revenue productivity, in dollar terms, grew by 27.0%.

Several market studies published recently point to a slowdown in IT spending in the United States, which is a key market for your company. 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, give 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)

With a 100% increase in revenues over the previous year, the Banking Business Unit demonstrated rapid growth. Your company launched FINACLE™, an integrated core banking solution that is centralized, multi-currency and multi-language enabled, functionally rich, and addresses both retail and corporate banking requirements. Positioned as a core banking e-platform that brings about a paradigm shift in the way banking is conducted, FINACLE™ leverages Internet technologies to drive the operations of a bank.

The Banking Business Unit has consolidated its position in the Indian and African markets, and has also expanded into the Middle East. During the year, it acquired 15 new clients, 10 in India and 5 overseas, for FINACLE™, BankAway, and PayAway applications. In one of the largest wins for banking software in India, your company signed up Punjab National Bank for deployment of its banking platform across 1500 branches. At present, five out of the eight new private sector banks in India are powered by FINACLE™. With this, your company has gained the highest market share amongst Indian banks offering Internet banking services.

Global software development centers

In 1999, as part of its globalization program, your company launched several development centers outside India. During the year, your company started a proximity development center in Croydon, a suburb of London, UK. The center currently has 37 employees and can scale up to accommodate 82 employees. The company also expanded capacity at its global development center in Toronto, Canada. The center currently has 58 employees and can scale up to accommodate 114 employees. Your company also opened three proximity development centers in the USA, at Lisle, a suburb of Chicago, Illinois; Berkeley Heights, New Jersey; and Phoenix, Arizona. These centers have the potential to scale up to accommodate 95, 110 and 30 personnel respectively.

Development centers in India

Your company incurred capital expenditure aggregating Rs. 349.51 crore on physical infrastructure, up from Rs.122.40 crore the previous year. Further, your company incurred Rs.113.84 crore on technological infrastructure, up from Rs. 37.47 crore the previous year. Of the total capital expenditure, Rs. 349.66 crore has been capitalized during the year, up from Rs. 117.79 crore the previous year.

The Infosys City facility in Bangalore was inaugurated during the year. Construction of the Management Development Center is on schedule. An additional 60,000 square feet of software development infrastructure to accommodate 600 professionals is in the final stages of completion. Additionally, construction has commenced on three software development blocks comprising 3,00,000 square feet with a capacity to accommodate 1,800 professionals. The existing capacity at Bangalore comprises 8,82,500 square feet capable of accommodating 4,500 professionals.

Phase II of the Pune campus is progressing as per schedule. The Mangalore campus is complete and currently has a built-up area of 1,98,000 square feet to accommodate 950 professionals. In both these cities, the existing leased premises are being vacated. In Bhubaneswar, a second software development block of 75,000 square feet to accommodate 600 professionals, along with a food court of 28,000 square feet, is nearing completion. In Chennai, Phase I of the software development center is substantially complete and is getting ready for use. Phase II of the software development center comprising 2,36,000 square feet to accommodate 1,300 professionals is under construction. Construction of Phase I of the new campus at Hyderabad comprising 2,73,000 square feet commenced during the year with a capacity to accommodate 1,200 professionals.

In Mysore, Phase I of the software development center and the Infosys Leadership Institute (ILI) campus is progressing as per schedule. As of March 31, 2001, the company had 16,65,800 square feet of space capable of accommodating 10,100 professionals and 19,08,200 square feet under construction including the ILI.

Overseas branches

To accelerate the sales effort in overseas markets, sales offices were opened in Hong Kong, Sydney, Phoenix (Arizona), U.A.E., Argentina and Paris. 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 21 marketing offices overseas.

Incubator funding

Your company is in an industry that offers great opportunity for highly competent and entrepreneurial professionals with high aspirations. In keeping with its philosophy of encouraging budding entrepreneurs within the organization, your company has provided an incubation mechanism for them to launch their own ventures while continuing to derive benefits from a close association with Infosys. Your company incubated Yantra Corporation, a provider of e-fulfillment solutions, in fiscal 1996 and OnMobile Systems Inc.(formerly known as Onscan Inc.), a wireless solutions provider, in fiscal 2000.

Yantra Corporation

Yantra Corporation provides e-business software solutions for managing supply chain transactions across the extraprise. During the year, Yantra installed a high-quality management team and intensified its sales effort to implement its growth objectives. Yantra also closed a $ 40 million venture funding round with participation from Morgan Stanley Dean Witter Private Equity, Amerindo, Broadvision, VerticalNet, Easter Chemical Company and other investors. Further, Yantra announced a strategic alliance with Accenture (formerly known as Andersen Consulting) to provide supply chain solutions through PureEcommerce, a fully web-enabled application that manages, tracks and executes complex customer transactions across a company's extended supply chain. Infosys' economic interest in Yantra has come down to 15.8% (on a fully diluted basis). However, Yantra continues to be a subsidiary under the Companies Act, 1956 as the majority of the common stock is held by your company. The particulars of the subsidiary company required to be provided under section 212 of the Companies Act, 1956, are attached to the Indian GAAP financial statements contained in this annual report.

OnMobile Systems Inc.

OnMobile Systems Inc. (formerly known as Onscan Inc.) is a wireless solutions provider to enterprises and wireless carriers around the world. The company offers platforms, applications and professional services to deliver end-to-end wireless solutions. The company's solutions allow wireless carriers to provide innovative services to their customers and enable enterprises to deploy applications targeted towards their mobile workforce. During the year, your company transferred its intellectual property rights in Onscan, a web-enabled notification product, to OnMobile Systems Inc. The product was transferred for a gross consideration of $ 2 million, received in the form of preferred voting and preferred non-voting securities of OnMobile Systems Inc. Shortly thereafter, OnMobile Systems closed a $ 15 million venture funding round with participation from Argo Global Capital, H&Q Asia Pacific and other investors.

JASDIC

JASDIC Park Company is an Indo-Japanese consortium founded by Mr. Kenichi Ohmae, a well-known management strategist, along with a few Japanese companies and three Indian companies including your company. The aim of JASDIC is to provide high-quality software services from India to the Japanese market. This is in line with your company's strategy to diversify its geographic client base. Revenues from JASDIC grew by 59.3% over the previous year. Your company expects further growth in revenues from Japan through this venture.

Strategic investments

Your company had announced its intention to make selective investments in leading-edge companies that have the potential to yield substantial business benefits. Such investments were 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. Your company has leveraged the expertise derived from its investee companies to deliver value to large clients across the globe.

During the year, EC Cubed Inc., a US-based provider of B2B e-commerce solutions in which your company had made a strategic investment amounting to Rs. 13.08 crore, filed for liquidation. Alpha Thinx Mobile Phone Services AG, a Vienna-based company operating in the wireless Internet space, in which your company had made a strategic investment amounting to Rs. 2.21 crore, also filed for liquidation. Due to adverse capital market conditions, these entities were unable to raise the capital required to fund their growth plans and were therefore forced into liquidation. Pending the conclusion of liquidation proceedings, your company has provided for the entire amount of these investments.

Human resource management

Given the knowledge-intensive nature of your company's activities, human resources are among its most critical assets. Recognizing this, your company has put in place a scalable recruitment and human resource management process, enabling it to attract and retain high-calibre employees. Your company added 4,442 employees, net of separations, taking the total strength to 9,831 – up from 5,389 at the end of the previous year. Your company has a robust selection process, evidenced by the ability to conduct aptitude tests for up to 10,000 applicants in a single day across India.

Entry-level engineers are put through intense 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 11.2% for the year (9.2% for the previous year), is a 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.

Quality

Your company is rated at Level 5 of the Capability Maturity Model (CMM) of the Software Engineering Institute at Carnegie Mellon University, USA. 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 6-sigma Cross Functional Process Mapping (CFPM) techniques for improving cross-functional processes.

The Malcolm Baldrige framework will focus on the overall assessment of your company's business and integration of all its business activities. 6-sigma CFPM techniques are being used to improve customer relationship management, customer order management, talent deployment, and other cross-functional processes. For instance, the Visasixers initiative was launched to enhance internal customer satisfaction with the visa filing process, and to decrease response time for specific requirements by streamlining these processes. A cross-functional team was established which identified and implemented 18 action items, thereby leading to 76% increase in internal customer satisfaction, 96% adherence to service levels, and 50% reduction in cycle times.

Infosys Leadership Institute

In order to groom leaders of the future, the Infosys Leadership Institute (ILI) campus is being constructed in Mysore, Karnataka. Leadership development is being planned across the organization – from junior to senior levels of management. The ILI campus will have state-of-the-art training facilities, along with hostel facilities for the participants of the training program. This initiative will proactively seek to develop and facilitate leadership skills among Infoscions, through a mix of classroom and action-oriented learning.

InStep global internship program

As part of its brand building efforts with leading universities around the world, your company has developed InStep, a global internship program. The program selects high-quality students from top academic institutions across the globe and deploys them on live projects in your company's offices worldwide. InStep has had students from a variety of backgrounds, cultures, and universities – ranging from computer science undergraduates from the Massachusetts Institute of Technology to graduate students of business from the Wharton School. This year, your company held InStep information sessions in 14 educational institutions in the US, UK, Canada and France. Subsequently, we received 700 applications for just 24 internship positions. InStep is an integral part of your company's international recruitment initiative that aims at making its workforce truly global.

The new information infrastructure

Your company firmly believes that internal IT initiatives are a key ingredient for sustained corporate growth. IT is an enabler of global delivery and 24 x 7 operations and is therefore a key driver of customer satisfaction. For its internal IT systems, your company uses an intranet backbone, straddling a range of technologies, along with a strong back-end in SAP R/3 and Microsoft technologies.

Your company has implemented the latest SAP R/3 version 4.6 on a state-of-the-art Storage Area Network (SAN) solution to enable high performance and 24 x 7 availability. Further, a range of custom-built, web-enabled systems have been implemented that address your company's business needs. Ongoing IT initiatives range from building a globally scalable infrastructure to implementing e-CRM and deploying extranets.

The implementation of these will

- drive information availability to a global work force,
- enhance employee and process productivity, and
- further strengthen our client partnerships.

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 accounting, economic value-added statement, and financial statements in substantial compliance with the GAAP of six countries, in addition to the US and India. This information is provided in this year's Annual Report also.

Basic financial statements are generally prepared on the historic cost basis for income measurement and asset valuation. In a changing price environment, financial statements should reflect changes in the economic environment. The Institute of Chartered Accountants of India has issued a Guidance Note on Accounting for Changing Prices. Your company has recast its balance sheet and profit and loss account for the current year in accordance with this guidance note to reflect the impact of changing prices on its historic cost basis financial statements. This information is provided in the section on *Additional information to shareholders*.

Corporate governance

With increasing globalization, there has been a renewed thrust on corporate governance in India. Your company continues to be a pioneer in benchmarking its corporate governance policies with the best in the world, and its efforts are widely recognized by investors in India and abroad.

The Kumar Mangalam Birla Committee on Corporate Governance constituted by the Securities and Exchange Board of India (SEBI) submitted its report in November 1999 that was accepted by SEBI in December 1999. While the recommendations of the committee have become mandatory from this year, your company complied with most of the recommendations in fiscal 2000 itself. For fiscal 2001, the compliance report is provided in the *Corporate governance* section in this 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 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 provided a compliance report on various corporate governance recommendations in vogue in six countries, in their local 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 9,64,840 ADS-linked stock options to 752 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 ADS
4.	Options granted during the year	9,64,840 options representing 4,82,420 equity shares
5.	Weighted average price per option granted during the year	$ 115.44 (Rs. 5,375); 100% of fair market value on the date of grant
6.	Options vested (as of March 31, 2001)	1,47,350 options representing 73,675 equity shares
7.	Options exercised during the year	12,434 options representing 6,217 equity shares
8.	Money raised on exercise of options	$ 4,07,128 (Rs. 1,89,07,845)
9.	Options lapsed during the year	600 options representing 300 equity shares
10.	Total number of options in force at the end of the year	15,65,506 options representing 7,82,753 equity shares

11. Grant to senior management	*No. of options*		*No. of options*
Ajay Dubey	780	Basab Pradhan	12,000
Girish G. Vaidya	1,380	Hema Ravichandar	2,400
Jan DeSmet	6,000	Mohan Sekhar	2,400
Phaneesh Murthy	20,000	Sobha Meera	12,000
Gr. Capt. Deepak Sinha	900	Srinath Batni	2,000
Total options granted to senior management during the year			59,860

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

1999 Stock Option Plan (the 1999 plan)

Your company has issued 19,57,830 stock options to 9,376 employees 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	19,57,830 options for 19,57,830 equity shares
4. Weighted average price per option granted during the year	Rs. 6,249 (100% of fair market value on the date of grant)
5. Options vested (as of March 31, 2001):	94,600 options for 94,600 equity shares
6. Options exercised during the year	1,200 options for 1,200 equity shares
7. Money raised on exercise of options:	Rs. 48,78,060
8. Options lapsed during the year	1,260 options for 1,260 equity shares
9. Total number of options in force at the end of the year	27,93,980 options for 27,93,980 equity shares

10. Grant to senior management	*No. of options*		*No. of options*
Ajay Dubey	2,610	Gr. Capt. Deepak Sinha	2,550
Dr. P. Balasubramaniam	3,000	Srinath Batni	5,500
Hema Ravichandar	2,200	Balakrishnan V.	6,000
T.V. Mohandas Pai	10,000	Girish G. Vaidya	5,310
M.S.S. Prabhu	3,000	Mohansekhar	4,800
Satyendra Kumar	3,000	Rajiv Kuchal	1,000
Total options granted to senior management during the year			48,970

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

Liquidity

Your company continues to be adequately liquid and expects that this will help achieve its growth objectives. Enhanced liquidity reduces financial risk, and allows a rapid shift in direction should the market so demand. During the current year, internal cash accruals have more than adequately covered working capital requirements, capital expenditure of Rs. 463.35 crore and dividend payments, and have resulted in a surplus of Rs. 69.36 crore. As on March 31, 2001, your company had liquid assets of Rs. 577.74 crore, as against Rs. 508.37 crore at the previous year-end. These funds have been invested both in rupee and dollar deposits with banks and financial institutions. A high level of liquidity reduces return on shareholders funds. However, a balance between high returns on funds deployed in the business, and the ready availability of cash for strategic decisions on growth will have to be maintained. The creation of physical and technological infrastructure is expected to absorb a significant part of the liquid assets over the next three years.

Research and education initiatives

During the year, your company trained around 4,000 entrants as part of its induction-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 2,50,000 person days.

The Infosys Fellowship Program instituted by your company at 12 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 24 to 42. Professors, from reputed academic institutions in India and abroad, visited your company during the year under the Infosys sabbatical program. These professors studied and advised Infosys on practices in knowledge management (KM), training and project management. Your company spent around 0.87% of its revenue on R&D activities during the year.

Your company sees knowledge management as a key imperative to help manage growth and stay competitive in the technology business. A KM deployment architecture that addresses the four key dimensions of KM – technology, people, content and process – has been defined and implemented internally. A 'Knowledge Currency Unit' mechanism has been defined as a key component to promote an internal knowledge sharing culture.

Even as the KM movement is gaining momentum internally, your company has been playing the role of a catalyst in various knowledge networks externally, by delivering invited talks, publishing in international journals, and presenting at international conferences, among other initiatives. Dr Karl-Erik Sveiby, an internationally renowned expert in KM visited Infosys during the year and observed that, *"Infosys is a KM pioneer in India and, when it comes to publishing its intangible assets in the Annual Report, even one of the pioneers in the world. The Infosys KM initiatives seem well-balanced; they are a blend of both IT and people initiatives, and the KM Team at Infosys has a holistic understanding of KM."*

Your company has also created extensive infrastructural facilities for education and research during the year, with the inauguration of a dedicated building of 1,15,000 sq. ft. along with state-of-the-art equipment.

Infosys Foundation

Your company is committed to contribute to its social milieu and, in 1998, established Infosys Foundation as a not-for-profit trust to support initiatives that benefit society-at-large. The Foundation supports programs and organizations devoted to the cause of destitutes, rural poor, spastics, senior citizens and illiterates. It also helps preserve certain arts and cultural activities of India which are under threat of fading out. Grants to the foundation during the year aggregated Rs. 5.26 crore, as compared to Rs. 2.80 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 continued the social programs initiated in 1999 - *Catch Them Young*, *Rural Reach* and *Train the Trainer*. The three programs covered about 800 urban children from 100 schools, 2,000 children in rural schools (in five languages), and 90 engineering college teachers from over about 60 colleges across the country, respectively, during the year. In addition, new programs included a summer internship program for computer science students from the IITs and a technology workshop for 35 engineering students from 17 colleges.

Further, your company, through its *Computers@Classrooms* initiative launched in January 1999, has donated 744 computers to 272 institutions across India. Your company has also applied to the relevant authorities for permission to donate an additional 419 computers to 180 institutes in the near future. Microsoft continues to participate in this initiative by donating the relevant software and we would like to place on record our appreciation for its continued support.

Awards

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

- Your company was rated as the Best Employer of India by the *Business Today-Hewitt Study*, from among more than 150 companies.
- Your company became the first IT company to win the IMC Ramkrishna Bajaj National Quality Award in the services category.
- The *Far Eastern Economic Review* rated your company as the No. 1 company in India in the *Review 2000,* an annual survey of Asia's leading companies.
- Your company has been judged the Best Regional Software House by *Financial Technology Asia*. This award acknowledges the most clever, creative and effective use of information technology in Asia, including Japan and Australia.
- For the sixth year in succession, your company received the Silver Shield from the Institute of Chartered Accountants of India for the Best Presented Accounts, among the entries received from non-financial, private sector companies, for the year 1999-2000.
- The *Asiamoney* poll of financial analysts voted your company the best in management among the listed companies in India for the fifth time in a row.
- The BankAway product from Infosys won the *CSI-Wipro Award* for the Best Packaged Application in the year 2000.

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, your directors expanded the board and co-opted Prof. Jitendra Vir Singh, Dr. Omkar Goswami, Sen. Larry Pressler, Ms. Rama Bijapurkar, Mr. T. V. Mohandas Pai, Mr. Srinath Batni and Mr. Phaneesh Murthy as additional directors of the company. These appointments require the approval of the members at the ensuing Annual General Meeting.

Mr. Susim M. Datta retired as a director of the company on May 27, 2000. As per Article 122 of the Articles of Association, Mr. Ramesh Vangal, Prof. Marti G. Subrahmanyam, Mr. Deepak M. Satwalekar, Mr. S. Gopalakrishnan and Mr. S.D. Shibulal retire by rotation in the forthcoming Annual General Meeting. All of them, being eligible, offer themselves for re-appointment.

Auditors

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

FII investment limit

Recently, the Government of India has raised the investment limit in an Indian company for Foreign Institutional Investors (FII) from 40% to 49%, subject to the approval of the board of the investee company and a special resolution by the shareholders of such a company. Your directors are of the opinion that it would be in the interest of the company to increase the limit of such investment to 49%. 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 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
Managing Director, President and Chief Operating Officer

N. R. Narayana Murthy
Chairman and Chief Executive Officer

Bangalore
April 11, 2001

Annexures to the directors' report

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

1. Conservation of energy

The operations of your company are not energy-intensive. However, adequate measures have been taken to reduce energy consumption by using energy-efficient computers and by the purchase of energy-efficient equipment with the latest technologies. 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. Energy-saving air conditioners have been purchased and scroll compressors are being used in place of reciprocating compressors for all packaged and split-type air conditioning systems. Energy-efficient pumps are used for the water system. As energy costs comprise a very small part of your company's total expenses, the financial impact of the these measures is not material.

2. Research and development (R&D)

Research and development of new services, designs, frameworks, processes and methodologies continue to be of importance at Infosys. This allows your company to increase 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 Infosys

Since businesses 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 projects 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:

- General software engineering: Your company is constantly improving its methodologies to increase quality and productivity, and to reduce time-to-market for its clients.
- New technologies: A methodology for performance-testing of web applications has been developed.
- 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, education and training methodologies, and technology-based mechanisms for delivery of education. During the year, the E&R team published 49 papers in leading international / national journals and conferences. Further, an e-commerce research laboratory was established by the E&R department for building expertise and skill sets in e-commerce and web applications. A Web Performance Testing Center was also established.

The Software Engineering and Technology Labs (SETLabs) tracks emerging technology trends in the short-term and long-term as well as opportunities for innovation in software development. SETLabs works on diverse areas including, business modeling, architecture definition, technology assessment, infrastructure and security consulting, mobile computing, object and component technology, and operating systems and environments, to name a few. Research findings in the software engineering area have been published in international journals and have been presented at several reputed forums. Built on this foundation of research is a set of cutting-edge consulting services that SETLabs provides to your company's clients, and an extensive repository of technical knowledge and expertise that SETLabs uses to guide project teams to continually improve their quality and productivity.

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. The e-commerce and the Web Performance Testing centers have been instrumental in building expertise in the e-commerce area.

d. Future plan of action

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

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

in Rs. crore

	2001	2000
Revenue expenditure	14.97	8.08
Capital expenditure	2.14	0.15
Total R&D expenditure	17.11	8.23
R&D expenditure as a percentage of total revenue	0.87%	0.89%

3. Technology absorption, adaptation and innovation

During the year, your company successfully migrated to a Windows 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. Your company also upgraded its mainframe system from the earlier S/390 9672/RA4 to the new H30, and standardized the use of Pentium III 733 MHz system with 256 MB RAM and at least 10 GB hard disk space as the standard desktop PC. Further, all personnel traveling frequently for official purposes are now given Pentium notebook computers.

During the year, your company provided all its senior managers with productivity tools such as Palm Vx devices and mobile phones. Your company also implemented a multi-point video-conferencing facility over IP, and implemented IP telephony over WAN and on LAN in one of the campuses. Further, your company has installed a 1.16TB Storage Area Network for hosting corporate data and applications.

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 competence 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 future. In fiscal 2001, 98.60% of software 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 Hong Kong, Sydney, Phoenix (Arizona), U.A.E., Argentina and Paris. It also set up development centers in London, Lisle, a suburb of Chicago, Illinois; Berkeley Heights, New Jersey; and Phoenix, Arizona. 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.

During the year, your company's Banking Business Unit won new clients in Nigeria, U.A.E and Mauritius.

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

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

in Rs. crore

	2001	2000
Foreign exchange earnings	1,728.23	851.72
Foreign exchange outgo (including capital goods and imported software packages)	727.53	336.58

For and on behalf of the board of directors

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

N. R. Narayana Murthy
Chairman and Chief Executive Officer

Bangalore
April 11, 2001

Annexures 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, 2001

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. (IIT), PGD(IIM)	36	17.02.2000	12	39,24,612	HSBC Capital Markets India Pvt. Ltd. – Senior Manager
*2.	Abudmar Louay	Software Developer	B.E.	28	21.08.2000	7	1,68,604	Swiss Hotel Management – IT Instructor
*3.	Akash Maiti	Senior Associate	B.E.(H), M.A, PGD	30	05.07.2000	6	32,25,000	Andersen Consulting, Senior Consultant
*4.	Albena De Assis	Software Developer	B.Sc.	26	17.07.2000	3	11,73,631	Siemens – Software Developer
5.	Alexandre Elvis Rodrigues	Business Development Manager	B.Tech., MBA	30	03.08.1998	7	39,42,094	Modi Xerox, Production Sales Manager
6.	Ameer Saithu	Associate	B.Tech., PGD	28	27.03.2000	5	8,00,929	PricewaterhouseCoopers, Consultant
*7.	Amer Yosra Abdul	Software Developer	B.Sc.(H)	23	21.08.2000	1	9,26,652	–
8.	Amitabh Pushparaj Mudaliar	Associate	B.E., PGD(IIM)	29	20.03.2000	6	20,90,570	PricewaterhouseCoopers, Consultant
*9.	Amy (Yuen Chun) Wong	Software Developer	B.Sc.	23	22.01.2001	1	9,17,414	Hewitt Associates, Quality Assurance Analyst
10.	Ananda Rao	Business Development Manager	B.E., M.Sc.	42	25.10.1999	14	37,45,019	SE IT Technologies – Regional General Manager
*11.	Anant Natekar	Senior Systems Analyst	B.E.	25	09.02.2001	3	3,55,587	Fourth Technologies Inc, Consultant
12.	Andi Berkowitz	Sales Administrator	B.A., ASL	48	12.04.1999	11	19,22,340	Newton Wellesley Chinopractic, Office Manager
*13.	Andreas Suwe	Project Leader	B.Laws, Diploma	34	05.03.2001	7	3,49,485	Tucows Inc. – Project Manager
*14.	Anil Roy	Senior Systems Analyst	B.E.	26	19.02.2001	4	3,29,681	Air Check Virginia, Database Administrator
*15.	Anilkumar Nechiyil	Project Manager	B.Sc.	40	03.01.2001	18	11,34,684	First Data Merchant Services, Project Technical Leader
*16.	Ankur Gupta	Business Development Manager	B.A.(H), PGD, ACA	28	17.07.2000	6	13,54,975	Arthur Andersen India Pvt. Ltd., Senior Consultant
17.	Ankush Patel	Business Development Manager	B.E., MBA	33	01.10.1999	9	56,93,010	Nortel Networks, Account Manager
*18.	Anthony De Laat	Delivery Manager	B.A., M.Sc., B.Sc. Engg	44	12.03.2001	19	5,06,510	Oao Technologies Canada – Delivery Director
*19.	Anupam Bhatnagar	Business Development Manager	B.A.(H), LLB, PGD	29	03.08.2000	4	5,66,129	Arthur Andersen, Consultant
*20.	Arindom Basu	Senior Principal	B.E.(H), PGD(IIM)	34	05.02.2001	10	9,51,974	Andersen Consulting – Senior Manager
*21.	Arjun K. Rao	Software Developer	B.E., MS	24	22.01.2001	1	9,17,414	Recruitmentindia.Com, Webmaster/ Technical Lead
*22.	Aroun Balakrishnan	Senior Systems Analyst	B.Tech.	27	05.03.2001	5	2,09,764	Blockbuster Inc., Senior Programmer Analyst
23.	Arun Kumar R.	Business Development Manager	B.Tech., PGD	30	05.06.1999	8	51,05,674	Nokia Private Limited, Sales Manager – West & South India
*24.	Ashish Pandita	Software Developer	B.E.	27	27.11.2000	3	6,21,445	Robert Bosch India Ltd. – Software Developer
25.	Ashok Vemuri	Business Development Manager	B.Sc.(H)., PGD	32	01.10.1999	9	64,57,918	Bank Of America, Assistant Vice President
26.	Ayan Chatterjee	Business Development Manager	B.A.(H), PGD	29	02.11.1998	8	69,72,586	Andersen Consulting, Consultant
*27.	Balaji Yellavalli	Senior Principal	B.Tech., PGD	32	18.09.2000	11	6,77,625	Feedback Ventures Ltd., Chief Executive Officer
28.	Balakrishna D. R.	Assistant Project Manager	B.E.	29	07.02.1994	7	19,04,450	HCL-HP – Customer Relations
29.	Balakrishnan P. R.	Business Development Manager	B.Tech., MBA	28	15.11.1999	6	40,98,994	Arthur Andersen, Senior Consultant
30.	Balasubramanian P.	Senior Vice President	B.Tech.(IIT), M.Tech.(IIT), PhD (Purdue)	51	01.10.1995	28	15,64,794	Hitek Software Engineers Ltd. – CEO/Technical Director
*31.	Balasundaram Gajendran	Software Developer	B.Sc.	26	21.08.2000	3	9,15,681	Queen's University – Student Software Engineer
32.	Balu A.	Assistant Project Manager	B.E., Diploma	29	07.11.1994	11	19,37,788	Adarsha Polytechnic – Teacher
33.	Bartley Richard Higgins	Business Development Manager	B.A.(H), M.A	52	20.02.1997	14	65,63,082	Wireless Software, Developer
34.	Basab Pradhan	Regional Manager & Vice President – Sales – West North America	B.Tech., PGD	35	03.10.1994	12	84,33,946	Lipton India Ltd., Manager
*35.	Biji P. Thomas	Associate	B.E., PGD	26	24.04.2000	4	6,31,855	Andersen Consulting, Senior Consultant
*36.	Bindu Ajay Badola	Senior Consultant (ERP)	B.E.	31	09.10.2000	9	11,76,367	Tata Infotech Ltd. – Systems Specialist
*37.	Brit Lane	Software Developer	B.Sc.	24	08.05.2000	2	13,67,489	Tha Cain Gang Ltd. – Developer
*38.	Bryan Mallinson	Software Developer	BBM	24	15.01.2001	0	4,48,374	–
*39.	BuuQuang Kha	Software Developer	B.Sc.	23	15.01.2001	0	4,15,735	–
40.	Chandra Shekar Kakal	Associate Vice President	B.E., MBA	40	01.03.1999	18	12,62,452	Ramco Systems – Product Manager
*41.	Cheng "Sean" Sixin	Software Developer	B.Sc., M.Sc., Diploma	32	08.05.2000	7	4,28,499	Tian Tian Furniture – Manufacture Engineer
*42.	Chi Tat Wong	Software Developer	B.E.	25	20.11.2000	2	5,59,723	The Peer Group – Software Developer

Sl. No.	Name	Designation	Qualification	Age (Years)	Date of Joining	Experience (Years)	Gross Remuneration (Rs.)	Previous Employment – Designation
*43.	Craig Daniel DeDecker	Software Developer	BBA	22	22.01.2001	2	9,17,414	Economy Advertising, System Admin Intern
*44.	Cynthia Atayan	Administrative Assistant	SSLC	25	01.06.2000	2	10,33,624	Cisco Systems – Customer Service Quality Specialist
*45.	David Spencer	Principal	B.A., B.Sc., MBA	36	18.09.2000	15	34,35,405	Spherion, Senior Manager
46.	Dean E. Whiteside	Contract Administrator	B.A.	35	26.05.1998	7	27,56,041	Bank Of America, Systems Administrator
47.	Debjit Datta Chaudhuri	Business Development Manager	B.Sc.(H)., PGD(IIM)	28	13.10.1998	7	50,11,050	Wipro Finance Ltd – Officer
*48.	Deepak Rao	Senior Principal	B.Tech.(IIT), PGD(IIM)	37	01.02.2001	15	11,53,908	KPMG Consulting – Executive Consultant
*49.	Deepak Sundarrajan	Senior Systems Analyst	B.E.	28	19.02.2001	6	3,27,301	Humana Inc., Designer
50.	Dinesh Krishnaswamy	Director	B.Sc., M.Sc.	46	01.09.1981	25	16,19,457	Patni Computer Systems Pvt. Ltd. – Senior Software Engineer
*51.	Duncan Zhang	Software Developer	B.Tech.	24	08.05.2000	1	13,96,785	–
*52.	Easaw Pallipeedikayil Easaw	Business Development Manager	B.E., PGD(IIM)	31	07.04.2000	7	30,01,375	Apex Systems – Senior Marketing Executive
*53.	Eric Seubert	Senior Principal	B.Sc., MBA	34	28.08.2000	11	34,32,750	Interim Technology Consulting, Director, E-Business Practice
*54.	Gaurav Garg	Project Manager	B.E.	28	30.01.2001	6	7,24,493	Polaris Software Lab (India) Ltd., Consultant (System Manager)
*55.	Gautam P. Thakkar	Principal	B.Sc.	32	17.07.2000	11	7,69,211	Andersen Consulting, Manager
56.	George Varghese	Business Development Manager	B.Com.	33	26.09.1996	10	66,22,825	Hitachi – Systems Administrator
*57.	Gigi (Chiao Chih) Tsang	Software Developer	B.Sc.(H).	22	15.01.2001	0	4,15,735	–
58.	Girish Anant Pashilkar	Senior Associate	B.Tech.(IIT) , PGD(IIM)	29	20.03.2000	7	34,73,672	Arthur Andersen – Senior consultant
59.	Girish G. Vaidya	Senior Vice President	B.E., PGD(IIM)	50	22.01.1999	26	16,27,764	ANZ Grindlays Bank Ltd. – Head & Director Operations
*60.	Girish M. Aswathanarayana	Project Manager	B.Tech., MS	31	05.03.2001	7	2,65,558	G. A. Sullivan, Senior Consultant
*61.	Glen Michael	Software Developer	B.Sc.	24	21.08.2000	2	9,26,530	Industry Canada – Support Analyst
62.	Gopal Devanahalli	Business Development Manager	M.Sc.(Tech), PGD	32	01.10.1999	9	49,35,775	Ford Credit Kotak Mahindra Ltd., Regional Manager
63.	Gopalakrishnan S.	Deputy Managing Director	B.Sc., M.Tech.(IIT)	45	01.02.1981	21	14,98,189	Software Sourcing Co. – V. P. Technical Group
64.	Gopinath Sutar	Senior Principal	B.Tech., PGD	34	01.10.1999	12	66,97,570	A. T. Kearney, Manager
*65.	Goseng Kelvin Lie	Software Developer	B.Sc.(H).	24	21.08.2000	1	9,15,681	–
66.	Guhan Kumaran	Assistant Project Manager	B.E.(H)	26	26.06.1995	6	13,95,843	–
67.	Hariharan S. Murthy	Regional Manager & Associate Vice President – Sales – Communication & Product Services	B.E., PGD	36	01.09.1994	13	82,83,759	Redington Pvt Ltd, Marketing Manager
*68.	Helen Kim	Systems Analyst	B.A., MED	24	05.07.2000	1	17,64,067	Elite Educational Institute, Admin Assistant
69.	Henri Mabille	Senior Principal	Diploma	48	01.03.2000	24	45,43,165	Sia Sa Group – Financial Director Group
*70.	Hoi tung (Harry) Cheung	Software Developer	Bcom., B.Sc.(H)	24	05.06.2000	4	13,60,560	The Muses Arts & Recreation Center – Web Manager
*71.	Ivan H. Brock	Project Leader	B.Sc., PhD	36	12.02.2001	7	3,40,307	Escom Software Services – Development Manager
*72.	Jagdish Natarajan Iyer	Business Development Manager	B.E.(H), PGD(IIM)	29	15.11.1999	6	9,47,439	Reuters India Ltd. – Head – Client Solutions
*73.	Jahir Hussain	Project Manager	B.Sc., M.Sc.	31	29.01.2001	7	6,56,533	Complete Business Solutions Inc, – Manager
*74.	Jaime Salvador Arguello	Software Developer	B.Sc. Engg,	23	22.01.2001	3	9,17,414	Washington University, Web Master
75.	Jan DeSmet	Vice President – Infosys Business Consulting Services	BBA, MBA	41	04.01.1999	17	1,01,95,268	Diamond Technology Partners, Senior Principal
*76.	Jayaram G. K.	Head – Infosys Leadership Institute	B.Sc., B.E., PGD(IIM), PhD	60	05.01.2001	30	3,51,339	Transformation Systems Inc. – Chairman
77.	Jayashree R.	Principal	B.Sc.(H), M.Sc.(IIT), M.Tech.(IIT), PGD(IIM)	37	01.10.1999	11	23,71,115	Schoolnet India Ltd. – Vice President
*78.	Jenifer K. Adkins	Sales Administrator	Diploma	34	26.06.2000	16	14,68,439	Credit Lyonnais, Executive Assistant/Office Manager
*79.	Jennifer La Vonne Dean	Administrative Assistant	B.Sc., Master of Public Adminstration	26	24.04.2000	3	14,81,789	Oakland Ready To Learn, Project Administrator
*80.	Jessica M. Chisholm	Administrative Assistant	B.A.	23	14.02.2001	2	2,57,456	Linotext America Inc., Account Manager
81.	Jitin Goyal	Business Development Manager	B.E., PGD(IIM)	30	21.12.1998	7	59,95,432	Citi Bank – Manager
*82.	John O. Fogarty	Business Development Manager	B.A., MBA	30	20.02.2001	8	3,47,074	Morgan Stanley Dean Witter, Vice President – Financial Advisor
*83.	Jonathan Masterton	Senior Systems Analyst	B.Sc.(H)	27	24.07.2000	2	14,16,235	Logica UK Ltd. – Team Leader
84.	Judith Ann Ondina	Administrative Assistant	B.A.	52	16.07.1999	17	15,42,678	Sprint, Human Resource Co-ordinator
*85.	Junqian (Tim) Wu	Software Developer	B.Sc.	35	08.05.2000	6	7,26,230	The Hospital for Sick Children – Research Specialist of Genetics
86.	Kala Swaminathan	Business Development Manager	B.Sc.	32	27.01.1999	10	48,98,976	Parametric Technology Corporation, Regional Manager
*87.	Kalyana C. Gangavarapu	Program Manager	B.Tech., PhD (Insead)	31	12.12.2000	10	3,95,291	Oracle Corp. – Practice Director
88.	Karen J. Hutton	Sales Manager	B.A.	40	05.01.1998	18	37,24,213	Feist & Hutton, Senior Consultant
*89.	Ken Wong	Software Developer	B.Sc.	23	15.01.2001	0	4,15,735	–

Annexures to the directors' report (contd.)

Sl. No.	Name	Designation	Qualification	Age (Years)	Date of Joining	Experience (Years)	Gross Remuneration (Rs.)	Previous Employment – Designation
90.	Krishna N. V.	Business Development Manager	B.E., PGD(XLRI)	31	20.10.1999	8	48,38,969	Hindustan Lever Limited – Area Sales Manager
91.	Kshitij Kumar	Assistant Project Manager	B.Tech.	28	27.06.1994	7	19,48,789	–
*92.	Kumail Jaffer	Software developer	BCS	26	15.01.2001	0	4,15,735	–
*93.	Laura Beth Rehrig	Software Developer	B.Sc.	22	22.01.2001	3	9,17,414	PIL Inc, Cooperative Associate
*94.	Li John Kaming	Software Developer	B.Sc.(H), Diploma	26	21.08.2000	2	9,26,621	York Chinese Christian Fellowship – Secretary
*95.	Lin Quan	Software Developer	B.E.	30	21.08.2000	6	10,83,343	Infotech Consulting Co. – Java Developer
*96.	Lo Szekit	Software Developer	B.Sc., MS	27	21.08.2000	3	9,66,979	Philips Electronics-Advance Transformer – Design Engineer II
97.	Lokesh Prasad	Business Development Manager	B.Tech.(H), PGD	27	04.05.1998	3	41,65,223	–
98.	Madhav Mohan	Business Development Manager	B.Sc., MMS	31	01.10.1999	9	67,72,245	Bank of America – AVP & Regional Sales Manager
99.	Mahesh Desai	Business Development Manager	B.E., PGD(IIM)	28	03.06.1996	6	34,45,681	Pertech Computers Ltd – Marketing Manager
*100.	Mahitha Krishnan	Software Developer	B.Sc., MCA	23	15.01.2001	1	4,29,684	Samtech Inc. – Programmer/Consultant
*101.	Maki Ishibashi	Coordinator	Diploma	27	13.07.2000	5	14,00,180	Tokyo Executive Center Inc. – Secretary
*102.	Mangos Constantine	Software Developer	B.Com., B.A	23	21.08.2000	2	9,37,440	Spectrum United Mutual Funds – Accounts Administrator
*103.	Manish Goyal	Senior systems analyst	B.E.	28	27.11.2000	6	10,10,976	Elc Systems – Consultant
*104.	Manish Verma	Business Development Manager	B.Tech., MBA	32	09.12.1999	9	40,18,728	Hindustan Lever Ltd., Senior Product Manager
*105.	Manish Kumar Sinha	Associate	B.Tech.(IIT), PGD(IIM)	27	01.02.2000	4	2,24,273	Mckinsey & Company, Inc. – Associate
106.	Mary Ann Usher	Sales Administrator	B.A.	45	21.06.1999	16	18,76,769	Racal Datacon Inc, Sales Support Representative
*107.	Mcewan Jason Richard	Software developer	B.Sc.	23	21.08.2000	4	9,37,471	Information Technology Services – Network Consultant
*108.	Meg Tiedemann	Sales Administrator	M.A.	46	06.11.2000	14	7,92,637	Kluwer Academic Publishers, Marketing Associate
*109.	Merlyn Lee	Business development Manager	B.E., M.Sc.	48	05.03.2001	22	2,45,154	Tata Engineering Company – Trainee Engineer & Production Engineer
110.	Mohandas Pai T. V.	Director & CFO	B.Com., LLB, FCA	42	17.10.1994	21	13,61,112	Prakash Leasing Limited – Executive Director
111.	Nachiket Vibhakar Sukhtankar	Business development Manager	B.A., B.Sc., M.A	32	29.11.1999	7	44,47,105	Andersen Consulting, Manager
112.	Nagarajan Venkateswaran	Associate Vice President	B.Tech., MS	40	17.04.2000	18	47,95,003	Synthel Inc, Troy, Michigan, Delivery Manager
*113.	Nanaz Rohani	Sales Administrator	B.Sc.	27	26.07.2000	5	14,37,099	Stanford University, Academic Affairs Co-Ordinator
114.	Nandan M. Nilekani	Managing Director, President & COO	B.Tech.(IIT)	45	01.07.1981	23	16,16,021	Patni Computer Systems Pvt. Ltd. – Asst. Project Manager
*115.	Naomi Grossack	Sales Administrator	BBM	26	26.06.2000	5	15,24,507	Communications Collaborative, Contractor
116.	Narayana Murthy N. R.	Chairman & CEO	B.E., M.Tech.(IIT)	54	18.03.1982	32	14,97,390	Patni Computer Systems Pvt. Ltd. – Head – Software Group
*117.	Natarajan B.	Business Development Manager	B.Tech., PGD	27	15.05.2000	5	13,80,149	Arthur Andersen India Pvt. Ltd., Senior Consultant
118.	Neelesh Marik	Business Development Manager	B.Tech.(IIT) , PGD(IIM)	33	15.11.1999	9	45,33,329	Andersen Consulting – Manager
*119.	Neeraj Dubey	Software Developer	B.E.(H)	34	20.11.2000	13	7,00,003	Cit Canada Inc – Consultant
*120.	Neeraj Kumar	Senior Systems Analyst	B.E.	26	06.01.1997	4	2,78,556	TELCO – Trainee
121.	Norman Schutz	Business Development Manager	B.Com.	44	21.01.1998	20	33,53,172	Ikon Technologies Services – Vice President (Business Development)
*122.	Olga Shnaider	Software Developer	B.A.(H)	30	15.01.2001	4	4,15,735	Future Shop Ltd. – Computer Sales Specialist
*123.	Omar Dominguez	Software Developer	B.Sc.	27	04.07.2000	4	12,16,481	Electronic Data Systems – Information Analyst Associate
124.	Owhen Astorga	Administrative Assistant	B.A., Diploma	37	18.06.1999	18	20,82,535	Palex, Inc., Payroll Administrator
*125.	Padmanabhan Venkataraman	Associate Vice President	B.E., M.E.	46	05.03.2001	22	1,12,816	Delphi Automotive Systems – Vice President Software Operations
*126.	Palachandra Seetharam	Technical Architect	B.E.	32	31.07.2000	10	16,49,903	CAP Gemini America – Senior Consultant
*127.	Paul Maillard	Software Developer	B.Sc.(H)	26	18.09.2000	4	9,42,485	Contax Inc – Junior Business Consultant
*128.	Pendse Mayur Arvind	Software Developer	B.Sc.	23	21.08.2000	5	9,15,590	Mainline Foods/Dairy Queen – Night Supervisor
*129.	Peter James Mitchell	Business Development Manager	PUC	31	07.08.2000	8	15,54,107	Webnax.Com Au. Pty. Ltd. – Business Manager & Sales Manager
130.	Phaneesh Murthy	Director – Sales & Marketing and Communication & Product Services	B.Tech., PGD	37	08.10.1992	14	1,90,93,935	Sonata Software, Regional Manager
131.	Prabhu M. S. S.	Senior Vice President	B.E., PhD (IISc)	53	01.08.1997	27	13,44,242	Tata Consultancy Services – Vice President
132.	Pradeep Prabhu	Business Development Manager	B.Com.	32	04.11.1991	11	51,27,430	Saxena Software Consultants, Senior Executive
*133.	Pramod V. Ponkshe	Project Manager	B.E.	36	11.01.2001	16	10,65,160	Foxboro Japan Corporation – Project Manager

Sl. No.	Name	Designation	Qualification	Age (Years)	Date of Joining	Experience (Years)	Gross Remuneration (Rs.)	Previous Employment – Designation
134.	Prasad T. P.	Regional Manager & Associate Vice President – Sales – South North America	B.E., PGD	36	04.09.1995	12	68,72,670	Wipro Infotech, Regional Sales Manager
135.	Praveen Kumar	Senior Associate	B.E., MS, PhD(Cambridge Univ.)	33	31.01.2000	6	49,90,719	Andersen Consulting – Manager
*136.	Raghunath Basavanahalli	Business Development Manager	BS in Engg	34	09.03.2001	13	2,18,170	HCL Technologies America Inc., Account Manager
137.	Rahul Madhav Godbole	Business Development Manager	B.A., M.A., MBA	35	15.11.1999	10	43,34,663	Infrastructure Leasing & Financial Services Ltd., Senior Manager
138.	Rajeev Minocha	Business Development Manager	B.E., PGD	36	26.08.1999	13	46,93,027	Prefetti India Limited, Managing Director
*139.	Rajeswari Palaniappan	Project Manager	B.Sc., MCA	34	01.08.2000	12	24,15,042	Complete Business Solutions Inc. – Manager
140.	Ravi Kumar Shelvankar	Business Development Manager	B.E., MS	32	02.01.1997	8	66,69,803	ITW Signode Ltd, Senior Executive, Sales
*141.	Read Hugh Gorden	Software Developer	B.Sc.	24	21.08.2000	1	9,37,562	–
*142.	Reka K. Maximovitch	Executive Assistant	B.A., MPA	30	18.10.1999	8	16,96,236	Champion Nutrition – Administrator/ Project Manager
143.	Ribhu Kansal	Senior Systems Analyst	B.E., PGD(IIM)	27	10.05.1999	4	17,93,952	NIIT Ltd. – Senior Systems Associate
144.	Ritesh Mohan Idnani	Business Development Manager	B.Com., MBA	28	01.10.1999	6	58,20,632	PricewaterhouseCoopers, Senior Consultant
*145.	Roitman Evgueni	Software Developer	B.Sc.	24	21.08.2000	3	9,15,681	Levitronics Corp. – Analyst
*146.	Romit Dey	Business Development Manager	B.Sc., MBA	29	03.10.2000	7	2,82,264	PricewaterhouseCoopers, Principal Consultant
*147.	Ryan D. Hill	Software Developer	BBA	23	22.01.2001	0	28,881	–
*148.	Sam Chan	Software Developer	B.Sc.	24	15.01.2001	0	4,15,735	–
*149.	Sam Ho	Software Developer	B.Sc.(H)	26	06.11.2000	4	7,50,116	Aim Funds Management Inc. – Senior Software Developer
150.	Samir Agrawal	Associate	B.Tech., PGD	29	24.03.2000	6	22,06,984	A. T. Kearney, Associate
*151.	Samir Bali	Senior Principal	B.A.(H), LLB, PGD	36	28.08.2000	12	5,64,481	Coopers Lybrand, Principal Consultant
*152.	Sandeep Chadha	Project Manager	B.Tech.	33	15.02.2001	13	5,90,936	Lockheed Martin Ims, Project Leader
153.	Sandeep Kaujalgi	Business Development Manager	B.E., MMS	30	17.05.1999	7	29,93,175	SISL – Head, Transportation Solutions Business
*154.	Sanjay Dalwani	Business Development Manager	B.E., PGD	33	08.12.2000	11	10,58,019	HCL Technologies America, Inc, Account Manager
155.	Sanjay Dutt	Business Development Manager	B.Tech.(H), PGD	32	20.12.1999	10	40,91,838	A. T. Kearney Limited, Manager - Strategy & Re-Engg.
*156.	Sanjay Jalona	Senior Project Manager	M.Sc. (Tech)	32	15.12.2000	11	3,60,151	Gemplus India Pvt. Ltd. – Director
*157.	Sanjay Mohan	Principal	B.Sc., PGD(IIM), M.E(IISc)	33	30.10.2000	7	21,36,867	Cap Gemini America, Inc. – Principal Consultant
*158.	Sanjay Purohit	Senior Manager (Quality)	B.E.	34	27.12.2000	11	3,06,634	Tata Quality Management Services – Senior Consultant
*159.	Sanjay Viswanathan	Business Development Manager	B.A., Diploma, MBA, PGD	31	06.10.2000	9	14,28,012	Hinduja Group Worldwide – Vice President (Business Development)
*160.	Sanjay Pathak	Technical Architect	B.Tech., MTech(IIT), PhD	31	13.12.2000	8	9,26,743	US Interactive – Senior Systems Architect
*161.	Sarojendu Majumdar	Associate Vice President	M.Sc.(IIT)	44	30.10.2000	21	21,26,142	British Telecom – Integration Manager
*162.	Sasmita Mohapatra	Senior Systems Analyst	B.E.	26	03.07.2000	6	20,96,624	Secor Consulting Ltd. – Consultant
163.	Sathisha B. K.	Business Development Manager	B.E., M.E.	32	05.01.1998	11	54,43,814	Larsen & Toubro – Planning
*164.	Satrajit Pal	Senior Project Manager	B.E.	31	12.03.2001	11	2,39,014	RS Software – Project Manager & Technical Consultant
*165.	Satyendra Kumar	Vice President–Quality	B.Sc.(H)., M.Sc.	47	27.09.2000	25	8,52,911	IMR Global – Vice President
*166.	Seshadiri Parthasarathy	Project Leader	B.Tech.	29	18.12.2000	9	6,76,421	CAT – Consultant
*167.	Seshadri Bhoovaraghan	Project Manager	B.E.	27	04.12.2000	7	10,72,254	Sabre Inc., Senior Consultant
*168.	Shailesh Joshi	Senior Project Manager	B.E.	42	18.12.2000	18	9,33,368	GE Global Exchange Service – Senior Project Manager (Extranet Development)
169.	Sharad K. Hegde	Senior Vice President	B.Tech.(IIT), PGD	42	01.07.1983	20	12,83,018	Patni Computer Systems Pvt. Ltd. - Software Engineer Trainee
*170.	Shashidhar B. Ramakrishnaiah	Project Manager	B.E.	30	14.02.2001	8	5,35,921	Mediaserv Information Architects Inc, Senior Solutions Consultant
171.	Shibulal S. D.	Director	B.Sc., M.Sc., MS (Boston Univ.)	46	01.09.1981	25	14,97,765	Sun Micro Systems – Senior I. R. Manager
*172.	Shirish Agnihotri	Senior Project Manager	B.Sc. Engg, M.Sc.	46	24.01.2001	17	7,29,880	MCK Comm. Inc., Calgary, Director – Product Management
173.	Shveta Arora	Associate	B.E., PGD(IIM)	28	07.02.2000	5	22,76,796	A. T. Kearney – Associate
*174.	Sion (Xiao) Peng	Software Developer	B.Sc.	28	15.01.2001	3	4,15,735	Fuzhou TV station, News reporter
*175.	Skye Winterbourne	Administrative Assistant	B.Sc.	29	06.06.2000	5	2,76,313	AEA Credit Union – ATM Dispute/Fraud Coordinator
176.	Sobha Meera P. R.	Regional Manager & Vice President – Sales – Canada & East North America	B.E., PGD	33	12.04.1995	10	86,16,203	Sonata Software, Marketing Executive
177.	Socka Suppiah	Senior Principal	B.E., MBA	48	22.03.2000	10	10,24,745	Andersen Consulting – Senior Manager

Annexures to the directors' report (contd.)

Sl. No.	Name	Designation	Qualification	Age (Years)	Date of Joining	Experience (Years)	Gross Remuneration (Rs.)	Previous Employment - Designation
*178.	Sohrab Peshoton Kakalia	Associate Vice President	B.Sc., B.Sc. Engg,	36	11.09.2000	13	8,84,917	PSI Data Systems Ltd., Manager-Business Unit
179.	Srikanth S.	Senior Associate	B.E., PGD	29	11.10.1999	6	43,25,112	Pricewater House, Consultant
180.	Srinath Batni	Director	B.E., M.E.(IISc)	46	15.06.1992	23	12,13,404	PSI Bull (I) Ltd. – Senior Manager Marketing Technical Support
181.	Srinath Kashyap	Business Development Manager	B.E.	35	04.12.1997	12	37,83,272	TCS, Sales, Associate Consultant
182.	Srinath P.	Business Development Manager	B.Tech., PGD	31	23.11.1998	7	60,86,098	Citi Bank N. A., Manager
183.	Srinivas V.	Business Development Manager	B.Tech.(H), PGD	31	03.06.1996	7	54,86,572	IDM, Marketing Executive
184.	Srinjay Sengupta	Regional Manager & Associate Vice President – Sales	B.Sc.(H) (IIT), PGD(IIM)	33	01.07.1996	10	85,52,820	Procter & Gamble – Manager
185.	Sriram V.	Regional Manager & Associate Vice President – Sales	B.E., PGD(IIM)	36	03.01.1997	13	82,79,077	Wipro – Business Person
*186.	Srividhya Ramakrishnan	Business Development Manager	B.Sc., PGD	29	03.04.2000	6	15,64,922	Asian Paints (I) Ltd, Product Executive, Branch Executive
187.	Subbalakshmi D. V.	Assistant Marketing Manager	B.Tech.(IIT), PGD(IIM)	33	02.09.1996	7	7,91,455	Lintas – Executive
188.	Subhash B. Dhar	Regional Manager & Associate Vice President – Sales – Ebusiness Practice	B.E., PGD	34	24.02.1997	12	64,60,405	Ravi Database Consul, VP Marketing
*189.	Suchitra Eswaran	Marketing Analyst	B.Com., MBA	24	15.01.2001	3	5,09,054	Hutchinson Max Telecom, Sales Officer
*190.	Sudhakar Jayaram	Business Development Manager	B.E.(H), MBA	29	05.06.2000	6	23,85,120	ISC, Head – Business Development
*191.	Sudhanshu Asthana	Senior Systems Analyst	B.Sc., MS, MCA	34	01.03.2001	5	2,58,302	Preis24.Com AG – Trainee
*192.	Sudhir Chaturvedi	Business Development Manager	B.E., PGD, MBA(Leeds Univ.)	31	15.05.2000	6	34,56,663	Ernst & Young UK Ltd. – Senior Business Analyst
193.	Sudhir Subramanya Holla	Senior Associate	B.E., PGD	30	10.11.1999	7	32,43,949	Andersen Consulting, Senior Consultant
*194.	Suresh Rajappa	Senior Systems Analyst	B.E.,	30	05.03.2001	5	2,21,939	C. S. Solutions Inc., Analyst/IT Consultant
*195.	Sven Andersen Norgaard	Software Developer	B.A.	23	22.01.2001	5	9,17,414	Oral B laboratories, Information Technology Intern
*196.	Swaroop Krishna	Systems Analyst	B.E.	32	31.07.2000	6	12,74,861	CGI Group Inc. – Programmer
*197.	Thomas K Krautle	Project Leader	BS	31	05.04.2000	10	17,24,481	Fujitsu International Consulting Associates, Canada – Team Leader
*198.	Todd A. MacCallum	Business Development Manager	B.A., MBA	31	22.01.2001	9	6,85,314	Reylon Technology, Inc., Business Development Executive
199.	Tulika Misra	Systems Analyst	B.Tech.	26	10.11.1997	4	16,00,672	Tata Consultancy Services – Assistant Systems Analyst Trainee
*200.	Ushvinder S. Bhatia	Project Leader	B.E.	30	04.07.2000	8	19,21,590	IBM Inc. – Analysis & Design
*201.	Venkatesh Srinivasan	Principal	B.Com., ICWA, ACA	30	21.08.2000	10	5,17,476	Arthur Andersen, Experienced Manager
*202.	Victoria Shea	H. R. Generalist	B.A.	33	05.04.2000	13	18,53,547	EDS System House – Staffing Specialist
*203.	Vikas Maniar	Business Development Manager	B.E., PGD(IIM)	31	20.12.1999	7	40,13,983	Iridium India Telecom Limited – Regional Operations Manager
*204.	Vineet Toshniwal	Business Development Manager	B.E., MBA	29	19.06.2000	6	11,17,883	Bank of America – Assistant Vice President
*205.	Vishal Modi	Associate	B.Com., M.A., MS	27	12.06.2000	6	30,13,172	MIT Startup Kent Ridge Digital Labs, Research Scientist
*206.	Vivek Bhatnagar	Business Development Manager	B.E., PGD, MS	32	03.07.2000	8	10,77,517	Andersen Consulting, Senior Consultant
*207.	Vivekanand M. K.	Project Manager	B.E.	32	25.10.2000	10	22,40,505	HCL Technologies – Business Development Manager
*208.	Wang Ying	Software Developer	B.Sc.	24	21.08.2000	1	9,15,590	–
*209.	Yashesh Mahendra Kampani	Principal	B.Com., Graduate CWA, ACA	30	11.09.2000	6	1,39,827	PricewaterhouseCoopers, Manager
210.	Yezdi M. Mehta	Business Development Manager	B.Com., MBA	35	21.11.1997	11	58,47,896	Dictaphone Corporation, Manager, Systems Marketing
*211.	Ying (Karen) Li	Software Developer	B.Sc.	21	08.05.2000	1	13,28,438	Dept. of Economics, University Of Toronto – Database Design & Maintenance

Notes:
Remuneration comprises basic salary, allowances and taxable value of perquisites.
* Employed for part of the year.
None of the employees are related to any director of the company
N. R. Narayana Murthy, Nandan M. Nilekani, Gopalakrishnan S., Dinesh K. and Shibulal S. D. own more than 1% of the outstanding shares of the company as on March 31, 2001. None of the other employees own more than 1% of the outstanding shares of the company as on March 31, 2001.

For and on behalf of the board of directors

Bangalore
April 11, 2001

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

N. R. Narayana Murthy
Chairman and Chief Executive Officer

c) The director's 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 Infosys 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 at Infosys 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,
Infosys Technologies Limited

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

N. R. Narayana Murthy
Chairman and Chief Executive Officer

Bangalore
April 11, 2001

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, 2001 relating to compliance with the requirements of corporate governance as contained in the Kumar Mangalam Birla Committee Report 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 report.

for Bharat S Raut & Co.
Chartered Accountants

Balaji Swaminathan
Partner

Bangalore
April 11, 2001

Risk management

The management cautions readers that the risks outlined below are not exhaustive and are for information purposes only. Investors are requested to exercise their own 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. Risk taking is an essential ingredient for growth. The negative fallouts of such an ingredient, however, need to be managed through effective risk mitigation – both at the strategic as well as at the transactional level. This is especially so in the current scenario where the business environment is going through a turbulent phase. Revenue shortfall and profit warnings, coupled with employee retrenchments, are the order of the day among many of the *Fortune 500* companies. It is indeed during such times that a company's ability to manage risk is put to an acid test.

Infosys' 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. The 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 the company. Infosys' pioneering Global Delivery Model has helped the company consistently be among the most profitable IT services companies in the world. The last element of the 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. Internal process risks
   - Leadership
   - Human resources management
   - Process maturity
   - Internal control systems
   - Disaster prevention and recovery
   - Technological obsolescence

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. This has created a significant business opportunity for IT service companies such as Infosys. Over the last two years, Infosys has demonstrated the ability to partner with high technology companies as well as with established corporations embracing the e-paradigm.

Due to the inherently risky nature of start-up companies, Infosys has chosen to focus on *Fortune 500* and other established corporations. This is reflected in the table below showing a break-up of Infosys' e-business revenues:

	Q1	Q2	Q3	Q4	FY 2001
Internet and e-commerce-related revenues (US $ mn)	23.0	30.8	32.5	31.2	117.5
Of this – business from established corporations	62%	70%	80%	84%	75%
– business from dot-coms and venture-funded companies	38%	30%	20%	16%	25%

1.2 Service concentration

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

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

Service offerings	FY 2001	FY 2000	FY 1999
Development	40.0%	43.7%	34.8%
Maintenance	25.4%	28.6%	41.0%
Re-engineering	9.3%	10.1%	10.7%
Package implementation	7.2%	6.0%	5.5%
Consulting	4.9%	1.6%	–
Testing	2.9%	0.7%	0.2%
Engineering services	1.7%	2.0%	0.8%
Other services	6.1%	4.7%	3.9%
Products	2.5%	2.6%	3.1%
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. Infosys has chosen to limit revenue from any one client to 10% of the total revenue.

In addition to increasing revenues from existing clients, Infosys actively seeks new business opportunities and clients to reduce client concentration levels. During the year, the company added 122 clients.

The following table provides historical data on client concentration.

	FY 2001	FY 2000	FY 1999
Active clients	273	194	115
Clients added during the year	122	99	39
% of revenues from the largest client	7.3%	7.2%	6.4%
% revenues from top five clients	26.0%	30.2%	28.4%
% revenues from top ten clients	39.2%	45.7%	44.0%
Clients accounting for >5% of total revenue	3	4	5
No. of million-dollar clients	80	42	35
No. of 5-million-dollar clients	19	10	6
No. of 10-million-dollar clients	11	4	–
No. of 20-million-dollar clients	3	–	–

1.4 Geographical concentration

A high geographical concentration of business could lead to volatility because of political and economic factors in target markets. However, individual markets have distinct characteristics – growth, IT spends, willingness to outsource, costs of penetration, and price points. Cultural issues such as language, work culture and ethics, and acceptance of global talent also come into play. Due to these business considerations, the company has decided not to impose 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, the company has made significant efforts to enhance business from Europe and Asia Pacific. The company opened five marketing offices in the US, Europe and the Asia Pacific during this fiscal year.

The following table provides historical data relating to geographical concentration.

Geographical area	FY 2001	FY 2000	FY 1999
North America	73.5%	78.0%	82.0%
Europe	18.8%	14.8%	9.4%
India	1.4%	1.4%	1.7%
Rest of the World	6.3%	5.8%	6.9%
Total	100.0%	100.0%	100.0%

1.5 Vertical domain concentration

Vertical domains relate to the industries in which clients operate. Infosys has chosen to focus on certain vertical segments with a view to leverage accumulated domain expertise to deliver enhanced value to its clients. To ensure that cyclicality in any one industry does not adversely impact revenues, 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 proportions of revenue from various domains.

Vertical domain	FY 2001	FY 2000	FY 1999
Manufacturing	17.8%	23.0%	24.6%
Insurance, banking & financial services	33.7%	30.1%	23.3%
Insurance	14.2%	15.0%	9.0%
Banking & financial services	19.5%	15.1%	14.3%
Telecom	18.4%	15.4%	14.2%
Retail	9.1%	10.6%	13.8%
Utilities	1.4%	3.0%	3.7%
Transportation & logistics	2.2%	2.8%	5.5%
Others	17.4%	15.1%	14.9%
Total	100.0%	100.0%	100.0%

1.6 Technology concentration

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

The following table provides historical technology-related data.

Technology	FY 2001	FY 2000	FY 1999
Distributed systems	44.6%	47.2%	41.5%
Mainframe / mid-range	13.6%	25.0%	37.1%
Internet	28.4%	13.6%	3.7%
Proprietary telecom systems	5.1%	6.8%	12.1%
Others	8.3%	7.4%	5.6%
Total	100.0%	100.0%	100.0%

2. Financial risks

2.1 Foreign currency rate fluctuations

While Infosys derives its revenue from 28 countries around the world, 89.6% of revenues in fiscal 2001 was dollar-denominated. Further, all contracts that Infosys enters into are in internationally tradeable currencies so that the company does not end up with local currencies that have significant non-tradability and downside risks on exchange fluctuations.

A large proportion of Infosys' expenses are 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 the company's profitability adversely.

The table below gives the foreign currency receipts and payments.

in Rs. crore

	FY 2001	FY 2000	FY 1999
Earnings in foreign currency	1,728.23	851.72	477.44
Revenue expenditure in foreign currency	612.29	296.56	162.75
Net revenue foreign currency earnings	1,115.94	555.16	314.69
Capital expenditure in foreign currency	115.24	40.02	29.81
Net foreign currency earnings	1,000.70	515.14	284.88

As a net foreign currency earner, Infosys has a natural hedge on all forex-related payments. All dollar expenses are met out of dollar-denominated accounts. A significant portion of the surplus funds is maintained in foreign currency deposits. The company does not take active trading positions in the foreign currency markets and operates only to hedge its receivables. Any bad debt write-offs in foreign currencies are effected only after obtaining permission from the Reserve Bank of India.

2.2 Liquidity

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

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

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

Ratio	FY 2001	FY 2000	FY 1999
Operating cash flow as % of revenue	27.61%	27.07%	30.98%
Days of sales receivable	58	56	61
Cash and equivalents as % of assets	41.57%	61.00%	72.51%
Cash and equivalents as % of revenue	29.47%	55.17%	81.26%

2.3 Leverage

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

3. Legal and statutory risks

3.1 Contractual liabilities

Litigation regarding intellectual property rights, patents and copyrights is 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 the company under the applicable law of the contract, on restricting its liabilities under the contract, and on covering the risks involved. The management has also taken sufficient insurance cover abroad to cover possible liabilities arising out of non-performance of the contract. The management reviews this on a continuous basis and takes corrective action. As a matter of policy the company does not enter into contracts that have open-ended legal obligations. To date, the company has no material litigation in relation to contractual obligations pending against it in any court in India or abroad.

3.2 Statutory compliance

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

4. Internal process risks

4.1 Leadership development

As the company experiences continuous growth, one of the key imperatives is to develop leadership among the talent pool that the company possesses. The Infosys Leadership Initiative has been launched to develop a large number of leaders at various levels. This initiative would seek to develop and facilitate leadership skills proactively among Infoscions through a mix of classroom and action-oriented learning.

4.2 Human resource management

The key resource for Infosys is its people. The company has been able to create a favorable work environment that encourages innovation and meritocracy. This is reflected in the fact that Infosys was rated as the Best Employer of India in the *Business Today-Hewitt Study*, based on a survey of HR practices of leading Indian corporates.

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

	FY 2001	FY 2000	FY 1999
Attrition rate	11.2%	9.2%	11.5%

Infosys enjoys excellent relationships with leading universities in India and thus has a huge talent pool to draw from. The company added 4,033 software professionals during the year ended March 31, 2001. This was achieved in spite of the stiff entry criteria the company sets for aspiring employees.

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. Infosys has been certified to have software development processes at Level 5 of the CMM, a distinction that only 37 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 Infosys' service offerings.

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

While Infosys has significantly mature processes in the software development arena, the company 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 like the 6-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 the company have been taken up for re-engineering. The power of IT has been used in all such instances to achieve quantum leaps in process performance.

As a result of such efforts, the company won the IMC Ramkrishna Bajaj award during the year. This award, based on the Malcolm Baldrige National Quality Award Framework, is given to Indian companies for enterprise process excellence.

4.4 Internal control systems

Being a process-oriented company, Infosys 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 managing director, president and COO.
- Any policy change has to be approved by a committee headed by managing director, president and COO after a 5-year profitability impact assessment.
- Senior management personnel submit periodic reports on their activities and achievements to be reviewed by the managing director, president and COO.

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

4.5 Disaster prevention and recovery

Adherence to ISO 9001 and CMM Level 5 quality standards has ensured that the company has a robust disaster prevention and recovery system in place. The company has a disaster recovery plan for each of its work locations as well as for each technology category. Possible risks for each category have been identified and action plans put in place to cope with any contingencies. These plans are reviewed and updated periodically to make sure that they are in tune with changes in technology and risks. All software media brought into the company's offices are scanned for viruses before being used. Further, Infosys has firewalls in place on all connections to clients and to the Internet.

4.6 Technological obsolescence

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

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

The second category of systems are proprietary systems used for 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. The company has standardized on the Windows NT platform for its internal IS needs. Network components also fall into this category and the company is standardizing its network components, based on a few suppliers.

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

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

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

	FY 2001	FY 2000	FY 1999
Depreciation / average gross block	24.7%	23.5%	26.2%
Depreciation / total revenue	5.8%	5.8%	7.0%
Software for own use / total revenue	1.6%	1.8%	2.9%

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 with improving bilateral relationships between the two governments over the past two years. Several benefits have accrued to the industry due to this trend, including a recent increase in the cap on H-1B work permits from 115,000 per annum to 195,000 per annum. Similar improvements have been seen with countries such as Germany, UK, Italy and Japan. Given such positive trends, the company believes that its exposure to political risk is not very significant.

Corporate governance

Corporate governance policies

Infosys has been a pioneer in benchmarking its corporate governance practices with the best in the world. Given below are the company's policies on corporate governance.

A. Board composition

1. Responsibilities of the CEO and the COO

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

2. Size of the board

The board has sixteen members.

3. Executive and independent directors

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

4. Board membership criteria

Board members are expected to possess the expertise, skills and experience required to manage and guide a high growth, hi-tech, software company deriving revenue primarily from G-7 countries. Expertise in strategy, technology, finance, quality and human resources is essential. Generally, they will be between 40 and 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. Membership term

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

6. Retirement policy

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

7. Board compensation review

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

The compensation of the independent directors is approved at a meeting of the full board. The compensation payable to each of the independent directors is limited to a fixed sum per year as determined by the board. The aggregate of these 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, as approved by the shareholders, and is separately disclosed in the financial statements. The compensation payable to the independent directors, and the method of calculation are also disclosed separately in the financial statements. The executive directors who are also 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. The independent directors are also not eligible for stock options under these plans, except the 1999 Stock Option Plan. However, no options have been issued during the year, under the plan, to the independent directors.

8. Memberships of other boards

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

B. Board meetings

1. Scheduling and selection of agenda items for board meetings

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

2. Availability of information to the members of the board

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

C. Board committees

1. The committees of the board

Currently, the board has four committees – the audit committee, the compensation committee, the nominations committee and the investor grievance committee. All these committees excluding the investor grievance committee are composed entirely of independent directors. The investor grievance committee is composed of a non-executive chairman and some of the executive and non-executive directors. The functions of these committees are described in the *Report of committees of the board* section in this report.

2. Assignment and terms of service of committee members

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

3. Frequency and duration of committee meetings and committee agenda

The chairman of the board, in consultation with the company secretary of the company and the committee chairman, determines the frequency and duration of the committee meetings. Normally, the committees meet at least twice a year. However, the audit committee meets four times a year. The recommendations of the committee are submitted to the full board for approval.

4. Quorum for the meetings

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

D. Management review and responsibility

1. Formal evaluation of officers

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

2. Succession planning and management development

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

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

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

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 (BoD), is responsible for monitoring risk levels on 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.

Compliance with corporate governance codes

Corporate governance has assumed great significance in India in the recent past. Even though the Companies Act, 1956, provided a framework for corporate governance, defined the powers, duties and responsibilities of the board, and instituted a system of checks and balances with punishment for transgression of law, a need was felt for a comprehensive code of corporate governance.

Globally, the Cadbury Committee on corporate governance has framed a similar code. As already stated, the company is committed to good corporate governance and has benchmarked itself against global best practices.

The Confederation of the Indian Industry (CII) has taken the lead in framing such a code in India. The company has fully complied with the recommendations of CII on corporate governance.

The Kumar Mangalam Birla Committee on Corporate Governance appointed by the Securities and Exchange Board of India (SEBI) submitted its report in November 1999, and the report was accepted by SEBI in December 1999. The recommendations of the committee are mandatory for the company, effective fiscal year 2001, and compliance with the same is discussed below.

As additional disclosure of the company's compliance with corporate governance standards, reports on compliance with the Euroshareholders Corporate Governance Guidelines 2000, the Cadbury Committee recommendations, and the Blue Ribbon Committee recommendations are given hereunder. Further, a note on the company's compliance with the corporate governance guidelines of six countries, in their respective local languages, is presented in the *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* section in this report.

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

"In an age where capital flows worldwide, just as quickly as information, a company that does not promote a culture of strong, independent oversight, risks its very stability and future health. Strong corporate governance is thus indispensable to resilient and vibrant capital markets, and is an important instrument of investor protection."

Excerpts from the Kumar Mangalam Birla Committee Report on Corporate Governance

The company has complied with all the recommendations of the committee.

In recommendation No.7.1 on accounting standards and financial reporting, the committee has stated that the Institute of Chartered Accountants of India (ICAI) should issue certain further accounting standards that should be made mandatory. The ICAI has issued accounting standards on segment reporting, disclosure and treatment of related party transactions, consolidation and earnings per shares and the same is mandatory for the accounting period commencing April 1, 2001. The ICAI has also submitted an exposure draft on accounting for taxes on income. The company has adopted all the mandatory accounting standards in its financial statements for the year ending March 31, 2001. The company has also provided pro-forma information in relation to the exposure draft on accounting for income taxes in the notes to financial statements for the year ending March 31, 2001.

The committee has required certain information set out in annexure 4 of the committee's report to be furnished in the company's Annual Report. The same is given below:

a. Company's philosophy on code of governance

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

b. Board of directors

Composition and category of directors, as of March 31, 2001:

Category	No. of directors	%
Founder directors	5	31.2
Executive directors	3	18.8
Non-executive, independent directors	8	50.0
Total	16	100.0

The chairman of the board is an executive director.

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

Director	No. of Board meetings held	No. of Board meetings attended	Last AGM attendance (Yes/No)
N. R. Narayana Murthy	5	5	Yes
Nandan M. Nilekani	5	5	Yes
Deepak M. Satwalekar	5	4	Yes
Prof. Marti G. Subrahmanyam	5	5	Yes
Ramesh Vangal	5	3	Yes
Philip Yeo	5	1	No
Prof. Jitendra Vir Singh [1]	1 *	1	NA
Dr. Omkar Goswami [2]	1 *	1	NA
Sen. Larry L. Pressler [3]	1 *	1	NA
Rama Bijapurkar [4]	– *	–	NA
Gopalakrishnan S.	5	5	Yes
Dinesh K.	5	5	Yes
Shibulal S. D.	5	5	Yes
T. V. Mohandas Pai [5]	4 *	4	NA
Phaneesh Murthy [5]	4 *	4	NA
Srinath Batni [5]	4 *	4	NA

[1] Co-opted on October 10, 2000
[2] Co-opted on November 13, 2000
[3] Co-opted on January 9, 2001
[4] Co-opted on March 29, 2001
[5] Co-opted on May 27, 2000
* Indicates the board meetings held after appointment as a director.

Number of BoD meetings held, dates on which they were held

Five board meetings were held during the year on April 11, 2000, May 27, 2000, July 11, 2000, October 10, 2000 and January 9, 2001.

c. Audit committee

The company is listed on the BSE, NSE and BgSE in India and on the NASDAQ in the US. In India, the SEBI has made the implementation of the Birla committee recommendations mandatory for all listed companies. The recommendations also require the adoption of an audit committee charter.

Concurrently, the SEC set up the Blue Ribbon Committee which recommended, inter alia, that every listed company adopt an audit committee charter. Consequently, NASDAQ adopted a rule requiring all companies seeking listing to comply with this recommendation.

The audit committee at its meeting on May 27, 2000 adopted an audit committee charter which meets the requirements of both the SEBI and the SEC. This charter is provided in the *Audit committee charter* section of this report.

Terms of reference

The terms of reference of the audit committee are set out in the *Audit committee charter*.

Composition

The audit committee consists of the following directors:

Mr. Deepak M. Satwalekar – *Chairman*
Prof. Marti G. Subrahmanyam
Mr. Ramesh Vangal
Dr. Omkar Goswami (from January 9, 2001)
Sen. Larry Pressler (from January 9, 2001)
Ms. Rama Bijapurkar (from April 10, 2001)

During the year, Mr. S. M. Datta retired from the directorship of the company and also from the committee.

Meetings and attendance during the year

Director	No. of committee meetings held	No. of committee meetings attended
Deepak M. Satwalekar	5	5
Prof. Marti G. Subrahmanyam	5	5
Ramesh Vangal	5	3
Dr. Omkar Goswami **	–	–
Sen. Larry Pressler **	–	–
Ms. Rama Bijapurkar **	–	–

The report of the audit committee is provided in the *Report of the committees of the board* section in the Annual Report.

Number of audit committee meetings held, and the dates on which they were held

Five audit committee meetings were held during the year. They were held on April 10, 2000, May 27, 2000, July 10, 2000, October 9, 2000 and January 8, 2001.

d. Compensation committee

Terms of reference

The committee has the mandate to review and recommend compensation payable to the executive directors and senior management of the company and administer the company's stock option plans.

Composition

Prof. Marti G. Subrahmanyam – *Chairman*
Mr. Deepak M. Satwalekar
Mr. Philip Yeo (from January 9, 2001)
Prof. Jitendra Vir Singh (from January 9, 2001)
Dr. Omkar Goswami (from January 9, 2001)

Attendance during the year

Director	No. of committee meetings held	No. of committee meetings attended
Deepak M. Satwalekar	5	5
Prof. Marti G. Subrahmanyam	5	5
Philip Yeo	5	1
Prof. Jitendra Vir Singh**	–	–
Dr. Omkar Goswami **	–	–

Number of compensation committee meetings held, and the dates on which they were held

Five compensation committee meetings were held during the year on April 10, 2000, May 27, 2000, July 10, 2000, October 9, 2000 and January 8, 2001.

** Meetings held after their induction to the committee

Details of remuneration and grant of stock options to the directors for fiscal 2001

Remuneration

in Rs. except as stated otherwise

Name	Designation	Salary	Performance incentive	Commission	Total	Notice period (months)	Severance fee
N. R. Narayana Murthy	Chairman and Chief Executive Officer	16,60,296	1,05,450	–	17,65,746	6	–
Nandan M. Nilekani	Managing Director, President and Chief Operating Officer	17,78,927	1,05,450	–	18,84,377	6	–
Deepak M. Satwalekar	Director	–	–	11,64,000	11,64,000	–	–
Prof. Marti G. Subrahmanyam	Director	–	–	11,64,000	11,64,000	–	–
Ramesh Vangal	Director	–	–	11,64,000	11,64,000	–	–
Philip Yeo	Director	–	–	11,64,000	11,64,000	–	–
Prof. Jitendra Vir Singh	Director	–	–	5,51,704	5,51,704	–	–
Dr. Omkar Goswami	Director	–	–	4,43,277	4,43,277	–	–
Sen. Larry Pressler	Director	–	–	2,61,501	2,61,501	–	–
Rama Bijapurkar	Director	–	–	9,567	9,567	–	–
Gopalakrishnan S.	Deputy Managing Director	16,61,095	1,05,450	–	17,66,545	6	–
Dinesh K.	Director	17,82,363	1,05,450	–	18,87,813	6	–
Shibulal S. D.	Director	16,60,671	1,05,450	–	17,66,121	6	–
T. V. Mohandas Pai	Director	13,42,501	49,567	–	13,92,068	6	–
Phaneesh Murthy	Director	98,53,940	46,69,000	–	1,45,22,940	6	–
Srinath Batni	Director	12,04,175	44,542	–	12,48,717	6	–

Grant of stock option

Name	Designation	Stock Options					
		No. of Options (1999 ESOP)	Grant price	No. of Options (1998 ESOP)	Grant price (US$)	Whether issued at a discount	Expiration date
T.V. Mohandas Pai	Director	10,000	5,724	–	–	No	Feb 26, 2010
Phaneesh Murthy	Director	–	–	20,000	98.25	No	Feb 26, 2010
Srinath Batni	Director	5,500	5,724	2,000	98.25	No	Feb 26, 2010

The report of the compensation committee is provided in the *Report of committees of the board* section in the report. No stock options were granted to the other directors.

e. Investor grievance committee

Terms of reference

The committee oversees share transfers and monitors investor grievances.

Composition

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

Mr. Philip Yeo – *Chairman* (from January 9, 2001)
Ms. Rama Bijapurkar (from April 10, 2001)
Mr. Nandan M. Nilekani
Mr. Dinesh K.
Mr. Shibulal S.D.

Name and designation of compliance officer

T. V. Mohandas Pai, Director – Finance & Administration and Chief Financial Officer

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

These details are provided in the *Shareholder information* section of this report.

f. General body meetings

– Location and time for the last three AGMs

Year	Date	Venue	Time
1997-1998	May 30,1998	Taj Residency, No. 41/3, M. G. Road, Bangalore, India.	3.00 p.m.
1998-1999	June 12, 1999	-same as above-	3.00 p.m.
1999-2000	May 27, 2000	-same as above-	3.00 p.m.

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

Not applicable. The Companies (Amendment) Act (2000) provides for postal ballot but no rules have been made thereunder.

g. Disclosures

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

Related parties include subsidiaries, directors of the company, and management council members of the company. This is provided under the paragraph *"related party transactions"* in the *Financial statements prepared in accordance with Indian Accounting Principles (Indian GAAP)* section in this Annual Report.

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

None.

h. Means of communication

Quarterly report sent to each household of shareholders

Since June 1997, the company has been sending quarterly reports, which contain audited financial statements under Indian GAAP and unaudited US GAAP financial statements, along with additional information, to shareholders.

Quarterly results – which newspapers they are normally published in; websites where they are displayed; whether it also displays official news releases; and the presentations made to institutional investors or to the analysts

The quarterly results are generally published in *The Economic Times,* the *Udayavani* and the *Business Standard.* Quarterly financial statements as well as 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, which are not available in the general domain, are also posted on the company's website.

Whether the Management Discussion and Analysis section is a part of the Annual Report or not

The Management Discussion and Analysis section is provided in both the *Financial statements prepared in accordance with Indian Generally Accepted Accounting Principles (Indian GAAP)* section and the *Financial statements prepared in accordance with United States Generally Accepted Accounting Principles (US GAAP)* section in this Annual Report.

i. General shareholder information

This is provided in the *Shareholder information* section of this Annual Report.

2. Compliance with the Euroshareholders Corporate Governance Guidelines 2000

The European shareholders group, "Euroshareholders", is the confederation of European shareholders associations. The organization's overall task is to represent the interests of individual shareholders in the European Union. In April 1999, the Organization for Economic Co-operation 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. The company has complied with most of these guidelines. As an additional disclosure of the company's compliance with corporate governance standards, a report on compliance with the recommendations of the *Euroshareholders Corporate Governance Guidelines 2000* is given hereunder.

Recommendation 1

A company should aim primarily at maximizing 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, the majority of these 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 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. As per the takeover guidelines of Securities and Exchange Board of India, shareholders who hold more than 5% of the equity of the company need to intimate the company immediately on reaching the limit. The company needs to immediately notify the stock exchanges on which it is listed, upon receipt of such information.

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.

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.

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.

As per Indian law, directors are elected by members in the general meeting, either by show of hands or a poll.

Recommendation 10a

The membership of non-executives on the board, whether in a one-tier or two-tier system (member of the supervisory 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 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.

3. Compliance with the Cadbury Committee recommendations

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

As an additional disclosure of the company's compliance with corporate governance standards, a report on compliance with the Cadbury Committee recommendations is given hereunder.

Compliance

The Cadbury Committee on corporate governance made nineteen recommendations. The company complies with substantially all of them except the recommendation that – the board should consist of a majority of non-executive directors - currently, the company has eight executive directors and eight non-executive directors.

The company has set up committees of the board to focus on substantive issues in the form of the audit committee, the compensation committee, the nominations committee and the investor grievance committee. The reports of these committees are disclosed under the *Report of the committees of the board* section in this Annual Report.

Going concern statement

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

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

The Blue Ribbon Committee was formed under the auspices of the United States Securities and Exchange Commission to develop a series of recommendations to enable *"audit committees to function as the ultimate guardian of investor interests and corporate accountability"*. It has recommended that exchange listing requirements be amended to require audit committees to adopt a formal written charter and review and assess it annually. 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 are an interested party as defined in this recommendation.

Recommendation 2

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

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

Recommendation 3

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

Infosys complies with this requirement. The members of the committees are highly respected and accomplished professionals in the corporate and academic worlds. They are 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 BoD and that specifies the scope of the committee's responsibilities, and how it carries out those responsibilities, including structure, processes, and membership requirements, and (ii) review and reassess the adequacy of the audit committee charter on an annual basis.

The audit committee charter is provided in the *Audit committee charter* section of this annual report.

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 BoD 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 BoD. All the issues arising out of the internal and external auditors' reports are discussed in detail in the audit committee meetings.

Recommendation 9

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

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

This recommendation is complied with. The required report is provided elsewhere in this Annual Report

Recommendation 10

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

Being a foreign private issuer of securities, the company files quarterly reports in Form 6-K and yearly reports in Form 20-F with the SEC. The financial statements included in Form 6-K are reviewed by the company's auditors. The financial statements included in Form 20-F are audited by the company's auditors.

	Sd	Sd
	Nandan M. Nilekani	N. R. Narayana Murthy
Bangalore	*Managing Director, President*	*Chairman*
April 11, 2001	*and Chief Operating Officer*	*and Chief Executive Officer*

Audit committee charter

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;

(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 take appropriate action to ensure their independence;
- require and encourage the independent auditors to 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.

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 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.

Report of the committees of the board

1. Compensation committee

The compensation committee consists of the following directors:

Prof. Marti G. Subrahmanyam – *Chairman*

Mr. Deepak M. Satwalekar

Mr. Philip Yeo (from January 9, 2001)

Prof. Jitendra Vir Singh (from January 9, 2001)

Dr. Omkar Goswami (from January 9, 2001)

During the year, Mr. S. M. Datta retired from the directorship of the company and also from the committee. Mr. Ramesh Vangal retired from the committee with effect from January 9, 2001.

The committee has, inter alia, the mandate to review and recommend compensation payable to the executive directors and senior management of the company and administer the company's stock option plans. The committee reviewed the performance of all the executive directors and approved the compensation payable to them for fiscal 2002, within the overall limits approved by the shareholders. Information on compensation and other benefits provided to the executive directors for fiscal 2001 is disclosed in the *Corporate governance* section of this annual report. The committee also reviewed the compensation proposed for all the management council members for fiscal 2002. 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.

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.

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
April 10, 2001

Prof. Marti G. Subrahmanyam
Chairman, Compensation committee

2. Nominations committee

The nominations committee of the board consists of the following directors:

Mr. Ramesh Vangal – *Chairman*

Mr. Philip Yeo

Prof. Jitendra Vir Singh (from January 9, 2001)

Sen. Larry Pressler (from January 9, 2001)

Mr. Deepak M. Satwalekar and Prof. Marti G. Subrahmanyam retired from the committee with effect from January 9, 2001.

The nominations committee has the mandate to recommend the appointment of directors to the board, to review the re-election of the members of the board and to recommend the induction of board members into various committees. The meeting of the nominations committee on April 10, 2001 was chaired by Mr. Philip Yeo in the absence of Mr. Ramesh Vangal who could not attend the meeting.

The committee discussed the issue of the retirement of members of the board as per statutory requirements. As one third of the members have to retire every year based on their date of appointment, Mr. Ramesh Vangal, Prof. Marti G. Subrahmanyam, Mr. Deepak M. Satwalekar, Mr. S. Gopalakrishnan and Mr. S.D. Shibulal will retire. The committee considered their performance and recommended that they be considered for re-appointment by the shareholders.

During the year, Mr. T.V. Mohandas Pai, Mr. Phaneesh Murthy, Mr. Srinath Batni, Prof. Jitendra Vir Singh, Dr. Omkar Goswami, Sen. Larry Pressler and Ms. Rama Bijapurkar were co-opted into the board as additional directors of the company. The committee recommended that the necessary resolutions for appointing them as directors be considered by the shareholders.

Sd

Bangalore
April 10, 2001

Philip Yeo
Chairman, Nominations committee

3. Audit committee

The audit committee of the board consists of the following directors:

Mr. Deepak M. Satwalekar – *Chairman*

Prof. Marti G. Subrahmanyam

Mr. Ramesh Vangal

Dr. Omkar Goswami (from January 9, 2001)

Sen. Larry Pressler (from January 9, 2001)

Ms. Rama Bijapurkar (from April 10, 2001)

During the year, Mr. S. M. Datta retired from the directorship of the company and also from the committee.

The committee has, inter alia, the mandate to oversee the company's financial reporting process and the disclosure of financial information in order to ensure that the financial statements are correct, sufficient and credible. The committee reviewed the independence of both the internal and the statutory auditors and expressed its satisfaction with the same. The committee discussed the quality of the accounting principles as applied, and significant judgments affecting the financial statements, with the management as well as the internal and the statutory auditors of the company. The committee also discussed with the internal and the statutory auditors, in the absence of the management, the company's financial disclosures and the quality of the company's accounting principles as applied, underlying judgments affecting the financial statements, and other significant decisions made by the management in preparing the financial disclosures. The committee, in reliance on the review and discussions conducted with the management and the independent auditors, believes that the company's financial statements are fairly presented in conformity with Generally Accepted Accounting Principles in all material aspects. The committee also reviewed the financial and risk management policies of the company and expressed its satisfaction with the same. The committee is satisfied that it complies fully with its responsibilities as outlined in the *Audit committee charter* section of this Annual Report.

The committee secured compliance that the board of directors (BoD) 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.

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

The committee recommended to the board the appointment of Bharat S Raut & Co., Chartered Accountants, as statutory auditors of the company for the fiscal year ending March 31, 2002. The committee also recommended to the board that the necessary resolutions for appointing them as auditors be placed before the shareholders. The committee recommended the appointment of internal auditors for various operations of the company and determined the fees payable to them.

The committee recommended to the board the appointment of KPMG as auditors of the company for the US GAAP financial statements, for the financial year ending March 31, 2002.

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

Sd

Bangalore — Deepak M. Satwalekar

April 10, 2001 — *Chairman, Audit committee*

4. Investor grievance committee

The Investor grievance committee consists of the following directors:

Mr. Philip Yeo – *Chairman* (from January 9, 2001)

Ms. Rama Bijapurkar (from April 10, 2001)

Mr. Nandan M. Nilekani

Mr. Dinesh K.

Mr. Shibulal S.D.

The committee is headed by an independent director. The committee has the mandate to review and redress shareholder grievances and to attend to share transfers. The committee reviewed the shareholder grievances, the redress of shareholder grievances and the share transfers for the year and expressed satisfaction with the same. The committee also noted the shareholding in dematerialised mode as on March 31, 2001 as being 98.30%.

Sd

Bangalore — Philip Yeo

April 10, 2001 — *Chairman, Investor grievance committee*

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, 2001 and the Profit and Loss Account of the company for the year ended on that date, annexed thereto, and report that:

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

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

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

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

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

(e) on the basis of written representations received from the directors of the company as at March 31, 2001 and taken on record by the board of directors, we report that no director is disqualified from being appointed as director of the company under clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

(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, 2001; 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

Balaji

Bangalore
April 11, 2001

Balaji Swaminathan
Partner

Annexure to the auditors' report

The Annexure referred to in paragraph 1 of the auditors' report to the members of Infosys Technologies Limited (the company) for the year ended March 31, 2001. We report that:

The matters contained in sub paragraph 4(D) and 4(C) 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:
   - recording receipts, issues and consumption of materials and allocating materials consumed to each project;
   - allocating man-hours utilised to each project; and
   - authorisation and control over the allocation of labour costs to each project.
3. In our opinion, the company has an internal audit system, commensurate with its size and the nature of its business.

Fixed assets

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

Inventories

6. The company has not maintained any inventories during the year and consequently, paragraphs 4(A)(iii) to 4(A)(vi), 4(A)(xii), 4(A)(xiv) 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 company has not entered into any transactions for the purchase of goods and materials and sale of goods, materials and services, with companies, firms, or other parties listed in the register maintained under Section 301 of the Companies Act, 1956, and aggregating during the year to Rs 50,000 or more in respect of each party.

Fixed deposits

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

Staff welfare

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

Taxation

14. According to the information and explanations given to us, there are no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty that were outstanding as at March 31, 2001 for a period of more than six months from the dates that they became payable.

Others

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

for Bharat S Raut & Co.
Chartered Accountants

Balaji

Balaji Swaminathan
Partner

Bangalore
April 11, 2001

Balance Sheet as at March 31

in Rs.

	Schedule	2001	2000
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	1	33,07,92,085	33,07,55,000
Reserves and surplus	2	1356,55,99,903	800,22,73,248
		1389,63,91,988	833,30,28,248
APPLICATION OF FUNDS			
FIXED ASSETS	3		
Original cost		631,14,44,025	284,03,05,143
Less : Depreciation		244,13,15,982	133,65,20,594
Net book value		387,01,28,043	150,37,84,549
Add : Capital work-in-progress		170,65,04,250	56,96,03,505
		557,66,32,293	207,33,88,054
INVESTMENTS	4	34,11,54,821	13,83,48,469
CURRENT ASSETS, LOANS AND ADVANCES			
Sundry debtors	5	302,37,02,417	136,17,81,253
Cash and bank balances	6	385,06,10,285	431,79,35,730
Loans and advances	7	430,27,93,623	210,12,77,161
		1117,71,06,325	778,09,94,144
Less : Current liabilities	8	134,91,81,176	67,15,06,459
Provisions	9	184,93,20,275	98,81,95,960
NET CURRENT ASSETS		797,86,04,874	612,12,91,725
		1389,63,91,988	833,30,28,248
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	13		

The schedules referred to above and the notes thereon form an integral part of the Balance Sheet.
This is the Balance Sheet referred to in our report of even date.

for Bharat S Raut & Co.
Chartered Accountants

Balaji Swaminathan
Partner

N. R. Narayana Murthy
Chairman and Chief Executive Officer

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

Deepak M. Satwalekar
Director

Marti G. Subrahmanyam
Director

Jitendra Vir Singh
Director

Omkar Goswami
Director

Larry Pressler
Director

Rama Bijapurkar
Director

S. Gopalakrishnan
Deputy Managing Director

K. Dinesh
Director

S. D. Shibulal
Director

T. V. Mohandas Pai
Director and Chief Financial Officer

Bangalore
April 11, 2001

Phaneesh Murthy
Director

Srinath Batni
Director

V. Balakrishnan
Company Secretary and Associate Vice President - Finance

Profit and Loss Account for the year ended March 31

in Rs.

	Schedule	2001	2000
INCOME			
Software development services and products			
Overseas		1874,02,66,421	869,69,80,931
Domestic		26,53,92,386	12,62,56,042
Other income	10	59,37,14,915	39,14,11,095
		1959,93,73,722	921,46,48,068
EXPENDITURE			
Software development expenses	11	958,17,66,650	466,26,84,578
Administration and other expenses	12	177,54,70,971	69,48,50,282
Provision for investments		15,28,98,608	–
Provision for contingencies		–	3,33,00,000
Provision for e-inventing the company		–	3,50,00,000
		1151,01,36,229	542,58,34,860
Operating profit (PBIDT)		808,92,37,493	378,88,13,208
Interest		–	–
Depreciation		112,89,45,152	53,23,27,389
Profit before tax and extraordinary item		696,02,92,341	325,64,85,819
Provision for tax			
earlier years		1,40,00,000	24,00,000
current year		71,31,00,000	39,46,00,000
Profit after tax before extraordinary item		623,31,92,341	285,94,85,819
Extraordinary item – transfer of intellectual property right (net of tax)		5,49,44,000	–
– provision no longer required		–	7,56,70,846
Net profit after tax and extraordinary item		628,81,36,341	293,51,56,665
AMOUNT AVAILABLE FOR APPROPRIATION		628,81,36,341	293,51,56,665
Dividend			
Interim		16,53,78,418	9,92,08,200
Final (Proposed)		49,61,85,878	19,84,18,210
Dividend Tax		8,69,94,211	3,27,38,905
Amount transferred – general reserve		553,95,77,834	260,47,91,350
		628,81,36,341	293,51,56,665
EARNINGS PER SHARE (equity shares, par value Rs. 5 each)			
Basic		95.06	44.38
Diluted		94.76	44.37
Number of shares used in computing earnings per share			
Basic		6,61,52,131	6,61,39,372
Diluted		6,63,58,311	6,61,57,819
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	13		

The schedules referred to above and the notes thereon form an integral part of the Profit and Loss Account.
This is the Profit and Loss Account referred to in our report of even date.

for Bharat S Raut & Co.
Chartered Accountants

Balaji Swaminathan
Partner

N. R. Narayana Murthy
Chairman and Chief Executive Officer

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

Deepak M. Satwalekar
Director

Marti G. Subrahmanyam
Director

Jitendra Vir Singh
Director

Omkar Goswami
Director

Larry Pressler
Director

Rama Bijapurkar
Director

S. Gopalakrishnan
Deputy Managing Director

K. Dinesh
Director

S. D. Shibulal
Director

T. V. Mohandas Pai
Director and Chief Financial Officer

Bangalore
April 11, 2001

Phaneesh Murthy
Director

Srinath Batni
Director

V. Balakrishnan
Company Secretary and Associate Vice President - Finance

Schedules to the Balance Sheet as at March 31

in Rs.

	2001	2000
1. SHARE CAPITAL		
AUTHORIZED		
Equity shares, Rs. 5 par value		
10,00,00,000 equity shares	50,00,00,000	50,00,00,000
ISSUED, SUBSCRIBED AND PAID UP		
Equity shares, Rs. 5 par value		
6,61,58,117 (6,61,50,700) equity shares fully paid up	33,07,90,585	33,07,53,500
[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]		
Add: Forfeited shares	1,500	1,500
	33,07,92,085	33,07,55,000
2. RESERVES AND SURPLUS		
Capital reserve	5,93,54,103	5,93,54,103
	5,93,54,103	5,93,54,103
Share premium account as at April 1,	318,37,81,595	319,99,15,445
Add : Received during the year		
On conversion of stock options issued to employees	2,37,48,821	1,75,65,777
	320,75,30,416	321,74,81,222
Less : ADS linked stock option issue expenses	–	1,01,93,113
ADS issue expenses	–	2,35,06,514
	320,75,30,416	318,37,81,595
General reserve as at April 1,	475,91,37,550	215,43,46,200
Add : Transfers from the Profit and Loss Account	553,95,77,834	260,47,91,350
	1029,87,15,384	475,91,37,550
	1356,55,99,903	800,22,73,248

3. FIXED ASSETS

in Rs.

	Original cost				Depreciation				Net book value	
Assets	Cost as at April 1, 2000	Additions during the year	Deletions during the year	Cost as at March 31, 2001	As at April 1, 2000	For the year	Deductions during the year	As at March 31, 2001	As at March 31, 2001	As at March 31, 2000
Land – free-hold	1,89,83,650	7,13,75,327	–	9,03,58,977	–	–	–	–	9,03,58,977	1,89,83,650
Land – lease-hold	19,17,69,406	8,40,82,384	–	27,58,51,790	–	–	–	–	27,58,51,790	19,17,69,406
Buildings	58,90,10,239	98,80,44,371	–	157,70,54,610	5,23,14,231	8,14,69,936	–	13,37,84,167	144,32,70,443	53,66,96,008
Plant and machinery	51,75,81,633	60,64,52,428	35,71,054	112,04,63,007	25,00,55,738	26,02,00,030	28,41,462	50,74,14,306	61,30,48,701	26,75,25,895
Computer equipment	112,23,85,220	113,83,99,209	2,13,36,954	223,94,47,475	78,95,66,535	52,81,49,939	2,08,44,363	129,68,72,111	94,25,75,364	33,28,18,685
Furniture and fixtures	39,92,10,666	60,60,03,206	4,62,711	100,47,51,161	24,38,29,725	25,88,19,126	3,29,113	50,23,19,738	50,24,31,423	15,53,80,941
Vehicles	13,64,329	22,87,502	1,34,826	35,17,005	7,54,365	3,06,121	1,34,826	9,25,660	25,91,345	6,09,964
Total	284,03,05,143	349,66,44,427	2,55,05,545	631,14,44,025	133,65,20,594	112,89,45,152	2,41,49,764	244,13,15,982	387,01,28,043	150,37,84,549
Previous year	168,92,38,345	117,79,35,912	2,68,69,114	284,03,05,143	83,09,14,934	53,23,27,389	2,67,21,729	133,65,20,594		

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

Schedules to the Balance Sheet as at March 31

in Rs.

	2001	2000
4. INVESTMENTS		
TRADE (UNQUOTED) – at cost		
Long-term investments		
Yantra Corporation, USA, a subsidiary company		
75,00,000 (75,00,000) common stock at US$ 0.20 each, fully paid, par value US$ 0.01 each	5,32,51,600	5,32,51,600
6,36,363 (6,36,363) Series A convertible preferred stock, at US$ 0.75 each, fully paid, par value US$ 0.01 each	1,73,44,074	1,73,44,074
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	13,08,00,000	13,08,00,000
Alpha Thinx Mobile Phone Services AG, Austria		
27,790 (Nil) bearer shares at € 20 each, fully paid, par value € 1 each	2,20,98,608	–
	22,34,94,282	20,13,95,674
Less: Provision for investments	22,34,94,282	7,05,95,674
	–	13,08,00,000
Asia Net Media (BVI) Ltd, the British Virgin Islands		
3,00,00,000 (Nil) ordinary shares at US$ 0.05 each, fully paid, par value US$ 0.01 each	6,84,75,000	–
CiDRA Corporation, USA		
33,333 (Nil) Series D convertible preferred stock at US$ 90 each, fully paid, par value US$ 0.01 each	13,40,08,660	–
JASDIC Park Company, Japan		
480 (480) common stock at ¥ 50,000 each, fully paid, par value ¥ 50,000 each	75,38,109	75,38,109
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 (Nil) ordinary shares	1,845	–
630 (Nil) redeemable preference shares	1,84,45,855	–
OnMobile Systems Inc., (formerly Onscan Inc.,) USA		
1,00,000 (Nil) common stock at US$ 0.4348 each, fully paid, par value US$ 0.001 each	19,42,162	–
1,00,000 (Nil) Series A voting convertible preferred stock at US$ 0.4348 each, fully paid, par value US$ 0.001 each	19,42,162	–
44,00,000 (Nil) Series A non-voting convertible preferred stock at US$ 0.4348 each, fully paid, par value US$ 0.001 each	8,54,55,676	–
PurpleYogi Inc., USA		
2,76,243 (Nil) Series D convertible preferred stock at US$ 1.81 each fully paid, par value US$ 0.001 each	2,33,34,992	–
Software Services Support Education Center Limited		
1 (1) equity share of Rs. 10 each, fully paid, par value Rs. 10	10	10
The Saraswat Co-operative Bank Limited		
1,035 (1,035) equity shares of Rs. 10 each, fully paid, par value Rs. 10	10,350	10,350
	34,11,54,821	13,83,48,469
Aggregate of unquoted investments – carrying value / cost	34,11,54,821	13,83,48,469
5. SUNDRY DEBTORS		
Debts outstanding for a period exceeding six months		
Unsecured		
considered doubtful	9,61,74,738	2,21,26,448
Other debts		
Unsecured		
considered good*	302,37,02,417	136,17,81,253
considered doubtful	8,55,48,753	–
	320,54,25,908	138,39,07,701
Less: Provision for doubtful debts	18,17,23,491	2,21,26,448
	302,37,02,417	136,17,81,253
*Includes due by subsidiary – Yantra Corporation	99,80,017	Nil

in Rs.

	2001	2000
6. CASH AND BANK BALANCES		
Cash on hand	96,062	13,17,773
Balances with scheduled banks		
in current accounts *	12,79,65,496	10,16,77,272
in deposit accounts in Indian rupees	181,88,52,687	22,91,45,764
in deposit accounts in foreign currency	136,36,28,601	268,41,01,874
Balances with non-scheduled banks		
in deposit accounts in foreign currency		
HSBC Bank Middle East, Bahrain	–	66,76,98,310
in current accounts		
ABN Amro Bank, Heerlen, Netherlands	–	15,69,661
ABN Amro Bank, Brussels, Belgium	8,73,096	16,26,311
Bank of America, Concord, USA	27,09,344	–
Bank of America, Hong Kong	4,25,885	–
Bank of America, Los Angeles, USA	–	50,60,500
Bank of America, Milpitas, USA	23,59,820	22,81,065
Bank of America, Palo Alto, USA	35,70,97,922	57,93,97,557
Bank of Boston, Boston, USA	21,30,626	16,88,886
Bank of Melbourne, Melbourne, Australia	17,26,245	2,49,124
Bank of Melbourne, Victoria, Australia	5,46,759	–
Barclays Bank, London, UK	38,36,868	44,92,122
Deutsche Bank, Frankfurt, Germany	20,22,282	36,15,221
First Chicago Bank, Chicago, USA	–	21,98,743
Hongkong Bank of Canada, Toronto, Canada	5,54,537	22,42,324
HSBC Bank PLC – Croydon, London	9,76,68,994	–
Michigan National Bank, Detroit, USA	–	3,87,308
Nations Bank, Dallas, USA	1,17,15,900	1,11,76,052
Nations Bank, Georgia, USA	–	12,41,385
Nordbanken, Stockholm, Sweden	15,86,376	3,45,518
Nova Scotia Bank, Toronto, Canada	5,21,19,103	89,98,950
Seafirst Bank, Seattle, USA	–	17,70,378
Sanwa Bank, Tokyo, Japan	12,18,670	40,43,674
Summit Bank, Bridgewater, USA	14,75,012	16,09,958
	385,06,10,285	431,79,35,730
Maximum balance held during the year:		
in deposit accounts in foreign currency		
HSBC Bank Middle East, Bahrain	72,78,38,970	66,76,98,310
in current accounts		
ABN Amro Bank, Heerlen, Netherlands	15,95,544	19,68,084
ABN Amro Bank, Brussels, Belgium	25,10,415	16,74,689
Bank of America, Concord, USA	11,56,12,302	–
Bank of America, Hong Kong	11,81,752	–
Bank of America, Los Angeles, USA	3,08,58,501	59,13,227
Bank of America, Milpitas, USA	5,89,07,898	4,57,78,346
Bank of America, Palo Alto, USA	92,96,33,056	71,03,42,796
Bank of Boston, Boston, USA	72,15,459	68,26,703
Bank of Melbourne, Melbourne, Australia	17,26,245	2,92,425
Bank of Melbourne, Victoria, Australia	16,34,330	–
Barclays Bank, London, UK	3,63,48,726	67,59,209
Deutsche Bank, Frankfurt, Germany	36,94,391	40,36,519
First Chicago Bank, Chicago, USA	22,07,085	49,23,828
Hongkong Bank of Canada, Toronto, Canada	1,01,66,688	1,89,92,669
HSBC Bank PLC – Croydon, London	16,51,68,657	–
Michigan National Bank, Detroit, USA	17,44,660	13,34,282
Nations Bank, Dallas, USA	3,36,69,804	1,45,77,623
Nations Bank, Georgia, USA	21,33,612	18,23,598
Nordbanken, Stockholm, Sweden	23,20,446	3,45,518
Nova Scotia Bank, Toronto, Canada	7,57,18,591	89,98,950
Seafirst Bank, Seattle, USA	31,46,158	24,05,174
Sanwa Bank, Tokyo, Japan	1,40,25,843	79,10,422
Summit Bank, Bridgewater, USA	88,91,861	35,18,916

* Includes Rs. 48,15,163 and Rs. 28,72,035 being the balance in unclaimed dividend account as at March 31, 2001 and March 31, 2000 respectively

Schedules to the Balance Sheet as at March 31

in Rs.

	2001	2000
7. LOANS AND ADVANCES		
Unsecured, considered good		
Advances		
prepaid expenses	13,75,24,974	11,58,60,415
advances paid for supplies of goods and rendering of services	4,58,01,731	3,10,07,019
others	1,92,05,252	1,01,94,327
	20,25,31,957	15,70,61,761
Costs in excess of billings	2,34,52,011	–
Advance income tax	123,73,97,792	54,40,96,353
Loans and advances to employees *		
housing and other loans	50,45,83,928	38,74,34,826
salary advances	24,47,71,738	13,61,51,038
Other advances	4,76,12,044	3,23,06,323
Rent and maintenance deposits	11,56,91,996	7,84,24,995
Deposits with financial institutions / body corporate	192,67,52,157	76,58,01,865
	430,27,93,623	210,12,77,161
Unsecured, considered doubtful		
Loans and advances to employees	7,11,816	–
	430,35,05,439	210,12,77,161
Less: Provision for doubtful loans and advances	7,11,816	–
	430,27,93,623	210,12,77,161
* Includes due by non-director officers of the company	1,05,74,738	1,35,08,825
Maximum amounts due by non-director officers at any time during the year	2,83,52,485	2,30,09,790
8. CURRENT LIABILITIES		
Sundry creditors		
for goods	13,07,477	4,25,90,239
for accrued salaries and benefits	57,42,18,368	22,44,51,291
for other liabilities		
provision for expenses	17,70,70,370	7,67,74,570
retention monies	11,39,71,400	4,91,19,373
withholding and other taxes payable	5,50,36,092	7,19,14,609
others	1,78,04,294	95,50,828
	93,94,08,001	47,44,00,910
Advances received from clients	5,66,97,811	1,85,61,551
Unearned revenue	34,82,60,201	17,56,71,963
Unclaimed dividend	48,15,163	28,72,035
	134,91,81,176	67,15,06,459
9. PROVISIONS		
Proposed dividend	49,61,85,878	19,84,18,210
Provision for		
tax on dividend	5,06,10,959	2,18,26,003
income taxes	122,90,11,741	62,60,19,742
e-inventing the company	–	39,00,977
post-sales client support	7,35,11,697	5,51,91,028
gratuity	–	8,28,40,000
	184,93,20,275	98,81,95,960

Schedules to the Profit and Loss Account for the year ended March 31

	2001	2000
		in Rs.
10. OTHER INCOME		
Interest received on deposits with banks and others	37,54,58,594	26,68,79,106
(Tax deducted at source Rs. 4,30,12,428 and Rs. 1,67,51,195 respectively)		
Sale of special import licenses	6,77,431	2,02,31,549
Miscellaneous income	1,58,66,407	49,73,365
Exchange differences *	20,17,12,483	9,93,27,075
	59,37,14,915	39,14,11,095

*Arising on translation of foreign currency deposits maintained abroad includes a realised gain of Rs. 5,06,25,885 (previous year : Rs. Nil)

	2001	2000
11. SOFTWARE DEVELOPMENT EXPENSES		
Salaries and bonus including overseas staff expenses	675,86,45,286	307,54,46,295
Staff welfare	8,46,06,310	4,93,07,308
Contribution to provident and other funds	33,45,76,308	22,08,36,923
Foreign travel expenses	147,22,11,655	84,09,02,293
Consumables	5,86,87,245	2,70,06,251
Cost of software packages for		
own use	31,85,81,751	16,53,57,382
banking product	5,70,13,753	2,84,48,397
Computer maintenance	7,19,42,078	3,27,43,350
Communication expenses	31,52,55,986	17,31,23,718
Consultancy charges	9,19,25,609	2,85,50,034
Provision for post-sales client support	1,83,20,669	2,09,62,627
	958,17,66,650	466,26,84,578
12. ADMINISTRATION AND OTHER EXPENSES		
Professional charges	20,40,21,385	7,55,68,079
Travelling and conveyance	18,40,64,822	7,68,26,394
Rent	16,94,82,708	10,34,93,593
Telephone charges	14,02,60,363	5,93,95,252
Office maintenance	12,84,32,642	5,81,01,381
Power and fuel	11,78,45,258	5,01,41,466
Brand building	10,52,01,392	99,17,816
Donations	7,21,92,883	3,49,27,871
Advertisements	6,30,77,831	2,12,41,343
Printing and stationery	6,25,54,206	2,76,70,902
Insurance charges	5,17,55,298	2,41,35,289
Repairs to building	3,95,22,458	1,13,44,232
Repairs to plant and machinery	2,26,54,171	84,12,905
Rates and taxes	1,82,17,524	1,03,80,848
Commission charges	1,79,03,784	64,70,454
Bank charges and commission	59,39,483	42,21,668
Auditor's remuneration		
audit fees	17,85,000	17,85,000
certification charges	2,00,000	2,00,000
other services	–	4,50,000
out-of-pocket expenses	2,00,000	2,00,000
Bad loans and advances written off	4,141	3,13,050
Bad debts written off	27,70,254	1,59,20,938
Provision for doubtful loans and advances	7,11,816	–
Provision for bad and doubtful debts	19,27,45,549	94,03,099
Freight charges	55,72,484	23,84,004
Professional membership and seminar participation fees	2,17,10,613	75,30,693
Marketing expenses	4,26,87,545	2,94,50,685
Postage and courier	2,27,86,459	1,37,56,638
Books and periodicals	1,69,10,978	77,13,886
Commission to non-whole time directors	59,22,049	48,17,800
Sales promotion expenses	70,16,656	26,70,973
Transaction processing fee and filing fees	1,52,76,339	3,69,846
Research grants	1,00,00,000	1,03,00,000
Other miscellaneous expenses	2,60,44,880	53,34,177
	177,54,70,971	69,48,50,282

13. SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

Company overview

Infosys Technologies Limited ("Infosys" or "the company") is a publicly-held company providing information technology ("IT") solutions principally to *Fortune 500* and emerging new economy companies. Infosys' range of services includes IT consulting, IT architecture, application development, e-commerce and Internet consulting, and software maintenance. In addition, the company develops and markets certain software products. Headquartered in Bangalore, India, Infosys has 16 state-of-the-art offshore software development facilities located throughout India that enables it to provide high quality, cost-effective services to clients in a resource-constrained environment. The company also has offices in North America, Europe and Asia.

13.1 Significant accounting policies

13.1.1 Basis of preparation of financial statements

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

The preparation of the financial statements in conformity with GAAP requires that the management of the company ("Management") make estimates and assumptions that affect the reported amounts of revenue and expenses of the year, 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 be incurred to complete software contracts, provision for doubtful debts, future obligations under employee retirement benefit plans and the useful lives of fixed assets. Actual results could differ from those estimates.

13.1.2 Revenue recognition

Revenue from software development on time-and-materials contracts is recognized based on software developed and billed to clients as per the terms of specific contracts. On fixed-price contracts, revenue is recognized based on milestones achieved as specified in the contracts on the proportionate-completion method on the basis of the work completed. Revenue from rendering Annual Technical Services ("ATS") is recognized proportionately over the period in which services are rendered. Revenue from the sale of licenses for the use of software applications is recognized on transfer of the title in the user license. Interest on deployment of surplus funds is recognized using the time-proportion method, based on interest rates implicit in the transaction. Dividend income is recognized when the company's right to receive dividend is established. Revenue from the sale of special import licenses is recognized when the company transfers the licenses.

13.1.3 Expenditure

The cost of software purchased for use in software development and services is charged to revenue in the year the software is acquired. Project costs in the nature of salaries, travel and other expenses incurred on fixed price contracts, where milestones are yet to be reached, are classified as "Costs in excess of billings" in the balance sheet. 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 on fixed-price contracts. The leave encashment liability of the company is provided on the basis of an actuarial valuation.

13.1.4 Fixed assets

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 specific borrowing attributable to the acquisition of the fixed assets.

13.1.5 Capital work-in-progress

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

13.1.6 Depreciation

Depreciation on fixed assets is determined using the straight-line method based on useful lives of assets as estimated by Management. Depreciation for assets purchased / sold during the year 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

13.1.7 Retirement benefits to employees

13.1.7a 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 years of employment with the company.

The company established the Infosys Technologies Limited Employees' Gratuity Fund Trust (the "Trust") in 1997, until which the company made contributions to a gratuity plan managed by the Life Insurance Corporation of India. Liabilities with regard to the Gratuity Plan are determined by actuarial valuation, based upon which the company contributes to the Trust. Trustees administer the contributions made to the Trust. The funds contributed to the Trust are invested in specific designated securities as mandated by law and generally comprise central and state government bonds and debt instruments of government owned corporations.

13.1.7b Superannuation

Apart from being covered under the Gratuity Plan described above, certain employees of Infosys are also participants of a defined contribution plan. The company makes monthly contributions to the superannuation plan (the "Plan") based on a specified percentage of each covered employee's salary. The company has no further obligations under the Plan beyond its monthly contributions.

13.1.7c Provident fund

In addition to the above benefits, 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 established a Provident Fund Trust in 1996 to which a part of the contributions are made each month. Prior thereto, the company made contributions to the provident fund plan administered by the Government of India. 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.

13.1.8 Research and development

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

13.1.9 Foreign currency transactions

Sales made to 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 year 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.

13.1.10 Investments

Trade investments refer to the investments made with the aim of enhancing the company's business interests in software development and services. The investments are classified as current investments or long-term investments. 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. Provisions are recorded for any decline in the carrying value as of the balance sheet date.

Long-term investments are carried at cost and provisions recorded to recognize any decline, other than temporary, in the carrying value of such investment.

The investment in the subsidiary is accounted on the cost method, whereby, the investment is carried at cost and the company recognizes only dividends received from the subsidiary as income in the profit and loss account. Provisions are recorded to recognize any decline, other than temporary, in the carrying value of the investment.

13.1.11 Income tax

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.

13.1.12 Earnings per share

The earnings considered in ascertaining the company's earnings per share comprises 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 year. 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 year, 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.

13.1.13 New accounting standards

The Institute of Chartered Accountants of India ("ICAI") has issued accounting standards on segment reporting, related party disclosures and earnings per share that are applicable to the financial statements of the company, and are mandatory effective accounting period commencing on April 1, 2001. The ICAI has also submitted an exposure draft on accounting for taxes on income, which is also proposed to be made mandatory effective April 1, 2001. The company has evaluated the effect of these standards becoming mandatory and adopted the accounting standards on segment reporting, related party disclosures and earnings per share, and provides pro-forma information in relation to the exposure draft on accounting for income taxes in these financial statements.

Although Yantra Corporation, USA, is a subsidiary of Infosys as per Section 4 of the Companies Act, 1956, the financial statements have not been consolidated since the company does not have controlling interest envisaged by the accounting standard on consolidated financial statements also issued by the ICAI for mandatory compliance effective April 1, 2001.

13.2 Notes on accounts

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

13.2.1 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. 158,25,35,171 as at March 31, 2001 (previous year - Rs. 80,31,29,007).
b. The company has outstanding guarantees and counter guarantees of Rs. 6,83,05,000 as at March 31, 2001, to various banks, in respect of the guarantees given by the banks in favor of various government authorities (previous year - Rs. 5,26,30,000).
c. Claims against the company, not acknowledged as debts, amounted to Rs. 8,75,532 as at March 31, 2001 (previous year - Rs. 32,89,661).
d. Outstanding forward contracts amounted to US$ 20,000,000 (approximately Rs. 93,12,00,000 at year-end exchange rates) at March 31, 2001 (previous year – US$ Nil).

13.2.2 Quantitative details

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

13.2.3 Imports on the Cost, Insurance and Freight basis

in Rs.

	2001	2000
Capital goods	113,56,33,008	37,47,31,691
Software packages	1,67,88,389	2,54,95,652

13.2.4 Earnings in foreign exchange (on the receipts basis)

in Rs.

	2001	2000
Income from software development services and products	1708,67,49,891	833,29,73,465
Interest received on deposits with banks	19,55,81,989	18,42,65,368

Expenditure in foreign currency (on the payments basis)

in Rs.

	2001	2000
Travel expenses	107,69,86,908	70,29,13,532
Professional charges	14,63,89,491	4,51,95,637
Other expenditure incurred overseas for software development	489,94,99,776	221,74,57,133

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

in Rs.

	2001	2000
Net earnings in foreign exchange	1115,94,55,705	555,16,72,531

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

During the year, the company charged depreciation at 100% in respect of assets costing less than Rs. 5,000 each, amounting to Rs. 34,99,43,502 (previous year – Rs. 13,21,59,074).

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

in Rs.

	2001 *	2000
Salary	1,54,84,785	38,00,059
Contribution to provident fund and other funds	18,29,116	12,08,855
Perquisites	89,20,426	37,32,482

* includes the remuneration paid to three directors who were co-opted into the board on May 27, 2000.

Mr. Phaneesh Murthy, a whole-time director, is also a non-resident. Approval of the Central Government for the remuneration payable to him is awaited.

13.2.7 Managerial remuneration paid to non-whole-time directors

in Rs.

	2001	2000
Commission	59,22,049	48,17,800
Sitting fees	2,57,000	92,000
Reimbursement of expenses	9,09,070	10,13,703

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

in Rs.

	2001	2000
Net profit after tax from ordinary activities	623,31,92,341	285,94,85,819
Add:		
1. Whole-time directors remuneration	2,62,34,327	87,41,396
2. Directors sitting fees	2,57,000	92,000
3. Commission to non-whole time directors	59,22,049	48,17,800
4. Provision for bad and doubtful debts	19,27,45,549	94,03,099
5. Provision for bad loans and advances	7,11,816	–
6. Provision on investments	15,28,98,608	–
7. Depreciation as per the books of account	112,89,45,152	53,23,27,389
8. Provision for taxation	72,71,00,000	39,70,00,000
	846,80,06,842	381,18,67,503
Less:		
Depreciation as envisaged under section 350 of the Companies Act *	112,89,45,152	39,86,14,483
Net profit on which commission is payable	733,90,61,690	341,32,53,020
Commission payable to non-whole-time directors:		
Maximum allowed as per Companies Act, 1956 at 1%	7,33,90,617	341,32,530
Maximum as approved by the shareholders at 0.5%	3,66,95,309	1,70,66,265
Commission approved by the board	59,22,049	48,17,800

* 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.

13.2.8 Exchange differences

in Rs.

	2001	2000
Gains on the translation of foreign currency deposits	20,17,12,483	9,93,27,075
Net realized and unrealized exchange gains – others	19,45,83,779	8,76,31,024
Total net realized and unrealized gains	39,62,96,262	18,69,58,099

Total realized and unrealized exchange gains comprise, gains on the translation of foreign currency deposits which is classified as “other income” and net realized and unrealized exchange gains, which are classified as “Income from software development services and products – overseas”.

13.2.9 Research and development expenditure

in Rs.

	2001	2000
Capital	2,14,29,903	15,27,500
Revenue	14,97,08,196	8,07,35,940
Total research and development expenses	17,11,38,099	8,22,63,440

13.2.10 Provision for contingencies

The company had instituted a contingency plan effective October 1, 1998 and made a total provision of Rs. 9,99,00,000 to meet any possible disruption in client support due to the Year 2000 impact on the technology and communication infrastructure provided to the company by its vendors. In the year ended March 31, 2000, Rs. 2,42,29,154 was spent towards the Year 2000 transition effort, which was set off against the provision and the remainder of Rs. 7,56,70,846 was written back to the profit and loss account.

13.2.11 Provision for e-inventing the company

The company made a provision of Rs. 3,50,00,000 for the quarter ended September 30, 1999 towards e-inventing the company. Until March 31, 2000 the company had incurred Rs. 3,10,99,023 towards e-inventing Infosys, which was set-off against the provision earlier made. The remainder of Rs. 39,00,977 was incurred and set-off against this provision during the first quarter of the current year.

13.2.12 Unearned revenue

Unearned revenue as of March 31, 2001 amounting to Rs. 34,82,60,201 (previous year Rs. 17,56,71,963) primarily consists of client billings on fixed-price, fixed-time-frame contracts for which the related costs have not yet been incurred.

13.2.13 Dues to small-scale industrial undertakings

As of March 31, 2001, the company had no outstanding dues to small-scale industrial undertakings (previous year Rs. Nil).

13.2.14 Balance of unutilized money raised by issue of American Depositary Shares

During the year ended March 31, 1999, Infosys made an Initial Public Offering of American Depositary Shares (“ADS”), of US$ 70,380,000, equivalent to Rs. 296,86,00,000. The issue proceeds net of expenses of Rs. 19,68,00,000 were entirely utilized as of the balance sheet date. The unutilized ADS proceeds as at March 31, 2001 is Rs. nil (Rs. 140,99,00,000 as at March 31, 2000).

13.2.15 Stock option plans

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

1994 Stock Offer Plan (“the 1994 Plan”)

As of March 31, 2001, 2,57,400 shares were outstanding with the Employee Welfare Trust and options to acquire 3,30,000 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, the number of shares earlier issued to employees subject to lock-in-period is 14,21,200 shares.

1998 Stock Option Plan (“the 1998 Plan”)

The company’s 1998 Stock Option Plan (“the 1998 Plan”) provides for the grant of non-statutory stock options and incentive stock options to employees. The board of directors approved the 1998 Plan in December 1997 and the company’s shareholders approved the plan in January 1998. A total of 16,00,000 equity shares corresponding to 32,00,000 ADSs are currently reserved for issue pursuant to the 1998 Plan. The Government of India approved the 1998 Plan, subject to a limit of 14,70,000 equity shares, representing 29,40,000 ADSs, to be issued under the plan. These options may be issued at an exercise price that is not less than 90% of the fair market value of the underlying equity share on the date of the grant. The 1998 Plan will terminate in January 2008, unless terminated earlier. All options under the 1998 Plan are exercisable for ADSs representing equity shares. The compensation committee comprising members of the board of directors administers the 1998 Plan.

Number of options granted, exercised and forfeited	2001	2000
Options granted, beginning of year	6,89,500	4,19,000
Granted during the year	9,64,840	2,94,300
Exercised during the year	12,434	23,800
Forfeited during the year	76,400	–
Options granted, end of year	15,65,506	6,89,500
Weighted average exercise price	US$ 90.98	US$ 58.53
	Rs. 4,236	Rs. 2,552

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 1999 Plan in June 1999. The 1999 Plan provides for the issue of 66,00,000 equity shares to the employees. A compensation committee comprising a maximum of five members, the majority of whom are independent directors on the board of directors, administers the 1999 Plan. Under the 1999 Plan, options will be issued to employees at an exercise price, which shall not be less than the fair market value. Fair market value 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 fair market value only if specifically approved by the members of the company in a general meeting.

Number of options granted, exercised and forfeited	2001	2000
Options granted, beginning of year	10,06,800	–
Granted during the year	19,57,830	10,14,500
Exercised during the year	1,200	–
Forfeited during the year	1,69,450	7,700
Options granted, end of year	27,93,980	10,06,800
Weighted average exercise price	Rs. 5,572	Rs. 4,268

13.2.16 Pro-forma 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 pro forma amounts indicated below.

in Rs.

	2001	2000
Net profit:		
– As reported	628,81,36,341	293,51,56,665
– Adjusted pro forma	605,55,42,584	271,34,60,717

13.2.17 Provision for taxation

The company's profits from export activities are partly deductible from taxable income. However, most of Infosys' operations are conducted through 100% Export Oriented Units ("EOU"), which are entitled to a tax holiday for a period of ten years from the date of commencement of operations. The Government of India amended the tax incentive available to companies operating through EOUs. The tenure of tax exemption available to such companies is restricted to 10 consecutive years commencing from the earlier of the fiscal year in which the unit commences software development and March 31, 2000. Additionally, export-related tax deductions apart from the 100% EOU scheme earlier described 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.

13.2.18 Cash and bank balances

The cash and bank balances include interest accrued but not due on fixed deposits amounting to Rs.1,94,43,708 for the year ended March 31, 2001 (previous year – Rs. 94,92,514).

13.2.19 Loans and advances

Advances mainly comprises prepaid travel and per-diem expenses and advances to vendors for current assets.

Deposits with financial institutions and a body corporate comprise:

in Rs.

	2001	2000
Deposits with financial institutions:		
Housing Development Finance Corporation Limited	50,87,03,015	25,50,19,994
ICICI Limited	50,87,01,373	25,75,52,742
IDBI Limited	40,35,30,424	–
Deposits with body corporate:		
G E Capital Services India Limited	50,58,17,345	25,32,29,129
	192,67,52,157	76,58,01,865

The above amounts include interest accrued but not due amounting to Rs. 2,67,52,157 (previous year – Rs. 1,58,01,863).

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. Mr. N. R. Narayana Murthy, Chairman and CEO, and Prof. Marti G. Subrahmanyam, Director, are also directors in ICICI Limited. Except as directors in these financial institutions, these persons have no direct interest in these transactions.

13.2.20 Current liabilities

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

13.2.21 Fixed assets

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

13.2.22 Transfer of intellectual property rights

During the year, 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 product was transferred for a gross consideration of Rs. 8,93,40,000 (US$ 2 million), received as equity, preferred voting and preferred non-voting securities in OnMobile Systems Inc. The income arising out of the transfer of Rs. 5,49,44,000 (net of tax) is disclosed as an extraordinary item.

13.2.23 Investments

PurpleYogi Inc., USA

During the year, the company made a strategic investment of Rs. 2,33,34,992 comprising 2,76,243 fully paid Series D Convertible Preferred Stock, par value of US$ 0.001 each, at US$ 1.81 each in PurpleYogi Inc., USA. PurpleYogi Inc. is a developer of infrastructure software for information management, related to empowering networks to enable next generation content management and enterprise knowledge management solutions.

M-Commerce Ventures Pte. Ltd., Singapore

The company has a commitment to invest an aggregate amount of Singapore $ ("S$") 1,000,000 in M-Commerce Ventures Pte Ltd ("MCV"), a Singapore based venture fund. As at December 31, 2000, the company had made an investment of Rs. 1,84,47,700 (equivalent to S$ 700,000), and acquired 70 capital units in MCV. Each unit in MCV represents one ordinary share of S$ 1 each, issued at par, and nine redeemable preference shares at a par value of 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.

EC Cubed Inc., USA

During the year, EC Cubed Inc., USA ("EC Cubed"), one of the companies in which Infosys had made a strategic investment, filed for liquidation. Pending the conclusion of liquidation proceedings, the company has provided for the entire investment, amounting to Rs. 13,08,00,000 in its profit and loss account.

Alpha Thinx Mobile Phone Services AG, Austria

During the year, the company invested Rs. 2,20,98,608 (equivalent to € 555,800) and acquired 27,790 bearer shares of nominal value € 1 each, at an issue price of € 20 per share in Alpha Thinx Mobile Phone Services AG ("Alpha Thinx"), a Vienna-based company. Due to adverse market conditions and non-availability of additional funding, the company filed for liquidation. Pending the conclusion of liquidation proceedings, the company has provided for the entire investment, amounting to Rs. 2,20,98,608, in its profit and loss account.

Asia Net Media BVI Ltd., the British Virgin Islands

During the year, the company invested Rs. 6,84,75,000 (equivalent to US$ 1,500,000) and acquired 3,00,00,000 Ordinary Shares of par value US$ 0.01 each, at an issue price of US$ 0.05 per Ordinary Share in Asia Net Media BVI Limited ("Asia Net"). 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.

CiDRA Corporation, USA

During the year, the company made a strategic investment of Rs. 13,40,08,660 comprising 33,333 fully paid Series D Convertible Preferred Stock, par value of US$ 0.01 each, at US$ 90 each in CiDRA Corporation, USA. CiDRA Corporation is a developer of photonic devices for high-precision wavelength management and control for next-generation optical networks.

13.2.24 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 consistently applied to record revenue and expenditure in individual segments, are as set out in the note of 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 retailing industries; and others such as utilities, transportation and logistics companies.

Revenue and direct expenses in relation to segments are 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. 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.

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. 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.

Customer relationships are driven based on the location of the respective clients. 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.

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

13.2.25 Related party transactions

The company entered into related party transactions during the year with Yantra Corporation, USA, the subsidiary of the company and key management personnel.

The transactions with Yantra comprise sales of Rs. 19,64,85,967 during the year ended March 31, 2001 (previous year – Rs. 11,40,18,373). The outstanding dues from the subsidiary are as set out in schedule 5, *Sundry debtors,* to the financial statements.

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 is stated in schedule 7, *Loans and advances,* to the financial statements.

13.2.26 Provisions for doubtful debts

Periodically, management evaluates all customer dues to the company for collectibility. 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, general economic factors, which could affect the customer's ability to settle. The company normally provides for debtor dues outstanding for 180 days or longer. For the year ended March 31, 2001, the company has provided for doubtful debts of Rs. 8,55,48,753 (previous year Rs. Nil) on dues from certain customers although the outstanding amounts were less than 180 days old, since the amounts were considered doubtful of recovery. Management continues pursuing the parties for recovery of the dues, in part or full.

13.2.27 Dividends remitted in foreign currencies

The company remits dividends in foreign currency only in respect of the holders of American Depository Shares ("ADS holders") to the depositary bank in Indian rupees. The depositary bank is the sole registered shareholder on record for all owners of the company's ADSs. Particulars of dividends remitted are as follows:

Particulars	Number of shares to which the dividends relate	Year ended March 31, 2001 Amount (Rs.)	2000 Amount (Rs.)
Final dividend for fiscal 1999	10,35,000	–	62,10,000
Interim dividend for fiscal 2000	10,35,000	–	31,05,000
Final dividend for fiscal 2000	20,81,900	62,11,810	–
Interim dividend for fiscal 2001	20,82,567	52,06,417	–
		1,14,18,227	93,15,000

Industry segments

Year ended March 31, 2001 *in Rs.*

	Financial services	Manufacturing	Telecom	Retail	Others	Total
Revenues	640,77,55,042	338,84,20,263	350,11,16,331	172,86,39,345	397,97,27,826	1900,56,58,807
Identifiable operating expenses	225,87,90,591	130,66,14,108	88,39,38,378	54,74,24,303	120,92,12,385	620,59,79,765
Allocated expenses	177,68,81,844	90,69,15,538	93,89,68,074	46,30,82,749	106,54,09,651	515,12,57,856
Segmental operating income	237,20,82,607	117,48,90,617	167,82,09,879	71,81,32,293	170,51,05,790	764,84,21,186
Unallocable expenses						128,18,43,760
Operating income						636,65,77,426
Other income (expense), net						59,37,14,915
Net profit before taxes						696,02,92,341
Income taxes						72,71,00,000
Net profit after taxes						623,31,92,341

Year ended March 31, 2000 *in Rs.*

	Financial services	Manufacturing	Telecom	Retail	Others	Total
Revenues	265,30,85,370	202,83,52,254	135,55,15,518	93,73,76,882	184,89,06,949	882,32,36,973
Identifiable operating expenses	101,19,71,503	75,67,92,632	40,28,62,023	27,76,93,104	66,64,12,833	311,57,32,095
Allocated expenses	69,37,68,066	50,86,57,287	34,03,02,435	23,63,91,743	46,26,83,234	224,18,02,765
Segmental operating income	94,73,45,801	76,29,02,335	61,23,51,060	42,32,92,035	71,98,10,882	346,57,02,113
Unallocable expenses						60,06,27,389
Operating income						286,50,74,724
Other income (expense), net						39,14,11,095
Net profit before taxes						325,64,85,819
Income taxes						39,70,00,000
Net profit after taxes						285,94,85,819

Geographic segments

Year ended March 31, 2001 *in Rs.*

	North America	Europe	India	Rest of the World	Total
Revenues	1396,90,84,594	358,05,91,607	26,53,92,386	119,05,90,220	1900,56,58,807
Identifiable operating expenses	443,71,64,129	125,44,88,260	8,95,83,246	42,47,44,130	620,59,79,765
Allocated expenses	377,03,71,740	96,78,27,796	8,59,85,652	32,70,72,668	515,12,57,856
Segmental operating income	576,15,48,725	135,82,75,551	8,98,23,488	43,87,73,422	764,84,21,186
Unallocable expenses					128,18,43,760
Operating income					636,65,77,426
Other income (expense), net					59,37,14,915
Net profit before taxes					696,02,92,341
Income taxes					72,71,00,000
Net profit after taxes					623,31,92,341

Year ended March 31, 2000 *in Rs.*

	North America	Europe	India	Rest of the World	Total
Revenues	688,38,28,204	130,36,56,209	12,62,56,042	50,94,96,518	882,32,36,973
Identifiable operating expenses	233,90,25,514	54,42,04,124	3,92,29,204	19,32,73,253	311,57,32,095
Allocated expenses	173,76,61,289	33,01,22,096	4,52,76,088	12,87,43,292	224,18,02,765
Segmental operating income	280,71,41,401	42,93,29,989	4,17,50,750	18,74,79,973	346,57,02,113
Unallocable expenses					60,06,27,389
Operating income					286,50,74,724
Other income (expense), net					39,14,11,095
Net profit before taxes					325,64,85,819
Income taxes					39,70,00,000
Net profit after taxes					285,94,85,819

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

Particulars	Year ended March 31, 2001	2000
Number of shares considered as basic weighted average shares outstanding	6,61,52,131	6,61,39,372
Add: Effect of dilutive issues of shares/stock options	2,06,180	18,447
Number of shares considered as weighted average shares and potential shares outstanding	6,63,58,311	6,61,57,819

13.2.29 Pro-forma disclosures relating to deferred income taxes

The pro-forma amounts based on the following proposed accounting policy in conformity with the referred exposure draft issued by the ICAI relating to accounting for income taxes is given below.

Income taxes are computed using the tax effect accounting method, where taxes are accrued in the same period the related revenue and expenses arise. 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 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.

Deferred tax assets:

in Rs.

	2001	2000
Fixed assets	7,07,25,385	11,55,09,912
Investments	7,44,36,031	–
Others	1,01,42,724	39,75,433
	15,53,04,140	11,94,85,345

Net profit after tax:

in Rs.

	2001	2000
As reported	628,81,36,341	293,51,56,665
Adjusted pro-forma	632,39,55,136	297,20,17,263

When the exposure draft is formally issued by the ICAI and adopted by the company, the cumulative charge or benefit of deferred taxes until April 1, 2001, the effective date of the standard's adoption by the company, will be recorded as an appropriation to accumulated profits, currently estimated by management at Rs. 15,53,04,140, while the deferred tax charge or benefit for the periods commencing from April 1, 2001 will be recorded as a part of the income tax charge on net profits.

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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 judgements 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,	2001		2000	
	Number	Rs.	Number	Rs.
Opening balance at the beginning of the fiscal year	6,61,50,700	33,07,53,500	3,30,69,400	33,06,94,000
Effect of stock split in February 2000	–	–	3,30,69,400	–
Shares issued during the year upon conversion of :				
– options issued under 1998 plan	6,217	31,085	11,900	59,500
– options issued under 1999 plan	1,200	6,000	–	–
Closing balance at the end of the fiscal year	6,61,58,117	33,07,90,585	6,61,50,700	33,07,53,500
Add: Forfeited shares	–	1,500	–	1,500
Total	6,61,58,117	33,07,92,085	6,61,50,700	33,07,55,000

At present, the company has only one class of shares. In February 2000, the company subdivided its equity share of par value Rs. 10 each into two equity shares of par value of Rs. 5 each and the same was approved by the shareholders at the Extraordinary General Meeting held in December 1999. Due to this, the issued, subscribed and outstanding shares increased from 3,30,69,400 shares of par value of Rs. 10 each to 6,61,38,800 shares of par value of Rs. 5 each. The authorized share capital of the company increased from 5,00,00,000 equity shares of Rs. 10 par value per share to 10,00,00,000 equity shares of Rs. 5 par value per share.

During the 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. Also, during the year, 22 employees exercised 1,200 equity shares issued under the 1999 Stock Option Plan. Consequently, the issued, subscribed and outstanding shares increased by an additional 7,417 equity shares. In comparison, during the previous year, 17 employees exercised 23,800 ADSs (equivalent to 11,900 equity shares of par value of Rs. 5 each) issued under the 1998 Stock Option Plan leading to an increase in issued, subscribed and outstanding shares by an additional 11,900 equity shares.

2. Reserves and surplus

The addition to the share premium account of Rs. 2,37,48,821 during the year is due to the 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. During the previous year, an amount of Rs. 1,75,65,777 was added to the share premium account on account of premium received on issue of 11,900 equity shares of par value of Rs. 5 each (equivalent to 23,800 ADSs) on exercise of options issued under the 1998 Stock Option Plan at an exercise price of $ 17 per ADS (adjusted for the stock split of 2:1).

The reduction in the share premium of Rs. 2,35,06,514 during the previous year relates to expenses incurred on issue of ADSs in March 1999. The total cost related to the issue of American Depositary Shares (ADS) was Rs. 19,68,20,929 (which accounted for 6.65% of the gross issue proceeds) and the details of the same are given below:

Nature of expenses	Rs.
Travel expenses	35,91,484
India advisor's fees	1,48,43,142
Legal and accounting fees	3,37,04,384
Registration and filing fee	30,86,211
Stamp duty	29,88,150
Underwriters' spread	14,28,61,129
Contribution received from depositary	(1,19,57,225)
Printing expenses	77,03,654
	19,68,20,929

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

3. Fixed assets

As of March 31 *in Rs.*

Particulars	2001	2000	Growth %
Land – free-hold	9,03,58,977	1,89,83,650	375.98
– lease-hold	27,58,51,790	19,17,69,406	43.85
Buildings	157,70,54,610	58,90,10,239	167.75
Plant and machinery	112,04,63,007	51,75,81,633	116.48
Computer equipment	223,94,47,475	112,23,85,220	99.53
Furniture and fixtures	100,47,51,161	39,92,10,666	151.68
Vehicles	35,17,005	13,64,329	157.78
Total	631,14,44,025	284,03,05,143	122.21
Less: accumulated depreciation	244,13,15,982	133,65,20,594	82.66
Net block	387,01,28,043	150,37,84,549	157.36
Add: capital work-in-progress	170,65,04,250	56,96,03,505	199.60
Net fixed assets	557,66,32,293	207,33,88,054	168.96
Depreciation as a % of total revenues	5.76%	5.78%	
Accumulated depreciation as a % of gross block	38.68%	47.05%	

During the year, the company added Rs. 349,66,44,427 to its gross block of assets, including investment in technology assets of Rs. 113,83,99,209. The company also invested Rs. 15,54,57,711 on acquisition of land at Bangalore, Chennai, Pune, Bhubaneswar, Mangalore and Mysore, all in India, for creating software development infrastructure. During the year, the company operationalized new software development centers at Bangalore, Chennai, Pune, Bhubaneshwar and Mangalore, and consequently the investment in buildings increased by Rs. 98,80,44,371. Due to all these new centers being operationalized during the year, technology assets, plant and machinery, and furniture and fixtures increased by Rs. 113,83,99,209, Rs. 60,64,52,428 and Rs. 60,60,03,206 respectively. As of March 31, 2001, the company had 16,65,800 sq.ft. of space capable of accommodating 10,100 professionals and 19,08,200 sq.ft. under construction, which includes 1,50,000 sq.ft. of space for Infosys Leadership Institute which is coming up in Mysore, India.

During the previous year, the company added Rs. 117,79,35,912 to its gross block, including investment in technology assets of Rs. 37,46,60,063.

The capital work-in-progress as at March 31, 2001 and 2000 represents advances paid towards acquisition of fixed assets, and the cost of assets not put to use.

During the year, the company donated 371 computer systems costing Rs. 2,05,09,882 (book value Rs.4) to certain educational institutions and the same is disclosed under the heading *Deductions during the year*, under both *Gross block* and *Depreciation*. The corresponding amount for the previous year was Rs. 1,80,89,383 (book value Nil).

The company has a capital commitment of Rs. 1,58,25,35,171 as of March 31, 2001, as compared to Rs. 80,31,29,007 as of March 31, 2000. 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

4.1 Yantra Corporation

Sl. No	Particulars	Year of investment	Investment in $	Investment in Rs.
1.	Investment by way of cash remittance towards issue of 25,00,000 shares of common stock at $ 0.20 per share, par value of $ 0.01 per share	March 31, 1996	500,000	1,73,51,600
2.	Investment by way of transfer of product "EAGLE" for a consideration of 50,00,000 shares of common stock at $ 0.20 per share, par value of $ 0.01 per share	March 31, 1997	1,000,000	3,59,00,000
3.	Investment by way of cash remittance towards issue of 20,00,000 shares of convertible preferred stock at $ 0.75 per share, par value of $ 0.01 per share	March 31, 1998	1,500,000	5,45,10,000
4.	Sale of 13,63,637 shares of convertible preferred stock at $ 1.10 per share, par value of $ 0.01 per share	March 31, 1999	(1,022,728)	(3,71,65,926)
5.	Provision for investments	March 31, 1999	(1,977,272)	(7,05,95,674)
6.	Balance as on March 31, 2001		–	–

On June 14, 1999, Yantra issued Series C Preferred stock amounting to $ 15.0 million to various unrelated existing and new investors, thereby reducing Infosys' economic interest in Yantra to approximately 25% on a fully diluted basis. In July 2000, Yantra issued Series D Convertible Preferred Stock amounting to $ 40 million, to unrelated existing and new investors, further reducing Infosys' economic interest in Yantra to approximately 16%.

Mr. S. Gopalakrishnan, Deputy Managing Director of Infosys is a member on the board of Yantra Corporation as of March 31, 2001. 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.

4.2 EC Cubed Inc.

During the previous year, an investment of $ 3,000,000 (Rs. 13,08,00,000) was made towards the issue of 13,00,108 shares of Series D Convertible Preferred Stock of par value of $ 0.0001 each of EC Cubed Inc. EC Cubed was founded in 1996 and was engaged in the development and delivery of B2B e-commerce solutions. It was ranked as one of the *"Top 100 emerging companies to watch in 2000"* by *ComputerWorld*. Infosys was a strategic IT partner to EC Cubed and participated in its fourth round of funding along with leading venture capitalists. Adverse market conditions resulted in EC Cubed being unable to raise further capital, forcing its liquidation. Pending the conclusion of liquidation proceedings, the company has provided for the entire amount of the investment amounting to Rs. 13,08,00,000.

Infosys' cumulative billings from EC Cubed Inc. aggregated Rs.23,02,19,800 ($ 5,166,944) and the amount due was Rs. 4,66,91,951 ($ 1,002,834), which was provided for in full during the year.

4.3 Alpha Thinx Mobile Phone Services AG.

During the current year, an investment of € 555,800 (Rs. 2,20,98,608) was made towards the issue of 27,790 bearer shares at € 20 each, fully paid, par value being € 1 each, in Alpha Thinx Mobile Phone Services AG ("Alpha Thinx") – a Vienna-based company operating in the wireless Internet space. Adverse market conditions resulted in Alpha Thinx being unable to raise further capital and thus forced its liquidation. Pending the conclusion of liquidation proceedings, the company has provided for the entire amount of the investment amounting to Rs. 2,20,98,608.

Infosys' cumulative billings from Alpha Thinx aggregated Rs.6,58,32,093 ($ 1,437,532) and the amount due was Rs. 1,48,99,200 ($ 320,000), which was provided for in full during the year.

4.4 Asia Net Media (BVI) Limited

During the current year, Infosys invested an amount of $ 1,500,000 (Rs. 6,84,75,000) 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 37% through a fully-owned subsidiary, aggregated Rs.5,31,72,528 ($ 1,189,701) and, as of March 31, 2001, the amount due was Rs. 1,87,17,120 ($ 402,000).

Mr. Ramesh Vangal, a non-executive director of Infosys, is a member on the board of Asia Net Media.

4.5 CiDRA Corporation

During the current year, Infosys invested an amount of $ 2,999,970 (Rs. 13,40,08,660) 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 aggregated Rs. 9,74,35,821 ($ 2,138,052) and, as of March 31, 2001, the amount due was Rs. 44,61,379 ($ 95,820).

4.6 JASDIC Park Company

Infosys has invested an amount of Yen 24 million (Rs. 75,38,109) 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 aggregated Rs.44,74,19,122 ($ 10,118,993) and, as of March 31, 2001, the amount due was Rs. 4,64,99,841 ($ 998,708).

4.7 M-Commerce Ventures Pte. Ltd

During the current year, Infosys invested an amount of S $ 700,000 (Rs. 1,84,47,700) 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$ 1,000,000 in the fund. As of March 31, 2001, Infosys has an investment of S $ 700,000 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.

During the current year, Infosys invested an amount of $ 2,000,000 (Rs. 8,93,40,000) 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-focussed wireless-enabled notification product. The income arising out of the transfer of the product, amounting to Rs. 5,49,44,000 (net of tax), is disclosed as an extraordinary item in the profit and loss account.

Infosys' cumulative billings from OnMobile Systems Inc. aggregated Rs.13,84,30,739 ($ 2,993,399) and, as of March 31, 2001, the amount due was Rs. 1,94,30,745 ($ 417,327).

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 200,000 and 500,000 shares, respectively, in OnMobile Systems Inc., acquired at a price of $ 0.0435 per share. Mr. V. Balakrishnan, Associate Vice President – Finance and Company Secretary, Infosys, holds 100,000 stock options in OnMobile Systems Inc. granted at an exercise price of $ 0.0435 per option.

4.9 PurpleYogi Inc.

During the current year, Infosys invested an amount of $ 500,000 (Rs. 2,33,34,992) in 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. PurpleYogi is a developer of infrastructure software for information networks that enables intelligent content management and efficient enterprise-wide knowledge management.

4.10 Other investments

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

5. Sundry debtors

Sundry debtors amount to Rs. 3,02,37,02,417 (net of provision for doubtful debts amounting to Rs. 18,17,23,491) as at March 31, 2001, as compared with Rs. 1,36,17,81,253 (net of provision for doubtful debts amounting to Rs. 2,21,26,448) as at March 31, 2000. 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 account 15.91% of total software revenues for the year ended March 31, 2001, as compared to 15.43% for the previous year, representing an outstanding of 58 days and 56 days of software revenues for the respective years. The age profile is as given below:

As of March 31

Period in days	2001	2000
0 – 30	69.2%	64.7%
31 – 60	26.6%	31.8%
61 – 90	1.7%	1.8%
More than 90	2.5%	1.7%
	100.0%	100.0%

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

in Rs.

Year ended March 31	2001	2000
Opening balance	2,21,26,448	1,27,23,349
Add: Amount provided during the year	19,27,45,549	94,03,099
Less: Amounts written-off during the year	3,31,48,506	–
Closing balance	18,17,23,491	2,21,26,448

Provision for bad and doubtful debts and bad debts written off as a percentage of income were 1.00% and 0.27% in fiscal 2001 and 2000, respectively.

6. Cash and bank balances

in Rs.

As of March 31	2001	2000
Cash balances	96,062	13,17,773
Bank balances in India		
current accounts	9,62,49,669	10,16,77,272
deposit accounts	181,88,52,687	22,91,45,764
EEFC deposit accounts in $	3,17,15,827	25,81,47,267
Bank balances – overseas		
current accounts	54,00,67,439	63,39,94,737
deposit accounts	136,36,28,601	309,36,52,917
Total cash and bank balances	385,06,10,285	431,79,35,730
Add: Deposits with financial institutions / body corporate	192,67,52,157	76,58,01,865
Total cash and cash equivalents	577,73,62,442	508,37,37,595
Cash and cash equivalents as a % of total assets	41.6%	61.0%
Cash and cash equivalents as a % of revenues	29.5%	55.2%

The bank balances in India include both rupee accounts and foreign currency accounts. They also include Rs. 48,15,163 and Rs. 28,72,035 in the unclaimed dividend account for the years ended March 31, 2001 and 2000. The deposit account represents deposits for short tenures.

The details of such deposits are as under:

in Rs.

As of March 31	2001	2000
Deutsche Bank	50,44,30,381	–
The Bank of Nova Scotia	5,16,03,579	–
Standard Chartered Bank	50,22,19,043	–
UTI Bank Limited	5,42,13,915	4,99,06,350
Citibank NA	50,62,80,563	–
Bank of America	20,01,05,206	–
State Bank of Mysore	–	4,65,000
State Bank of India	–	3,86,902
ICICI Bank Limited	–	12,72,23,128
IDBI Bank Limited	–	5,11,64,384
Total	181,88,52,687	22,91,45,764

The bank balances in overseas deposit accounts represents deposit 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 USA and other countries, and to meet project-related expenditure overseas.

7. Loans and advances

Advances are primarily towards amounts paid in advance for value and services to be received in future. The costs in excess of billings represent project costs in the nature of salaries, travel and other expenses incurred on fixed-price contracts, where milestones are yet to be reached, as of March 31, 2001. *Advance income tax* represents payments made towards tax liability for the years ended March 31, 2001 and 2000, 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.

As of March 31	2001	2000
Domestic tax	43,56,16,548	15,75,31,957
Overseas tax	80,17,81,244	38,65,64,396
Total	123,73,97,792	54,40,96,353

Deposits with financial institution and body corporate represents surplus money deployed in the form of short-term deposits. The details of such deposits are as under:

in Rs.

As of March 31	2001	2000
Housing Development Finance Corporation Limited	50,87,03,015	25,50,19,994
GE Capital Services India	50,58,17,345	25,32,29,129
ICICI Limited	50,87,01,373	25,75,52,742
IDBI Limited	40,35,30,424	–
Total	192,67,52,157	76,58,01,865

The company's treasury policy calls for investing only with highly-rated companies for short maturities with a limit on investments in individual companies.

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

in Rs.

As of March 31	2001	2000
Housing loan	25,85,17,558	22,27,03,635
Soft loan	10,14,62,528	6,57,41,196
Vehicle loan	12,47,47,042	8,51,56,036
Marriage loan	1,23,77,422	85,86,459
Other loans	74,79,378	52,47,500
Total	50,45,83,928	38,74,34,826

Other advances represent electricity deposits, telephone deposits, insurance deposits and advances of a similar nature. The rent and maintenance deposits are towards buildings taken on lease by the company for its software development centers in various cities. It also includes the deposits paid by the company to house its staff which is Rs. 2,55,08,400 for the current year as compared to Rs. 1,17,01,275 for the previous year.

8. Current liabilities

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

in Rs.

As of March 31	2001	2000
Accrued salaries payable	3,80,31,047	1,47,24,431
Accrued bonus payable to employees	34,43,68,845	8,57,89,374
Leave provision – as per actuarial valuation	18,97,50,132	12,37,93,244
Others	20,68,344	1,44,242
Total	57,42,18,368	22,44,51,291

Sundry creditors for other liabilities represent amounts accrued for various other operational expenses. *Retention monies* represent monies withheld on contractor payments pending final acceptance of their work. The *withholding and other taxes payable* represents 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 those taxes would be paid in due course. *Advances received from clients* denote monies received for the delivery of future services. *Unclaimed dividends* represent dividend paid, but not encashed by shareholders, and are represented by a bank balance of equivalent value.

9. Unearned revenue

Unearned revenue as at March 31, 2001 and 2000 consists primarily of advance client billing on fixed-price, fixed-time-frame contracts for which related costs were not yet incurred.

10. Provisions

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

in Rs.

As of March 31	2001	2000
Domestic tax	41,66,55,296	15,35,19,742
Overseas tax	81,23,56,445	47,25,00,000
Total	122,90,11,741	62,60,19,742

Tax on dividend denotes taxes payable on final dividend declared for the years ended March 31, 2001 and 2000. The tax provisions and the corresponding advance tax payments will be set off upon completion of the related assessments. *Proposed dividend* represents the final dividend recommended to the shareholders by the board of directors, and would be paid after the Annual General Meeting, upon approval by the shareholders.

The company has been preparing to leverage the opportunities offered by the e-commerce marketplace, and has taken the necessary steps to do so. This required that the company incur business restructuring costs towards creating a knowledge infrastructure, acquiring people with technical skills in the e-commerce area and e-inventing the company. Accordingly, the company made a provision of Rs. 3,50,00,000 during the quarter ended September 30, 1999. An amount of Rs. 3,10,99,023 was incurred towards e-inventing the company and was set-off against this provision. After this set-off, a balance of Rs. 39,00,977 remained as a provision for e-inventing the company as on March 31, 2000. The same was spent fully and set-off against the provision, during the current year.

The *provision for gratuity* represented the excess of gratuity liability as per the actuarial valuation as of March 31, 2000 and the amount funded to the trust. The same was funded subsequently. The company does not have any such liability as of March 31, 2001.

B. Results of operations

1. Income

Year ended March 31 *in Rs.*

Particulars	2001	%	2000	%	Growth %
Software development services and products					
Overseas	1874,02,66,421	95.62	869,69,80,931	94.38	115.48
Domestic	26,53,92,386	1.35	12,62,56,042	1.37	110.20
Other income	59,37,14,915	3.03	39,14,11,095	4.25	51.69
Total	1959,93,73,722	100.00	921,46,48,068	100.00	112.70

The company's revenues are generated principally on fixed-timeframe or time-and-material basis. Revenues from services provided on a time-and-materials basis are recognized in the month that services are provided and related costs are incurred. Revenues from 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 development services and products is as follows:

Year ended March 31

Revenues by project type	2001	2000
Fixed price	28.20%	31.50%
Time and material	71.80%	68.50%
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 services are given below:

Year ended March 31

Revenues by location	2001	2000
Onsite	51.50%	48.50%
Offshore	48.50%	51.50%
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 below:

As of March 31

Person-months (%)	2001	2000
Onsite	34.00%	32.50%
Offshore	66.00%	67.50%
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. The growth is also mainly due to growth in business volumes and increase in billing rates. The details of the same is given below:

Year ended March 31	2001	2000
Income from software development services and products ($ millions)		
Onsite	213.03	98.57
Offshore	200.82	104.87
Total	413.85	203.44
Person-months (Nos.)		
Onsite	19,425	11,583
Offshore	37,676	24,058
Billed-total	57,101	35,641
Non-billable	15,799	9,243
Training	11,828	4,036
Total software professionals	84,728	48,920
Support	9,691	7,110
Total for the company	94,419	56,030
Increase in billed person – months		
Onsite	7,842	5,244
% change	67.7%	82.7%
Offshore	13,618	5,006
% change	56.6%	26.3%
Total	21,460	10,250
% change	60.2%	40.4%

Increase in income from software development services and products ($ millions)		
Volume variance	126.10	59.97
% change	62.0%	49.6%
Price variance	84.31	22.51
% change	41.4%	18.6%
Total variance	210.41	82.48
% change	103.4%	68.2%

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

Other income as a percentage to total income declined from 4.25% in the previous year to 3.03% in the current year. The reduction is mainly due to software revenues growing faster than the treasury income. Also, there has been a reduction in income from sale of special import licenses issued by the government based on export performance of the company. The average yield on the deposits earned by the company is given below:

in Rs

Year ended March 31	2001	2000
Average cash and cash equivalents during the year	543,05,50,019	462,51,64,269
Interest received during the year	37,54,58,594	26,68,79,106
Average yield	6.91%	5.77%

The increase in yield is primarily due to a larger proportion of deposits with banks and other entities in India.

2. Expenditure

Year ended March 31 *in Rs.*

Particulars	2001	%	2000	%	Growth %
Total revenues	1959,93,73,722	100.00	921,46,48,068	100.00	112.70
Expenditure:					
Software development expenses	958,17,66,650	48.89	466,26,84,578	50.60	105.50
Administration and other expenses	177,54,70,971	9.06	69,48,50,282	7.54	155.52
Provision for investments	15,28,98,608	0.78	–	–	–
Provision for contingencies	–	–	3,33,00,000	0.36	–
Provision for e-inventing the company	–	–	3,50,00,000	0.38	–
Total operating expenses	1151,01,36,229	58.73	542,58,34,860	58.88	112.14
Operating profit	808,92,37,493	41.27	378,88,13,208	41.12	113.50
Interest	-	–	–	–	–
Depreciation	112,89,45,152	5.76	53,23,27,389	5.78	112.08
Profit before tax and extraordinary item	696,02,92,341	35.51	325,64,85,819	35.34	113.74
Provision for tax	72,71,00,000	3.71	39,70,00,000	4.31	83.15
Profit after tax before extraordinary item	623,31,92,341	31.80	285,94,85,819	31.03	117.98
Extraordinary item					
– transfer of intellecutal property right (net of tax)	5,49,44,000	0.28	–	–	–
– provision no longer required	–	–	7,56,70,846	0.82	–
Net profit after tax and extraordinary item	628,81,36,341	32.08	293,51,56,665	31.85	114.24

2.1 Software development expenses

Year ended March 31 *in Rs.*

Particulars	2001	%	2000	%	Growth%
Salaries and bonus					
including overseas staff expenses	675,86,45,286	34.48	307,54,46,295	33.38	119.76
Staff welfare	8,46,06,310	0.43	4,93,07,308	0.54	71.59
Contribution to provident and other funds	33,45,76,308	1.71	22,08,36,923	2.40	51.50
Foreign travel expenses	147,22,11,655	7.51	84,09,02,293	9.13	75.08
Consumables	5,86,87,245	0.30	2,70,06,251	0.29	117.31
Cost of software packages for					
own use	31,85,81,751	1.63	16,53,57,382	1.79	92.66
banking product	5,70,13,753	0.29	2,84,48,397	0.31	100.41
Computer maintenance	7,19,42,078	0.37	3,27,43,350	0.36	119.72
Communication expenses	31,52,55,986	1.61	17,31,23,718	1.88	82.10
Consultancy charges	9,19,25,609	0.47	2,85,50,034	0.31	221.98
Provision for post-sales client support	1,83,20,669	0.09	2,09,62,627	0.23	(12.60)
	958,17,66,650	48.89	466,26,84,578	50.60	105.50
Revenues	1959,93,73,722	100.00	921,46,48,068	100.00	

Employee costs comprise approximately 37% and 36% of total revenue for the years ended March 31, 2001 and 2000, respectively. The increase is due to an increase in the average number of unbilled employees during the year due to training and bench, and also a change in the onsite-offshore mix, as compared to the previous year. The company added 4,442 employees (net) during the year as compared to 1,623 during the previous year. The utilization rates of the employees is as below:

Year ended March 31	2001	2000
Including trainees	67.40%	72.90%
Excluding trainees	78.30%	79.40%

Foreign travel expenses, representing cost of travel abroad for software development and marketing, constituted approximately 8% and 9% of total revenue for the years ended March 31, 2001 and 2000, respectively.

Cost of software packages for own use represents the cost of software packages and tools procured for internal use, 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 has increased by approximately 93% during the year, and was approximately 2% of the total revenues for the years ended March 31, 2001 and 2000, 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. This represents approximately 2% each of total revenues for the years ended March 31, 2001 and 2000, respectively.

The company provided an amount of Rs. 1,83,20,669 and Rs. 2,09,62,627 towards post-sales client support for the year ended March 31, 2001 and 2000, 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. This had come down by approximately 13% due to reduction in proportion of fixed-price, fixed-time frame projects to total income from 31.50% during the previous year to 28.20% in the current year.

The company also utilizes outside consultants for part of its software development work. During the year, the company spent a sum of Rs. 9,19,25,609 towards consultancy as compared to Rs. 2,85,50,034 during the previous year, resulting in an increase of 222%. This increase is due to increase in number of consultants hired during the year. The company uses these consultants mainly to meet mismatch in certain skill sets required in various projects and would continue to use external consultants for some of its project work on a need basis.

2.2 Administration and other expenses

Year ended March 31 *in Rs.*

Particulars	2001	%	2000	%	Growth%
Travelling and conveyance	18,40,64,822	0.94	7,68,26,394	0.83	139.59
Rent	16,94,82,708	0.86	10,34,93,593	1.12	63.76
Telephone charges	14,02,60,363	0.72	5,93,95,252	0.64	136.15
Professional charges	20,40,21,385	1.04	7,55,68,079	0.82	169.98
Printing and stationery	6,25,54,206	0.32	2,76,70,902	0.30	126.06
Advertisements	6,30,77,831	0.32	2,12,41,343	0.23	196.96
Brand building	10,52,01,392	0.54	99,17,816	0.11	960.73
Office maintenance	12,84,32,642	0.66	5,81,01,381	0.63	121.05
Repairs to building	3,95,22,458	0.20	1,13,44,232	0.12	248.39
Repairs to plant and machinery	2,26,54,171	0.12	84,12,905	0.09	169.28
Power and fuel	11,78,45,258	0.60	5,01,41,466	0.54	135.03
Insurance charges	5,17,55,298	0.26	2,41,35,289	0.26	114.44
Rates and taxes	1,82,17,524	0.09	1,03,80,848	0.11	75.49
Donations	7,21,92,883	0.37	3,49,27,871	0.38	106.69
Auditors remuneration	21,85,000	0.01	26,35,000	0.03	(17.08)
Bad loans and advances written off	4,141	0.00	3,13,050	0.00	(98.68)
Bad debts written off	27,70,254	0.01	1,59,20,938	0.17	(82.60)
Provision for bad and doubtful debts	19,27,45,549	0.98	94,03,099	0.10	1949.81
Provision for doubtful loans and advances	7,11,816	0.00	–	–	–
Bank charges and commission	59,39,483	0.03	42,21,668	0.05	40.69
Commission charges	1,79,03,784	0.09	64,70,454	0.07	176.70
Freight charges	55,72,484	0.03	23,84,004	0.03	133.74
Professional membership and seminar participation fees	2,17,10,613	0.11	75,30,693	0.08	188.30
Marketing expenses	4,26,87,545	0.22	2,94,50,685	0.32	44.95
Commission to non-wholetime directors	59,22,049	0.03	48,17,800	0.05	22.92
Sales promotion expenses	70,16,656	0.04	26,70,973	0.03	162.70
Transaction processing fee and filing fees	1,52,76,339	0.08	3,69,846	0.00	4030.46
Other miscellaneous expenses	2,60,44,880	0.13	53,34,177	0.06	388.26
Postage and courier	2,27,86,459	0.12	1,37,56,638	0.15	65.64
Books and periodicals	1,69,10,978	0.09	77,13,886	0.08	119.23
Research grants	1,00,00,000	0.05	1,03,00,000	0.11	(2.91)
Total administration and other expenses	177,54,70,971	9.06	69,48,50,282	7.54	155.52
Revenues	1959,93,73,722	100.00	921,46,48,068	100.00	

The company incurred *administration and other expenses* at 9.06% of its total revenue during fiscal 2001 as compared to 7.54% during the previous year. Administration and other expenses as a percentage of total revenues increased during the year mainly due to increase in brand building expenses and increased provisioning for bad and doubtful debts.

Travelling and conveyance expenses increased due to the increased levels of business and increase in number of development centers and sales offices. *Rent expenses* increased by approximately 64% during the year due to additional office properties leased during the year and increases in rentals of certain properties previously taken on lease. *Telephone charges* increased by 136% due to greater usage, in tune with the growth in business. *Professional charges* increased by 170%, 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, etc. *Printing and stationary* increased due to increased levels of business. *Advertisement expense* increased by 197% due to increase in advertisements for recruitment purposes both in India and abroad. *Brand building expenses* increased by 961% during the year. It includes expenses incurred for participation in various seminars and exhibitions, both in India and abroad, various sales and marketing events organized by the company and also other advertisement and sales promotional expenses. The company added 122 new customers during the year as compared to 99 during the previous year. The *auditors remuneration* during the previous year includes Rs. 4,50,000 paid towards other services. There was no increase in the auditors' fees during the current year. *Provision for bad and doubtful debts* increased from Rs. 94,03,099 during the previous year to Rs. 19,27,45,549 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, 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 income were 1.00% and 0.27% in fiscal 2001 and 2000, respectively. The age-profile of debtors is given below:

Period in days	2001	2000
0 – 30	69.2%	64.7%
31 – 60	26.6%	31.8%
61 – 90	1.7%	1.8%
More than 90	2.5%	1.7%
	100.0%	100.0%

The *transaction processing fee and filing fees* represents 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 increasing business.

3. Provision for investment

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

4. Operating profits

During the current year, the company earned an operating profit (profit before interest, depreciation and tax) of Rs. 808,92,37,493 representing 41.27% of total revenues as compared to Rs. 378,88,13,208, representing 41.12% of total revenues during the previous year. Excluding other income of Rs. 59,37,14,915 (3.03% of revenues) in the current year as compared to Rs. 39,14,11,095 (4.25% of revenues) in the previous year, the operating profit would have been Rs. 749,55,22,578 (39.4% of revenues) in the current year as compared to Rs. 339,74,02,113 (38.5% of revenues) in the previous year, despite a change in the onsite-offshore mix.

5. Interest

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

6. Depreciation

The company provided a sum of Rs.112,89,45,152 and Rs. 53,23,27,389 towards depreciation for the years ended March 31, 2001 and 2000, representing 5.76% and 5.78% of total revenues, respectively. The depreciation for the years ended March 31, 2001 and 2000, includes an amount of Rs. 34,99,43,502 and Rs. 13,21,59,074, respectively, towards 100% depreciation on assets costing less than Rs. 5,000 each. The depreciation as a percentage of average gross block is 24.67% and 23.50% for the years ended March 31, 2001 and 2000, respectively.

Depreciation charge includes an amount of Rs. 2,14,29,903 and Rs. 15,27,500 towards depreciation provided, in full, on assets acquired for research and development activities for the years ended March 31, 2001 and 2000, respectively.

7. Provision for tax

The company has provided for its tax liability both in India and overseas. The present Indian corporate tax rate is 39.55% (comprising a base rate of 35% and a surcharge of 13% 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 are deductible from the income subject to tax. Under the second scheme, the profits attributable to the operations of the company under the 100% export oriented unit scheme – Software Technology Park (STP) scheme is entitled to a total tax holiday of ten years. A majority of the company's software development centers enjoy the benefits under the STP. For the year ended March 31, 2001, approximately 97.30% of software revenues came from software development centers operating under the Software Technology Park Scheme.

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 under Section 80HHE of the Income Tax Act will be phased out equally over a period of five years starting 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 available is provided hereunder:

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

The company has provided a sum of Rs. 1,40,00,000 and Rs. 24,00,000 during the years ended March 31, 2001 and 2000, 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 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.*

Particulars	2001	2000
Overseas tax	48,31,00,000	28,70,00,000
Domestic tax	24,40,00,000	11,00,00,000
Total tax	72,71,00,000	39,70,00,000

8. Net profit

The net profit of the company from ordinary activities amounted to Rs. 623,31,92,341 and Rs. 285,94,85,819 for the years ended March 31, 2001 and 2000, respectively. This represents 31.80% and 31.03% of total revenue for the respective years. Excluding foreign exchange translation differences of Rs. 39,62,96,262 (2.02% of revenues) in the current year as compared to Rs. 18,69,58,099 (2.03% of revenues) in the previous year, the net profit would have been Rs. 583,68,96,079 (30.40% of revenues) in the current year as compared to Rs. 267,25,27,720 (29.60% of revenues) in the previous year. Excluding other income of Rs. 59,37,14,915 (3.03% of revenues) in the current year as compared to Rs. 39,14,11,095 (4.25% of revenues) in the previous year, the net profit would have been Rs. 563,94,77,426 (29.67% of revenues) in the current year as compared to Rs. 246,80,74,724 (27.97% of revenues) in the previous year.

9. Excess provision no longer required

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

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 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. Foreign exchange differences

An amount of Rs. 39.63 crore and Rs. 18.70 crore is included in the profit and loss accounts for the years ended March 31, 2001 and 2000, respectively, representing the realized and unrealized exchange gains due to currency fluctuation. This represents 2.02% of total revenues for both the years ended March 31, 2001 and 2000.

12. 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-1stock 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 Re. 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)
1997	144	1,91,400	1,91,400	3,82,800	–	–
1998	329	4,79,600	4,79,600	4,79,600	–	–
1999	994	7,50,200	7,50,200	7,50,200	515	3,00,000
2000	–	–	–	–	14	30,000
Total	1,070	14,21,200	14,21,200	16,12,600	529	3,30,000

By January 2001, the lock-in period ended in respect of 2,43,200 shares of par value of Rs. 5 each, held by 102 employees for warrants issued in April 1996. Employees hold 14,21,200 shares of par value of Rs. 5 each subject to lock-in and 3,30,000 rights to shares of par value of Rs. 5 each, as at March 31, 2001. 1,544 employees hold shares / rights to shares as of March 31, 2001, after netting the employees who have received shares / rights to shares in several years.

Details of net warrants / rights to shares issued to employees

	Warrants / rights to shares issued		Warrants / rights to shares forfeited	
Year ended March 31	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	39	61,200
1999	1,750	11,56,200	241	1,06,000
2000	14	30,000	–	–

* 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

13. 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 across the world. The necessary resolutions authorizing the board to formulate the scheme was approved by the shareholders in the Extraordinary General Meeting held on January 6, 1999. Accordingly, your directors had put in place an ADS-linked stock option plan termed as the "1998 Stock Option Plan". 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 is 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
April 2000	10	32,500	$ 228.85	2	8,700
May 2000	2	4,500	$ 195.00	–	–
May 2000 (annual grant)	43	1,01,400	$ 154.00	8	11,600
June 2000	4	8,300	$ 190.00	1	4,000
July 2000	12	21,500	$ 182.00	1	2,200
August 2000	23	37,000	$ 123.94	2	400
September 2000	18	26,800	$ 155.55	1	200
October 2000	11	36,100	$ 114.00	–	–
November 2000	10	24,300	$ 121.63	1	300
December 2000	15	20,400	$ 138.50	–	–
January 2001	13	27,600	$ 92.86	1	200
February 2001	54	53,500	$ 113.70	–	–
February 2001 (annual grant)	566	5,42,440	$ 98.25	–	–
March 2001	20	28,500	$ 66.25	–	–
Total	801*	9,64,840		17	27,600

*Includes 49 employees who were granted ADS options twice. Therefore, the effective number of employees granted options is 752.

During the year, 12,434 options issued under the 1998 plan were exercised and the remaining ADS options unexercised and outstanding as at March 31, 2001 were 15,65,506.

14. 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 recent 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 is provided below:

	Options granted			Options forfeited	
Month of grant	No. of employees*	No. of options	Grant price Rs.	No. of employees	No. of options
April 2000	8	5,400	9,838.85	1	600
May 2000	9	6,300	7,760.95	1	700
May 2000 (annual grant)	4,217	6,42,550	5,891.35	500	79,600
June 2000	6	4,400	7,935.05	1	700
July 2000	18	13,300	8,326.45	–	–
August 2000	1,766	2,15,800	7,270.55	82	11,900
September 2000	451	66,350	8,688.25	24	5,100
October 2000	512	71,250	7,288.70	19	3,700
November 2000	97	31,800	7,360.90	4	1,600
December 2000	514	75,150	7,469.75	13	1,550
January 2001	449	84,250	6,007.15	10	1,050
February 2001	409	67,050	6,383.20	6	1,250
February 2001 (annual grant)	1,028	6,33,180	5,723.75	2	900
March 2001	252	41,050	4,450.65	–	–
Total	9,736*	19,57,830		663	1,08,650

*Includes 360 employees who were granted options twice. Therefore, the effective number of employees granted options is 9,376.

During the year, 1,200 options issued under the 1999 plan were exercised and the remaining options unexercised and outstanding as at March 31, 2001 were 27,93,980.

The total number of existing employees offered stock options under 1994, 1998 and 1999 plans is 9,767.

15. 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

Profit as per the Indian GAAP financial statements			628.81
Less	: Amortization of deferred stock compensation expense	23.26	
	Provision for e-inventing the company	0.40	
	Transfer of intellectual property rights	5.63	29.29
Add	: Provision for retirement benefits to employees	3.39	
	Deferred taxes	3.52	6.91
Net income as per the US GAAP financial statements			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. 23.26 crore for the year ended March 31, 2001 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.

16. 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.

Year ended March 31		2001	2000
Net profit:	As reported	628,81,36,341	293,51,56,665
	Adjusted proforma	457,91,19,647	242,34,41,938
Basic earnings per share:	As reported	95.06	44.38
	Adjusted proforma	69.22	36.64

C. Outlook: issues and risks

These have been discussed in detail in the *Risk management* section of this report.

Auditors' certificate

To

The Members,

Infosys Technologies Limited

We have examined the cash flow statement of Infosys Technologies Limited (the company) for the year ended March 31, 2001. The statement has been prepared by the company in accordance with the requirements of Clause 32 of the listing agreements entered into with the Indian Stock Exchanges.

for Bharat S Raut & Co.
Chartered Accountants

Balaji Swaminathan
Partner

Bangalore
April 11, 2001

Cash flow statement for the year ended March 31

in Rs.

	Schedule	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		696,02,92,341	325,64,85,819
Adjustments to reconcile profit before tax to cash provided by operating activities			
Profit on sale of fixed assets		(9,17,890)	(8,73,015)
Depreciation and amortization		112,89,45,152	53,23,27,389
Income from investments		(37,54,58,594)	(26,68,79,106)
Provisions on long-term investments		15,28,98,608	–
Income taxes paid during the year	1	(85,18,05,440)	(35,53,53,877)
Exchange differences on translation of foreign currency deposits		(20,17,12,483)	(9,93,27,075)
Changes in current assets and liabilities			
Sundry debtors		(166,19,21,164)	(51,65,92,828)
Loans and advances	2	(34,72,64,731)	(41,49,70,588)
Current liabilities and provisions	3	60,92,54,409	35,99,38,427
NET CASH GENERATED BY OPERATING ACTIVITIES		541,23,10,208	249,47,55,146
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds on exercise of stock options		2,37,85,906	1,76,25,277
Dividends paid during the year		(42,20,05,883)	(19,92,57,109)
Expenses relating to the issue of American Depositary Shares ("ADSs")		–	(2,35,06,514)
Expenses relating to the issue of ADS-linked stock options		–	(1,01,93,113)
NET CASH USED IN FINANCING ACTIVITIES		(39,82,19,977)	(21,53,31,459)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of fixed assets	4	(463,35,45,172)	(159,87,03,617)
Proceeds on sale of fixed assets		22,73,671	10,20,400
Long-term investments	5	(26,63,64,960)	(13,08,00,000)
Income from investments		37,54,58,594	26,68,79,106
NET CASH USED IN INVESTING ACTIVITIES		(452,21,77,867)	(146,16,04,111)
Effect of exchange differences on translation of foreign currency deposits		20,17,12,483	9,93,27,075
Net (decrease) increase in cash and cash equivalents during the year		69,36,24,847	91,71,46,651
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		508,37,37,595	416,65,90,944
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	6	577,73,62,442	508,37,37,595
NOTES ON THE CASH FLOW STATEMENT	7		

The schedules referred to above and the notes thereon form an integral part of the cash flow statement.
This is the cash flow statement referred to in our certificate of even date.

for Bharat S Raut & Co.
Chartered Accountants

Balaji Swaminathan *Partner*	N. R. Narayana Murthy *Chairman and Chief Executive Officer*	Nandan M. Nilekani *Managing Director, President and Chief Operating Officer*	Deepak M. Satwalekar *Director*	Marti G. Subrahmanyam *Director*
	Jitendra Vir Singh *Director*	Omkar Goswami *Director*	Larry Pressler *Director*	Rama Bijapurkar *Director*
	S. Gopalakrishnan *Deputy Managing Director*	K. Dinesh *Director*	S. D. Shibulal *Director*	T. V. Mohandas Pai *Director and Chief Financial Officer*
Bangalore April 11, 2001	Phaneesh Murthy *Director*	Srinath Batni *Director*	V. Balakrishnan *Company Secretary and Associate Vice President - Finance*	

Schedules to the cash flow statement for the year ended March 31

in Rs.

		2001	2000
1	INCOME TAXES PAID DURING THE YEAR		
	Charge as per the profit and loss account	72,71,00,000	39,70,00,000
	Add: Tax provided on Intellectual Property Rights sold	3,43,96,000	–
	Less: Decrease in income tax provision	(60,29,91,999)	(39,46,62,254)
	Increase in advance income taxes	69,33,01,439	35,30,16,131
		85,18,05,440	35,53,53,877
2	LOANS AND ADVANCES		
	As per the balance sheet	430,27,93,623	210,12,77,161
	Less: Deposits with financial institutions and body corporate, included in cash and cash equivalents	(192,67,52,157)	(76,58,01,865)
	Advance income taxes separately considered	(123,73,97,792)	(54,40,96,353)
		113,86,43,674	79,13,78,943
3	CURRENT LIABILITIES AND PROVISIONS		
	As per the balance sheet	319,85,01,451	165,97,02,419
	Less: Provisions separately considered in the cash flow Statement		
	Income taxes	(122,90,11,741)	(62,60,19,742)
	Dividends	(49,61,85,878)	(19,84,18,210)
	Dividend tax	(5,06,10,959)	(2,18,26,003)
		142,26,92,873	81,34,38,464
4	PURCHASES OF FIXED ASSETS AND CHANGE IN CAPITAL WORK-IN-PROGRESS		
	As per the balance sheet	349,66,44,427	117,79,35,912
	Add (less): Change in work-in-progress	113,69,00,745	42,07,67,705
		463,35,45,172	159,87,03,617
5	LONG-TERM INVESTMENTS IN SECURITIES		
	As per the balance sheet	34,11,54,821	13,83,48,469
	Add: Provisions on investments	22,34,94,282	7,05,95,674
	Less: Non-cash investment (*see note 7.2 below*)	(8,93,40,000)	–
		47,53,09,103	20,89,44,143
6	CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
	As per the balance sheet	385,06,10,285	431,79,35,730
	Add: Deposits with financial institutions and body corporate, included herein	192,67,52,157	76,58,01,865
		577,73,62,442	508,37,37,595

7 NOTES ON THE CASH FLOW STATEMENT

7.1 Cash flows have been reported using the indirect method, whereby the net profit 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, segregating between cash flows from regular revenue generating, financing and investing activities of the company. 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 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. (formerly Onscan Inc.), USA, a company incubated by Infosys. The product was transferred for a gross consideration of Rs. 8,93,40,000 (approximately US$ 2,000,000) received as equity, preferred and non-voting securities in OnMobile Systems Inc., and accordingly, is not considered in this statement of cash flows.

Balance sheet abstract and company's general business profile

Registration details	
Registration no.	13115
State code	08
Balance sheet date	March 31, 2001
	in Rs.
Capital raised during the year	
Public issue	–
Rights issue	–
Bonus issue	–
Private placement	–
Preferential offer of shares under Employee Stock Option Plan *	37,085
Position of mobilization and deployment of funds	
Total liabilities	1389,63,91,988
Total assets	1389,63,91,988
Sources of funds	
Paid-up capital	33,07,92,085
Reserves and surplus	1356,55,99,903
Secured loans	–
Unsecured loans	–
Application of funds	
Net fixed assets	557,66,32,293
Investments	34,11,54,821
Net current assets	797,86,04,874
Miscellaneous expenditure	–
Accumulated losses	–
Performance of the company	
Turnover	1959,93,73,722
Total Expenditure	1263,90,81,381
Profit / loss before tax	696,02,92,341
Extraordinary Income	5,49,44,000
Profit / loss after tax	628,81,36,341
Earnings per share from ordinary activities	94.23
Earnings per share including extraordinary income	95.06
Dividend rate (%)	200
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	6,217
1999 Plan	1,200

N. R. Narayana Murthy
Chairman and Chief Executive Officer

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

Deepak M. Satwalekar
Director

Marti G. Subrahmanyam
Director

Jitendra Vir Singh
Director

Omkar Goswami
Director

Larry Pressler
Director

Rama Bijapurkar
Director

S. Gopalakrishnan
Deputy Managing Director

K. Dinesh
Director

S. D. Shibulal
Director

T. V. Mohandas Pai
Director and Chief Financial Officer

Bangalore
April 11, 2001

Phaneesh Murthy
Director

Srinath Batni
Director

V. Balakrishnan
Company Secretary and Associate Vice President - Finance

Financial statements for the year ended March 31, 2001

prepared in accordance with
United States Generally Accepted Accounting Principles (U.S. GAAP)

We are what we repeatedly do.
Excellence, then, is not an act, but a habit.

Aristotle
(384 B.C. – 322 B.C.)

Summary of consolidated financial data

Five-year data

in thousands, except per share data

	2001	2000	1999	1998	1997
			(Audited)		
Statements of income data:					
Revenues	$ 413,851	$ 203,444	$ 120,955	$ 68,330	$ 39,586
Cost of revenues	213,614	111,081	65,331	40,157	22,615
Gross profit	200,237	92,363	55,624	28,173	16,971
Operating expenses:					
Selling and marketing expenses	20,683	9,644	4,944	3,370	1,976
General and administrative expenses	36,958	17,102	11,255	9,855	5,034
Amortization of deferred stock compensation expense	5,081	5,118	3,646	1,520	768
Compensation arising from stock split	–	–	12,906	1,047	–
Total operating expenses	62,722	31,864	32,751	15,792	7,778
Operating income	137,515	60,499	22,873	12,381	9,193
Equity in loss of deconsolidated subsidiary	–	–	(2,086)	–	–
Other income, net	9,505	9,039	1,537	801	769
Income before income taxes	147,020	69,538	22,324	13,182	9,962
Provision for income taxes	15,072	8,193	4,878	770	1,320
Subsidiary preferred stock dividends	–	–	–	68	–
Net income	$ 131,948	$ 61,345	$ 17,446	$ 12,344	$ 8,642
Earnings per equity share:					
Basic	$ 2.01	$ 0.93	$ 0.28	$ 0.21	$ 0.15
Diluted	$ 1.98	$ 0.93	$ 0.28	$ 0.20	$ 0.15
Weighted equity shares used in computing earnings per equity share:					
Basic	65,771	65,660	61,379	59,574	58,073
Diluted	66,715	65,864	61,507	60,808	59,409
Cash dividend per equity share	$ 0.14	$ 0.11	$ 0.09	$ 0.04	$ 0.02
Balance sheet data:					
Cash and cash equivalents	$ 124,084	$ 116,599	$ 98,875	$ 15,419	$ 8,320
Total assets	342,348	219,283	153,658	48,782	32,923
Total long-term debt	–	–	–	–	–
Total stockholders' equity	$ 311,792	$198,137	$ 139,610	$ 41,146	$ 30,640

1. The information presented above reflects the company's 2-for-1 stock split by means of a stock dividend in fiscal 1998 and 1999 and a 2-for-1 stock split in fiscal 2000.
2. The financial statements of Yantra Corporation, an erstwhile subsidiary, were consolidated with the financial statements of the company up to October 20, 1998 and are accounted for by the equity method in fiscal 1999.
3. The earnings per share calculations for fiscal years 2001, 2000 and 1999, includes 2,070,000 equity shares (representing 4,140,000 ADSs) issued during March 1999, in conjunction with the company's IPO in the U.S.
4. The dividends are declared in Indian rupees. Amounts presented are translated into U.S. dollars and are indicative. Dividends are paid from the date of holding of shares.

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

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

1. Overview

Infosys, an India-based IT consulting and services company formed in 1981, provides end-to-end consulting for global corporations. The company has partnered with several *Fortune 500* and emerging companies in building their next generation information infrastructure for competitive advantage. Infosys' portfolio of services includes e-strategy consulting and solutions, maintenance and re-engineering services, large application development and enterprise integration services. Infosys also has product co-development initiatives with numerous communication and Internet infrastructure companies that are creating the building blocks of the digital economy. In addition, the company develops and markets certain software products. The company utilizes an extensive offshore infrastructure including dedicated offshore software development centers ("OSDCs") to provide managed software solutions to clients worldwide. From fiscal 1997 through fiscal 2001, total revenue increased from $ 39.6 million to $ 413.8 million, the number of the company's software professionals worldwide increased from approximately 1,410 to approximately 8,660, and the number of its India-based software development centers increased from six to sixteen. The company also operationalized proximity development centers in Croydon in the UK and in Chicago, New Jersey and Phoenix in the U.S. in fiscal 2001, and one global development center in Toronto, Canada and two proximity development centers in Fremont and Boston in the U.S. in fiscal 2000.

The company's revenues are generated principally from software services provided either on a fixed-price, fixed-time frame or a time-and-materials basis. Revenues from services provided on a time-and-materials basis are recognized in the month that services are provided and related costs are incurred. Revenues from services provided on a fixed-price, fixed-time frame basis are recognized upon the achievement of specified milestones identified in the related contracts, in accordance with the percentage of completion method. Cost of completion estimates are subject to periodic revisions. Although the company has revised its project completion estimates from time to time, such revisions have not, to date, had a material adverse effect on the company's operating results or financial condition. Since the company bears the risk of cost overruns and inflation with respect to its fixed-price, fixed-time frame projects, the company's operating results could be adversely affected by inaccurate estimates of contract completion costs and dates, including wage inflation rates and currency exchange rates that may affect cost projections. The company also develops and markets certain software products, including banking software that is licensed primarily to clients in Asia and Africa. Such software products represented 2.5% of total revenues in fiscal 2001. The company derived 73.5% of its total revenues from North America, 18.8% from Europe, 1.4% from India and 6.3% from the rest of the world in fiscal 2001.

In fiscal 2001 and fiscal 2000, the company derived 28.4% and 13.6% of its total revenues, respectively, from Internet and e-commerce projects. Due to shorter time-to-market considerations, e-commerce projects necessitate higher interaction with clients. This results in a higher proportion of services being performed at client sites. Services performed at a client site typically generate higher per-capita revenues, but lower gross margins, than the same quantum of services performed at the company's own facilities in India. Consequently, any increase in work at client sites can decrease the gross margins of the company.

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

The company assumes full project management responsibility for each project that it undertakes. Approximately 66.0% of the work on a project is performed at the company's facilities in India, and the balance of the work is performed at the client site. The proportion of work performed at the company facilities and at client sites varies from quarter to quarter. The company charges higher rates and incurs higher compensation expenses for work performed at the client site. Services performed at a client site typically generate higher revenues per-capita, but at lower gross margins, than the same quantum of services performed at the company's facilities in India. As a result, total revenues, cost of revenues and gross profit in absolute terms and, as a percentage of revenues, fluctuate from quarter to quarter based on the proportion of work performed offshore at company facilities and at client sites.

Revenues and gross profits are also affected by employee utilization rates. Utilization rates depend, among other factors, on the number of employees enrolled for in-house training programs, particularly the 14 week classroom training courses provided to new employees. Since a large percentage of new hires begin their training in the second quarter, utilization rates have historically been lower in the second and third quarters of a fiscal year.

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

Other income includes interest income, income from the sale of special import licenses and foreign currency exchange gains. Under the then export-import policy of the Government of India, exports by Indian companies generate credits for the exporter called "special import licenses". These credits can be sold or used for the import of goods included on a "restricted list" maintained by the Government of India. The company's general policy is to sell such special import licenses in the period in which it receives such credits. However, the new export-import policy announced by the Government of India in fiscal 2001 has abolished the scheme providing for benefit in the form of special import licenses to all exporters and accordingly all exports made on or after April 1, 2000 will not get the benefits.

The company also intends to substantially expand its software development infrastructure in India. The company had committed $ 34.0 million towards various capital expenditure as on March 31, 2001. The company intends to spend approximately $ 80.0 million on various capital expenditures during fiscal 2002 and intends to use its internal accruals to fund this expansion.

2. Results of operations

2.1 Fiscal year ended March 31, 2001 compared to fiscal year ended March 31, 2000

Revenues. 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 in volumes of business transacted of $ 126.1 million or 62.0%, and an increase in prices at which contracts were executed in the amount of $ 84.3 million or 41.4%. Revenues continued to increase in all segments of the company's services. Custom software development, re-engineering, maintenance and software development through OSDCs formed the majority of the company's revenues. The increase in revenues was attributable, in part, to a substantial increase in business from certain existing clients and from certain new clients, particularly in the telecom and insurance, banking and financial services industries. Revenues from telecom clients comprised 18.4% of revenues in fiscal 2001 as compared to 15.4% of revenues in fiscal 2000. Revenues from insurance, banking and financial services clients comprised 33.7% and 30.1% of revenues in fiscal 2001 and 2000, respectively. 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-time frame contracts and from time-and-materials contracts represented 28.2% and 71.8%, respectively, of total revenues for fiscal 2001 as compared to 31.5% and 68.5%, respectively, for fiscal 2000. Revenues from North America and Europe represented 73.5% and 18.8%, respectively, of total revenues for fiscal 2001, as compared to 78.0% and 14.8%, respectively, for fiscal 2000.

Cost of revenues. Cost of revenues was $ 213.6 million for fiscal 2001, representing an increase of 92.2% over the cost of revenues of $ 111.1 million for fiscal 2000. The cost of revenues represented 51.6% and 54.6% of total revenues for fiscal 2001 and 2000, respectively. This decrease in costs as a percentage of total revenues was attributable to a favorable business mix and a decrease in depreciation and software expenses, which represented 7.6% and 7.9% of total revenues in fiscal 2001 and fiscal 2000, respectively, as well as a decrease in overseas short-term allowances which represented 26.0% and 26.4% of revenues in fiscal 2001 and 2000, respectively.

Gross profit. As a result of the foregoing, the gross profit was $ 200.2 million for fiscal 2001, representing an increase of 116.7% over the gross profit of $ 92.4 million for fiscal 2000. As a percentage of total revenues, the 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 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. Sales and marketing expenses were $ 20.7 million for fiscal 2001, an increase of 115.6% over sales and marketing expenses of $ 9.6 million for fiscal 2000. As a percentage of total revenues, the sales and marketing expenses increased to 5.0% for fiscal 2001 from 4.7% for fiscal 2000. The number of sales offices increased to 25 as on March 31, 2001 from 20 as on 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 marketing personnel, which increased to 105 in fiscal 2001 from 62 in fiscal 2000.

General and administrative expenses. General and administrative expenses were $ 36.9 million for fiscal 2001, an increase of 115.8% over general and administrative expenses of $ 17.1 million for fiscal 2000. General and administrative expenses were 8.9% and 8.4% of total revenues for fiscal 2001 and 2000, respectively. This marginal increase in general and administrative expense as a percentage of revenues was a result of increases in 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, respectively.

Operating income. The operating income was $ 137.5 million for fiscal 2001, an increase of 127.3% over the 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 in the amount 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 is offset by a decrease in other income due to provision for investments aggregating $ 3.5 million in EC Cubed Inc. and Alpha Thinx Mobile Services AG, two companies in which the company has made strategic investments, and a decrease in income from sale of special import licences in the amount of $ 0.4 million.

Provision for income taxes. Provision for income taxes was $ 15.1 million for fiscal 2001 as compared to $ 8.2 million for fiscal 2000. The company's effective tax rate decreased to 10.3% for fiscal 2001 as compared to 11.8% for fiscal 2000. The reduction in the effective tax rate in fiscal 2001 is due to a decrease in the Indian tax liability resulting from a higher proportion of the company's operations qualifying for Indian tax exemptions applicable to designated Software Technology Parks.

Net income. The net income was $ 131.9 million for fiscal 2001, an increase of 115.2% over the net income of $ 61.3 million for fiscal 2000. As a percentage of total revenues, the net income increased to 31.9% for fiscal 2001 from 30.1% for fiscal 2000.

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

Revenues. Total revenues were $ 203.4 million for fiscal 2000, representing an increase of $ 82.4 million or 68.2% over total revenues of $ 121.0 million for fiscal 1999. This increase is attributable to an increase in volumes of business transacted of $ 60.0 million or 49.6%, and an increase in prices at which contracts were executed in the amount of $ 22.4 million or 18.6%. Revenues continued to increase in all segments of the company's services. Custom software development, re-engineering, maintenance and software development through OSDCs formed a majority of the company's revenues. The increase in revenues was attributable, in part, to a substantial increase in business from certain existing clients and from certain new clients, particularly in the telecom and insurance, banking and financial services industries. Revenues from telecom clients comprised 15.4% of revenues in fiscal 2000 as compared to 14.2% of revenues in fiscal 1999. Revenues from insurance, banking and financial services clients comprised 30.1% and 23.3% of revenues in fiscal 2000 and 1999, respectively. Revenue growth was also attributable to an increase in e-commerce related revenues which represented 13.6% of total revenues for fiscal 2000 as compared to 3.7% of total revenues in fiscal 1999. Net sales of FINACLE™ and other products represented 2.6% of total revenues for fiscal 2000 as compared to 3.2% for fiscal 1999. Revenues from services represented 97.4% of total revenues for fiscal 2000 as compared to 96.8% for fiscal 1999. Revenues from fixed-price, fixed-time frame contracts and from time-and-materials contracts represented 31.5% and 68.5%, respectively, of total revenues for fiscal 2000 as compared to 36.7% and 63.3%, respectively, for fiscal 1999. Revenues from North America and Europe represented 78.0% and 14.8%, respectively, of total revenues for fiscal 2000 as compared to 82.0% and 9.3% respectively, for fiscal 1999.

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

Gross profit. As a result of the foregoing, the gross profit was $ 92.4 million for fiscal 2000, representing an increase of 66.1% over the gross profit of $ 55.6 million for fiscal 1999. As a percentage of total revenues, the gross profit decreased to 45.4% for fiscal 2000 from 46.0% for fiscal 1999. This decrease was attributable to higher provision for a defined benefit plan for employees, which was partially offset by a favorable business mix and a decrease in depreciation and software expenses as a percentage of total revenue due to improved infrastructure utilization.

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

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

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

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

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

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

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

2.3 Liquidity and capital resources

The growth of the company has been financed largely from cash generated from operations and, to a lesser extent, from the proceeds of equity issues and borrowings. In 1993, the company raised approximately $ 4.4 million in gross aggregate proceeds from its initial public offering of equity shares on Indian stock exchanges. In 1994, the company raised an additional $ 7.7 million through private placements of its equity shares with foreign institutional investors, mutual funds, Indian domestic financial institutions and corporations. As on March 31, 2001, the company had $ 124.1 million in cash and cash equivalents, $ 176.2 million in working capital and no outstanding bank borrowings. 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.

Net cash provided by operating activities was $ 137.5 million, $ 71.4 million and $ 40.1 million in fiscal 2001, 2000 and 1999, respectively. Net cash provided by operations consisted primarily of net income offset, in part, by an increase in accounts receivable. Accounts receivable as a percentage of total revenue, represented 15.7%, 15.4% and 16.6% for fiscal 2001, 2000 and 1999, respectively. The company's policy on accounts receivable includes a periodic review of all such outstanding. The company reviews the age, amount, and quality of each account receivable; the relationship with, size of, and history of the client; and the quality of service delivered by the company for the client to determine the classification of an account receivable. Should the review so demand, the company classifies accounts receivable into secured and unsecured accounts, further sub-classified between good and doubtful accounts. The company makes provisions for all accounts receivable classified as doubtful and for all accounts receivable that are outstanding for more than 180 days.

Prepaid expenses and other current assets increased by $ 2.2 million, $ 2.4 million and $ 2.0 million during fiscal 2001, 2000 and 1999, respectively. The increase in fiscal 2001 was primarily due to an increase in rental deposits for the new software development centers, prepaid expenses and costs in excess of billings. Costs in excess of billings represent costs incurred on fixed-price contracts in respect of which milestones are yet to be achieved. The increase in fiscal 2000 and 1999 was primarily due to an increase in rental deposits for the new software development centers and prepaid expenses. Income taxes payable decreased by $ 2.0 million in fiscal 2001 primarily due to higher advance tax payments made during the year.

Unearned revenue as of March 31, 2001 and 2000 consists primarily of advance client billings on fixed-price, fixed-time frame contracts for which related costs were not yet incurred. The proportion of fixed-price contracts under which the company was entitled to bill clients in advance increased as of March 31, 2001 over the previous year.

Net cash used in investing activities was $ 106.7 million, $ 45.7 million and $ 17.0 million in fiscal 2001, 2000 and 1999, respectively. Net cash used in investing activities in fiscal 2001 consisted primarily of $ 96.8 million for property, plant and equipment, loans to employees of $ 4.1 million and purchase of investments amounting to $ 5.9 million. Net cash used in investing activities in fiscal 2000 consisted primarily of $ 35.9 million for property, plant and equipment, loans to employees of $ 6.8 million and purchase of investments amounting to $ 3.0 million. Net cash used in investing activities in fiscal 1999 primarily consisted of $ 16.1 million for property, plant and equipment and loans to employees of $ 2.2 million, offset by proceeds from the sale of investment in Yantra amounting to $ 1.5 million.

Publicly-traded Indian companies customarily pay dividends. For fiscal 2001, the company declared and paid a dividend of $ 5.0 million. The board of directors also declared a dividend of $ 10.6 million at their meeting held on April 11, 2001, which is subject to the approval of the stockholders in the annual general meeting. For fiscal 2000, the company declared a dividend of $ 7.1 million, which was paid partly in fiscal 2000 and partly in fiscal 2001. For fiscal 1999, the company declared a dividend of $ 3.2 million, which was paid partly in fiscal 1999 and partly in fiscal 2000.

As on March 31, 2001, the company had contractual commitments for capital expenditure of $ 34.0 million. The company intends to spend approximately $ 80.0 million on various capital expenditure during fiscal 2002 and the same would be met out of the internal accruals of the company. In the opinion of the company, the working capital is sufficient for the company's present requirements.

2.4 Foreign currency market risk

Market risks relating to the company's operations result primarily from changes in interest rates and changes in foreign exchange rates. The company's functional currency is the Indian rupee; however, it transacts a major portion of its business in foreign currencies and accordingly has foreign currency exposure through its sales in the United States and purchases from overseas suppliers in U.S. dollars. In its U.S. operations, the company does not actively hedge against exchange rate fluctuations, although it may elect to do so in the future. Accordingly, changes in exchange rates may have a material adverse effect on the company's net sales, cost of services sold, gross margin and net income, any of which alone or in the aggregate may in turn have a material adverse effect on the company's business, operating results and financial condition. The exchange rate between the rupee and the U.S. dollar has changed substantially in recent years and may fluctuate substantially in the future. During the four-year period from March 31, 1997 through March 31, 2001, the value of the rupee against the U.S. dollar declined by approximately 29.8%. For fiscal 2001, 2000 and 1999, the company's U.S. dollar-denominated revenues represented 89.6%, 88.3% and 88.1%, respectively, of total revenues. The company expects that a majority of its revenues will continue to be generated in U.S. dollars for the foreseeable future and that a significant portion of the company's expenses, including personnel costs as well as capital and operating expenditures, will continue to be denominated in rupees. Consequently, the company's results of operations will be adversely affected to the extent the rupee appreciates against the U.S. dollar. The company has sought to reduce the effect of exchange rate fluctuations on operating results by purchasing foreign exchange forward contracts to cover a portion of outstanding accounts receivable on a need basis. As of March 31, 2001, the company had outstanding forward contracts in the amount of $ 20 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 exchange rate on the date of cancellation. The company uses these instruments only as a hedging mechanism and not for speculative purposes. There can be no assurance that the company will purchase contracts adequate to insulate itself from foreign exchange currency risks or that any such contracts will perform adequately as a hedging mechanism. Devaluation of the rupee will result in foreign currency translation losses. For example, for fiscal 2001 and 2000, the company's foreign currency translation losses were approximately $ 14.5 million and $ 5.0 million, respectively.

2.5 Reconciliation between Indian and U.S. GAAP

There are material differences between the financial statements prepared as per Indian and U.S. GAAP. The material differences arise due to provision for deferred taxes, accounting for stock-based compensation, non-recognition of unrealized gains on transfers of intellectual property rights and consolidation of accounts of subsidiary, as required by U.S. GAAP. Indian GAAP does not require provision for deferred taxes, amortization of deferred stock compensation and consolidation of accounts of subsidiaries, and permits the recognition of unrealized gains on transfers of intellectual property rights in the financial statements.

Reconciliation of net income

	2001	2000	1999
Net profit as per Indian GAAP	$ 136,837,807	$ 67,775,087	$ 32,207,070
Adjustments:			
Deferred tax	769,303	850,891	625,427
Net income of subsidiary included on consolidation	–	–	(2,085,887)
Provision for retirement benefits to employees	741,000	(741,000)	–
Employee stock-based compensation plan charge under APB Opinion no. 25	(5,081,795)	(5,117,635)	(3,645,576)
Compensation arising from stock split	–	–	(12,906,962)
Provision for loss – Yantra Corporation	–	–	1,675,060
Provision for contingency / e-inventing the company (net)	(87,387)	(1,422,815)	1,576,956
Transfer of intellectual property rights (net of tax)	(1,230,824)	–	–
Net income as per U.S. GAAP	$ 131,948,104	$ 61,344,528	$ 17,446,088

2.6 Investment in Yantra Corporation

Prior to October 20, 1998, the company owned a majority of the voting stock of Yantra. Consequently, all of Yantra's operating losses through October 20, 1998 were recognized in the company's consolidated financial statements. For fiscal 1998 and fiscal 1999, Yantra's losses recognized in the company's financial statements were $ 1.6 million and $ 2.0 million, respectively. On October 20, 1998, the company sold a portion of Yantra's shares held by it, thereby reducing its interest to less than one-half of the voting stock of Yantra. The company continues to own all of the outstanding common stock of Yantra, but has no financial obligations or commitments to Yantra and does not intend to provide Yantra with financial support. Accordingly, Yantra's results after October 20, 1998 were not recognized in the company's financial statements under U.S. GAAP. Yantra's revenues were $ 1.3 million and $ 2.0 million for fiscal 1998 and for the period ended October 20, 1998, respectively, while gross profits were $ 574,000 and $ 546,000, respectively, for these same periods. Yantra's revenues were 1.9% and 2.3% of the company's revenues for fiscal 1998 and for the period ended October 20, 1998, respectively. Its gross profits were 2.0% and 1.4% of the company's gross profits for these same periods. Yantra currently provides e-commerce operations solutions through PureEcommerce, a scalable web-based solution that facilitates real-time transaction management across the extraprise. On June 14, 1999, Yantra sold Series C Convertible Preferred Stock in the amount of $ 15 million to unrelated existing and new investors, further reducing the company's voting control to approximately 25%. In fiscal 2001, Yantra sold Series D Convertible Preferred Stock in the amount of $ 40 million to unrelated existing and new investors further reducing the company's voting control to approximately 16% on a fully diluted basis.

2.7 Principles of currency translation

In fiscal 2001, over 96.6% of the company's revenues were generated in U.S. dollars and European currencies. A majority of the company's expenses were incurred in rupees, and the balance was incurred in U.S. dollars and European currencies. The functional currency of the company is the Indian rupee. Revenues generated in foreign currencies are translated into Indian rupees using the exchange rate prevailing on the dates revenues are recognized. Expenses of overseas operations incurred in foreign currencies are translated into Indian rupees at either the monthly average exchange rate or the exchange rate on the date the expense is incurred, depending on the source of payment. Assets and liabilities of foreign branches held in foreign currency are translated into Indian rupees at the end of the applicable reporting period. For U.S. GAAP reporting, the financial statements are translated into U.S. dollars using the average monthly exchange rate for revenues and expenses and the period end rate for assets and liabilities. The gains or losses from such translation are reported as "Other comprehensive income", a separate component of stockholders' equity. The company expects that a majority of its revenues will continue to be generated in U.S. dollars for the foreseeable future and that a significant portion of the company's expenses, including personnel costs as well as capital and operating expenditures, will continue to be denominated in rupees. Consequently, the company's results of operations will be adversely affected to the extent that the rupee appreciates against the U.S. dollar.

2.8 Income tax matters

The company benefits from certain significant tax incentives provided to software firms under Indian tax laws. These incentives presently include: (i) an exemption from payment of Indian corporate income taxes for a period of ten consecutive years of operation of software development facilities designated as "Software Technology Parks" (the "STP Tax Holiday"); and (ii) a tax deduction for profits derived from exporting computer software (the "Export Deduction"). All but one of the company's software development facilities are located in a designated Software Technology Park. The Government of India 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. Also, the incentive available under the later scheme would be phased out equally over a period of five years starting from fiscal 2000. The benefits of these tax incentive programs have historically resulted in an effective tax rate for the company well below statutory rates. There is no assurance that the Government of India will continue to provide these incentives. The company pays corporate income tax in foreign countries on income derived from operations in those countries.

2.9 Effects of inflation

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

2.10 Accounting pronouncements

Effective April 1, 2001, Infosys adopted SFAS 133, *Accounting for Derivative Instruments and Hedging Activities* as amended, when the pronouncement became effective for companies with fiscal years ending March 31, 2001. SFAS 133 will change the accounting treatment of derivative contracts (including foreign exchange contracts) that are employed to manage risks. It establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. All derivatives, whether designated in hedging relationships or not, are required to be recorded on the balance sheet at fair value. The accounting treatment of changes in fair value is dependent upon whether or not a derivative instrument is designated as a hedge and if so, the type of hedge. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative and of the hedged item attributable to the hedged risk are recognized in earnings. If the derivative is designated as a cash flow hedge, the effective portions of changes in the fair value of the derivative are recorded in other comprehensive income and are recognized in the income statement when the hedged item affects earnings. Ineffective portions of changes in the fair value of cash flow hedges are recognized in earnings. The company observes that the net amount reflected in current earnings under the new rules will be substantially similar to the amounts under existing accounting practice.

3. Risk factors

3.1 Management of growth

The company has experienced significant growth in recent periods. The company's revenues in fiscal 2001 grew 103.4% over fiscal 2000. As of March 31, 2001, the company employed approximately 8,660 software professionals worldwide with 16 software development facilities in India, six proximity development centers in the UK and USA and one global development center in Canada, as compared to approximately 4,625 with 17 software development facilities in India, two proximity development centers in USA and one global development center in Canada as of March 31, 2000 and 3,160 with 11 software development facilities in India as of March 31, 1999. In fiscal 2001, 2000 and 1999, the company approved major expansions to its existing facilities and the building of new facilities. The company's growth is expected to place significant demands on its management and other resources and will require it to continue to develop and improve its operational, financial and other internal controls, both in India and elsewhere. In particular, continued growth increases the challenges involved in: recruiting and retaining sufficient skilled technical, marketing and management personnel; providing adequate training and supervision to maintain the company's high quality standards; and preserving the company's culture and values and its entrepreneurial environment. The company's inability to manage its growth effectively could have a material adverse effect on the quality of the company's services and projects, its ability to attract clients as well as skilled personnel, its business prospects, and its results of operations and financial condition.

3.2 Potential fluctuations in future operating results

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

3.3 Impact of a slowdown in IT spending in the U.S.

Historically, a significant portion of the company's revenues was derived from the U.S. For example, in fiscal 2001 and 2000, approximately 70.0% and 73.8% of the company's revenues were derived from the U.S. Currently there are indications of an economic slowdown in the U.S. The IT services market in the U.S. had earlier showed remarkable resilience in fashioning new solutions demanded by changing business and technology cycles. Going forward, the IT services sector in the U.S. may experience some realignment as a result of the macroeconomic forces. The continued growth of companies in this sector will depend upon their ability to adapt to the changes in the market and justify their customer's investments in new projects that will drive customer retention up and costs down. Consequently, the company's competitors may reduce contract prices to retain customers and / or to win new contracts. This may affect the company's ability to win new clients and retain existing clients as well as the company's ability to sustain its current pricing strategy. This may result in a lower revenue growth and may impact margins of the company. Due to all of the foregoing factors, it is possible that in some future quarter the company's operating results may be below the expectations of public market analysts and investors. In such event, the market price of the equity shares and ADSs are likely to be materially adversely affected.

3.4 Exposure to industry segments

The company derives a significant proportion of its revenues from certain industry segments. For example, in fiscal 2001 the company derived 33.7% and 18.4% of its revenues from the insurance, banking and financial services, and telecom industry segments respectively, as compared to 30.1% and 15.4%, respectively in fiscal 2000. There are indications that the possible economic slowdown in the U.S. may impact the growth prospects of companies that operate in various industry segments, for example, the insurance, banking and financial services, and telecom industry segments. Consequently, these companies may cut their IT spending or postpone decisions regarding new expenditure with respect to IT spending. The company believes that a sustained cut in IT spending and the longer decision time that may be taken by these companies may affect the company's ability to win new clients and / or retain existing clients as well as the company's ability to sustain its current pricing strategy with existing clients, in these industry segments. This may result in a lower revenue growth and may impact margins of the company. Due to all of the foregoing factors, it is possible that in some future quarter the company's operating results may be below the expectations of public market analysts and investors. In such event, the market price of the equity shares and ADSs are likely to be materially adversely affected.

3.5 Exposure to start-up and venture-funded companies

The company works with start-up and venture-funded companies to gain access to niche technologies. The company derived 10.8% of its revenues from start-up and venture-funded companies in fiscal 2001. Consequent to the possible economic slowdown in the U.S., the ability of start-up and venture-funded companies to raise capital for their operations and expansion plans has become difficult. As a result, the ability of the company to grow its revenues from such companies may be adversely affected. Additionally, such companies may not be able to pay any amounts due against services rendered by the company. Due to the foregoing factors, it is possible that in some future quarter the company's operating results may be below the expectations of public market analysts and investors. In such event, the market price of the equity shares and ADSs are likely to be materially adversely affected.

3.6 Risks related to investments in Indian securities

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

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

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

Restrictions on foreign investment. Foreign investment in Indian securities is regulated by the Foreign Exchange Management Act, 1999. In certain emerging markets, including India, Global Depositary Shares and ADSs may trade at a discount or premium, as the case may be, to the underlying shares, in part because of restrictions on foreign ownership of the underlying shares. In addition, under current Indian laws and regulations, the Depositary can accept deposits of outstanding equity shares and issue ADRs evidencing ADSs representing such equity shares provided the shares so accepted for conversion into ADSs shall not exceed the number of equity shares which were released by the Custodian pursuant to conversions of ADSs into equity shares under the Depositary Agreement. Therefore, a holder of ADSs who surrenders ADSs and withdraws equity shares is not permitted subsequently to deposit such equity shares and obtain ADSs if such ADSs obtained on conversion are in excess of the ADSs originally converted or surrendered. This limited ability to convert equity shares into ADSs increases the probability that the price of the ADSs will not trade on par with the price of the equity shares as quoted on the Indian stock exchanges. Holders who seek to sell in India any equity shares withdrawn from the depositary facility and to convert the rupee proceeds from such sale into foreign currency and repatriate such foreign currency from India will have to obtain Reserve Bank of India ("RBI") approval for each such transaction. Further, under current Indian regulations and practice, the approval of the RBI is required for the sale of equity shares underlying ADSs by a non-resident of India to a resident of India as well as for renunciation of rights to a resident of India. There can be no assurance that any such approval can be obtained.

Exchange rate fluctuations. Market risks relating to the company's operations result primarily from changes in interest rates and changes in foreign exchange rates. The company's functional currency is the Indian rupee although it transacts a major portion of its business in foreign currencies and accordingly has foreign currency exposure through its sales in the United States and purchases from overseas suppliers in U.S. dollars. In its U.S. operations, the company does not actively hedge against exchange rate fluctuations, although it may elect to do so in the future. Accordingly, changes in exchange rates may have a material adverse effect on the company's net sales, cost of services sold, gross margin and net income, any of which alone or in the aggregate may in turn have a material adverse effect on the company's business, operating results and financial condition. The exchange rate between the rupee and the U.S. dollar has changed substantially in recent years and may fluctuate substantially in the future. During the four-year period from March 31, 1997 through March 31, 2001, the value of the rupee against the U.S. dollar declined by approximately 29.8%. For fiscal 2001, 2000 and 1999, the company's U.S. dollar-denominated revenues represented 89.5%, 88.3% and 88.1%, respectively, of total revenues. The company expects that a majority of its revenues will continue to be generated in U.S. dollars for the foreseeable future and that a significant portion of the company's expenses, including personnel costs as well as capital and operating expenditures, will continue to be denominated in rupees. Consequently, the company's results of operations will be adversely affected to the extent the rupee appreciates against the U.S. dollar. The company has sought to reduce the effect of exchange rate fluctuations on operating results by purchasing foreign exchange forward contracts to cover a portion of outstanding accounts receivable on a need basis. As of March 31, 2001, the company had outstanding forward contracts in the amount of $ 20 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 exchange rate on the date of cancellation. The company uses these instruments only as a hedging mechanism and not for speculative purposes. There can be no assurance that the company will purchase contracts adequate to insulate itself from foreign exchange currency risks or that any such contracts will perform adequately as a hedging mechanism. Devaluation of the rupee will result in foreign currency translation losses. For example, for fiscal 2001 and 2000, the company's foreign currency translation losses were approximately $ 14.5 million and $ 5.0 million, respectively.

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

3.7 Substantial investment in new facilities

As of March 31, 2001, the company had contractual commitments of $ 34.0 million for capital expenditure and has budgeted for significant infrastructural expansion in the near future. Since such an expansion will significantly increase the company's fixed costs, the company's results of operations will be materially adversely affected if the company is unable to grow its business proportionately. Although the company has successfully developed new facilities in the past, there can be no assurance that the company will not encounter cost overruns or project delays in connection with any or all of the new facilities. Furthermore, there can be no assurance that future financing for additional facilities, whether within India or elsewhere, would be available on attractive terms or at all.

3.8 Restrictions on U.S. immigration

The company's professionals who work on-site at client facilities in the United States on temporary and extended assignments are typically required to obtain visas. As of March 31, 2001, substantially all of the company's personnel in the United States were working pursuant to H-1B visas (1,090 persons) or L-1 visas (292 persons). Although there is no limit to new L-1 petitions, there is a limit to the number of new H-1B petitions that the United States Immigration and Naturalization Service may approve in any government fiscal year. In years in which this limit is reached, the company may be unable to obtain the H-1B visas necessary to bring its critical Indian IT professionals to the United States on an extended basis. The H-1B limit had recently been increased to 195,000 for the next two years ending September 30, 2002. The limit is yet to be reached by the U.S. government for its fiscal year ending September 30, 2001. While the company anticipates that such limit may be reached prior to the end of the U.S. government's fiscal year and has made efforts to plan accordingly, there can be no assurance that the company will continue to be able to obtain a sufficient number of H-1B visas. Changes in existing U.S. immigration laws that make it more difficult for the company to obtain H-1B and L-1 visas could impair the company's ability to compete for and provide services to clients and could have a material adverse effect on the company's results of operations and financial condition.

3.9 Risks related to international operations

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

3.10 Dependence on skilled personnel; risks of wage inflation

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

3.11 Client concentration

The company has derived, and believes that it will continue to derive, a significant portion of its revenues from a limited number of large corporate clients. For fiscal 2001 and fiscal 2000, the company's largest client accounted for 7.3% and 7.2%, respectively, of the company's total revenues and its five largest clients accounted for 26.0% and 30.2%, respectively, of the company's total revenues. The volume of work performed for specific clients is likely to vary from year to year, particularly since the company is usually not the exclusive outside software service provider for its clients. Thus, a major client in one year may not provide the same level of revenues in a subsequent year. The loss of any large client could have a material adverse effect on the company's results of operations and financial condition. Since many of the contracted projects are critical to the operations of its clients' businesses, any failure to meet client expectations could result in a cancellation or non-renewal of a contract. However, there are a number of factors other than the company's performance that could cause the loss of a client and that may not be predictable. For example, in 1995, the company chose to reduce significantly the services provided to its then-largest client rather than accept the price reductions and increased company resources sought by the client. In other circumstances, the company reduced significantly the services provided to its client when the client either changed its outsourcing strategy by moving more work in-house and reducing the number of its vendors, or replaced its existing software with packaged software supported by the licensor. There can be no assurance that the same circumstances may not arise in future.

3.12 Fixed-price, fixed-time frame contracts

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

3.13 Infrastructure and potential disruption in telecommunications

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

3.14 Competition

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

3.15 Dependence on key personnel

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

3.16 Potential liability to clients; risk of exceeding insurance coverage

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

3.17 Risks associated with possible acquisitions

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

3.18 Risks associated with strategic investments

The company makes strategic investments in new technology start-ups in order to gain experience in niche technologies. The company had invested an aggregate amount of $ 5.9 million in strategic investments in fiscal 2001. However, there can be no assurance that the company will be successful in its investments and will benefit from such investments. The loss of any of such investments could have a material adverse effect on the company's business, financial condition and results of operations. In fiscal 2001, the company provided for the value of its investments in EC Cubed Inc. and Alpha Thinx Mobile Services AG, in the amounts of $ 3 million and $ 480,300, respectively.

3.19 Risks related to software product sales

In fiscal 2001, the company derived 2.5% of its total revenue from the sale of software products. The development of the company's software products requires significant investments. The markets for the company's primary software product are competitive and currently located in developing countries, and there can be no assurance that such a product will continue to be commercially successful. In addition, there can be no assurance that any new products developed by the company will be commercially successful or that the costs of developing such new products will be recouped. A decrease in the company's product revenues or margins could adversely affect the company's results of operations and financial condition. Additionally, software product revenues typically occur in periods subsequent to the periods in which the costs are incurred for development of such products. There can be no assurance that such delayed revenues will not cause periodic fluctuations of the company's results of operations and financial condition.

3.20 Restrictions on exercise of preemptive rights by ADS holders

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

3.21 Intellectual property rights

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

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

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

The company's officers and directors, together with members of their immediate families, in the aggregate, beneficially own approximately 24.9% of the company's issued equity shares. As a result, such persons, acting together, will likely still have the ability to exercise significant control over most matters requiring approval by the shareholders of the company, including the election and removal of directors and significant corporate transactions. Such control by the company's officers and directors could delay, defer or prevent a change in control of the company, impede a merger, consolidation, takeover or other business combination involving the company, or discourage a potential acquiror from making a tender offer or otherwise attempting to obtain control of the company.

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

Report of the audit committee

To the members of Infosys Technologies Limited

In connection with the March 31, 2001 financial statements prepared as per US GAAP, the audit committee: (1) reviewed and discussed the audited financial statements with management; (2) discussed with the auditors the matters required by Statement on Auditing Standards No. 61; and (3) 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. Omkar Goswami
Member, Audit Committee

Bangalore
April 10, 2001

Sen. Larry L Pressler
Member, Audit Committee

Prof. Marti G Subrahmanyam
Member, Audit Committee

Report of management

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

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

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

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

Bangalore
April 11, 2001

T. V. Mohandas Pai
Director – Finance & Administration and Chief Financial Officer

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

N. R. Narayana Murthy
Chairman and Chief Executive Officer

Independent auditors' report

To the Board of Directors and Stockholders
Infosys Technologies Limited

We have audited the accompanying balance sheets of Infosys Technologies Limited as of March 31, 2001 and 2000, 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, 2001. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. 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, 2001 and 2000, and the results of its operations and its cash flows for each of the years in the three-year period ended March 31, 2001, in conformity with accounting principles generally accepted in the United States.

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

KPMG
KPMG

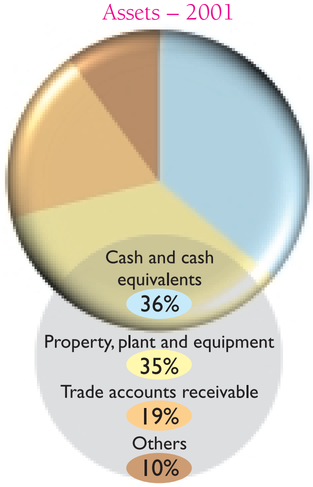
Bangalore
April 11, 2001

Balance sheets as of March 31

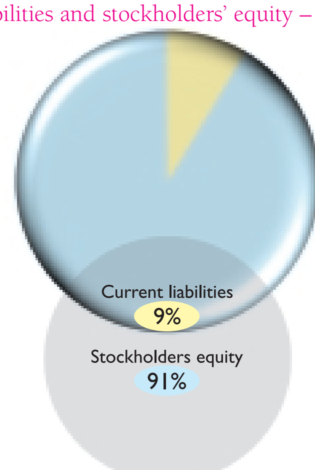
	2001	2000
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 124,084,245	$ 116,599,486
Trade accounts receivable, net of allowances	64,942,062	31,233,515
Deferred tax assets	1,265,142	–
Prepaid expenses and other current assets	16,452,863	11,256,295
Total current assets	206,744,312	159,089,296
Property, plant and equipment, net	119,773,030	47,554,772
Deferred tax assets	2,070,428	2,566,266
Investments	5,577,393	3,177,938
Advance income taxes	180,113	–
Other assets	8,002,543	6,894,598
TOTAL ASSETS	$ 342,347,819	$ 219,282,870
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 28,082	$ 976,840
Client deposits	1,217,737	425,724
Other accrued liabilities	21,830,484	13,835,635
Income taxes payable	–	1,878,977
Unearned revenue	7,479,815	4,029,173
Total current liabilities	30,556,118	21,146,349
STOCKHOLDERS' EQUITY		
Common stock, $ 0.16 par value; 100,000,000 equity shares authorized, Issued and outstanding – 66,158,117 and 66,150,700 as of 2001 and 2000, respectively	8,594,106	8,593,510
Additional paid-in capital	122,017,518	121,506,726
Accumulated other comprehensive income	(28,664,972)	(14,137,933)
Deferred stock compensation	(12,517,018)	(17,598,813)
Retained earnings	222,362,067	99,773,031
Total stockholders' equity	311,791,701	198,136,521
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 342,347,819	$ 219,282,870

See accompanying notes to financial statements

Assets – 2001



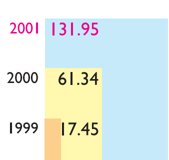
Liabilities and stockholders' equity – 2001



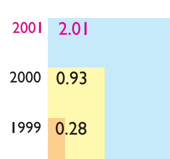
Statements of income for the years ended March 31

	2001	2000	1999
REVENUES	$ 413,850,510	$ 203,443,754	$ 120,955,226
Cost of revenues	213,613,744	111,080,546	65,331,006
Gross profit	200,236,766	92,363,208	55,624,220
OPERATING EXPENSES			
Selling and marketing expenses	20,682,776	9,643,970	4,943,599
General and administrative expenses	36,957,609	17,102,550	11,255,456
Amortization of stock compensation expense	5,081,795	5,117,635	3,645,576
Compensation arising from stock split	–	–	12,906,962
Total operating expenses	62,722,180	31,864,155	32,751,593
Operating income	137,514,586	60,499,053	22,872,627
Equity in loss of deconsolidated subsidiary	–	–	(2,085,887)
Other income, net	9,505,343	9,038,792	1,536,998
Income before income taxes	147,019,929	69,537,845	22,323,738
Provision for income taxes	15,071,825	8,193,317	4,877,650
Net income	$ 131,948,104	$61,344,528	$17,446,088
EARNINGS PER EQUITY SHARE			
Basic	$ 2.01	$ 0.93	$ 0.28
Diluted	$ 1.98	$ 0.93	$ 0.28
Weighted equity shares used in computing earnings per equity share			
Basic	65,771,256	65,659,625	61,378,850
Diluted	66,714,739	65,863,990	61,507,380

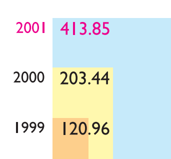
See accompanying notes to financial statements



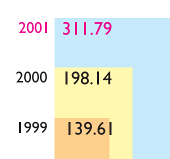
Net income
in $ million



Earnings per share
in $



Revenues
in $ million



Stockholders' equity
in $ million

Statements of Stockholders' Equity and Comprehensive Income

	Common stock Shares	Par value	Additional paid-in capital	Comprehensive income comprehensive	Accumulated other compensation income	Deferred stock	Loan to trust	Retained earnings equity	Total stockholders'
Balance as of March 31, 1998	64,068,800	$ 4,545,811	$ 24,415,920		$ (7,042,229)	$ (7,831,445)	$ (936,365)	$ 27,994,268	$ 41,145,960
Stock split	–	3,800,949	–		–	–	–	(3,800,949)	–
Cash dividends declared	–	–	–		–	–	–	(3,152,863)	(3,152,863)
Common stock issued	2,070,000	245,377	70,134,623		–	–	–	–	70,380,000
ADR issue expenses	–	–	(4,108,924)		–	–	–	–	(4,108,924)
Compensation related to stock option grants	–	–	30,407,892		–	(30,407,892)	–	–	–
Amortization of compensation related to stock option grants	–	–	–		–	16,552,538	–	–	16,552,538
Comprehensive income									
Net income	–	–	–	$17,446,088	–	–	–	17,446,088	17,446,088
Other comprehensive income									
Translation adjustment	–	–	–	(2,058,433)	(2,058,433)	–	–	–	(2,058,433)
Comprehensive income	–	–	–	$15,387,655	–	–	–	–	–
Adjustment on deconsolidation of subsidiary	–	–	–		–	–	–	2,468,831	2,468,831
Repayment of loan to trust	–	–	–		–	–	936,365	–	936,365
Balance as of March 31, 1999	66,138,800	8,592,137	120,849,511		(9,100,662)	(21,686,799)	–	40,955,375	139,609,562
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

Statements of Stockholders' Equity and Comprehensive Income

	Common stock		Additional	Comprehensive	Accumulated	Deferred	Loan to trust	Retained	Total
	Shares	Par value	paid-in capital	income comprehensive	other compensation income	stock		earnings equity	stockholders'
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

See accompanying notes to financial statements

Statements of cash flows for the years ended March 31

	2001	2000	1999
OPERATING ACTIVITIES			
Net income	$131,948,104	$61,344,528	$17,446,088
Adjustments to reconcile net income to net cash provided by operating activities			
(Gain)/loss on sale of property, plant and equipment	(20,053)	(20,153)	–
Depreciation	24,527,867	12,268,169	8,521,009
Deferred tax expense / (benefit)	(769,304)	(850,891)	(625,427)
Gain on sale of investment in deconsolidated subsidiary	–	–	(620,958)
Amortization of deferred stock compensation expense	5,081,795	5,117,635	16,552,538
Loss relating to deconsolidated subsidiary	–	–	2,085,887
Provision for investments	3,480,300	–	–
Changes in assets and liabilities			
Trade accounts receivable	(33,708,547)	(11,176,837)	(10,113,425)
Prepaid expenses and other current assets	(2,218,954)	(2,390,039)	(2,035,203)
Income taxes	(2,059,090)	923,180	1,492,766
Accounts payable	(948,758)	901,535	(24,459)
Client deposits	792,013	407,204	(171,653)
Unearned revenue	3,450,642	(569,439)	4,598,612
Other accrued liabilities	7,957,303	5,435,835	3,015,104
Net cash provided by operating activities	137,513,318	71,390,727	40,120,879
INVESTING ACTIVITIES			
Expenditure on property, plant and equipment	(96,775,745)	(35,926,030)	(16,123,557)
Proceeds from sale of property, plant and equipment	49,673	23,555	5,704
Loans to employees	(4,085,559)	(6,828,525)	(2,181,715)
Proceeds from sale of investment in deconsolidated subsidiary	–	–	1,500,000
Purchase of investments	(5,879,755)	(3,000,000)	(177,576)
Net cash used in investing activities	(106,691,386)	(45,731,000)	(16,977,144)
FINANCING ACTIVITIES			
Proceeds from issuance of equity shares	511,388	406,862	70,380,000
ADR issue expenses	–	(777,923)	(4,108,924)
Payment of cash dividends	(9,321,522)	(2,526,872)	(2,371,673)
Loan to trust	–	–	936,365
Net cash (used in) provided by financing activities	(8,810,134)	(2,897,933)	64,835,768
Effect of exchange rate changes on cash	(14,527,039)	(5,037,271)	(2,058,433)
Effect of deconsolidation on cash	–	–	(2,465,372)
Net increase in cash and cash equivalents during the year	7,484,759	17,724,523	83,455,698
Cash and cash equivalents at the beginning of the year	116,599,486	98,874,963	15,419,265
Cash and cash equivalents at the end of the year	$124,084,245	$116,599,486	$98,874,963
Supplementary information:			
Cash paid towards taxes	$16,950,802	$7,270,137	$3,364,318

See accompanying notes to financial statements

Notes to Financial Statements

1 Company overview and significant accounting policies

1.1 Company overview

Infosys Technologies Limited ("Infosys" or the "company"), a publicly held company is an information technology ("IT") consulting and service provider, providing end-to-end consulting for global corporations. The company has partnered with several *Fortune 500* and emerging companies in building their next generation information infrastructure for competitive advantage. Infosys' portfolio of services includes e-strategy consulting and solutions, maintenance and re-engineering services, large application development and enterprise integration services. Infosys also has product co-development initiatives with numerous communication and Internet infrastructure companies that are creating the building blocks for the digital economy. In addition, the company develops and markets certain software products. Headquartered in Bangalore, India, the company has 16 state-of-the-art offshore software development facilities located throughout India, six proximity development centers in the UK and the U.S. and one global development center in Canada, that enable it to provide high quality, cost-effective services to clients in a resource-constrained environment. The company also maintains offices in North America, Europe and Asia.

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 Principles of consolidation

The financial statements of the company were consolidated with the accounts of its wholly owned subsidiary, Yantra Corporation ("Yantra") during fiscal 1998. On October 20, 1998, the company's voting control of Yantra declined to approximately 47%. Accordingly, the company followed the equity method of accounting for Yantra in fiscal 1999. On June 14, 1999, Yantra sold Series C Convertible Preferred Stock amounting to $ 15 million to unrelated existing and new investors, reducing the company's voting control to approximately 25%. In July 2000, Yantra sold Series D Convertible Preferred Stock amounting to $ 40 million, to unrelated existing and new investors, further reducing the company's voting control to approximately 16%.

The company owns 63% of the outstanding common shares of Yantra, but has no financial obligations or commitments to Yantra and does not intend to provide Yantra with financial support. Accordingly, the company recognized no losses of Yantra after October 20, 1998. The excess of the company's previously recognized losses over the basis of its investments in Yantra as of October 20, 1998 were credited to retained earnings.

Yantra was incorporated in the United States in fiscal 1996 for the development of software products in the retail and distribution areas.

1.4 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.

1.5 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-time frame contracts are recognized upon the achievement of specified milestones identified in the related contracts, 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 on all its fixed-price, fixed-time frame contracts. Costs associated with the support services are accrued at the time related revenues are recorded.

Revenue from licensing of software products is recognized upon shipment of products and fulfillment of acceptance terms, if any, provided that no significant vendor obligations remain and the collection of the related receivable is probable. When the company receives advances for software 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.

1.6 Cash and cash equivalents

The company considers all highly liquid investments and deposits 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.

1.7 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. The amount of third party software expensed during fiscal 2001, 2000 and 1999 was $ 6,979,492, $ 3,816,840 and $ 3,538,590, respectively.

Deposits paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date and the cost of property, plant and equipment not put to use before such date are disclosed under "*Capital work-in-progress*".

1.8 Impairment of long-lived assets

The company evaluates the recoverability of its long-lived assets and certain identifiable intangibles, if any, whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying value of the assets exceeds the fair value of the assets. Assets to be disposed are reported at the lower of the carrying value or the fair value less the cost to sell.

1.9 Research and development

Research and development costs are expensed as incurred. Software product development costs are expensed as incurred until technological feasibility is achieved. Software product development costs incurred subsequent to achieving technological feasibility are not significant and are expensed as incurred.

1.10 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.

1.11 Foreign currency transactions

The company generally enters into foreign exchange forward contracts to limit the effect of exchange rate changes on its foreign currency receivables. Gains and losses on these contracts are recognized as income or expense in the statements of income as incurred, over the life of the contract.

1.12 Earnings per share

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 128, *Earnings Per Share*, basic earnings per share are computed using the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of common and dilutive common equivalent shares outstanding during the period, using the treasury stock method for options and warrants, except where the result would be anti-dilutive.

1.13 Income taxes

Income taxes are accounted for using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax bases and operating loss carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of changes in tax rates on deferred tax assets and liabilities is recognized as income in the period that includes the enactment date. The measurement of deferred tax assets is reduced, if necessary, by a valuation allowance for any tax benefits of which future realization is uncertain.

1.14 Fair value of financial instruments

The carrying amounts reflected in the balance sheets for cash, cash equivalents, accounts receivable and accounts payable approximate their respective fair values due to the short maturities of these instruments.

1.15 Concentration of risk

Financial instruments that potentially subject the company to concentrations of credit risk consist principally of cash equivalents, trade accounts receivable, 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, 2001 and 2000, 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. Exposure to credit risk is managed through credit approvals, establishing credit limits and monitoring procedures. The company's cash resources are invested with corporations, financial institutions and banks with high investment grade credit ratings. Limitations are established by the company as to the maximum amount of cash that may be invested with any such single entity.

1.16 Retirement benefits to employees

1.16.1 Gratuity

In accordance with Indian law, the company provides for gratuity, a defined benefit retirement plan (the "Gratuity Plan") covering 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 years of employment with the company. The company established the Infosys Technologies Limited Employees' Group Gratuity Fund Trust (the "Gratuity Fund Trust") on April 1, 1997. Liabilities with regard to the Gratuity Plan are determined by actuarial valuation, based upon which the company contributes to the Gratuity Fund Trust. Trustees administer the contributions made to the Gratuity Fund Trust. The funds contributed to the Gratuity Fund Trust are invested in specific securities as mandated by the law and generally consist of federal and state government bonds and the debt instruments of government-owned corporations.

1.16.2 Superannuation

Apart from being covered under the Gratuity Plan described above, certain employees of the company are also participants in a defined contribution plan maintained by the company. The plan is termed the superannuation plan (the "plan") to which the company makes monthly contributions based on a specified percentage of each covered employee's salary. The company has no further obligations under the plan beyond its monthly contributions.

1.16.3 Provident fund

In addition to the above benefits, eligible employees receive benefits from a provident fund, which is a defined contribution plan. Both the employee and the company make monthly contributions to the plan, each equal to a specified percentage of each covered employee's salary. The company established a provident fund trust in August 1996, to which a part of the contributions are made each month. The remainder of the contributions is made to the Government's provident fund. The company has no further obligations under provident fund beyond its monthly contributions.

1.17 Investments

Investments where the company controls between 20% and 50% of the voting interest are accounted for using the equity method. Investment securities in which the company controls less than 20% voting interest are currently classified as "Available-for-sale securities".

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. Unrealized gains and losses, net of deferred income taxes are reported as a separate component of stockholders' equity. Realized gains and losses and declines in value judged to be other than temporary on "Available-for-sale" securities are included in the statements of income. The cost of securities sold is based on the specific identification method. Interest and dividend income is recognized when earned.

1.18 Stock-based compensation

The company uses the intrinsic value-based method of Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees*, to account for its employee stock-based compensation plan. The company has therefore adopted the proforma disclosure provisions of SFAS No. 123, Accounting for Stock-Based Compensation.

1.19 Dividends

Dividend on common stock and the related dividend tax are recorded as a liability on declaration.

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, 2001 and 2000, respectively are as follows:

	2001	2000
Cost and fair values		
Cash and bank deposits	$ 82,702,111	$ 99,035,223
Deposits with corporations	41,382,134	17,564,263
	$ 124,084,245	$ 116,599,486

2.2 Trade accounts receivable

Trade accounts receivable, as of March 31, 2001 and 2000, net of allowance for doubtful accounts of $ 3,902,996 and $ 507,487, respectively amounted to $ 64,942,062 and $ 31,233,515, respectively. The age profile of trade accounts receivable is given below.

in %

Period (in days)	2001	2000
0 – 30	69.2	64.7
31 – 60	26.6	31.8
61 – 90	1.7	1.8
More than 90	2.5	1.7
	100.0	100.0

Trade accounts receivable include accounts receivable from Yantra amounting to $ 214,347 and Nil as of March 31, 2001 and 2000, respectively.

2.3 Prepaid expenses and other current assets

Prepaid expenses and other current assets consist of the following:

	2001	2000
Rent deposits	$ 2,484,794	$ 1,798,738
Deposits with government organizations	945,189	721,476
Loans to employees	8,091,866	5,114,253
Prepaid expenses	4,349,913	3,602,334
Costs in excess of billings	503,694	–
Other advances	77,407	19,494
	$ 16,452,863	$ 11,256,295

Other advances represent advance payments to vendors for the supply of goods and rendering of services. Deposits with government organizations relate principally to leased telephone lines and electricity supplies. Costs in excess of billings represent costs incurred on fixed price contracts in respect of which milestones are yet to be achieved.

2.4 Property, plant and equipment – net

Property, plant and equipment consist of the following:

	2001	2000
Land	$ 7,865,351	$ 4,833,786
Buildings	33,871,448	13,509,409
Furniture and fixtures	21,579,707	9,156,208
Computer equipment	48,098,099	25,742,780
Plant and equipment	24,064,927	11,871,138
Vehicles	75,537	31,292
Capital work-in-progress	36,651,724	13,064,301
	172,206,793	78,208,914
Accumulated depreciation	(52,433,763)	(30,654,142)
	$ 119,773,030	$ 47,554,772

Depreciation expense amounted to $ 24,527,867, $ 12,268,169 and $ 8,521,009 for fiscal 2001, 2000 and 1999, respectively.

2.5 Investments

The amortized cost and fair values of available-for-sale securities by major investment type and class of investment are as follows:

	Amortized cost	Fair value
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 $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
PurpleYogi 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
As of March 31, 2000		
EC Cubed Inc. – 1,300,108 Series D Convertible Preferred Stock, at $2.3075 each, fully paid, par value $0.0001 each	$3,000,000	$3,000,000
JASDIC Park Company – 480 Common Stock, at ¥ 50,000 each, fully paid, par value ¥50,000 each	177,576	177,576
Others	362	362
	$3,177,938	$3,177,938

During the year ended March 31, 2001, EC Cubed Inc. and Alpha Thinx Mobile Services AG ("Alpha Thinx"), two companies in which Infosys had made strategic investments, filed for liquidation. Consequently, the company made a provision for its entire investment in EC Cubed Inc. and Alpha Thinx in the amounts of $ 3,000,000 and $ 480,300, respectively, as there was a diminution in the value of this investment that is considered other than temporary. EC Cubed Inc. and Alpha Thinx are unlisted companies.

2.6 Other assets

Other assets mainly represent the non-current portion of loans to employees.

2.7 Related parties

The company grants loans to employees for acquiring assets such as property and cars. Such loans are repayable over fixed periods ranging from 1 to 100 months. The 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, 2001 and 2000, amounts receivable from officers amounting to $ 227,121 and $ 309,835, 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.

	2001	2000
2001	–	$ 5,114,252
2002	$ 8,091,866	1,887,808
2003	2,517,809	1,383,397
2004	1,718,884	861,752
2005	1,033,107	696,581
2006	800,198	–
Thereafter	1,932,545	2,065,061
	$ 16,094,409	$ 12,008,851

The estimated fair values of related party receivables amounted to $ 12,465,374 and $ 8,959,996 as of March 31, 2001 and 2000, respectively. These amounts have been determined using available market information and appropriate valuation methodologies. Considerable judgement is required to develop these estimates of fair value. Consequently, these estimates are not necessarily indicative of the amounts that the company could realize in the market.

2.8 Other accrued liabilities

Other accrued liabilities comprise the following:

	2001	2000
Accrued compensation to staff	$ 12,332,869	$ 7,747,965
Accrued dividends	103,418	65,872
Provision for post sales client support	1,578,859	1,265,849
Employee withholding taxes payable	25,000	1,530,832
Others	7,790,338	3,225,117
	$ 21,830,484	$ 13,835,635

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 2001, 2000 and 1999.

	2001	2000	1999
Change in benefit obligations			
Benefit obligations at the beginning of the year	$ 11,043,208	$ 10,551,069	$ 1,804,504
Effect of changes in assumptions used	–	(2,142,149)	7,370,968
Amortization of unrecognized actuarial loss	(329,928)	(368,548)	–
Service cost	2,627,599	3,418,688	657,328
Interest cost	1,183,461	939,603	906,157
Benefits paid	(184,247)	(128,803)	(73,983)
Effect of exchange rate changes	(758,121)	(1,226,652)	(113,905)
Benefit obligations at the end of the year	$ 13,581,972	$ 11,043,208	$ 10,551,069
Change in plan assets			
Fair value of plan assets at the beginning of the year	$ 4,375,821	$ 2,497,335	$ 680,499
Effect of exchange rate changes	(468,275)	(134,018)	(48,977)
Actual return on plan assets	1,061,611	404,526	179,004
Employer contributions	5,362,995	1,736,781	1,760,792
Benefits paid	(184,247)	(128,803)	(73,983)
Plan assets at the end of the year	$ 10,147,905	$ 4,375,821	$ 2,497,335
Funded status	$ (3,434,067)	$ (6,667,387)	$ (8,053,734)
Excess of actual return over estimated return on plan assets	301,791	93,716	(41,723)
Unrecognized transitional obligation	596,106	694,446	830,826
Unrecognized actuarial cost	4,216,291	3,141,732	7,252,766
(Accrued) / prepaid benefit	$ 1,680,121	$ (2,737,493)	$ (11,865)

Net gratuity cost for fiscal 2001, 2000 and 1999 comprises the following components:

	2001	2000	1999
Service cost	$ 2,627,599	$ 3,418,688	$ 657,328
Interest cost	1,183,461	939,603	906,157
Expected return on assets	(759,820)	(310,810)	(143,038)
Amortization of unrecognized transitional obligation	55,127	58,245	63,910
Amortization of unrecognized actuarial loss	329,928	368,548	–
Net gratuity cost	$ 3,436,295	$ 4,474,274	$ 1,484,357

The assumptions used in accounting for the Gratuity Plan in fiscal 2001, 2000 and 1999 are set out below.

	2001	2000	1999
Discount rate	10%	10%	10%
Rate of increase in compensation levels	9%	9%	12%
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 $ 796,739, $ 244,248 and $ 145,051 to the superannuation plan in fiscal 2001, 2000 and 1999, respectively.

2.9.3 Provident fund

The company contributed $ 2,339,794, $ 1,198,772 and $ 812,117 to the provident fund in fiscal 2001, 2000 and 1999, respectively.

2.10 Stockholders' equity

The company has only one class of capital stock referred to herein as equity shares. In fiscal 1999, the board of directors authorized a two-for-one stock split of the company's equity shares effected in the form of a stock dividend. Also, in November 1999, the board of directors authorized a two-for-one stock split of the company's equity shares, whereby each issued and outstanding equity share, par value $ 0.32 each, was split into two equity shares, par value $ 0.16 each. All references in the financial statements to number of shares, per share amounts and market prices of the company's equity shares have been retroactively restated to reflect the stock splits.

2.11 Equity shares

2.11.1 Voting

Each holder of equity shares is entitled to one vote per share.

2.11.2 Dividends

Should the company declare and pay dividends, such dividends will be paid in rupees. The company paid cash dividends of $ 9,321,522 and $ 2,526,872 during fiscal 2001 and 2000, respectively.

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:

	2001	2000	1999
Interest income and others	$ 8,526,635	$ 5,729,653	$ 916,040
Gain on sale of investment in subsidiary	–	–	620,958
Income from sale of special import licenses	14,800	426,407	–
Exchange gains	4,444,208	2,882,732	–
Provision for investments	(3,480,300)	–	–
	$ 9,505,343	$ 9,038,792	$ 1,536,998

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 2001, 2000 and 1999 were $ 3,689,822, $ 2,387,334 and $ 1,770,413, 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,	
2002	$ 1,568,814
2003	1,615,933
2004	1,725,610
2005	1,451,912
2006	1,159,711
Thereafter	3,092,905
	$ 10,614,885

2.14 Research and development

General and administrative expenses in the accompanying statements of income include research and development expenses of $ 3,610,550, $ 1,904,123 and $ 2,819,326 for fiscal 2001, 2000 and 1999, respectively.

2.15 Employees' Stock Offer Plans ("ESOP")

1994 Employees Stock Offer Plan (the "1994 Plan"): In September 1994, the company established the 1994 Plan, which provided for the issuance of 6,000,000 warrants (as adjusted for the company's 2-for-1 stock split by means of a stock dividend in fiscal 1998 and 1999 and a 2-for-1 stock split in fiscal 2000) to eligible employees. The warrants were issued to an employee welfare trust (the "Trust") at Rs.0.50 each and were purchased by the Trust using the proceeds of a loan obtained from the company. The Trust holds the warrants and transfers them to eligible employees at Rs.0.50 each. Each warrant entitles the holder to purchase one of the company's equity shares at a price of Rs.50 per share. The warrants and the equity shares received upon the exercise of warrants are subject to a five-year aggregate vesting period from the date of issue of warrants to employees. The warrants expire upon the earlier of five years from the date of issue or September 1999. The fair market value of each warrant is the market price of the underlying equity shares on the date of the grant.

In 1997, in anticipation of a share dividend to be declared by the company, the Trust exercised all warrants held by it and converted them into equity shares with the proceeds of a loan obtained from the company. In connection with the warrant exercise and the share dividend, on an adjusted basis, 3,011,200 equity shares were issued to employees of the company who exercised stock purchase rights and 2,988,800 equity shares were issued to the Trust for future issuance to employees pursuant to the 1994 Plan. Following such exercise, there were no longer any rights to purchase equity shares from the company in connection with the 1994 Plan. Only equity shares held by the Trust remained for future issues to employees, subject to vesting provisions. The equity shares acquired upon the exercise of the warrants vest entirely on completion of five years of service. The warrant holders were entitled to exercise early, but the shares received are subject to the five-year vesting period. As of March 31, 2001, the company's outstanding equity shares included 587,400 equity shares held by the Trust of which 330,000 equity shares were allotted to employees, subject to vesting provisions and are included in the earnings per share calculation. The remaining 257,400 equity shares were not considered outstanding for purposes of calculating earnings per share. The warrants allotted and the underlying equity shares are not subject to any repurchase obligations by the company.

The company has elected to use the intrinsic value-based method of APB 25 to account for its employee stock-based compensation plan. Accordingly, in fiscal 2001, 2000 and 1999, the company recorded deferred compensation of Nil, $ 1,029,649 and $ 30,407,892, respectively for the difference, on the grant date, between the exercise price and the fair value as determined by quoted market prices of the common stock underlying the warrants. The deferred compensation is amortized on a straight-line basis over the vesting period of the warrants/equity shares.

In fiscal 1999, the company declared a stock split of two equity shares for each equity share outstanding to all its stockholders including participants in the 1994 Plan in the form of a stock dividend and consequently recognized an accelerated compensation charge at the time of the stock dividend amounting to $ 12,906,962.

1998 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 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 Employees 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 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 ("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.

The company adopted the proforma disclosure provisions of SFAS No. 123, *Accounting for Stock-Based Compensation*. Had compensation cost for the company's stock-based compensation plan been determined in a manner consistent with the fair value approach described in SFAS No. 123, the company's net income and basic earnings per share as reported would have reduced to the proforma amounts indicated below.

		2001	2000	1999
Net income	As reported	$ 131,948,104	$ 61,344,528	$ 17,446,088
	Adjusted proforma	$ 99,690,666	$ 54,649,727	$ 16,905,336
Basic earnings per share	As reported	$ 2.01	$ 0.93	$ 0.28
	Adjusted proforma	$ 1.52	$ 0.83	$ 0.27

2.15 Employees' Stock Offer Plans ("ESOP") (continued)

The fair value of each warrant is estimated on the date of grant using the Black-Scholes model with the following assumptions:

	2001	2000	1999
Dividend yield %	0.1%	0.1%	0.1%
Expected life	5 years	5 years	5 years
Risk free interest rate	10.8%	10.8%	10.8%
Volatility	44.0%	44.0%	44.0%

The activity in the warrants/equity shares of the 1994, 1998 and 1999 Employees Stock Offer Plans in fiscal 2001, 2000 and 1999 are set out below.

	2001		2000		1999	
	Shares arising out of options	Weighted average exercise price	Shares arising out of options	Weighted average exercise price	Shares arising out of options	Weighted average exercise price
1994 Option plan:						
Outstanding at the beginning of the year	341,400	–	328,000	–	1,037,200	–
Granted	–	–	30,000	$ 1.15	1,984,400	$ 0.59
Forfeited	(10,600)	$ 1.15	(16,600)	$ 1.15	(36,400)	$ 0.59
Exercised	(800)	$ 1.15	–	–	(2,657,200)	$ 0.59
Outstanding at the end of the year	330,000	–	341,400	–	328,000	–
Exercisable at the end of the year	–	–	–	–	–	–
Weighted-average fair value of grants during the period at less than market		–		$ 35.48		$ 18.43
1998 Option plan:						
Outstanding at the beginning of the year	344,750	–	213,000	–	–	–
Granted	482,420	$ 230.88	147,150	$ 228.60	213,000	$ 34.00
Forfeited	(38,200)	$ 172.58	(3,500)	$ 34.00	–	–
Exercised	(6,217)	$ 53.82	(11,900)	$ 34.00	–	–
Outstanding at the end of the year	782,753	–	344,750	–	213,000	–
Exercisable at the end of the year	55,558	–	18,100	–	–	–
Weighted-average fair value of grants during the year		$ 230.88		$ 228.60		$ 34.00
1999 Option plan:						
Outstanding at the beginning of the year	1,006,800	–	–	–	–	–
Granted	1,957,830	$ 136.68	1,014,500	$ 99.12	–	–
Forfeited	(169,450)	$ 110.06	(7,700)	$ 127.98	–	–
Exercised	(1,200)	$ 89.98	–	–	–	–
Outstanding at the end of the year	2,793,980	–	1,006,800	–	–	–
Exercisable at the end of the year	93,400	–	–	–	–	–
Weighted-average fair value of grants during the year		$ 136.68		$ 99.12		–

The following table summarizes information about stock options outstanding as of March 31, 2001:

	Outstanding			Exercisable	
Range of exercise Price	Number of shares arising out of options	Weighted average remaining contractual life	Weighted average exercise price	Number of shares arising out of options	Weighted average exercise price
$ 1.15 - $ 304.04	3,906,733	2.20 years	$ 129.89	148,958	$ 141.77

2.16 Income taxes

The provision for income taxes comprises:

	2001	2000	1999
Current taxes			
Domestic taxes	$ 5,315,961	$ 2,505,952	$ 777,351
Foreign taxes	10,525,168	6,538,256	4,725,726
	15,841,129	9,044,208	5,503,077
Deferred taxes			
Domestic taxes	(769,304)	(850,891)	(625,427)
Foreign taxes	–	–	–
	(769,304)	(850,891)	(625,427)
Aggregate taxes	$ 15,071,825	$ 8,193,317	$ 4,877,650

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:

	2001	2000	1999
Deferred tax assets:			
Property, plant and equipment	$ 1,519,016	$ 2,480,883	$ 2,315,375
Accounts receivable	1,587,629	110,000	–
Investments	1,598,712	–	–
Others	217,842	85,383	–
	4,923,199	2,676,266	2,315,375
Less: Valuation allowance	(1,587,629)	(110,000)	(600,000)
Net deferred tax assets	$ 3,335,570	$ 2,566,266	$ 1,715,375

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, 2001. 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.

	2001	2000	1999
Net income before taxes	$ 147,019,929	$ 69,537,845	$ 22,323,738
Enacted tax rates in India	39.55%	38.50%	35.00%
Computed expected tax expense	58,146,382	26,772,070	7,813,308
Less: Tax effect due to non-taxable export income	(57,334,527)	(24,019,942)	(7,680,942)
Others	3,437,865	(1,121,972)	19,558
Effect of tax rate change	(8,077)	(29,771)	–
Effect of prior period tax adjustments	305,014	54,676	–
Provision for Indian income tax	4,546,657	1,655,061	151,924
Effect of tax on foreign income	10,525,168	6,538,256	3,701,898
Effect of prior period foreign tax adjustments	–	–	1,023,828
Aggregate taxes	$ 15,071,825	$ 8,193,317	$ 4,877,650

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:

	2001	2000	1999
Basic earnings per equity share – weighted average number of common shares outstanding excluding unallocated shares of ESOP	65,771,256	65,659,625	61,378,850
Effect of dilutive common equivalent shares – stock options outstanding	943,483	204,365	128,530
Diluted earnings per equity share – weighted average number of common shares and common equivalent shares outstanding	66,714,739	65,863,990	61,507,380

2.18 Financial instruments

Foreign exchange forward contracts

The company enters into foreign exchange forward contracts to offset the foreign currency risk arising from the accounts receivable denominated in currencies other than the Indian rupee, primarily the U.S. dollar. The counter party to the company's foreign currency forward contracts is generally a bank. Management believes that the risks or economic consequences of non-performance by the counter party are not material to its financial position or results of operations. There were no significant foreign exchange gains and losses on foreign exchange forward contracts during fiscal 2001, 2000 and 1999. As of March 31, 2001 and 2000, the company had open foreign exchange forward contracts in the amounts of $ 20,000,000 and Nil, respectively.

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 previous year, the company provided segmental disclosures based on the geographical segment. However, in the current fiscal year, 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, 2001 (in $)

	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

Year ended March 31, 2000 (in $)

	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

Year ended March 31, 1999 (in $)

	Financial services	Manufacturing	Telecom	Retail	Others	Total
Revenues	28,194,176	29,715,264	17,205,400	16,614,712	29,225,674	120,955,226
Identifiable operating expenses	10,781,807	9,764,221	5,548,040	5,532,826	10,493,354	42,120,248
Allocated expenses	7,461,572	7,512,683	4,340,288	4,230,432	7,343,751	30,888,726
Segmental operating income	9,950,797	12,438,360	7,317,072	6,851,454	11,388,569	47,946,252
Unallocable expenses						25,073,625
Operating income						22,872,627
Equity in loss of deconsolidated subsidiary						(2,085,887)
Other income (expense), net						1,536,998
Net income before taxes						22,323,738

2.19 Segment reporting (continued)

2.19.2 Geographic segments

Year ended March 31, 2001 *(in $)*

	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

Year ended March 31, 2000 *(in $)*

	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

Year ended March 31, 1999 *(in $)*

	North America	Europe	India	Rest of the World	Total
Revenues	99,203,989	11,302,791	2,051,492	8,396,954	120,955,226
Identifiable operating expenses	33,730,337	4,539,059	695,267	3,155,585	42,120,248
Allocated expenses	25,127,762	2,879,857	670,851	2,210,256	30,888,726
Segmental operating income	40,345,890	3,883,875	685,374	3,031,113	47,946,252
Unallocable expenses					25,073,625
Operating income					22,872,627
Equity in loss of deconsolidated subsidiary					(2,085,887)
Other income (expense), net					1,536,998
Net income before taxes					22,323,738

2.19.3 Significant clients

No clients individually accounted for more than 10% of the revenues in fiscal 2001, 2000 and 1999, respectively.

2.20 Commitments and contingencies

The company has outstanding performance guarantees for various statutory purposes totaling $ 1,126,611, $ 1,207,110 and $ 760,329 as of March 31, 2001, 2000 and 1999, 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 Post balance sheet date events

The board of directors of the company declared a dividend of $ 10,656,913 at their meeting held on April 11, 2001. Dividend taxes payable on the same amount to $ 1,087,005.

2.23 Non-monetary transaction

In fiscal 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 Onscan Inc. As of March 31, 2001, the company's controlling interest in OnMobile Systems Inc. was approximately 12%. 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.

2.24 Recent accounting pronouncements

Effective April 1, 2001, Infosys adopted SFAS 133, *Accounting for Derivative Instruments and Hedging Activities* as amended, when the pronouncement became effective for companies with fiscal year ending March 31, 2001. SFAS 133 will change the accounting treatment of derivative contracts (including foreign exchange contracts) that are employed to manage risks. It establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. All derivatives, whether designated in hedging relationships or not, are required to be recorded on the balance sheet at fair value. The accounting treatment of changes in fair value is dependent upon whether or not a derivative instrument is designated as a hedge and if so, the type of hedge. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative and of the hedged item attributable to the hedged risk are recognized in earnings. If the derivative is designated as a cash flow hedge, the effective portions of changes in the fair value of the derivative are recorded in other comprehensive income and are recognized in the income statement when the hedged item affects earnings. Ineffective portions of changes in the fair value of cash flow hedges are recognized in earnings. The company observes that the net amount reflected in current earnings under the new rules will be substantially similar to the amounts under existing accounting practice.

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, 2001

☐ 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 – 66,158,117 Equity Shares
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes .... No ....x...........

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 .... Item 18 ....x...........

Currency of Presentation and Certain Defined Terms

Unless the context otherwise requires, references herein to the "company" or to "Infosys" are to Infosys Technologies Limited, a limited liability company organized under the laws of the Republic of India. References to "U.S." or "United States" are to the United States of America, its territories and its possessions. References to "India" are to the Republic of India. Yantra Corporation, a Delaware Corporation ("Yantra"), in which the company holds a minority interest, is considered a subsidiary of the company for purposes of Indian GAAP. "Infosys" is a registered trademark of the company in the United States and India. All other trademarks or tradenames used in this Annual Report on Form 20-F ("Annual Report") are the property of their respective owners.

In this Annual Report, references to "$ " or "dollars" or "U.S. dollars" are to the legal currency of the United States and references to "Rs." or "rupees" or "Indian rupees"" are to the legal currency of India. The company's financial statements are presented in Indian rupees and translated into U.S. dollars and are prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP"). References to "Indian GAAP" are to Indian generally accepted accounting principles. Except as otherwise specified, financial information is presented in dollars. References to a particular "fiscal" year are to the company's fiscal year ended March 31 of such year.

Unless otherwise specified herein, financial information has been converted into dollars at the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank (the "Noon Buying Rate") on March 31, 2001, which was Rs. 46.66 per $ 1.00. For the convenience of the reader, this Annual Report contains translations of certain Indian rupee amounts into U.S. dollars which should not be construed as a representation that such Indian rupee or U.S. dollar amounts referred to herein could have been, or could be, converted to U.S. dollars or Indian rupees, as the case may be, at any particular rate, the rates stated below, or at all. Any discrepancies in any table between totals and sums of the amounts listed are due to rounding. For historical information regarding rates of exchange between Indian rupees and U.S. dollars, see "Key Information – Exchange rates".

Forward-Looking Statements May Prove Inaccurate

In addition to historical information, this Annual Report contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The forward-looking statements contained herein are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and ELSEWHERE in this report. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date hereof. In addition, Readers should carefully review the other information in this Annual Report and in the company's periodic reports and other documents filed with the Securities and Exchange Commission ("SEC") from time to time.

Part I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

3.A.1 & 2 Selected financial data

This information is set forth under the caption "Summary of selected consolidated financial data" on page 98 of the Infosys Annual Report for fiscal 2001 and is incorporated herein by reference.

3.A.3 Exchange rates

Fluctuations in the exchange rate between the Indian rupee and the U.S. dollar will affect the U.S. dollar equivalent of the Indian rupee price of the equity shares on the Indian stock exchanges and, as a result may affect the market price of the ADSs in the United States, and vice versa. Such fluctuations will also affect the U.S. dollar conversion by the Depositary of any cash dividends paid in Indian rupees on the equity shares represented by the ADSs. The following table sets forth, for the fiscal years indicated, certain information concerning the exchange rates between Indian rupees and U.S. dollars based on the Noon Buying Rate:

Fiscal year ended March 31,	Period end [1]	Average [1, 2]	High	Low
1995[3]	31.43	31.38	31.90	31.37
1996	34.35	33.47	38.05	31.36
1997	35.88	35.70	36.85	34.15
1998	39.53	37.37	40.40	35.71
1999	42.35	42.10	43.68	39.25
2000	43.65	43.46	43.68	42.84
2001	46.66	45.81	46.95	43.56

[1] The Noon Buying Rate at each period end and the average rate for each period differed from the exchange rates used in the preparation of the company's consolidated financial statements.

[2] Represents the average of the Noon Buying Rate on the last day of each month during the period.

[3] From March 1, 1992 through August 19, 1994, the rupee was not permitted to fully float and convert on the current account. Instead, a dual exchange rate mechanism made the rupee partially convertible by permitting conversion of 60% of the foreign exchange received on a trade or revenue account at a market-determined rate and the remaining 40% at the official Government of India rate.

[4] The high and low exchange rates for the previous six months are as follows:

Month	High	Low
October 2000	Rs. 46.85	Rs. 46.05
November 2000	46.95	46.62
December 2000	46.95	46.69
January 2001	46.78	46.39
February 2001	46.66	46.41
March 2001	46.75	46.53

3.B Capitalization and indebtedness

Not applicable.

3.C Reasons for the offer and use of proceeds

Not applicable.

3.D Risk factors

This information is set forth under the caption "Management's discussion and analysis of financial condition and results of operations" on pages 99 through 110 of the Infosys Annual Report for fiscal 2001 and such information is incorporated herein by reference.

Item 4. Information on the Company

4.A History and development of the company

4.A.1 Company overview

Infosys was originally incorporated as Infosys Consultants Private Limited on July 2, 1981, as a private limited company under the Companies Act, 1956 ("Indian Companies Act"), of the Republic of India. The name of the company was changed to Infosys Technologies Private Limited in April 1992 and subsequently to Infosys Technologies Limited in June 1992 when it became a public limited company. Information about the registered office of the company is disclosed on the cover page to this Form 20-F. The name and address of the agent for service in the United States is CT Corporation 1350 Treat Blvd, Suite 100 Walnut Creek, CA. 94596.

The company, one of India's leading information technology ("IT") services companies, utilizes an extensive non-U.S. based ("offshore") infrastructure to provide managed software solutions to clients worldwide. Headquartered in Bangalore, India, the company has sixteen state-of-the-art offshore software development facilities located throughout India and one global development center in Canada that enable it to provide high-quality, cost-effective services to clients in a resource-constrained environment. The company has also set-up Proximity Development Centers (PDCs) at Croydon in the United Kingdom, Boston, Chicago, Fremont, New Jersey and Phoenix in the United States. These centers will further help Infosys in addressing the requirements of its clients with increased promptness. The company's services, which are offered on either a fixed-price, fixed-time frame or a time-and-materials basis, include custom software development, maintenance, re-engineering services, e-commerce and Internet consulting as well as dedicated offshore software development centers ("OSDCs") for certain clients. In each of its service offerings, the company assumes full project management responsibility in order to strengthen client relationships, offer higher value-added services and enhance its profitability. In addition, the company develops and markets certain company-owned software products. As a result of its extensive network of offshore software development facilities, its quality systems, its disciplined processes and its significant investment in people, the company has built a platform from which it has been able to achieve significant growth to date.

The company's initial public offering ("IPO") was in February 1993 on the Bangalore Stock Exchange and raised approximately $ 4.4 million in gross aggregate proceeds. To further fund its capital programs, Infosys raised approximately $ 7.7 million in gross aggregate proceeds through a private placement of shares in October 1994. These shares were purchased by foreign institutional investors, mutual funds as well as Indian domestic financial institutions and corporations. Most recently, in order to partially fund the expansion of its existing Indian facilities and telecommunication infrastructure in Bangalore, Bhubaneswar, Chennai, Mangalore and Pune and to develop new facilities, the company raised approximately $ 70.38 million in gross aggregate proceeds through its initial U.S. public offering of American Depositary Shares ("ADSs") on March 11, 1999. The company has incurred $ 96.8 million, $ 35.9 million and $ 16.1 million in fiscal 2001, 2000 and 1999 respectively towards capital expenditure. The company intends to spend approximately $ 80 million in capital expenditure, during fiscal 2002, the majority of which will be utilized in India. This would be funded out of the internal accruals and existing cash balances of the company.

Through its worldwide sales headquarters in Fremont, California and 24 other sales offices located in the United States, Canada, the United Kingdom, France, Belgium, Sweden, Germany, U.A.E, Australia, Japan, Hongkong, Argentina and India, the company markets its services to large IT-intensive businesses. During fiscal 2001, the company derived 73.5% of its revenues from North America, 18.8% from Europe and 1.4% from India. While the company derives its revenues primarily from the United States, Infosys maintains a diversified client base, with its largest client representing 7.3% of fiscal 2001 revenues. As of March 31, 2001, the company had approximately 273 clients. This diversified client base is comprised primarily of *Fortune 500* companies, growing Internet companies and other multinational companies. As a result of its commitment to quality and client service, the company enjoys a high level of repeat business. For fiscal 2001 and 2000, existing clients from the previous fiscal year generated 84.5% and 87.6%, respectively, of the company's revenues.

The company was incorporated in 1981 by seven founders who shared a vision to build a world-class IT services organization based on a deeply-held value system, leadership by example, and continuous innovation. Five of these original founders remained with the company and, together with other members of the company's management council, have pursued their vision by focusing on certain key strategies including: (i) pursuing a world-class operating model; (ii) investing heavily in human resources; (iii) focusing on managed software solutions; (iv) capitalizing on a well established offshore development model; (v) maintaining a disciplined focus on business and client mix; and (vi) pursuing growth opportunities. In recognition of its efforts, the company was voted "The Best Company in India" in the *Far Eastern Economic Review 2000* poll, was voted the "Best Employer of India" by the *Business Today-Hewitt Study* in a survey of over 150 companies in 2000, was voted the "Best Regional Software House" by *Financial Technology Asia* magazine, was the first recipient of the National Award for Excellence in Corporate Governance instituted by the Ministry of Finance, Government of India and sponsored by the UTI Institute of Capital Markets and was awarded the Silver Shield in each of the last six years by the *Institute of Chartered Accountants of India* as the Indian company with the best presented financial statements by a non-financial company. Management believes that this reputation for leadership and innovation and the recognition it has received has been and will continue to be a key competitive advantage, particularly in attracting and retaining the highest quality IT professionals.

4.B Business overview

4.B.1 Industry overview

In today's increasingly competitive business environment, companies have become dependent on IT not only for efficiency in day-to-day operations, but also as a strategic tool for re-engineering business processes, restructuring organizations and for reacting quickly to competitive, regulatory and technological changes. For these reasons, IT capabilities are particularly critical in certain vertical markets that are undergoing rapid deregulation and globalization like financial services, utilities and telecommunications. As corporations are becoming increasingly reliant on their IT systems, the technological challenges of managing such systems have increased. IS departments must not only implement new systems based on technologies such as Internet and client / server systems, but maintain and update legacy systems to work with the latest software and hardware.

With the Year 2000 conversion completed, corporations are now focussing on using the latest technologies available to revise their business models to take advantage of the Internet, integrating operations, streamlining customer supply chains and meeting customer needs. This focus is increasingly driving corporate IT spending plans. According to the *1999 NASSCOM-McKinsey Study*™ on "Indian I. T. Strategies", the total market for IT products and services is expected to grow from $ 461 billion in 1998 to $ 1.92 trillion by 2008. India's share of the relevant market will grow to nearly $ 87 billion by 2008.

The need to outsource is particularly acute for companies whose IT staff lacks the requisite skill set and project management capabilities to implement new technologies, yet are reluctant to work solely with outdated technology. As a result, such companies seek third-party IT service providers to implement new technology and support existing legacy systems. Additionally, in many cases, businesses are being forced to outsource IT projects due to the difficulty and expense of recruiting and training sufficient IT staff in a resource-constrained environment. Outsourcing enables businesses to minimize the risks and reduce the time-to-completion of large IT projects by shifting some or all of their IT responsibilities to capable service organizations. Outsourcing has most recently been necessitated by the rapid proliferation of the Internet and related technologies, as well as the need to restructure business operations to allow for a faster response to changes in the economy and customer requirements.

The recent advances in telecommunications and the growing acceptance of telecommuting, has led to the globalization of the market for IT services. It is now well accepted that remote offshore software development and maintenance is possible if the offshore facilities leverage world-class physical and technological infrastructure, quality processes, project management methodologies, and data communications infrastructure to provide video conferencing, Internet/e-mail connectivity and remote computer access. By outsourcing software development and maintenance projects to offshore IT service providers, establishing overseas facilities, or entering into joint ventures with foreign partners, companies have been able to access skilled IT professionals in lower cost environments with a large population of English-speaking technical talent.

India: A source for software services. According to a survey of U.S. software service vendors conducted by the World Bank, India is the leading offshore destination for companies seeking to outsource software development or IT projects. India's National Association of Software and Service Companies ("NASSCOM") estimates that India's export revenue from software, including software services, was approximately $ 6.3 billion in fiscal 2001 and will reach $ 8.5 billion by fiscal 2002. There are three key factors contributing to this rapid growth of India's software market. First, India has a large, skilled labor pool that is available at a relatively low labor cost. With over four million engineers, India ranks second only to the United States as the country with the largest population of English-speaking technical personnel. According to NASSCOM, the number of software professionals employed by the Indian software industry was around 280,000 in 1999 compared to 160,000 in 1996-97. India has more than 1,904 educational institutions, including engineering colleges, technical institutes and polytechnics, that train more than 73,580 people annually. According to the *1999 Nasscom-McKinsey*™ report on "Indian I.T. Strategies", India will require a minimum of 2.2 million IT workers by 2008. This sizable pool of IT talent in India is available to companies worldwide. According to Software Productivity Research, the average annual wage for software professionals in India is approximately 15% of the average U.S. rate. Although wages in India are rising faster than in the United States, the labor rate differential is anticipated to remain a competitive advantage for Indian companies in the foreseeable future.

A second key factor driving the Indian software market is the capability of Indian IT firms to produce high-quality software deliverables. A NASSCOM analysis of international quality standards of the top 300 Indian software companies undertaken in December 1999, showed that 145 had already acquired ISO 9000 or SEI Level 2 equivalent certification, with an additional 135 anticipated to acquire such certification by December 2001. These capabilities have led to the recognition of India's IT talent by companies worldwide. To take advantage of India's high-quality IT services at attractive prices, companies worldwide have outsourced their software services needs to India unrestrained by distances or transportation limitations that often handicap Indian manufacturing firms. In fact, the 10 to 12 hour time difference between India and its largest market, the United States, allows work to be carried on by teams spanning both countries on a 24-hour basis, shortening cycle times and improving productivity and service quality.

The final factor driving the Indian software industry is the recognition by successive Indian governments in recent times of the importance of the IT sector in the Indian economy. In 1991, the Government of India introduced a number of measures to liberalize the economy and thus addressed the economic difficulties that India had been facing. These measures included policies to stimulate investment in infrastructure industries and the growing Indian software industry. This commitment to the software sector has been and continues to be pursued by each successive government since 1991. For example, in October 1999, the Government of India, established, the Ministry of Information Technology (MIT). In addition to promoting the use and diffusion of IT, the MIT will also encourage the adoption of streamlined procedures to promote the construction of India's telecommunication infrastructure. In addition, software firms benefit from a variety of incentives, such as relief from import duties on hardware, a tax deduction for income derived from software exports, and infrastructure support for companies operating in Software Technology Parks.

4.B.2 Strategy

4.B.2.1 Business strategy

The company's vision is to become a globally respected corporation providing best-of-breed solutions employing best-in-class professionals. In order to achieve this goal, the company focuses on the following key elements of its business strategy:

Pursue world-class operating model. The management believes that one of the most critical contributing factors to the company's success has been its commitment to pursue high-quality standards in all aspects of its business, including deliverables to the customers, human resource management, investor relations, planning, finance, physical and technological infrastructure, sales and marketing. In its services and operations, the company achieves quality through rigorous adherence to highly evolved processes, including a detailed approach to planning and execution, multi-level testing and careful tracking and analysis of quality control. The company is certified under the ISO 9001 and TickIT quality standards. In addition, the company has been certified at Level 5 of the Capability Maturity Model, a software-specific quality management model developed by the Software Engineering Institute at Carnegie Mellon University. This model defines five levels of process maturity for a software organization. Certification to Level 5 has been achieved by only around 19 companies worldwide assessed under the Capability Maturity Model. The company has also launched the Infosys Excellence Initiative ("IEI") to address the challenges of the future, and to ensure performance improvement in an integrated manner. The IEI is an umbrella for all quality initiatives within the company, which includes different aspects of the company. This includes sustaining and leveraging CMM Level 5 for delivery processes, the *Malcolm Balridge National Quality Award* framework for organizational management processes, and *Six sigma Cross Functional Process Mapping* ("CFPM") techniques for improving cross-functional processes. The *Malcolm Balridge National Quality Award* framework will focus on the overall assessment of the company's business and integration of all its business activities. However, given that Infosys is not a U.S. registered company, it is not eligible for the Malcolm Balridge National Quality Award. *Six sigma* CFPM techniques are being used to improve customer relationship management, customer order management, talent deployment, and other cross-functional processes.

Infosys also adheres to high-quality standards in its investor relations. For example, the company was one of the first public Indian companies to adopt U.S. GAAP reporting in fiscal 1995 and quarterly-audited Indian financial statements in fiscal 1998.

Invest heavily in human resources. The company believes that its continued success will depend upon its ability to recruit, train, deploy and retain highly talented IT professionals. Even as the field of software engineering has been attracting the best and brightest Indian students, management believes the company has become, for Indian engineering graduates, one of the most sought after employers. The company focuses its recruiting efforts on the top 20% of the students from the engineering departments of Indian universities and uses a series of tests and interviews to identify the best applicants. In an effort to attract the most highly qualified candidates, the company has spent significant resources in creating a quality work environment. For example, its main facility in Bangalore, which spans approximately fifty acres, encompasses not only 882,500 sq. ft. of office space but also 655,000 sq. ft. of landscaping, three cafeterias, sports facilities such as a miniature golf course, tennis courts, a basketball court, an outdoor swimming pool, meditation and health club, aerobics hall and gymnasium with steam and sauna facilities, outdoor sitting area, amphitheater, a theater and library. Through this campus-like environment, the company fosters a collegial atmosphere and informal culture, which is further promoted by its "open door" operating philosophy where communication and ideas flow freely irrespective of title or tenure. The company also offers its IT professionals challenging assignments, competitive salaries and benefits and one of the first stock option plans adopted by a public Indian company. In recognition of its efforts, the company was voted the "Best Employer of India" by the *Business Today-Hewitt Study* in a survey of over 150 companies in 2000. In addition, the company invests heavily in training, including 14 week training sessions for newly recruited IT professionals as well as a variety of two-week continuing education courses in technology and management skills conducted by a 58-person faculty. The company recently established the "Infosys Leadership Institute" in Mysore, India, to help manage the company's growth, to prepare employees to face the complexities of the rapidly changing marketplace and to influence work culture by instilling leadership qualities. The Infosys Leadership Institute campus in Mysore, India is expected to house classrooms, a business center, conference rooms, and a library. It is expected to train approximately 1000 employees annually. As a result of this high level of investment in its people, management believes that the company has become one of the most attractive employers for Indian software professionals and that its attrition rate is significantly below the industry average.

Focus on managed software solutions. Since its inception, the company has dedicated itself to providing managed software solutions, many of which are offered on a fixed-price, fixed-time frame basis. By taking full project management responsibility in every project, the company provides its clients high-quality, cost-effective solutions with low risk. Such services offer the company the opportunity to build client confidence with the potential benefit of enhanced margins. Management believes that by demonstrating its ability to manage and successfully execute large projects, the company is better positioned to become a long-term partner to its clients for all of their software needs. In addition, by retaining project management responsibility, the company accumulates significant industry expertise and continues to develop and refine its software development tools and proprietary methodologies.

Capitalize on a well-established offshore development model. As one of the pioneers of the offshore software development model, the company has made significant investments in its infrastructure and has developed the advanced processes and expertise necessary to manage and successfully execute projects in multiple locations with seamless integration. The company has high levels of project management skills and rigid controls as evidenced by its Level 5 Capability Maturity Model certification. This commitment to quality allows the company to successfully execute approximately 66% of its project work in India while maintaining a high level of client satisfaction. These capabilities not only provide significant cost advantages but also shorten the time to deliver a solution to the client. With significant investments in offshore software development facilities, plans to expand its available facilities significantly and plans to hire additional IT professionals, the company believes that it is well-positioned to serve clients globally in a resource-constrained environment.

Maintain disciplined focus on business and client mix. The company provides a wide range of software services and maintains a disciplined focus on its business mix in an effort to avoid service or client concentration. Beginning in fiscal 1996, the company aggressively sought to minimize its client concentration and to accept as clients only those that met strict guidelines for overall revenue potential and profitability. In fiscal 2001 and 2000, the company's largest client accounted for 7.3% and 7.2%, respectively, of revenues and its five largest clients accounted for 26.0% and 30.2%, respectively, of revenues. This balance is key to ensuring that the technology skill sets of the company's IT professionals remain diversified. Such diversification is critical not only in providing the company the flexibility to adapt to changing market conditions but also in attracting and retaining highly skilled professionals who seek the opportunity to continue to learn new technologies.

4.B.2.2 Growth strategy

From fiscal 1997 to fiscal 2001, the company experienced compounded annual revenue and net income growth rates of 79.8% and 97.7%, respectively, and grew from approximately 1,405 IT professionals to approximately 8,656. The following are the key elements of the company's growth strategy:

Broaden service offerings. To meet all of its clients' IT needs, the company strives to offer a comprehensive range of services by continuously evaluating new and emerging technologies. As a full-service provider, the company believes that it can increase its revenues from existing clients as well as attract new clients. Toward this end, the company has opportunistically expanded its services beyond its core development, maintenance and re-engineering services. For example, the company has recently begun initiatives to develop practices focused on packaged applications implementation, e-commerce and Internet/intranet services. E-commerce and Internet / intranet services constituted 28.4% and packaged application implementation constituted 7.2% during fiscal 2001.

Increase business with existing clients. In fiscal 2001, the company provided software services for more than 270 clients in the United States, Europe, Australia, Asia and Japan. A key objective of the company's growth strategy is to expand the nature and scope of its engagements with existing clients both by increasing the volume of its projects and by expanding the breadth of services offered. Establishing broad, long-term relationships potentially increases the quality and efficiency of the company's service to a particular client since each project performed for a client increases the company's understanding of the client's systems, requirements and business practices. For the same reason, establishing broad, long-term relationships with a client also reduces the company's marketing costs, increases the client's reliance on the company and creates barriers to entry for competitors. The company seeks to foster such relationships by delivering high-quality services on time and on budget and, over the course of a relationship, by increasing the integration of its services with the client's internal IT operations. To date, this approach has been highly effective. Despite the company's high rate of growth during the last few years, over 84% of revenues in both fiscal 2001 and 2000 were generated from companies who were clients in the prior fiscal year.

Develop new clients. The company pursues several new client development strategies. First, the company offers a broad array of managed software solutions that provide an initial entry into a new client. Second, Infosys believes that it can leverage the industry-specific expertise it has developed in key vertical markets (financial services, manufacturing and distribution, retail, telecommunications and technology) to further develop its portfolio of clients in these targeted markets. This vertical market orientation continues to help Infosys design and develop re-usable software tools and processes which have specific applications to clients in these markets and which can improve the company's efficiency and productivity. Finally, the company intends to expand its global sales and marketing infrastructure by hiring new sales and marketing personnel, opening additional regional sales offices and increasing its marketing expenditures. Infosys currently maintains sales and marketing offices in 25 locations and intends to add new offices in North America, Europe and Asia. The management believes that increasing the company's geographic presence will enhance its ability to establish and support new client relationships.

Increase revenue per IT professional. To increase its revenue per IT professional, the company continually focuses on building expertise in vertical markets, refining its software development tools and methodologies, and storing and disseminating experiential knowledge in order to improve efficiency and productivity. Additionally, to enhance productivity per IT professional, Infosys continually monitors client accounts for profitability and seeks to focus on select new clients and on those existing client relationships that have the potential for high long-term profitability. The company's policy is to decline or discontinue projects that do not offer the potential to meet its profitability targets. From fiscal 1997 through 2001, the company's blended per capita revenues grew at a compounded rate of 20.2%. Finally, the company is seeking to increase the proportion of projects that are undertaken on a fixed-price, fixed-time frame rather than a time-and-materials basis. The management believes that effectively structured fixed-price, fixed-time frame projects benefit the client by reducing the client's risk, while offering the company the potential benefit of enhanced margins for projects that are performed efficiently.

Expand and diversify base of IT professionals. Management believes that a critical element of the company's growth strategy is its ability to increase its base of IT professionals. To address this issue, the company plans to build new software development facilities in locations where it can access local pools of talent as well as increase the number of professionals employed at its existing locations. In addition, the company looks at other fields of expertise, such as business school graduates and accountants, for recruiting. Accordingly, the company has approved plans to expand its facilities in Bangalore, Bhubaneswar, Chennai, Mangalore, Pune, Hyderabad, Mysore and Mohali all in India. The company has also established Proximity Development Centers (PDCs) in Boston, Chicago, Fremont, New Jersey, Phoenix all in the United States, Croydon in the United Kingdom and Global Development Center (GDC) in Toronto, Canada. These PDCs and GDCs will further help Infosys in addressing the requirements of its clients with increased promptness. The company is also contemplating addition of facilities in the United States, Europe and Asia.

Pursue selective strategic acquisitions. The company believes that pursuing selective acquisitions of IT services and software applications firms could potentially expand the company's technical expertise, facilitate expansion into new vertical markets and increase its client base. Although no acquisitions are currently being contemplated, the company anticipates that it will seek to identify and acquire companies that have well-developed applications in vertical markets, extensive client bases, proprietary technical expertise, or other strengths that would complement the company's business.

4.B.2.3 The Infosys offshore development model

The Indian offshore development model became popular in the mid-1990's as a method of dividing software project activities between a service provider's offshore software development facility and a client's on-site location. This model contains many features that are attractive to IT consumers who are primarily located in the United States, Europe and Japan, including: (i) access to a large pool of highly skilled, English-speaking IT professionals; (ii) relatively low labor costs of IT professionals offshore; (iii) the ability to provide high-quality IT services at internationally recognized standards; (iv) the capability to work on specific projects on a 24-hour basis by exploiting time zone differences between India and client sites; and (v) the ability to accelerate the delivery time of larger projects by parallel processing different phases of a project's development.

As one of the pioneers of the offshore development model, Infosys has a long history of successfully executing projects between its clients' sites in North America, Europe and Asia and the company's offshore software development facilities in India. In a typical software development or re-engineering assignment, the company assigns a small team of two to five IT professionals to visit a client's site and determine the scope and requirements of the project. Once the initial specifications of the engagement have been established, the project managers return to India to supervise a much larger team of 10 to 50 IT professionals dedicated to the development of the required software or system. A small team remains at the client's site to track changes in scope and address new requirements as the project progresses. The client's systems are then linked via satellite to the company's facilities enabling simultaneous processing in as many as four offshore software development facilities. Once the development stage of the assignment is completed and tested in India, a team returns to the client's site to install the newly developed software or system and ensure its functionality. At this phase of the engagement, the company will often enter into an ongoing agreement to provide the client with comprehensive maintenance services from one of its offshore software development facilities. In contrast to development projects, a typical maintenance assignment requires a larger team of 10 to 20 IT professionals to travel to the client's site to gain a thorough understanding of all aspects of the client's system. The majority of the maintenance team subsequently returns to the offshore software development facility, where it assumes full responsibility for day-to-day maintenance of the client's system, while coordinating with a few maintenance professionals who remain stationed at the client's site. By pursuing this model, the company completes approximately 66% of its project work at its offshore software development facilities in India.

The company's project management techniques, risk management processes and quality control measures enable it to complete projects seamlessly across multiple locations with a high level of client satisfaction. Certified under ISO 9001, TickIT and at Level 5 of the Capability Maturity Model, the company rigorously adheres to highly evolved processes. These processes govern all aspects of the software product life cycle, from requirements to testing and maintenance. The company seeks to prevent defects through its quality program, which includes obtaining early sign off on acceptance test scripts, project specifications and design documents, assigning software quality advisors to help each team set up appropriate processes for each project and adhering to a multi-level testing strategy. Defects are documented, measured, tracked and analyzed, and feedback is provided to the project manager. The company compiles metrics for not only defect density and size, but also actual effort as compared to project estimates, adherence to schedule and productivity. Frequent internal and external audits are conducted to assure compliance with procedures. All of these procedures have been continuously refined throughout the company's history of providing its clients with offshore software development services.

In addition to the processes and methodologies necessary to successfully execute the offshore model, the company has invested significant resources in its infrastructure to ensure uninterrupted service to its clients. The company has invested in redundant infrastructure with "warm" backup sites. The network architecture, designed and implemented with diversified telecommunication capabilities (multiple service providers with a mix of satellite and fiber links) with alternate routings, provides clients with high service levels. Additionally, the company utilizes two telecommunications carriers in India and has installed in its principal facilities multiple international satellite links connecting the development centers in India with international network hubs in Fremont, California, Quincy, Massachusetts, Croydon, UK and Tokyo, Japan. A different ocean cable connecting Europe and the United States serves each of these hubs. Within India, the company has high-speed links interconnecting the development centers to the Corporate headquarters in Bangalore.

4.B.3 Service offerings and products

The company's services include software development, maintenance and re-engineering services, e-commerce and Internet/intranet consulting as well as dedicated OSDCs for certain clients. In each of its service offerings the company assumes full project management responsibility for each project it undertakes rather than providing supplemental personnel to work under a client's supervision. In addition to its IT services, the company also markets its own product-FINACLE™, which is a banking branch automation product.

4.B.3.1 Software development

The company provides turnkey software development, typically pursuant to fixed-price, fixed-time frame contracts. The projects vary in size and may involve the development of new applications or new functions for existing software applications. Each development project typically involves all aspects of the software development process, including definition, prototyping, design, pilots, programming, testing, installation and maintenance. In the early stage of a development project, Infosys personnel often work at a client's site to help determine project definition and to estimate the scope and cost of the project. Infosys then performs design review, software programming, program testing, module testing, integration and volume testing, primarily at its own facilities in India. For example, for one of the world's leading risk management and consulting organizations, the company partnered in providing knowledgeable, flexible and innovative solutions by leveraging the latest Internet technologies. The engagements included working on the design, development and deployment of the client's core US commercial brokerage Policy Management System and Risk Management system for global risk managers. Infosys' partnering helped the client to improve its technical proficiency.

4.B.3.2 Software maintenance

The company provides maintenance services for large legacy software systems. Maintenance services include minor and major modifications and enhancements and production support. Such systems are either mainframe-based or client/server and are typically essential to a client's business, though over time they become progressively more difficult and costly for the client's internal IT department to maintain. By outsourcing the maintenance responsibilities to Infosys, clients can control costs and free their IT departments for other work. The company's IT professionals take an engineering approach to software maintenance, focusing on the long-term functionality and stability of the client's overall system and attempting to avoid problems stemming from "quick-fix" solutions. The company performs most of the maintenance work at its own facilities using satellite-based links to the client's system. In addition, the company maintains a small team at the client's facility to coordinate support functions. Infosys was a pioneer in managing time-zone differences between India and the United States to provide near 24-hour maintenance services. As an example, a leading provider of health and retirement benefit plans and financial services was facing difficulties balancing its need to maintain existing systems while simultaneously working on its new Internet initiative. Infosys assumed the maintenance responsibilities of the client in a significantly short time frame and provided substantial cost benefits by utilizing its global delivery model.

4.B.3.3 Software re-engineering

The company's re-engineering services assist clients in migrating to new technologies while extending the life cycle of existing systems that are rich in functionality. Projects include re-engineering software to migrate applications from mainframe to client/server architectures, to extend existing applications to the Internet, to migrate from existing operating systems to UNIX or Windows NT, or to update from a non-relational to a relational database technology. For companies with extensive proprietary software applications, implementing such technologies may require rewriting and testing millions of lines of software code. As with its other services, the company has developed proven methodologies that govern the planning, execution and testing of the software re-engineering process. For instance, Infosys re-engineered the on-line analytical processing system of a leading computer manufacturing firm by changing the legacy systems to the new generation systems. Infosys ensured that the client had more robust systems for better transaction processing and decision support.

4.B.3.4 Dedicated offshore software development centers ("OSDCs")

The company has pioneered the concept of dedicated OSDCs in which a software development team that is dedicated to a single client uses technology, tools, processes and methodologies unique to that client. Each dedicated OSDC is located at a company facility in India and is staffed and managed by the company. Once the project priorities are established by the client, the company, in conjunction with the client's IT department, manages the execution of the project. By focusing on a single client over an extended time frame, the dedicated OSDC team gains a deeper understanding of the client's business and technology and can begin to function as a virtual extension of the client's software team.

4.B.3.5 New services

The company is also focussed in certain emerging new service areas such as Internet consulting, which includes the development of e-commerce and Internet/intranet solutions. For example, an online marketplace for carriers, shippers and private fleet owners, was merging with a "bricks-and-mortar" subsidiary of a *Fortune 500* company. Infosys helped build the integrated business plan for a new combined online business and laid out a road map for IT initiatives to realize benefits from this merger. Further, Infosys also worked on developing the core applications offered as part of the marketplace.

4.B.3.6 Software products

In addition to the IT services described above, the company develops and markets certain proprietary software applications for the banking industry. The company offers a suite of robust solutions under an umbrella brand "Infosys Enterprise

Banking E-Platform". This suite is comprised of FINACLE™, the core banking solution, BankAway™, the Internet banking solution, and PayAway™, the universal bill presentment and payment solution. This suite has been deployed by over 42 banks in 15 countries. FINACLE™ 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 surround applications and support for true 24x7x365 capability. FINACLE™ is the core banking solution of choice for banks across the world. BankAway™ is an Internet banking solution which, in addition to addressing routine banking transactions, offers value added features such as internal shopping mall, external shopping gateway, support for electronic bill presentment and payment, Corporate Limits Enquiry, Letter of Credit and Bank Guarantee. BankAway™ also allows customers of the bank to access their accounts or receive alerts on their banking transactions through any WAP or SMS enabled devices. BankAway™ has been recognised by *Meridien Research, USA* as one of the top 10 Internet banking solutions in the world, and is the only solution from the Asia Pacific region in this list. PayAway™ is a universal bill presentment and payment solution that supports both business-to-consumer and business-to-business payment requirements of the customers of the banks.

4.B.4 Markets and sales revenue

The company markets its services primarily to large IT-intensive organizations in North America, Europe, and Japan. The company focuses on certain market segments, including financial services, manufacturing and distribution, retail, telecommunications and technology. The company provides a wide range of IT services and maintains a disciplined focus on its business mix in an effort to avoid service or client concentration. Beginning in fiscal 1996, the company aggressively sought to minimize its client concentration and to accept as clients only those that met strict guidelines for overall revenue potential and profitability. For fiscal 2001, 2000 and 1999, the company's largest client accounted for 7.3%, 7.2% and 6.4%, respectively, of revenues. Revenues for the last three fiscal years by geographic area are as follows:

Year ended March 31,	2001	2000	1999
North America	$304,242,537	$158,723,649	$99,203,989
Europe	77,892,656	30,064,939	11,302,791
India	5,778,286	2,912,091	2,051,492
Rest of the world	25,937,031	11,743,075	8,396,954
	$413,850,510	$203,443,754	$120,955,226

4.B.5 Sales and marketing

The company sells and markets its services and products from 25 sales offices located in thirteen countries. In the United States, the company presently has sales offices located in Atlanta, Boston, Chicago, Dallas, Detroit, Fremont, Los Angeles, New York and Seattle. Additionally, the company's international sales offices are located in Argentina, Canada, Belgium, France, Sweden, Germany, Australia, Japan, U.A.E, Hong Kong and India. With its global sales headquarters in Fremont, California and its corporate marketing group in Bangalore, India, the company targets its sales and marketing efforts towards IT-intensive organizations in North America, Europe and Japan. As of March 31, 2001, the company had 84 sales and marketing employees outside of India. To continue this focus on countries with sophisticated IT services needs, the company intends to expand its global sales and marketing infrastructure by opening additional regional sales and marketing offices in North America and Europe.

From its offices located around the world, the company's sales professionals contact prospective clients in developed markets and position the company as a leading IT services provider with operations in India. In many cases, potential clients in their search for offshore IT service providers submit a request for proposal from leading Indian software firms, including the company. The company's superior management team, quality of work, competence of its IT professionals, and competitive prices are often cited as reasons for the award of competitive contracts. In addition, the company's impressive client references and endorsements as well as its willingness to participate in trade shows and speaking engagements, have helped the company to generate greater awareness for its services. The company believes that its NASDAQ listing and its profile as a public company in the United States will further enhance its corporate marketing efforts. The company has focused its sales and marketing efforts on expanding the scope and depth of its relationships with existing clients. Although initially the company may only provide one service to a client, the company seeks to convince the client to expand and diversify the type of services the client outsources to the company. As a result, the company strengthens its relationships with its clients by closely integrating its services with its clients' IT operations. The success of this targeted strategy is reflected in the company's high rate of repeat business. Over 84% of the company's revenues in each of the last two fiscal years were generated from pre-existing clients.

4.B.6 Competition

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

4.B.7 Intellectual property

Ownership of software and associated deliverables created for clients is generally retained by or assigned to the client, and the company does not retain an interest in such software or deliverables. The company also develops software products and software tools which are licensed to clients and remain the property of the company. The company relies upon a combination of non-disclosure and other contractual arrangements and copyright, trade secret and trademark laws to protect its proprietary rights in technology. The company currently requires its IT professionals to enter into non-disclosure and assignment of rights agreements to limit use of, access to and distribution of its proprietary information. The source code for the company's proprietary software is generally protected as trade secrets and as unpublished copyrighted works. The company has obtained registration of "INFOSYS" as a trademark in India and in the United States. The company does not have any patents or registered copyrights in the United States. The company generally applies for trademarks and service marks to identify its various service and product offerings.

The laws of India may not, under some circumstances, permit the protection of the company's proprietary rights in the same manner or to the same extent as the laws of the United States. India is a member of the Berne Convention and the Universal Copyright Convention, as revised at Paris (1971), both international treaties. As a member of the Berne Convention, the Government of India has agreed to extend copyright protection under its domestic laws to foreign works, including works created or produced in the United States. The company believes that laws, rules, regulations and treaties in effect in the United States and India are adequate to protect it from misappropriation or unauthorized use of its copyrights. However, there can be no assurance that such laws will not change in ways that may prevent or restrict the protection of the company's proprietary rights. There can be no assurance that the steps taken by the company to protect its proprietary rights will be adequate to deter misappropriation of any of its proprietary information or that the company will be able to detect unauthorized use and take appropriate steps to enforce its intellectual property rights.

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

4.B.8 Government of India incentives and regulation.

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

4.C Organizational structure

The company holds a minority interest in Yantra and OnMobile Systems Inc. (formerly Onscan Inc.), and is a joint venture member of the JASDIC Park Company ("JASDIC") which is an Indo-Japanese consortium founded by Kenichi Ohmae. Yantra's primary objectives are to develop, sell and support software products in the retail and distribution areas. When Infosys established Yantra, it transferred the intellectual property rights in EAGLE (subsequently known as WMSYantra), a software solution for warehouse management, to Yantra, for shares of common stock of Yantra. Subsequently, in September 1998, Yantra raised working capital funds from the company and U.S. venture capitalists through a private placement of its convertible preferred stock. In the third quarter of fiscal 1999, the company sold 1,363,637 shares of Yantra's preferred stock held by it to a U.S. venture capital fund based in Boston. As a result of this sale, the company reduced its economic interest in Yantra to less than one-half of the voting stock of Yantra. The company continues to own a majority of the outstanding common stock in Yantra but has no financial obligations or commitments to Yantra and does not intend to provide it with financial support, and therefore does not recognize Yantra's performance in financial statements after

October 20, 1998. On June 14, 1999, Yantra sold Series C Convertible Preferred Stock for an aggregate purchase price of $ 15 million to various existing and new investors. Additionally, during the current year, Yantra raised $40 million in venture financing from various investors. This reduced Infosys' economic interest in Yantra to approximately 16%. During the year, Yantra announced a broad strategic alliance with Accenture (formerly Andersen Consulting) to provide supply chain solutions through PureEcommerce, a fully web-enabled application that manages, tracks and executes complex customer transactions across a company's extended supply chain.

OnMobile Systems Inc. (formerly Onscan Inc.) is a wireless solutions provider to enterprises and wireless carriers around the world. OnMobile Systems Inc. ("OnMobile") offers platforms, applications and professional services to deliver end-to-end wireless solutions. The OnMobile solution allows wireless carriers to provide innovative services to their customers and enterprises to deploy applications targeted towards their mobile workforce. During the year, Infosys transferred the intellectual property rights in the Onscan product – a web-enabled notification product to OnMobile. The product was transferred for a gross consideration of $ 2 million, received in the form of common, preferred voting and preferred non-voting stock of OnMobile. OnMobile also closed a $ 12 million venture financing round with various investors. During the year, Onscan Inc. changed its name to OnMobile Systems Inc. The change reflects the increased portfolio of wireless products and services and best symbolizes its vision to bring depth of experience in systems integration and application development and in building robust, scalable, carrier-grade products to worldwide telecommunications carriers.

JASDIC was formed as a consortium of several Japanese companies and three Indian companies, including Infosys. JASDIC's primary objectives are to provide high-quality software services from India to the Japanese market. During fiscal 1999, the company invested 24 million Yen equivalent to $ 0.18 million in JASDIC with the purpose of promoting the company's strategy of diversifying its geographic customer base.

The company has made strategic investments in several companies in an aggregate amount of $5.9 million during the year ended March 31, 2001. The table on page 122 of this Annual Report sets forth the information relating to the company's investments made during the year.

4.D Property, plants and equipment

The company's principal campus situated at Electronics City, Bangalore, India, is owned by Infosys and consists of its corporate office and three software development facilities – "KEC", "*Infosys Park I*" and "*Infosys Park II*". This campus is known as *Infosys City* and currently housing over 4,500 employees. The campus consists of approximately 2,158,400 square feet of land with 655,000 square feet of landscaped area, 882,500 square feet of buildings with 104 conference rooms, customer suites, and a world-class conference room with a video-wall made up of 4x10 cubes with the capacity to simultaneously video conference 24 locations across the globe. An additional 435,000 square feet of buildings are under construction to house an additional 2,400 employees.

The *Infosys City* campus includes leisure infrastructure, including 3 cafeterias, sports facilities such as tennis courts, a miniature golf course, a basketball court, an outdoor swimming pool with an attached hot tub, meditation and health club, aerobics hall and a gymnasium with steam and sauna facilities. The technological infrastructure at the *Infosys City* campus includes over a 10,000 networked workstations, several Windows NT, Windows 2000, UNIX systems from HP, IBM, SUN, COMPAQ, ACER and DELL, several midrange systems, multi-point video-conferencing facilities, and a high speed communication backbone. The campus also has an Education and Research block consisting of 115,000 square feet of buildings housing a state-of-art library, six class rooms and six training rooms with video-conferencing, computer-based learning and audio-visual aids, and over 70 faculty rooms.

As part of its strategy to provide high-quality services to its clients, the company has a detailed facility management plan. First, the company seeks to provide its Indian IT professionals with facilities that are comparable to those used by software companies in the United States and Europe. Second, the company seeks to establish facilities near large sources of technical talent. Third, the company equips its facilities to minimize vulnerability to interruptions in local utility and telecommunication services.

The company acquired the land where its corporate headquarters are located from the State of Karnataka in 1993 and has subsequently acquired parcels for various other offices, pursuant to certain lease cum sale agreements (the "Conditional Purchase Agreements"), which are used by the State of Karnataka to make land available to private companies for specific purposes. Under the Conditional Purchase Agreements, property is sold subject to a long-term (typically 25-year), rental-free lease which transfers ownership to the buyer at the end of the period provided that the buyer uses the land for specified purposes. The Conditional Purchase Agreements require the company to use the various parcels for software development facilities. Typically, the company pays 99% of the purchase price at the time the agreement is signed and pays the remaining 1% when the term is concluded.

The company has its worldwide sales headquarters in Fremont, California and branch sales offices in Atlanta, Bangalore, Beunos Aires, Boston, Brussels, Chennai, Chicago, Dallas, Detroit, Frankfurt, Hongkong, London, Los Angeles, Melbourne, Mumbai, New Delhi, New York, Paris, Seattle, Stockholm, Sharjah, Sydney, Tokyo and Toronto. All sales offices, except the Mumbai office and one of the Bangalore offices are in leased facilities.

The company plans to expand its facilities to meet its anticipated growth. Currently, the company is expanding its software facilities in Bangalore, Bhubaneswar, Chennai, Mangalore, Hyderabad, Mysore, Mohali and Pune. The table on the following page sets forth certain information as of March 31, 2001 relating to the company's principal facilities and proposed developments:

Location	Approximate sq.ft.	Ownership	Type of facility
Bangalore, India (Plots 45, 46, Electronics City)	322,500[1]	Conditional purchase	Software development facility
Bangalore, India (Plots 4/1, 4/2, 4/3, 4/4, 26/1, 26/2, 97C, 97D and 97E, Electronics City)	400,000[2]	Conditional purchase	Software development facility
Bangalore, India (Plots 44 and 97A, Electronics City)	160,000[3]	Conditional purchase	Corporate headquarters, software development facility
Bangalore, India (Survey No. 8 and 9, Electronics City)	—[4]	Conditional purchase	Proposed software development facility
Bangalore, India (Survey No. 26/3, 26/4, 26/5, 26/6, Electronics City)	—[5]	Owned	Proposed software development facility
Bangalore, India (Dickenson Road)	7,000	Owned	Office premises
Bangalore, India (BTM Layout)	11,300	Leased	Software development facility
Bangalore, India (Koramangala)	22,000	Leased	Software development facility
Bangalore, India (J. P. Nagar, Phase II)	—[6]	Owned	Proposed office premises
Bangalore, India (J. P. Nagar, Phase III)	59,500	Leased	Software development facility
Bangalore, India (Adarsh Gardens)	78,700	Owned	Employee residence flats and guesthouses
Hyderabad, India (Cyber Tower, Hi-TEC City)	15,000	Leased	Software development facility
Hyderabad, India (Manikonda Village)	—[7]	Conditional Purchase	Proposed software development facility
Mangalore, India (Kottara)	198,000[8]	Owned	Software development facility
Mangalore, India	5,100	Owned	Guesthouses
Mohali, Punjab, India	21,000	Leased	Software development facility
Mumbai, India (Nariman Point)	1,200	Owned	Sales and marketing office
Mumbai, India (Santa Cruz)	13,600	Owned	Guesthouses
Mysore, India	9,000	Leased	Software development facility
Mysore, India (Hebbal, Electronics City)	—[9]	Conditional Purchase	Proposed software development facility and Leadership Institute
Pune, India (Hinjewadi)	202,700[10]	Conditional purchase	Software development facility
Pune, India	3,300	Owned	Employee residence flats
Bhubaneswar, India (Nayapalli)	52,900	Leased	Software development facility
Bhubaneswar, India (Export Promotion Industrial Park)	86,000[11]	Conditional purchase	Proposed software development facility
Bhubaneswar, India (S/2, Jayadev Vihar Mouza)	—[12]	Conditional purchase	Proposed software development facility
Chennai, India	26,600	Leased	Software development facility
Chennai, India (Sholinganallur)	80,000[13]	Conditional purchase	Proposed software development facility
Delhi, India	2,500	Leased	Sales and marketing office
Fremont, California	17,700	Leased	Worldwide sales headquarters & proximity development center
London, U. K.	10,000	Leased	Global development center
Dallas	6,000	Leased	Sales and marketing office
Phoenix	4,000	Leased	Proximity development center
New Jersey	17,000	Leased	Proximity development center
Chicago	17,000	Leased	Proximity development center
Toronto, Canada	20,500	Leased	Global development center
Boston, Massachusetts	7,400	Leased	Proximity development center

[1] Total land parcel is 435,600 square feet.
[2] Total land parcel is 753,161 square feet. 135,500 square feet of buildings are under construction.
[3] Total land parcel is 220,000 square feet.
[4] The company has not yet determined the aggregate square feet of the proposed development. The land parcel is approximately 435,600 square feet.
[5] Total land parcel is 314,068 square feet. 300,000 square feet of buildings are under construction.

[6] The company has not yet determined the aggregate square feet of the proposed development. The land parcel is approximately 16,500 square feet.
[7] Total land parcel is 1,306,800 square feet. 273,000 square feet of buildings are under construction.
[8] Total land parcel is 119,790 square feet.
[9] Total land parcel is 9,452,956 square feet. 354,000 square feet of buildings are under construction.
[10] Total land parcel is 1,089,000 square feet. 388,280 square feet of buildings are under construction.
[11] Total land parcel is 1,089,000 square feet. 103,000 square feet of buildings are under construction.
[12] The company has not yet determined the aggregate square feet of the proposed development. The land parcel is approximately 293,333 square feet.
[13] Total land parcel is 577,607 square feet. 354,000 square feet of buildings are under construction.

Material plans to construct, expand and improve facilities

The company intends to create new software development facilities in various places in India partly to shift the operations which are in the existing leased facilities and partly to expand the existing capacities to provide for the growth in business. Such expansions are planned in Bangalore, Bhubaneswar, Chennai, Mysore, Mangalore, Hyderabad, Mohali and Pune, all in India. Most of these facilities would be operational in the next 12 to 18 months. As of March 31, 2001, the company had contractual commitments for capital expenditure of $ 34.0 million. The company intends to spend approximately $ 80.0 million on various capital expenditures during fiscal 2002 which will be financed from internal accruals and existing cash balances of the company. In the opinion of the company, the working capital is sufficient for the company's present requirements.

Item 5. Operating and Financial Review and Prospects

5.A Operating results

This information is set forth under the caption "Management's discussion and analysis of financial condition and results of operations" on pages 99 through 110 of the Infosys Annual Report for fiscal 2001 and such information is hereby incorporated herein by reference.

Investment in Yantra Corporation

Up to October 20, 1998, the company owned a majority of the voting stock of Yantra. Consequently, all of Yantra's operating losses through October 20, 1998 were recognized in the company's consolidated financial statements. For fiscal 1998 and fiscal 1999, Yantra's losses recognized in the company's financial statements were $ 1.6 million and $ 2.0 million, respectively. On October 20, 1998, the company sold a portion of Yantra's shares held by it, thereby reducing its interest to less than one-half of the voting stock of Yantra. The company continues to own all of the outstanding common stock of Yantra but has no financial obligations or commitments to Yantra and does not intend to provide Yantra with financial support. Accordingly, Yantra's results subsequent to October 20, 1998 were not recognized in the company's financial statements under U.S. GAAP. Yantra's revenues were $ 1.3 million and $ 2.0 million for fiscal 1998 and for the period ended October 20, 1998, respectively, while gross profits were $ 574,000 and $ 546,000, respectively, for these same periods. Yantra's revenues were 1.9% and 2.3% of the company's revenues for fiscal 1998 and for the period ended October 20, 1998, respectively. Its gross profits were 2.0% and 1.4% of the company's gross profits for these same periods. Yantra currently provides e-commerce operations solutions through PureEcommerce, a scalable web-based solution that facilitates real-time transaction management across the extraprise. On June 14, 1999, Yantra sold Series C Convertible Preferred Stock in the amount of $ 15 million to unrelated existing and new investors, further reducing the company's voting control to approximately 25%. During the fiscal year ended March 31, 2001, Yantra raised $40 million in venture financings from various investors. This reduced Infosys' economic interest in Yantra to approximately 16%. During the year, Yantra announced a broad strategic alliance with Accenture (formerly Andersen Consulting) to provide supply chain solutions through PureEcommerce, a fully web-enabled application that manages, tracks and executes complex customer transactions across a company's extended supply chain.

5.B Liquidity and capital resources

This information is set forth under the caption "Management's discussion and analysis of financial condition and results of operations" on pages 99 through 110 of the Infosys Annual Report for fiscal 2001 and is incorporated herein by reference.

5.C Research and development, patents and licences, etc.

The company has committed and expects to continue to commit in the future, a material portion of resources to research and development. Research and development efforts are focused on development and refinement of methodologies, tools and techniques, implementation of metrics, improvement in estimation process, and the adoption of new technologies. The company's research and development expenses in fiscal 2001, 2000, and 1999 were $ 3.6 million, $ 1.9 million and $ 2.8 million, respectively which amounts to approximately 0.9%, 0.9% and 2.3% of total revenues, respectively.

5.D Trend information

5.D.1 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 99 through 110 of the Infosys Annual Report for fiscal 2001 and is incorporated herein by reference.

5.D.2 Business Outlook for Fiscal 2002

The company believes that the economic slowdown in the U.S. may affect its revenue growth and operating results for fiscal 2002. There are indications that the economic slowdown in the U.S. has impacted the growth prospects of companies that operate in some industry segments including the insurance, banking and financial services and telecom segments. Consequently, these companies may cut their IT spending or postpone decisions regarding new expenditure with respect to IT spending. Based on currently available information, the company expects its business outlook for the quarter ending June 30, 2001 and the fiscal year ending March 31, 2002 to be as follows:

Quarter ending June 30, 2001

- Net revenue is expected to be in the range of $ 123 million to $ 125 million
- Earnings per ADS is expected to be in the range of $ 0.28 to $ 0.29

Fiscal year ending March 31, 2002

- Net revenue is expected to be in the range of $ 530 million to $ 545 million
- Earnings per ADS is expected to be in the range of $ 1.24 to $ 1.27

The above mentioned expectations and projections regarding the future performance of the company are forward-looking statements. These expectations and projections are based on currently available economic and financial information along with the company's operating plans and are subject to future uncertainties that could cause actual results to differ materially from those that may be indicated by these statements. The company does not undertake to update any forward-looking statement that may be made from time to time by or on behalf of the company.

Item 6. Directors, Senior Management and Employees

6.A Directors and senior management

The directors and executive officers of the company, their respective ages as of March 31, 2001, and their respective positions with the company are as follows:

Name	Age	Position
N. R. Narayana Murthy	54	Chairman and Chief Executive Officer
Nandan M. Nilekani [4]	45	Managing Director, President and Chief Operating Officer
Deepak Satwalekar [1, 2]	52	Non-executive director
Ramesh Vangal [2,3]	44	Non-executive director
Marti G. Subrahmanyam, Prof. [1, 2]	54	Non-executive director
Philip Yeo [1, 3, 4]	55	Non-executive director
Jitendra Vir Singh, Prof. [1, 3]	47	Non-executive director
Omkar Goswami, Dr. [1, 2]	44	Non-executive director
Larry Pressler, Sen. [2, 3]	58	Non-executive director
Rama Bijapurkar [2,4]	44	Non-executive director
Gopalakrishnan S.	45	Deputy Managing Director – Customer Service & Technology
Dinesh K. [4]	46	Director – Human Resources Development, Information Systems, Quality & Productivity and Communication Design Group
Shibulal S. D. [4]	46	Director – Customer Delivery
Mohandas Pai T. V.	42	Director – Administration and Facilities and Chief Financial Officer
Phaneesh Murthy	37	Director – Head of Sales and Marketing and Communications Products Services
Srinath Batni	46	Director – Delivery – West North America
Ajay Dubey	43	Vice President – Delivery – Europe
Balasubramanian P., Dr.	51	Senior Vice President – Domain Competency Group
Balakrishnan V.	36	Vice President – Finance and Company Secretary
Basab Pradhan	35	Regional Manager and Vice President – Sales – West North America
Deepak Sinha, Gp. Capt. (Retd.)	53	Associate Vice President – Computers & Communications Division
Girish Vaidya	50	Senior Vice President – Banking Business Unit
Hema Ravichandar	39	Senior Vice President – Human Resources Development
Jan DeSmet	42	Vice President – Infosys Business Consulting Services
Mohan Sekhar	39	Vice President – Head Delivery – North East and Canada
Prabhu M. S. S., Dr.	53	Senior Vice President – Engineering Services and Consultancy Practice
Rajiv Kuchhal	35	Associate Vice President – Communication & Product Services – Nortel and PCC, Development Center – Mohali
Sobha Meera P. R.	33	Regional Manager and Vice President – Sales – Canada & East North America
Satyendra Kumar	48	Vice President and Head – Quality

[1] Member of the Compensation Committee
[2] Member of the Audit Committee
[3] Member of the Nomination Committee
[4] Member of the Investor Grievance Committee

N. R. Narayana Murthy has served as Chairman of the Board and Chief Executive Officer of Infosys since 1981, when he founded the company with six software professionals. Mr. Murthy also served as Managing Director of Infosys until February 1999. While at Infosys, from 1992 to 1994, Mr. Murthy also served as the President of the National Association of Software and Service Companies ("NASSCOM"). Mr. Murthy is on the Governing Council of the National Information Technology Task Force of India and was voted "IT Man of the Year" for 1996 by Dataquest India. In 1998, Mr. Murthy was awarded the prestigious J.R.D. Tata Corporate Leadership Award. Since 1998, Mr. Murthy has served as a director of ICICI Ltd. and as a director of Videsh Sanchar Nigam Ltd. ("VSNL") and since 1999 he has served as a director of India Growth Fund, New York. Since December 2000, he has served as a Director on the Board of the Reserve Bank of India, and since January 2001 as the Chairman of the Bangalore International Airport Limited. He is a Fellow of the All India Management Association ("AIMA") and the Computer Society of India ("CSI"). Mr. Murthy received a B.E. in Electrical Engineering from the University of Mysore and a M.Tech. from the Indian Institute of Technology ("IIT") Kanpur.

Nandan M. Nilekani is a co-founder of Infosys and has served as a director since 1981, Head – Marketing and Sales of Infosys since 1987, Head – Banking Business Unit since 1997 and Managing Director, President and Chief Operating Officer since February 1999. From 1981 to 1987, Mr. Nilekani was in the United States managing the marketing and development efforts of Infosys. Mr. Nilekani is a co-founder of NASSCOM and received a B.Tech. in Electrical Engineering from IIT Bombay.

Deepak M. Satwalekar has served as a director of Infosys since October 1997. He is the Managing Director of HDFC Standard Life Assurance Company Limited. From 1993 to 2000 he was Managing Director of Housing Development Finance Corporation Ltd., and was Deputy Managing Director between 1990 and 1993. He was a member of the Managing Committee of the Bombay Chamber of Commerce and Industry from 1996 to 1998. Mr. Satwalekar was also a Member of the Economic Affairs Committee of the Indo-American Chamber of Commerce from 1993 to 1994 and 1996 to 1997. He is a director of Tata Housing Development Corporation Ltd., HDFC Ltd., HDFC Bank Ltd., HDFC Holdings Ltd., HDFC Investments Ltd., Indian Opportunities Fund (Mauritius) Ltd., Maruti Countrywide Auto Financial Service Ltd., Mahindra Holidays & Resorts India Ltd., SchoolNet India Ltd., Tube Investments of India Ltd., Chemplast Sanmar Ltd. and Templeton Asset Management India Private Ltd. Mr. Satwalekar received a B.Tech. in Mechanical Engineering from IIT Bombay and an M.B.A. from the American University.

Prof. Marti G. Subrahmanyam has served as a director of Infosys since April 1998. He has served as the Charles E. Merrill Professor of Finance and Economics at the Stern School of Business at New York University since 1991 and has been a visiting professor at leading academic institutions in England, France, Germany and India including at INSEAD and Chruchill College, Cambridge University. He is a director of ICICI Ltd., Aventine Investment Management Inc., Nippon Performance Fund Ltd., Indiaserver.com Inc., SpeedMerchant.com Inc., Usha Communications Inc., RMAS Ltd., Nomura Asset Management Inc., Nexgen Financial Holdings Ltd. and Deutsche Software India Ltd. Prof. Subrahmanyam has written several books and published numerous articles in the areas of finance and economics. He currently serves as an Associate Editor of the *Journal of Banking and Finance, Journal of Finance*, *Management Science, Journal of Derivatives, Journal of International Finance and Accounting*, and *Japan and the World Economy*. Prof. Subrahmanyam received a B.Tech. from IIT Madras, a Diploma in Business Administration, from IIM Ahmedabad and a Ph.D. in Finance and Economics from the Massachusetts Institute of Technology.

Ramesh Vangal has served as a director of Infosys since 1997. He has served as the President of Seagram Asia Pacific since 1998 and is currently the Chairman of Seagram India Ltd., Seagram Asia Pacific Ltd., Asia Net Media BVI Ltd., BL.com, and is a director in Indo Bio Care, CEBECO India, Kirin Seagram, Agro Biochem (India) Pvt. Ltd., and Arudra Nemara Developers Pvt. Ltd. From 1994 to 1997, he was a member of the Worldwide Operating Council of PepsiCo and was President of PepsiCo Foods International, Asia Pacific. From 1985 to 1994, he served in various management capacities for PepsiCo. Mr. Vangal received a B.Tech. from IIT Bombay and a M.Sc. in Business from the London Business School. He also holds a Certificate Diploma, Accounting and Finance from the Institute of Chartered Accountants in England and Wales.

Philip Yeo has served as a director of Infosys since October 1999. Mr. Yeo has served as the Executive Chairman of the Singapore Economic Development Board since January 1986 and as Deputy Chairman of Singapore's National Science and Technology Board since June 1999. He is also the Chairman of the Institute for Molecular & Cell Biology, Pidemco Land and Singapore Aerospace Manufacturing and is a Board member in INSEAD, Paris. Mr. Yeo was the first Chairman of Singapore's National Computer Board from 1981 to 1987. Mr. Yeo joined the Administrative Service in 1970 and served in the Ministry of Defence where he held several appointments including the appointment of Permanent Secretary for logistics, technology research & development and defence industries upto January 1986. He retired from the Administrative Service on March 31, 1999. Mr. Yeo graduated in 1970 in Applied Science (Industrial Engineering) from the University of Toronto, Canada under a Colombo Plan Scholarship. He later obtained a Master of Science (Systems Engineering) from the University of Singapore in 1974. In 1976, he obtained a Master in Business Administration from Harvard University, under a Fulbright scholarship. He is the recipient of many international awards, and was conferred an Honorary Doctorate in Engineering from the University of Toronto.

Prof. Jitendra Vir Singh has served as a Director of Infosys since October 10, 2000. He is the Vice Dean, International Academic Affairs at the Wharton School, University of Pennsylvania, since 1998. Earlier, Prof. 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. Prof. Singh received his Ph.D. from Stanford Business School in 1983. In 1991, he received an M.A. (h.c.) from University of Pennsylvania. He received his B.Sc. from Lucknow University in India in 1972. Prof. Singh received his MBA from the Indian Institute of Management, Ahmedabad, India in 1975. Prof. Singh serves as advisor for several high technology startup firms, including, San Francisco based Esurance Inc., an integrated online insurance company and Seattle based vCustomer Corporation, which, provides online customer support to e-commerce firms. He is also on the advisory board of EurIndia, a London based marketing accelerator for small Indian software companies and other high tech firms in India and the US.

Dr. Omkar Goswami has served as a Director of Infosys since November 13, 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, from March 1997 through July 1998. Prior to that, from 1981 to 1997, 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. Dr. Goswami has served on several government committees. Dr. Goswami has also been a consultant to the World Bank, IMF, the Asian Development Bank and the OECD. Dr. Goswami received his Masters in Economics from the Delhi School of Economics in 1978 and his D.Phil. (Ph.D.) from Balliol College, Oxford in 1982.

Senator Larry Pressler has served as a Director of Infosys 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 Vietnam veteran (U.S. Army) and was awarded Vietnam Service Medals. 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., American Technologies Group, Philadelphia Stock Exchange Board of Governors, Customerlinx and L&T Trade.com Ltd. Senator Pressler also serves on the Boards of Advisors of several companies in the pharmaceutical, telecommunications, and financial sectors.

Rama Bijapurkar has served as a Director of Infosys since March 29, 2001. She is a recognized leader on marketing strategy and consumer related issues in India and runs a strategic marketing consulting practice working across a wide range of sectors, helping organizations with their marketing strategies. 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 and worked between 1982 and 1987 with MODE Services, which she co-founded. In addition, she is a visiting faculty at IIM Ahmedabad. She is an alumna of IIM Ahmedabad and holds an Honors degree in Physics from the Delhi University. Ms. Bijapurkar serves on the Boards of Titan Watches Ltd., Godrej Consumer Products Ltd., Ideasnyou.com Ltd. and CRISIL Ltd.

S. Gopalakrishnan is a co-founder of Infosys and has served as a director from 1981 to 1987. From 1987 to 1994, he was Technical Vice President and managed all projects at the US-based KSA/Infosys, a former joint venture between the company and Kurt Salmon Associates. From 1994 to date he has served as a director of Infosys. Mr. Gopalakrishnan was head of Technical Support Services from 1994 to 1996, Head – Client Delivery and Technology of Infosys from 1996 to 1999 and has served as Head – Customer Service & Technology from 1999 to date. Mr. Gopalakrishnan received an M.Sc. in Physics and an M.Tech. in Computer Science from IIT Madras. Mr. Gopalakrishnan is a director in Yantra Corporation.

K. Dinesh is a co-founder of Infosys and has served as a director since 1985. He has served as Head – Quality, Productivity and MIS of Infosys since 1996. From 1991 to 1996, Mr. Dinesh served in various project management capacities and was responsible for worldwide software development efforts for Infosys. From 1981 to 1990, he managed projects for Infosys in the United States. Mr. Dinesh received an M.Sc. degree in Mathematics from Bangalore University.

S. D. Shibulal is a co-founder of Infosys and has served as a director from 1984 to 1991 and since 1997. He has served as Head – Manufacturing, Distribution and Year 2000 Business Unit, and Head – Internet and Intranet Business Unit of Infosys since 1998. From 1991 to 1996, Mr. Shibulal was on sabbatical from Infosys and served as Senior Information Resource Manager at Sun Microsystems Inc. From 1981 to 1991, he worked for Infosys in the United States on projects in the retail and manufacturing industries. Mr. Shibulal received an M.Sc. in Physics from the University of Kerala and an M.S. in Computer Science from Boston University.

T. V. Mohandas Pai has served as Director of Infosys since May 27, 2000. From 1996 to 2000 he was Senior Vice President, Head – Finance and Administration and Chief Financial Officer of Infosys. From 1994 to 1996, he served as Vice President of Finance at Infosys. From 1988 to 1994, Mr. Pai was Executive Director of Prakash Leasing Ltd. Mr. Pai received a B.Com. from St. Joseph's College of Commerce, Bangalore and an LL.B. from the University Law College, Bangalore. Mr. Pai is a Fellow Member of the Institute of Chartered Accountants of India.

Phaneesh Murthy has served as Director of Infosys since May 27, 2000. From 1996 to 1999 he served as Senior Vice President and Head – Worldwide Sales of Infosys. From 1992 to 1996, Mr. Murthy was a Marketing Manager for Infosys based in the United States. From 1987 to 1992, he worked in sales and marketing for Sonata Software Ltd. 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 served as Director of Infosys since May 27, 2000. From 1996 to 2000 he has served as Senior Vice President and Head – Retail and Telecommunications Business Unit of Infosys. After joining Infosys in 1992, Mr. Batni was a Project Manager. From 1990 to 1992, he was Manager of Technical Support for PSI Bull, an Indian software development subsidiary of Bull, S.A., a French company. Mr. Batni received a B.E. in Mechanical Engineering from Mysore University and an M.E. in Mechanical Engineering from the Indian Institute of Science, Bangalore.

Ajay Dubey has served as Vice President – Financial Services and Transportation Business Unit of Infosys since April 1999. From 1995 to 1999, he was an Associate Vice President working in the Financial Services and Transportation Business Unit.

He joined the company in 1993 as a Senior project manager. From 1990 to 1993, he served as a Technical Team leader in ANZ Grindlays, New Zealand. Mr. Dubey received a B.Tech. from IIT Kanpur in 1980.

Dr. P. Balasubramanian has served as Senior Vice President and Head – Domain Competency Group since 1999. Prior to that, from 1995 to 1999 he was Senior Vice President and Head - Financial Services and Transportation Business Unit of Infosys. From 1989 to 1992, Dr. Balasubramanian was Chief Executive Officer and Technical Director of Hitek Software Engineers Ltd. ("Hitek"), Jamaica, West Indies. From 1992 to 1994, he was a Technical Director of Hitek. From 1986 to 1989, Dr. Balasubramanian was Chief Executive Officer of Cholamandalam Software Ltd., Chennai. Dr. Balasubramanian has been invited as guest faculty to several executive training programs in India as well as at the University of West Indies. Dr. Balasubramanian received a B.Tech. and M.Tech. from IIT Madras and a Ph.D. in Operations Research and Financial Management from Purdue University.

V. Balakrishnan has served as Vice President – Finance and Company Secretary since April 25, 2001. Prior to that, from 1999 to January 2001, he was Associate Vice President – Finance. In January 2001, he took over additional responsibility as Company Secretary. After joining Infosys in 1991, he has served in various capacities in the Finance department of the company. Prior to joining Infosys, he was Senior Accounts Executive for Amco Batteries Ltd., Mr. Balakrishnan received a B.Sc. from the University of Madras and is an Associate Member of the Institute of Chartered Accountants of India, a Member of the Institute of Company Secretaries of India and an Associate Member of the Institute of Cost & Works Accountants of India.

Basab Pradhan has served as Regional Manager since 1998. After joining Infosys in 1994, Basab served in various capacities for the company, including as Business Development Manager between 1995-98. Prior to joining Infosys, he was Area Sales Manager for Lipton India Ltd. Basab received a B.Tech. in Mechanical Engineering from IIT Kanpur in 1987 and a Post Graduate Diploma in Management from IIM Ahmedabad in 1989.

Group Captain (Retd.) Deepak Sinha has served as Associate Vice President and Head – Computer and Communications Division ("CCD") since April 25, 2001. Prior to that, from April 1998 to April 2001, he has served as Senior Manager and Head – CCD. Prior to joining Infosys, he was Director - IMMOLS Project for the Indian Air Force. Group Captain (Retd.) Sinha received a B. Tech from IIT Kharagpur in 1968.

Girish Vaidya has served as Senior Vice President and Head – Banking Business Unit of Infosys since April 1999. Prior to that, Mr. Vaidya was Director and Head – Operations India for ANZ Grindlays with whom he had been since 1975. Mr. Vaidya received a B.E. from S.P College of Engineering, Mumbai in 1973 and a Post Graduate Diploma in Management from IIM Calcutta in 1975.

Hema Ravichandar has served as Senior Vice President and Head – Human Resources of Infosys since 1998. From 1996 to 1998, Ms. Ravichandar was an independent consultant. From 1992 to 1995, she served as Head – Human Resources at Infosys. From 1983 to 1992, Ms. Ravichandar was Deputy Manager – Human Resource Development at Motor Industries Company Ltd. Ms. Ravichandar received a B.A. in Economics and a Post Graduate Diploma in Management from IIM Ahmedabad.

Jan DeSmet has served as Vice President – Consulting Services and Head – Strategic Business Unit since January 1999 and is currently Vice President – Business Consulting Services. From 1996 to 1998, Mr. DeSmet was Senior Principal with Diamond Technology Partners in Chicago. Mr. DeSmet received a M.B.A from the University of Dallas in 1982.

Mohan Sekhar has served as Vice President and Head – Delivery, North East United States and Canada since April 25, 2001. Prior to that, from April 1999 to April 2001, he has served as Associate Vice President and Head – Delivery. Prior to that, from 1998 to 1999, he served as a Senior Project Manager in the Manufacturing, Distribution and Year 2000 Business Unit. From 1986 to 1998 he worked for Cap Gemini America and AT&T in New Jersey in various capacities in the Voice, Telephony and Networking services. Mohan received a B.E. in Mechanical Engineering from Bangalore University and a M.S. in Computer Science from New Jersey Institute of Technology, New Jersey, USA.

Dr. M. S. S. Prabhu has served as Senior Vice President and Head – Engineering Services Business Unit of Infosys since 1997. From 1994 to 1997, Dr. Prabhu served as head of CAD/CAM group at Tata Consultancy Services. From 1972 to 1994, he served in various capacities for the Indian Satellite Research Organization. Dr. Prabhu received a B.E. in Civil Engineering from Bangalore University and a Ph.D. in Aeronautical Engineering from Indian Institute of Science, Bangalore.

Rajiv Kuchhal has served as Associate Vice President of Infosys since 1998 and Head – Nortel OSDC Business Unit of Infosys since April 1998. From 1990 to 1998, Mr. Kuchhal served in various capacities for the company, including projects relating to an electronic telex interface and management of the Nortel OSDC before it became a separate business unit. Mr. Kuchhal received a B.Tech. in Electrical and Electronics Engineering from IIT Delhi.

Sobha Meera P. R. has served as Regional Manager – Canada & East North America since 1998. After joining Infosys in 1995 Ms. Meera served as Branch Manager between 1995 and 1998. Prior to joining Infosys, she worked in various Sales & Marketing positions for HCL Ltd. & Sonata Software Ltd. Ms. Meera received her Post Graduate Diploma in Management from IIM Ahmedabad in 1995 and a B.E. from Osmania University in 1989.

Satyendra Kumar has served as Vice President and Head – Quality since September 2000. Prior to that, from 1998 to August 2000, he was Head of Quality at IMR Global, Bangalore. From 1995 to 1998 he worked as the Deputy Chief Executive for Tata Quality Management Services from 1996 to 1998. He has been a software quality consultant for several companies and is also a registered TickIT auditor and an ISO lead auditor. Kumar has a post graduate degree in Electronics from Delhi University.

6.B Compensation

In fiscal 2001, the company's eight non-employee directors were paid an aggregate of $ 127,123. Directors who are also employees of the company do not receive any additional compensation for their service on the board of directors. Directors are also reimbursed for certain expenses in connection with their attendance at the board and the committee meetings.

The table below sets forth the compensation for the officers and directors of the company, for the fiscal year ended March 31, 2001.

	Annual compensation awards			Stock options					
Name	Salary	Bonus	Other annual compen -sation	No. of options granted during the year (1999 ESOP)	Grant price	No. of options granted during the year (1998 ESOP)	Grant price	Expiration date	Amount accrued for long-term benefits
N. R. Narayana Murthy	$18,431	–	$14,284	–	–	–	–	–	$5,863
Nandan M. Nilekani	18,431	–	16,876	–	–	–	–	–	5,863
Gopalakrishnan S.	18,431	–	14,302	–	–	–	–	–	5,863
Dinesh K.	18,431	–	16,951	–	–	–	–	–	5,863
Shibulal S. D.	18,431	–	14,292	–	–	–	–	–	5,863
Deepak M. Satwalekar	–	–	25,000	–	–	–	–	–	–
Ramesh Vangal	–	–	25,000	–	–	–	–	–	–
Marti G. Subrahmanyam, Prof.	–	–	25,000	–	–	–	–	–	–
Philip Yeo	–	–	25,000	–	–	–	–	–	–
Jitendra Vir Singh, Prof.	–	–	11,849	–	–	–	–	–	–
Omkar Goswami, Dr.	–	–	9,521	–	–	–	–	–	–
Larry Pressler, Sen.	–	–	5,616	–	–	–	–	–	–
Rama Bijapurkar	–	–	205	–	–	–	–	–	–
Mohandas Pai T. V.	20,820	–	8,918	10,000	$122.72	–	–	February 26, 2010	6,623
Phaneesh Murthy	249,568	165,000	2,589	–	–	20,000	$98.25	February 26, 2010	–
Srinath Batni	18,709	–	7,802	5,500	122.72	2,000	98.25	February 26, 2010	5,951
Ajay Dubey	10,309	–	11,340	2,610	122.72	780	98.25	February 26, 2010	3,279
Basab Pradhan	120,000	64,400	760	–	–	12,000	98.25	February 26, 2010	–
Balasubramaniam P., Dr.	15,314	–	18,874	3,000	122.72	–	–	February 26, 2010	4,871
Balakrishnan V.	11,363	–	13,694	6,000	122.72	–	–	February 26, 2010	3,615
Deepak Sinha, Gp. Capt. (Retd.)	6,166	1,008	13,901	2,550	122.72	900	98.25	February 26, 2010	1,962
Girish Vaidya	16,567	–	18,997	5,310	122.72	1,380	98.25	February 26, 2010	5,270
Hema Ravichandar	12,102	–	14,001	2,200	122.72	2,400	98.25	February 26, 2010	3,850
Jan DeSmet	181,500	41,250	–	–	–	6,000	98.25	February 26, 2010	–
Mohan Sekhar	9,294	–	13,344	4,800	122.72	2,400	98.25	February 26, 2010	2,957
Prabhu M. S. S., Dr.	29,961	–	14,905	3,000	122.72	–	–	February 26, 2010	4,601
Rajiv Kuchhal	9,064	–	13,212	1,000	122.72	–	–	February 26, 2010	2,883
Satyendra Kumar*	5,052	–	13,583	3,000	156.18	–	–	October 10, 2009	1,607
Sobha Meera P. R.	120,000	68,250	3,013	–	–	12,000	98.25	February 26, 2010	–

* Employed for part of the year

6.C.1 Board practices

Name	Expiration of current term of office	Term of office		
N. R. Narayana Murthy	April 30, 2002	5 years [1]	Deepak Satwalekar	Retirement by rotation
Nandan M. Nilekani	April 30, 2002	5 years [2]	Ramesh Vangal	Retirement by rotation
Gopalakrishnan S.	October 17, 2004	5 years [2]	Marti G. Subramanyam, Prof.	Retirement by rotation
Dinesh K.	April 30, 2002	5 years [2]	Philip Yeo	Retirement by rotation
Shibulal S. D.	April 30, 2002	5 years [2]	Jitendra Vir Singh, Prof.	Retirement by rotation
Mohandas Pai T. V.	June 2, 2001	5 years [2, 3]	Omkar Goswami, Dr.	Retirement by rotation
Phaneesh Murthy	June 2, 2001	5 years [2, 4]	Larry Pressler, Sen.	Retirement by rotation
Srinath Batni	June 2, 2001	5 years [2, 5]	Rama Bijapurkar	Retirement by rotation

[1] Mr. N. R. Narayana Murthy is not liable to retire by rotation so long as he controls 5% of the voting in Infosys together by himself and with his family members.

[2] The period of appointment as an executive director is for five years. However, these directors customarily retire by rotation once in three years and are to be re-elected by the stockholders.

[3] Mr. T. V. Mohandas Pai was appointed as Director by the board for a term of five years ending on May 26, 2005 and his appointment has been recommended for the approval of the stockholders in the ensuing Annual General Meeting and forms part of the Items of Special Business of the Notice to the stockholders, which is attached as an exhibit to this Form 20-F.

[4] Mr. Phaneesh Murthy was appointed as Director by the board for a term of five years ending on May 26, 2005 and his appointment has been recommended for the approval of the stockholders in the ensuing Annual General Meeting and forms part of the Items of Special Business of the Notice to the stockholders, which is attached as an exhibit to this Form 20-F.

[5] Mr. Srinath Batni was appointed as Director by the board for a term of five years ending on May 26, 2005 and his appointment has been recommended for the approval of the stockholders in the ensuing Annual General Meeting and forms part of the Items of Special Business of the Notice to the stockholders, which is attached as an exhibit to this Form 20-F.

[6] The board constantly evaluates the contribution of its members, and recommends to stockholders their re-appointment periodically as per statute. The Indian Companies Act mandates that two-thirds of the members of the board should retire by rotation, of which, one-third of such members should retire every year, and qualifies the retiring members for re-appointment. However all the directors of the company customarily retire by rotation. The executive directors are appointed by the stockholders for a maximum period of five years at one time but are eligible for re-appointment upon completion of their term. The nominations committee of the board, composed entirely of independent directors, recommends such appointment / re-appointment. However, the

membership term is limited by the retirement age for members. The board has adopted a retirement policy for its members. Under this policy, the maximum age of retirement of executive directors, including the CEO, is 60 years, which is the age of superannuation for the employees of the company. Their continuation as members of the board upon superannuation / retirement is determined by the nominations committee. The age limit for retirement from the board is 65 years. The directors' contracts do not contain material severance packages.

6.C.2 Employment contracts

Under the Indian Companies Act, the company's stockholders must approve the salary, bonus and benefits of all employee directors at an Annual General Meeting of stockholders. Each employee director of the company has signed an agreement containing the terms and conditions of employment, including a monthly salary, performance bonus and benefits including vacation, medical reimbursement and pension fund contributions. These agreements are made for a five year period, but either the company or the employee director may terminate the agreement upon six months notice to the other party.

6.C.3 Board committee information

The details relating to the company's audit committee and remuneration committee, including the names of committee members and a summary of the terms of reference under which the committee operates is on pages 47 through 48 of the Infosys Annual Report for fiscal 2001 and is incorporated herein by reference.

6.D Employees

As of March 31, 2001, the company had approximately 9,830 employees, including approximately 8,660 IT professionals, up from approximately 5,390 employees and approximately 4,625 IT professionals, respectively, as of March 31, 2000 and approximately 3,770 employees and approximately 3,160 IT professionals respectively as of March 31, 1999. The company invests heavily in its programs to recruit, train and retain qualified employees, and management believes the company has established a reputation as one of the most preferred employers for software engineers in India.

The company focuses its recruiting efforts on the top 20% of students from engineering departments of Indian schools and relies on a rigorous selection process involving a series of tests and interviews to identify the best applicants. Because the company emphasizes flexibility and innovation, applicants are selected on the basis of their ability to learn as well as their academic achievement, conceptual knowledge and their temperament for, and fit with, the company's culture. The company's reputation as a premier employer enables it to select from a large pool of qualified applicants. For example, in fiscal 2001, the company received approximately 385,200 job applications, tested approximately 49,100 interviewed approximately 20,800 and extended job offers to approximately 7,650, of whom approximately 6,100 accepted. The company seeks to attract and motivate IT professionals by offering: an entrepreneurial environment that empowers IT professionals; programs that recognize and reward performance; challenging assignments; a continuous updating of skills; and a culture that emphasizes openness, integrity and respect for the employee. IT professionals receive competitive salaries and benefits and are eligible to participate in the company's stock option plans. In addition, the company spends significant resources on training and continuing education. To conduct training, the company employs a 58-person faculty, 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.

At any given time, approximately 34% of the company's IT professionals are working on-site at client facilities in the United States and elsewhere while the balance are working offshore in India. On average, approximately 1,570, 980 and 530 of the company's IT professionals worked on-site in the United States and elsewhere per month in fiscal 2001, 2000 and 1999, respectively. On average, approximately 7,086, 3,100 and 2,630 of the company's IT professionals and support staff worked offshore in India per month in fiscal 2001, 2000 and 1999, respectively.

The company's professionals that work on-site at client facilities in the United States on temporary and extended assignments are typically required to obtain visas. As of March 31, 2001, substantially all of the company's personnel in the United States were working pursuant to H-1B visas (1,090 persons) or L-1 visas (292 persons). Both H-1B and L-1 visas require that recipients meet certain education requirements; however, only employees who have worked for the company for at least one year are eligible to obtain L-1 visas. The company is generally able to obtain H-1B and L-1 visas within two to four months of applying for such visas, which remain valid for three years. Although there is no limit to new L-1 petitions, there is a limit to the number of new H-1B petitions that the United States Immigration and Naturalization Service may approve in any government fiscal year. In the years in which this limit is reached, the company may be unable to obtain H-1B visas necessary to bring critical Indian IT professionals to the United States on an extended basis. The H-1B limit was reached in March 2000 by the U.S. Government for its fiscal year ending September 30, 2000 and in May 1999 for its fiscal year ending September 30, 1999. The H-1B limit had recently been increased to 195,000 for the next two years ending September 30, 2002. The limit is yet to be reached for the year ending September 30, 2001. The company planned for the H-1B limit being reached prior to the end of the U.S. Government's current fiscal year primarily by forecasting its annual needs for such visas early in the U.S. Government's fiscal year and applying for such visas as soon as practicable. In addition, the company utilizes L-1 visas whenever available and redeploys existing H-1B visa holders in order to minimize the number of new H-1B visas needed by the company. While the company anticipated that such limit would be reached prior to the end of the U.S. government's fiscal year and has made efforts to plan accordingly, there can be no assurance that the company will continue to be able to obtain a sufficient number of H-1B visas.

The market for hiring software professionals is highly competitive. Competing employers include multinational corporations that perform software development in India through subsidiaries and joint ventures with Indian companies; a number of well-known Indian IT services and software product companies; and a large number of small and medium regional companies, many with affiliates or parent companies in the United States and Europe.

6.E.1 Share ownership (As of March 31, 2001)

The following table sets forth the options to purchase securities, granted to executive officers and directors, that were outstanding as of March 31, 2001.

Class of securities	Total securities	Exercise price[1]	Expiration dates
Equity shares	153,720	$107.07	Nov 2003-Feb 2010
American Depositary Shares	320,260	$36.26	Mar 2003-Feb 2010

[1] Weighted Average Exercise Price

The following table sets forth for each director and executive officer, the total number of equity shares, ADSs and Options to purchase equity shares and ADSs held as of March 31, 2001.

Name	Shares beneficially owned	% of shares beneficially owned	Shares underlying options granted	Exercise price	Expiration
N. R. Narayana Murthy [1]	4,906,400	7.42	–	–	–
Nandan M. Nilekani [1]	3,331,900	5.04	–	–	–
Dinesh K.[1]	2,333,400	3.52	–	–	–
Gopalakrishnan S. [1]	3,180,000	4.81	–	–	–
Shibulal S. D. [1]	2,118,500	3.20	–	–	–
Mohandas Pai T. V. [2]	–	–	–	–	–
Phaneesh Murthy [2]	–	–	–	–	–
Srinath Batni [2]	–	–	–	–	–
Deepak Satwalekar	–	–	–	–	–
Ramesh Vangal [2]	–	–	–	–	–
Marti G. Subrahmanyam, Prof. [2]	–	–	–	–	–
Philip Yeo	–	–	–	–	–
Jitendra Vir Singh, Prof.	–	–	–	–	–
Omkar Goswami, Dr.	–	–	–	–	–
Larry Pressler, Sen.	–	–	–	–	–
Rama Bijapurkar	–	–	–	–	–
Ajay Dubey [2]	–	–	–	–	–
Balasubramanian P., Dr. [2]	–	–	–	–	–
Balakrishnan V. [2]	–	–	–	–	–
Basab Pradhan [2]	–	–	–	–	–
Deepak Sinha, Gp. Capt. (Retd.) [2]	–	–	–	–	–
Girish Vaidya [2]	–	–	–	–	–
Hema Ravichandar [2]	–	–	–	–	–
Jan DeSmet [2]	–	–	–	–	–
Mohan Sekhar [2]	–	–	–	–	–
Prabhu M. S. S., Dr. [2]	–	–	–	–	–
Rajiv Kuchhal [2]	–	–	–	–	–
Satyendra Kumar [2]	–	–	–	–	–
Sobha Meera P. R. [2]	–	–	–	–	–

[1] Number of shares and percentage ownership is based on 66,158,117 equity shares outstanding as of March 31, 2001. 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, 2001 are deemed to be outstanding and to be beneficially owned by the person holding such options for the purpose of computing the percentage ownership of such person, but are not deemed to be outstanding and to be beneficially owned for the purpose of computing the percentage ownership of any other person. All information with respect to the beneficial ownership of any principal shareholder has been furnished by such shareholder and, unless otherwise indicated below, the company believes that persons named in the table have sole voting and sole investment power with respect to all the shares shown as beneficially owned, subject to community property laws, where applicable. The shares beneficially owned by the directors include the equity shares owned by their family members to which such directors disclaim beneficial ownership.

[2] Hold less than one percent of the class of shares and individual share ownership has not previously been disclosed to shareholders or otherwise made public.

6. E. 2 Option plans

The company has three Option plans in operation – the 1994 Employee Stock Offer Plan, the 1998 Stock Option Plan and the 1999 Stock Option Plan – a description of which is provided below:

1994 Employees Stock Offer Plan. In September 1994, the company established the Employees Stock Offer Plan ("ESOP") which provides for the issuance of 6,000,000 warrants (as adjusted to reflect the company's 2-for-1 stock split by means of a stock dividend in fiscal 1998 and 1999 and a 2-for-1 stock split in fiscal 2000) to eligible employees. The warrants were issued to an employee welfare trust ("Trust") at Rs. 0.50 each. The warrants were purchased by the Trust using the proceeds of a loan obtained from the company. The Trust holds the warrants and transfers them to eligible employees. The warrants are transferred to employees at Rs. 0.50 each and each warrant entitles the holder to purchase one of the company's equity shares at a price of Rs. 50 per share. The warrants and the equity shares received upon the exercise of warrants are subject to a five-year aggregate vesting period from the date of issue of warrants to employees. The warrants expire upon the earlier of five years from the date of issue or September 1999.

In 1997, in anticipation of a share dividend to be declared by the company, the Trust exercised all warrants held by it and converted them into equity shares with the proceeds of a loan obtained from the company. In connection with the warrant exercise and the share dividend, on an adjusted basis, 3,011,200 equity shares were issued to employees of the company who exercised stock purchase rights and 2,988,800 equity shares were issued to the Trust for future issuance to employees pursuant to the ESOP. Following such exercise, there were no longer any rights to purchase equity shares from the company in connection with the ESOP. Only equity shares held by the Trust remained for future issues to employees, subject to vesting provisions. The equity shares acquired upon the exercise of the warrants vests 100% upon the completion of five years of service. The warrant holders were entitled to exercise early, but the shares received are subject to the five year vesting period. As of March 31, 2001, the company's outstanding equity shares included 587,400 equity shares held by the Trust of which 330,000 equity shares were allotted to employees, subject to vesting provisions and have been included in the calculation of basic and diluted earnings per share. The remaining 257,400 equity shares were not considered outstanding for purposes of calculating diluted earnings per share calculations. The warrants allotted and the underlying equity shares are not subject to any repurchase obligations by the company.

The company has elected to use the intrinsic value-based method of APB Opinion No. 25 to account for its employee stock-based compensation plan. During the years ended March 31, 2001, 2000 and 1999, the company recorded deferred compensation of Nil, $ 1,029,649 and $ 30,407,892, respectively, for the difference, on the grant date, between the exercise price and the fair value as determined by quoted market prices of the common stock underlying the warrants. The deferred compensation is amortized on a straight-line basis over the vesting period of the warrants/equity shares.

In fiscal 1998, the company declared a stock split of two equity shares for each equity share outstanding in the form of a stock dividend to all its shareholders including participants in the ESOP. Under the terms of the ESOP, the additional equity shares issued to ESOP participants as a result of the stock dividend were not subject to vesting. Consequently, the amortization of deferred stock compensation of $ 1,519,739 relating to these shares was accelerated at the time of the stock dividend. Similarly, in fiscal 1999, the company declared a stock split of two equity shares for each equity share outstanding to all its shareholders including participants in the ESOP in the form of a stock dividend and consequently recognized an accelerated compensation charge at the time of the stock dividend amounting to $ 12,906,962.

1998 Stock Option Plan. The company's 1998 Stock Option Plan ("1998 Plan") provides for the grant of nonstatutory stock options and incentive stock options [within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code")], to employees of the company. The establishment of the 1998 Plan was approved by the board of directors in December 1997 and by the shareholders in January 1998. The Government of India has approved the 1998 Plan, subject to maximum limit of 1,470,000 equity shares issuable under the 1998 Plan. A total of 1,600,000 equity shares are currently reserved for issuance pursuant to the 1998 Plan. Unless terminated sooner, the 1998 Plan will terminate automatically in January 2008. All options under the 1998 Plan will be exercisable for ADSs represented by ADRs.

The 1998 Plan is administered by the compensation committee of the Board (the "Committee"). The Committee has the power to determine the terms of the options granted, including the exercise price, the number of ADSs subject to each option, the exercisability thereof, and the form of consideration payable upon such exercise. In addition, the Committee has the authority to amend, suspend or terminate the 1998 Plan, provided that no such action may affect any ADS previously issued and sold or any option previously granted under the 1998 Plan.

Options granted under the 1998 Plan are not generally transferable by the optionee, and each option is exercisable during the lifetime of the optionee only by such optionee. Options granted under the 1998 Plan must generally be exercised within three months of the end of optionee's status as an employee of the company, but in no event later than the expiration of the option's term. In the event of optionee's termination as a result of death or disability, the vesting and exercisability of the optionee's option will accelerate in full and the option must be exercised within 12 months after such optionee's termination by death or disability, but in no event later than the expiration of the option's term. The exercise price of incentive stock options granted under the 1998 Plan must be at least equal to the fair market value of the ADSs on the date of grant. The exercise price of nonstatutory stock options granted under the 1998 Plan must be at least equal to 90% of the fair market value of the ADSs on the date of grant. With respect to any participant who owns stock possessing more than 10% of the voting power of all classes of the company's outstanding capital stock, the exercise price of any incentive stock option granted must equal at least 110% of the fair market value on the grant date and the term of such incentive stock option must not exceed five years. The term of all other options granted under the 1998 Plan may not exceed 10 years.

The 1998 Plan provides that in the event of a merger of the company with or into another corporation, a sale of substantially all of the company's assets or a like transaction involving the company, each option shall be assumed or an equivalent option substituted by the successor corporation. If the outstanding options are not assumed or substituted as described in the preceding sentence, the vesting and exercisability of each option will accelerate in full.

1999 Stock Option Plan. The company's 1999 Stock Option Plan ("1999 Plan") was approved by the shareholders and the board of directors in June 1999. The 1999 Plan provides for the issue of 6,600,000 equity shares to employees. The 1999 Plan is administered by a compensation committee of the board of directors. Under the 1999 Plan, options will be issued to employees at an exercise price not less than the Fair Market Value. Fair Market Value means the closing price of the company's shares on the stock exchange where there is the highest trading volume on a given date and if the shares are not traded on that day, the closing price on the next trading day. Under the 1999 Plan, options may also be issued to employees at exercise prices that are less than Fair Market Value only if specifically approved by the members of the company in a general meeting.

Options granted under the 1999 Plan are not generally transferable by the optionee, and each option is exercisable during the lifetime of the optionee only by such optionee. Options granted under the 1999 Plan must generally be exercised within three months of the end of optionee's status as an employee of the company, but in no event later than the expiration of the option's term. In the event of optionee's termination as a result of death or disability, the vesting and exercisability of the optionee's option will accelerate in full and the option must be exercised within 12 months after such optionee's termination by death or disability, but in no event later than the expiration of the option's term.

The 1999 Plan provides that in the event of a merger of the company with or into another corporation, a sale of substantially all of the company's assets or a like transaction involving the company, each option shall be assumed or an equivalent option substituted by the successor corporation. If the outstanding options are not assumed or substituted as described in the preceding sentence, the vesting and exercisability of each option will accelerate in full.

Item 7 Major Shareholders and Related Party Transactions

7.A Major shareholders

The following table sets forth certain information regarding the beneficial ownership of the equity shares on March 31, 2001 of (i) each person or group known by the company to own beneficially 5% or more of the outstanding equity shares and (ii) the beneficial ownership of all officers and directors as a group, in each case as reported to Infosys by such persons.

Name of the beneficial owner	Class of security	No of shares beneficially held [1,2]	% of class	No of shares beneficially held [1,2]	% of class	No of shares beneficially held [1,2]	% of class
		March 31, 2001		March 31, 2000		March 31, 1999	
N. R. Narayana Murthy	Equity shares	4,906,400	7.42	4,931,300	7.45	5,047,200	7.63
Nandan M. Nilekani	Equity shares	3,331,900	5.04	3,334,900	5.04	3,376,400	5.10
N. S. Raghavan*	Equity shares	3,417,360	5.17	3,467,860	5.24	3,531,200	5.33
Unit Trust of India	Equity shares	5,546,098	8.38	5,958,497	9.01	5,907,004	8.93
Government of Singapore	Equity shares	3,625,402	5.48	2,055,778	3.11	408,800	0.62
Shareholding of all directors and officers as a group (30 persons)[3]		16,540,180	24.92				

* Ceased to be director of the company effective as of February 7, 2000.

[1] Number of shares and percentage ownership is based on 66,158,117 equity shares outstanding as of March 31, 2001. 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, 2001 are deemed to be outstanding and to be beneficially owned by the person holding such options for the purpose of computing the percentage ownership of such person, but are not deemed to be outstanding and to be beneficially owned for the purpose of computing the percentage ownership of any other person. All information with respect to the beneficial ownership of any principal shareholder has been furnished by such shareholder and, unless otherwise indicated below, the company believes that persons named in the table have sole voting and sole investment power with respect to all the shares shown as beneficially owned, subject to community property laws, where applicable. The shares beneficially owned by the directors include the equity shares owned by their family members to which such directors disclaim beneficial ownership.

[2] As adjusted to reflect the company's 2-for-1 stock dividend in 1998 and 2-for-1 stock split in 2000.

[3] 40,500 shares subject to options that are currently exercisable or exercisable within 60 days of March 31, 2001 by various officers and directors of the company 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 based on 66,379,420 equity shares which includes 221,303 options that are currently exercisable or exercisable by all employees within 60 days of March 31, 2001.

The major shareholders of the company do not have a differential voting right in respect of the equity shares of the company.

The company's American Depositary Shares listed on the NASDAQ National Market® each representing one-half of one equity share of Rs. 5 par value are registered pursuant to Section 12(g) of the Securities Exchange Act of 1934 and are held by approximately 10,100 holders of record in the United States of America ("USA"), as of March 31, 2001.

The company's equity shares can be held by Foreign Institutional Investors ("FIIs"), Overseas Corporate Bodies ("OCBs") and Non-resident Indians ("NRIs") who are registered with the Securities and Exchange Board of India ("SEBI") and the Reserve Bank of India ("RBI"). As of March 31, 2001, 28.89 % of the company's equity shares are held by these FIIs, OCBs and NRIs of which some of them may be residents or bodies corporate registered in the United States of America and elsewhere. The company is not aware which of these FIIs, OCBs and NRIs hold these equity shares as residents of or bodies corporates registered in the USA and is not aware of the portion of these equity shares held by these FIIs, OCBs and NRIs in the USA.

To the best of its knowledge, the company is not owned or controlled directly or indirectly by any government or by any other corporation. The company is not aware of any arrangement, the operation of which may at a subsequent date result in a change in control of the company.

The above shares are issued and traded within India and is held, directly or indirectly, in the beneficial name of the holders.

7.B Related party transactions

The company had no material transaction with any shareholders owning more than 10% of the equity of the company.

Yantra Corporation

In December 1996, the company transferred all rights, title and interest in and to the WMSYantra (formerly known as EAGLE) software product to Yantra, then a majority-owned subsidiary of the company. Yantra granted Infosys a non-exclusive right to reproduce, distribute and service the product to the extent necessary to fulfill the company's pre-existing contractual obligations for the product. In consideration for this transaction Infosys received 7,500,000 shares of common stock of Yantra, which had a fair market value at the time of $ 0.20 per share. In September 1997, the company purchased 2,000,000 shares of Series A Preferred Stock of Yantra at $ 0.75 per share. Certain of the company's directors or officers are directors of Yantra. As of March 31, 1998, Mr. Phaneesh Murthy, an executive officer of the company, held options to purchase 100,000 shares of common stock of Yantra at an exercise price of $ 0.10 per share, all of which were granted on September 29, 1997. Other than Mr. Phaneesh Murthy, none of the company's directors or officers beneficially owns any shares or options of Yantra. On October 20, 1998, the company sold 1,363,637 shares of Series A Preferred Stock of Yantra for $ 1.10 per share to an unaffiliated purchaser. As a result, the company reduced its interest in Yantra to less than one-half of voting stock of Yantra. On June 14, 1999, Yantra issued Series C Preferred Stock amounting to $ 15.0 million to various existing and new investors. Sales to Yantra in fiscal 2001 were $ 2.6 million. During fiscal 2001, Yantra raised $40 million in venture financings from various investors. This reduced Infosys' economic interest in Yantra to approximately 16%. During the year, Yantra announced a broad strategic alliance with Accenture (formerly Andersen Consulting) to provide supply chain solutions through PureEcommerce, a fully web-enabled application that manages, tracks and executes complex customer transactions across a company's extended supply chain. As of March 31, 2001, Mr. Phaneesh Murthy, a director of the company holds 74,992 shares of common stock of par value $ 0.01 per share in Yantra, acquired at a purchase price of $ 0.10 per share.

OnMobile Systems Inc.

OnMobile Systems Inc. (formerly Onscan Inc.) is a wireless solutions provider to enterprises and wireless carriers around the world. OnMobile Systems Inc. ("OnMobile") offers platforms, applications and professional services to deliver end-to-end wireless solutions. The OnMobile solution allows wireless carriers to provide innovative services to their customers and enterprises to deploy applications targeted towards their mobile workforce. During the year, Infosys transferred the intellectual property rights in the Onscan product – a web – enabled notification product to OnMobile. The product was transferred for a gross consideration of $ 2 million, received in the form of common, preferred voting and preferred non-voting stock of OnMobile. OnMobile also closed a $ 12 million venture financing round with various investors.

Mr. S Gopalakrishnan and Mr. S D Shibulal, members of the board of directors of Infosys hold 200,000 and 500,000 shares, respectively in OnMobile Systems Inc. acquired at a price of $ 0.0435 per share. Mr. V Balakrishnan, Vice President – Finance and Company Secretary, holds 100,000 options in OnMobile Systems Inc. granted at an exercise price of $ 0.0435 per option.

Mr. S.D. Shibulal is the chairman of the Board of OnMobile Systems Inc. USA and Mr. V. Balakrishnan is one of the directors of OnMobile Asia Pacific Limited, India, which is the wholly owned subsidiary of OnMobile Systems Inc.
All transactions with the related party concerns are at arms-length, at prevailing market rates.

7.B.1 Employment agreements

The company has entered into agreements with its employee directors containing a monthly salary, performance bonus and benefits including vacation, medical reimbursement and pension fund contributions. These agreements are made for a five-year period, but either the company or the employee director may terminate the agreement upon six months notice to the other party.

7.B.2 Loans to employees

Pursuant to an employee loan program, the company grants loans to employees to acquire certain assets such as property, vehicles or for personal needs. Such loans are made at interest rates ranging from 0% to 4% and are repayable over fixed periods ranging from one to 100 months. The loans generally are secured by the assets acquired by the employees. As of March 31, 2001, there were $16 million in loans outstanding to employees, of which $ 227,121 were loans receivable from executive officers of the company in amounts less than $ 60,000. The largest outstanding loan during fiscal 2001 was a housing loan for $ 32,216 given to Mr. Satyendra Kumar, Vice President and Head – Quality. The loan, made on January 16, 2001 carried no interest and was outstanding in the amount of $ 31,250 as of March 31, 2001.

7.C Interests of experts and counsel

Not applicable.

Item 8. Financial Information

8.A.1 Consolidated statements and other financial information

The following financial statements of the company and the auditors' report appearing on pages 112 through 131 of the Infosys Annual Report for fiscal 2001 are incorporated herein by reference:

- Independent auditors' report.
- Balance Sheets as of March 31, 2001 and 2000.
- Statements of Income for the years ended March 31, 2001, 2000 and 1999.
- Statements of Stockholder's Equity and Comprehensive Income for the years ended March 31, 2001, 2000 and 1999.
- Statements of Cash Flows for the years ended March 31, 2001, 2000 and 1999.
- Notes to financial statements.

The Infosys Annual Report for fiscal 2001, except for those portions which are expressly incorporated by reference in this filing, is furnished for the information of the Securities and Exchange Commission and is not to be deemed as filed as a part of this report on Form 20-F.

8.A.2 Legal proceedings

The company, its directors, senior executive officers and affiliates are not currently a party to any material legal proceedings in any of the jurisdictions where it does business.

8.A.3 Dividends

Dividends

Under Indian law, a corporation pays dividends upon a recommendation by the Board of Directors and approval by a majority of the shareholders, who have the right to decrease but not increase the amount of the dividend recommended by the Board of Directors. Under the Indian Companies Act, dividends may be paid out of profits of a company in the year in which the dividend is declared or out of the undistributed profits of previous fiscal years. Interim Dividends may also be paid during a fiscal year out of the undistributed profits of the previous fiscal years. In the last three fiscal years, the company declared an aggregate of approximately $ 0.42 per equity share (as adjusted to reflect the company's 2-for-1 stock split by means of a stock dividend in fiscal 1998 and 1999 and a 2-for-1 stock split in fiscal 2000) in cash dividends (equivalent to approximately $ 0.21 per ADS). Although the company has no current intention to discontinue dividend payments, there can be no assurance that any future dividends will be declared or paid or that the amount thereof will not be decreased. Owners of ADSs will be entitled to receive dividends payable in respect of the equity shares represented by such ADSs. The equity shares represented by ADSs will rank pari passu with existing equity shares of the company in respect of dividends. Cash dividends in respect of the equity shares represented by the ADSs will be paid to the Depositary in rupees and except as otherwise described in the Deposit Agreement dated March 11, 1999 (the "Deposit Agreement") will be converted by the Depositary into U.S. dollars and distributed, net of Depositary fees and expenses, to the holders of such ADSs.

The following table sets forth the annual dividends paid per equity share for each of the years indicated.

Year ended March 31,	Dividend paid per equity share [1]	
	Indian rupee	$
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
1996	2.50	0.02

[1] Dividends are retroactively adjusted to reflect the company's 2-for-1 stock split by means of a stock dividend in fiscal 1998 and 1999 and a 2-for-1 stock split in fiscal 2000.

8.B Significant changes

None.

Item 9. The Offer and Listing

9.1 General

The company's equity shares are traded on The Stock Exchange, Mumbai ("BSE"), the Bangalore Stock Exchange ("BgSE") and The National Stock Exchange ("NSE") in India ("Indian Stock Exchanges"). The company's American Depositary Shares as evidenced by American Depositary Receipts ("ADRs") are traded in the U.S. on the NASDAQ National Market® under the ticker symbol "INFY". Each equity share of the company is represented by two American Depositary Shares ("ADSs"). The ADRs evidencing ADSs began trading on the NASDAQ from March 11, 1999 when they were issued by the depositary Bankers Trust Company (the "Depositary"), pursuant to the Deposit Agreement.

The number of outstanding equity shares in the company, as of March 31, 2001, were 66,158,117. As of March 31, 2001, there were approximately 10,100 record holders of ADRs evidencing 4,176,234 ADSs (equivalent to 2,088,117 equity shares). As of March 31, 2001, there were approximately 90,000 record holders of the 66,158,117 equity shares listed and traded on the stock exchanges in India.

The following table sets forth for the periods indicated the price history of the equity shares and the ADSs on the Indian Stock Exchanges and the NASDAQ respectively:

Annual high-low price history for previous five years

	BSE Price per equity share		NSE Price per equity share		BgSE Price per equity share		NASDAQ Price per American Depositary Share	
Fiscal Year	High	Low	High	Low	High	Low	High	Low
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	–	–
1997	$ 4.10	$ 1.67	$ 4.18	$ 1.76	$ 4.08	$ 1.65	–	–

Stock price per share have been restated to reflect a two-for-one stock-dividend in fiscal 1998 and 1999 and two-for-one stock split in 2000.

Source: www.bseindia.com for BSE quotes, *The Economic Times* for NSE and BgSE quotes and finance.yahoo.com for ADS quotes.

Quarterly high-low price history for previous two years

	BSE Price per equity share		NSE Price per equity share		BgSE Price per equity share [1]		NASDAQ Price per American Depositary Share	
Fiscal Year	High	Low	High	Low	High	Low	High	Low
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
2000								
First quarter	44.04	29.29	43.39	28.90	–	–	30.63	19.63
Second quarter	91.56	41.69	91.61	41.91	86.32	55.24	73.88	28.69
Third quarter	168.75	78.70	167.35	78.85	168.19	79.49	180.00	65.50
Fourth quarter	$ 316.84	$ 130.74	$ 319.57	$ 129.88	$ 320.55	$ 131.89	$ 375.00	$ 133.00

[1] The company's shares were not traded on the BgSE between May 1998 and July 1999.

Stock prices per share have been restated to reflect a two-for-one stock-split in fiscal 2000.

Source: www.bseindia.com for BSE quotes, *The Economic Times* for NSE and BgSE quotes and finance.yahoo.com for ADS quotes.

Monthly high-low price history for previous six months

	BSE Price per equity share		NSE Price per equity share		BgSE Price per equity share		NASDAQ Price per American Depositary Share	
Month	High	Low	High	Low	High	Low	High	Low
Oct 2000	$ 165.29	$ 130.75	$ 165.52	$ 131.13	$ 164.99	$ 130.92	$ 137.55	$ 105.13
Nov 2000	171.62	152.58	171.02	152.80	171.25	152.58	147.25	112.00
Dec 2000	164.49	116.00	172.24	116.13	168.30	115.89	141.50	90.06
Jan 2001	150.67	118.05	149.63	118.23	153.08	118.63	131.38	86.13
Feb 2001	147.94	118.78	148.16	118.70	147.51	119.00	123.00	86.75
Mar 2001	$ 135.18	$ 80.35	$ 134.24	$ 80.87	$ 137.03	$ 80.65	$ 92.64	$ 60.13

Stock price per share have been restated to reflect a two-for-one stock-split in fiscal 2000.

Source: www.bseindia.com for BSE quotes, *The Economic Times* for NSE and BgSE quotes and finance.yahoo.com for ADS quotes.

9.2 Trading practices and procedures on the Indian Stock Exchanges

The Stock Exchange, Mumbai ("BSE") and the National Stock Exchange ("NSE") together account for more than 80% of the total trading volume on the Indian Stock Exchanges. Trading on both of these exchanges is accomplished through online execution. These two stock exchanges handle over 1,442,000 trades per day. Trading takes place on a five-day fixed settlement basis on most of the exchanges, including the BSE and NSE. Any outstanding amount at the end of the settlement period is settled by delivery and payment. However, institutional investors are not permitted to "net out" their transactions and must trade on a delivery basis only. Beginning, July 2, 2001, the company's equity shares as well as all other securities classified by the BSE and NSE as 'A' Group securities are required to be traded compulsorily on a rolling settlement basis.

The BSE permits carry forwards of trades in certain securities by non-institutional investors with an associated charge. In addition, orders can be entered with a specified term of validity that may last until the end of the session, day or settlement period. Dealers must specify whether orders are for a proprietary account or for a client. The BSE specifies certain margin requirements for trades executed on the exchange, including margins based on the volume or quantity of exposure that the broker has on the market, as well as mark-to-market margins payable on a daily basis for all outstanding trades. Trading on the BSE takes place from 10:00 a.m. to 3:30 p.m. on all weekdays, except holidays. The NSE does not permit carry forwards of trades. It has separate margin requirements based on the net exposure of the broker on the exchange. The NSE trades from 9:30 a.m. until 4:00 p.m. on weekdays, except holidays. The NSE and BSE have separate online trading systems and separate clearing houses. The BSE was closed from March 20 through March 22, 1995, the Governing Board of the BSE closed the market due to a default of one of the broker members. There have been no closures of the Indian Stock Exchanges in response to "panic" trading or large fluctuations. The equity shares of the company were not traded on the BgSE between May 1998 and July 1999 owing to the absence of quotes for trades in the BgSE.

Item 10. Additional Information

10.A Share capital

Not applicable.

10.B Memorandum and Articles of Association

Description of equity shares

Set forth below is a brief summary of the material provisions of the company's Articles of Association ("AOA") and the Indian Companies Act, all as currently in effect. The company is registered under the Indian Companies Act with the Registrar of Companies, Karnataka, India with Company No. 13115. The following description of the company's Articles does not purport to be complete and is qualified in its entirety by the AOA and Memorandum of Association ("MOA") of the company that are included as exhibits to the company's quarterly report on Form 6-K filed with the Commission on January 21, 2000 and is incorporated herein by reference.

Share capital

The company's authorized share capital is 100,000,000 shares, par value Rs. 5 per share. As of March 31, 2001, 66,158,117 equity shares (as adjusted to reflect the company's stock split in fiscal 2000) were issued and outstanding. The equity shares are the only class of share capital of the company. There are no convertible debentures or warrants of the company currently in existence. For the purposes of this Annual Report, "shareholder" means a shareholder who is registered as a member in the register of members of the company.

Dividends

Under the Indian Companies Act, unless the board of directors of the company (the "board") recommends the payment of a dividend, the company has no power to declare a dividend. Similarly, under the AOA, although the shareholders may, at the annual general meeting, approve a dividend in an amount less than that recommended by the board, they cannot increase the amount of the dividend. Dividends generally are declared as a percentage of the par value of the company's shares. The dividend recommended by the board, and subject to the limitations described above, is distributed and paid to shareholders in proportion to the paid up value of their shares within 30 days of the approval by the shareholders at the annual general meeting. Pursuant to the company's AOA, the board has discretion to declare and pay interim dividends without shareholder approval. Under the Indian Companies Act, dividends can only be paid in cash to the registered shareholder at a record date fixed on or prior to the annual general meeting or to his order or his banker's order.

Under the Indian Companies Act, dividends may be paid out of profits of a company in the year in which the dividend is declared or out of the undistributed profits of previous fiscal years. Interim Dividends may also be paid during a fiscal year out of the undistributed profits of the previous fiscal years. Before declaring a dividend greater than 10%, a company is required under the Indian Companies Act to transfer to its reserves a minimum percentage of its profits for that year, ranging from 2.5% to 10% depending upon the dividend percentage to be declared in such year. The Indian Companies Act further provides that, in the event of an inadequacy or absence of profits in any year, a dividend may be declared for such year out of the company's accumulated profits, subject to the following conditions: (i) the rate of dividend to be declared shall not exceed 10% of its paid up capital or the average of the rate at which dividends were declared by the company in the prior five years, whichever is less; (ii) the total amount to be drawn from the accumulated profits earned in the previous years and transferred to the reserves shall not exceed an amount equivalent to 10% of its paid up capital and free reserves, and the amount so drawn is to be used first to set off the losses incurred in the fiscal year before any dividends in respect of preference or equity shares are declared; and (iii) the balance of reserves after withdrawals shall not fall below 15% of its paid-up capital. A dividend tax of 10.2% of the total dividend declared, distributed or paid after June 1, 2001 is payable by the company.

Bonus shares

In addition to permitting dividends to be paid out of current or retained earnings as described above, the Indian Companies Act permits the company to distribute an amount transferred from the general reserve or surplus in the company's profit and loss account to its shareholders in the form of bonus shares (similar to a stock dividend). The Indian Companies Act also permits the issuance of bonus shares from a share premium account. Bonus shares are distributed to shareholders in the proportion recommended by the board. Shareholders of record on a fixed record date are entitled to receive such bonus shares.

Preemptive rights and issue of additional shares

The Indian Companies Act gives shareholders the right to subscribe for new shares in proportion to their respective existing shareholdings unless otherwise determined by a special resolution passed by a general meeting of the shareholders. Under the Indian Companies Act, in the event of an issuance of securities, subject to the limitations set forth above, the company must first offer the new shares to the shareholders on a fixed record date. The offer must include: (i) the right, exercisable by the shareholders of record, to renounce the shares offered in favor of any other person; and (ii) the number of shares offered and the period of the offer, which may not be less than 15 days from the date of offer. If the offer is not accepted it is deemed to have been declined. The board is authorized under the Indian Companies Act to distribute any new shares not purchased by the preemptive rights holders in the manner that it deems most beneficial to the company.

Annual general meetings of shareholders

The company must convene an annual general meeting of its shareholders within six months after the end of each fiscal year and may convene an extraordinary general meeting of shareholders when necessary or at the request of a shareholder or shareholders holding at least 10% of the company's paid up capital carrying voting rights. The annual general meeting of the shareholders is generally convened by the company secretary pursuant to a resolution of the board. Written notice setting out the agenda of the meeting must be given at least 21 days (excluding the days of mailing and receipt) prior to the date of the general meeting to the shareholders of record. Shareholders who are registered as shareholders on the date of the general meeting are entitled to attend or vote at such meeting. The Indian Companies (Amendment) Act, 2000 has made provision for voting on certain matters by a postal ballot in certain circumstances. However, the Department of Company Affairs, which is the governing agency, is yet to make rules determining the matters which require a postal ballot.

The annual general meeting of shareholders must be held at the registered office of the company or at such other place within the city in which the registered office is located; meetings other than the annual general meeting may be held at any other place if so determined by the board. The company's registered office is located at Electronics City, Hosur Road, Bangalore, 561 229, Karnataka, India.

The AOA provide that a quorum for a general meeting is the presence of at least five shareholders in person.

Voting rights

At any general meeting, voting is by show of hands unless a poll is demanded by a shareholder or shareholders present in person or by proxy holding at least 10% of the total shares entitled to vote on the resolution or by those holding shares with an aggregate paid up capital of at least Rs. 50,000. Upon a show of hands, every shareholder entitled to vote and present in person has one vote and, on a poll, every shareholder entitled to vote and present in person or by proxy has voting rights in proportion to the paid up capital held by such shareholders. The chairman of the board has a deciding vote in the case of any tie.

Any shareholder of the company may appoint a proxy. The instrument appointing a proxy must be delivered to the company at least 48 hours prior to the meeting. A proxy may not vote except on a poll. A corporate shareholder may appoint an authorized representative who can vote on behalf of the shareholder, both upon a show of hands and upon a poll. Ordinary resolutions may be passed by simple majority of those present and voting at any general meeting for which the required period of notice has been given. However, certain resolutions such as amendments of the AOA and the MOA, commencement of a new line of business, the waiver of preemptive rights for the issuance of any new shares and a reduction of share capital, require that votes cast in favor of the resolution (whether by show of hands or poll) are not less than three times the number of votes, if any, cast against the resolution.

Register of shareholders; record dates; transfer of shares

The company maintains a register of shareholders of the company. For the purpose of determining the shares entitled to annual dividends, the register is closed for a specified period prior to the annual general meeting. To determine which shareholders are entitled to certain shareholder rights, the company, pursuant to a board resolution, may close the register of shareholders. The Indian Companies Act and each of the company's listing agreements with the Indian Stock Exchanges require the company to give at least 30 days' prior notice to the Indian Stock Exchanges and at least seven days' prior notice to the public. The Company may not close the register of shareholders for more than 30 consecutive days, and in no event more than 45 days in a year. Trading of equity shares may, however, continue while the register of shareholders is closed.

Following the introduction of the Depositories Act, 1996, and the repeal of Section 22A of the Securities Contracts (Regulation) Act, 1956, which enabled companies to refuse to register transfers of shares in certain circumstances, the shares of the company are freely transferable, subject only to the provisions of Section 111A of the Indian Companies Act. The AOA currently contain provisions which give the directors discretion to refuse to register a transfer of shares in certain circumstances. In accordance with the provisions of Section 111A(2) of the Indian Companies Act, the directors may exercise this discretion if they have sufficient cause to do so. Pursuant to Section 111A(3), if the transfer of shares contravenes any of the provisions of the Securities and Exchange Board of India Act, 1992 or the regulations issued thereunder or the Sick Industrial Companies (Special Provisions) Act, 1985 or any other similar laws, the Company Law Board (the "CLB") may, on application made by the company, a depositary incorporated in India, an investor, the SEBI or certain other parties, direct the rectification of the register of records. The CLB may, in its discretion, issue an interim order suspending the voting rights attached to the relevant shares before making or completing its investigation into the alleged contravention. Notwithstanding such investigation, the rights of a shareholder to transfer the shares will not be restricted.

Under the Indian Companies Act, unless the shares of a company are held in a dematerialised 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. The transfer agent of the company is Karvy Consultants Limited, Bangalore, Karnataka, India.

Takeover Code and Listing Agreement

Under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 ("the Takeover Code"), upon the acquisition of more than 5% of the outstanding equity 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 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. Although the Takeover Code will not apply to the equity shares so long as they are represented by ADSs, holders of ADSs may be required to comply with the provisions of the Takeover Code only when they convert the ADSs into underlying equity shares.

The company has entered into listing agreements with each of the Indian Stock Exchanges. Clause 40A of each of the listing agreements provides that if an acquisition of a listed company's shares results in the acquiror and its associates holding 5% or more of the company's outstanding equity shares or voting rights, the acquiror must report its holding to the company and the relevant stock exchange(s). If an acquisition results in the acquiror and its associates holding equity shares that have 15% or more of the voting rights, then the acquiror must, before acquiring such equity shares, make an offer (in accordance with Clause 40B of the listing agreements) on a uniform basis to all remaining shareholders of the company to acquire equity shares that have at least an additional 20% of the voting rights of the total equity shares of the company at a prescribed price. The acquisition of shares of a company listed on an Indian stock exchange beyond certain threshold amounts is subject to regulations governing takeovers of Indian companies. Although clauses 40A and 40B and such regulations will not apply to the equity shares so long as they are represented by ADSs, holders of ADSs may be required to comply with such notification and disclosure obligations pursuant to the provisions of the Depositary Agreement to be entered into by such holders, the company and a depositary.

Disclosure of ownership interest

Section 187C of the Indian Companies Act requires beneficial owners of shares of Indian companies who are not holders of record to declare to the company details of the holder of record and the holder of record to declare details of the beneficial owner. Any person who fails to make the required declaration within 30 days may be liable for a fine of up to Rs. 1,000 for each day the declaration is not made. Any lien, promissory note or other collateral agreement created, executed or entered into with respect to any share by the registered owner thereof, or any hypothecation by the registered owner of any share, pursuant to which a declaration is required to be made under Section 187C, shall not be enforceable by the beneficial owner or any person claiming through the beneficial owner if such declaration is not made. Failure to comply with Section 187C will not affect the obligation of the company to register a transfer of shares or to pay any dividends to the registered holder of any shares pursuant to which such declaration has not been made. While it is unclear under Indian law whether Section 187C applies to holders of ADSs of the company, investors who exchange ADSs for the underlying equity shares of the company will be subject to the restrictions of Section 187C. Additionally, holders of ADSs may be required to comply with such notification and disclosure obligations pursuant to the provisions of the Deposit Agreement to be entered into by such holders, the company and a depositary.

Audit and Annual Report

At least 21 days before the annual general meeting of shareholders, the company must distribute a detailed version of the company's audited balance sheet and profit and loss account and the reports of the board and the auditors thereon. Under the Indian Companies Act, the company must file the balance sheet and annual profit and loss account presented to the shareholders within 30 days of the conclusion of the annual general meeting with the Registrar of Companies. The company must also file an annual return containing a list of the company's shareholders and other company information, within 60 days of the conclusion of the meeting.

Company acquisition of equity shares

Under the Indian Companies Act, the company may not acquire its own equity shares because of the resulting reduction in the company's capital. Such a reduction in capital is permitted only in certain circumstances and requires compliance with specific buy-back regulations, a special resolution passed by the shareholders and approval by the High Court of the state in which the registered office of the company is situated. 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 cancel the shares it has so acquired within a 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 publicly listed Indian companies must comply with the provisions of the Securities and Exchange Board of India (Buy-back of Securities) Regulations, 1998.

Liquidation rights

Subject to the rights of creditors, employees and the holders of any shares entitled by their terms to preferential repayment over the equity shares, if any, in the event of the winding-up of the company, the holders of the equity shares are entitled to be repaid the amounts of paid up capital or credited as paid up on such equity shares. All surplus assets after payments due to the holders of any preference shares at the commencement of the winding-up shall be paid to holders of equity shares in proportion to their shareholdings.

Voting rights of deposited equity shares represented by ADSs

Under Indian law, voting of the equity shares is by show of hands unless a poll is demanded by a member or members present in person or by proxy holding at least one-tenth of the total shares entitled to vote on the resolution or by those holding an aggregate paid up capital of at least Rs. 50,000. A proxy may not vote except on a poll.

As soon as practicable after receipt of notice pursuant to the Deposit Agreement of any meeting of holders of equity shares or other deposited securities, the Depositary shall fix a record date for determining the holders entitled to give instructions for the exercise of voting rights, if any, as provided in the Deposit Agreement and shall mail to the holders a record notice which shall contain: (i) such information as is contained in such notice of meeting; (ii) a statement that the holders of record at the close of business on a specified record date will be entitled, subject to any applicable provisions of Indian law and of the MOA and AOA of the company governing the deposited securities represented by their respective ADSs evidenced by their respective ADRs; (iii) a brief statement as to the manner in which such instructions may be given including (a) an express indication that the Depositary should demand a poll or instruct the chairman of the meeting (the "Chairman") or a person designated by the Chairman to demand a poll in the event that a poll is not otherwise demanded pursuant to Indian law and (b) an express indication that instructions may be given to the Depositary to give a discretionary proxy to a person designated by the company; and (iv) a statement that if the Depositary does not receive instructions from a holder, such holder may under certain circumstances be deemed to have instructed the Depositary to give a discretionary proxy to a person designated by the company to vote such deposited securities. Upon the written request of a holder on such record date, received on or before the date established by the Depositary for such purpose, the Depositary shall endeavor, insofar as is practicable and permitted under the applicable provisions of Indian law and of the MOA and AOA of the company governing the deposited securities, to vote or cause to be voted the amount of deposited securities represented by such ADSs evidenced by such ADRs in accordance with the instructions set forth in such request. In the event that the Depositary receives express instructions from holders to demand a poll with respect to any matter to be voted on by holders, the Depositary may notify the Chairman or a person designated by the Chairman of such instructions and request the Chairman or such designee to demand a poll with respect to such matters and the company agrees that the Chairman or such designee will make their reasonable best efforts to so demand a poll at the meeting at which such matters are to be voted on and to vote such equity shares in accordance with such holders' instructions; provided, however, that prior to any demand of a poll or request to demand a poll by the Depositary upon the terms set forth herein, the company is required, at its own expense, to use its best efforts to obtain and deliver to the Depositary an opinion of Indian counsel, reasonably satisfactory to the Depositary, stating that such action is in conformity with all applicable laws and regulations and that such demand for a poll by the Depositary or a person designated by the Depositary will not expose the Depositary to any liability to any person. The Depositary shall not have any obligation to demand a poll or request the demand of a poll if the company shall not have delivered to the Depositary the local counsel opinion set forth in this paragraph.

The Depositary agrees not to, and shall ensure that the custodian and each of their nominees does not vote, attempt to exercise the right to vote, or in any way make use of, for purposes of establishing a quorum or otherwise, the equity shares or other deposited securities represented by the ADSs evidenced by an ADR other than in accordance with such instructions from the holder or as provided below. The Depositary may not itself exercise any voting discretion over any equity shares. If the Depositary does not receive instructions from any holder with respect to any of the deposited securities represented by the ADSs evidenced by such holder's ADRs on or before the date established by the Depositary for such purpose, such holder shall be deemed, and the Depositary shall deem such holder, to have instructed the Depositary to give a discretionary proxy to a person designated by the company to vote such deposited securities; provided that: (i) no such discretionary proxy shall be given with respect to any matter as to which the company informs the Depositary (and the company agrees to provide such information as promptly as practicable in writing) that (a) the company does not wish such proxy given, (b) substantial opposition exists or (c) the rights of the holders of equity shares will be adversely affected; and (ii) the Depositary shall not have any obligation to give such discretionary proxy to a person designated by the company if the company shall not have delivered to the Depositary the local counsel opinion and representation letter set forth in the next paragraph.

Prior to each request for the delivery of a discretionary proxy upon the terms set forth herein, the company shall, at its own expense, deliver to the Depositary: (i) an opinion of Indian counsel, reasonably satisfactory to the Depositary, stating that such action is in conformity with all applicable laws and regulations; and (ii) a representation letter from the company (executed by a senior officer of the company) which (a) designates the person to whom any discretionary proxy should be given, (b) confirms that the company wishes such discretionary proxy to be given and (c) certifies that the company has not and shall not request the discretionary proxy to be given as to any matter as to which substantial opposition exists or which may adversely affect the rights of holders of equity shares.

10.C Material contracts

None.

10.D Exchange controls

Prior to June 1, 2000, foreign investment in the Indian securities, including the acquisition, sale and transfer of securities in Indian companies, was generally regulated by the Foreign Exchange Regulation Act, 1973 ("FERA"). After June 1, 2000, foreign investment in and divestment from Indian securities have been regulated by the provisions of the Foreign Exchange Management Act, 1999 ("FEMA") and the rules and regulations issued by the Reserve Bank of India thereunder, and the notifications issued by the Ministry of Finance of the Government of India. A summary of the regulatory environment for foreign investment is provided below.

Under Section 6 of the FEMA, the Reserve Bank of India has the power to regulate, restrict or prohibit any capital account transaction, including the transfer or issue of any foreign security by a person resident in India, the purchase of the shares of any company carrying on trading, commercial or industrial activity in India and the transfer or issue of any security by a person resident outside India. Pursuant to the above powers, the Reserve Bank of India has promulgated the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, hereinafter the "Transfer of Securities Regulations" and the Foreign Exchange Management (Transfer or Issue of any Foreign Security) Regulations, 2000, hereinafter the "Foreign Securities Regulations" dealing with the issue, purchase and transfer of securities.

Regulation 5 of the Transfer of Securities Regulations, sets out the conditions under which a person resident outside India, a Foreign Institutional Investor ("FII"), a Non-Resident Indian ("NRI") or an Overseas Corporate Body – an overseas corporate body where at least 60% of the beneficial interest therein is held by NRIs ("OCB") can purchase the shares of any company carrying on any trading, commercial or industrial activity in India. Specific approval of the Reserve Bank of India will have to be obtained for:

(a) any renunciation of rights in the underlying equity shares in favor of a person resident in India; and

(b) 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 Reserve Bank of India by submitting Form TS1, which 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. Exceptions to this requirement of Reserve Bank 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 Reserve Bank of India approval (if required), and the payment of applicable taxes and stamp duties. Under Regulation 9 of the Transfer of Securities Regulations, a person resident outside India may transfer by way of sale, the securities of an Indian company to any other person resident outside India only when the transfer is confirmed by the RBI upon application filed by the transferee. Under Regulation 9, a NRI or an OCB may transfer by way of sale, the securities of an Indian company to any other person resident outside India only to another NRI or OCB.

10.D.1 General

Pursuant to recent changes in Indian policy, and subject to the fulfillment of certain conditions, Indian companies issuing ADSs are no longer required to obtain approval of the Ministry of Finance or the Reserve Bank of India under the Issue of Foreign Currency Convertible Bonds and Equity Shares (through Depositary Receipt Mechanism) Scheme, 1993 (the "1993 Regulation"), as modified from time to time, promulgated by the Government of India. Provided that the issuing Indian company furnishes full particulars of the ADS offering to the Ministry of Finance and Reserve Bank of India within 30 days following the completion of the offering and furnishes the details of the status of the ADSs to the RBI on a quarterly basis within 15 days from the close of each calendar quarter. The 1993 Regulation is distinct from other policies or facilities, as described below, relating to investments in Indian companies by foreign investors. The issuance of ADSs pursuant to the 1993 Regulation also affords to holders of the ADSs the benefits of Section 115AC of the Indian Income Tax Act, 1961 for purposes of the application of Indian tax law.

10.D.2 Fungibility of the ADSs

In March 2001, the Reserve Bank of India amended the Transfer of Securities Regulations, 2000 whereby a registered broker in India may purchase shares of an Indian company which has issued ADSs, on behalf of a person resident outside India, for the purpose of converting the shares so purchased into ADSs. Such a purchase may be done only with the permission of the Custodian to the ADS offering of the Indian company. Additionally the shares so purchased for conversion into ADSs shall not exceed the number of equity shares which were released by the Custodian pursuant to conversions of ADSs into equity shares under the Depositary Agreement.

10.D.3 Foreign direct investment

In July 1991, the Government of India raised the limit on foreign equity holdings in Indian companies from 40% to 51% in certain high priority industries. The RBI gives automatic approval for such foreign equity holdings. The Foreign Investment Promotion Board (the "FIPB"), currently under the Ministry of Industry, was thereafter formed to negotiate with large foreign companies wishing to make long-term investments in India. 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 Cabinet Committee on Economic Affairs. These facilities are designed for direct foreign investments by non-residents of India who are not NRIs, OCBs or FIIs ("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 of industry, would be allowed without prior permission of the RBI. The issues to be considered by the FIPB, and the FIPB's areas of priority in granting approvals are also set out in the Guidelines. The basic objective of the Guidelines is to improve the transparency and objectivity of the FIPB's consideration of proposals. However, because the Guidelines are administrative guidelines and have not been codified as either law or regulations, they are not legally binding with respect to any recommendation made by the FIPB or with respect to any decision taken by the Government of India in cases involving foreign direct investment.

In May 1994, the Government of India announced that purchases by foreign investors of ADSs as evidenced by ADRs and foreign currency convertible bonds of Indian companies will be treated as direct foreign investment in the equity issued by Indian companies for such offerings. Therefore, offerings that involve the issuance of equity that results in Foreign Direct Investors holding more than the stipulated percentage of direct foreign investments (which depends on the category of industry) would require approval from the FIPB. In addition, in connection with offerings of any such securities to foreign investors, approval of the FIPB is required for Indian companies whether or not the stipulated percentage limit would be reached, if the proceeds therefrom are to be used for investment in non-high priority industries. In August 2000, the Department of Industrial Policy and Promotion removed all limitations on Foreign Direct Investment in the information technology sector.

10.D.4 Investment by NRIs and OCBs

A variety of special facilities for making investments in India in shares of Indian companies is available to individuals of Indian nationality or origin residing outside India, NRIs and to OCBs. These facilities permit NRIs and OCBs to make portfolio investments in shares and other securities of Indian companies on a basis not generally available to other foreign investors. These facilities are different and distinct from investments by Foreign Direct Investors described above.

10.D.5 Investment by Foreign Institutional Investors

In September 1992, the Government of India issued guidelines which enable FIIs, including institutions such as pension funds, investment trusts, asset management companies, nominee companies and incorporated/institutional portfolio managers, to invest in all the securities traded on the primary and secondary markets in India. Under the guidelines, FIIs are required to obtain an initial registration from the SEBI and a general permission from the RBI to engage in transactions regulated under 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 FERA. Together, the initial registration and the RBI's general permission enable the registered FII to buy (subject to the ownership restrictions discussed below) and sell freely securities issued by Indian companies, to realize capital gains on investments made through the initial amount invested in India, to subscribe or renounce rights offerings for shares, to appoint a domestic custodian for custody of investments held and to repatriate the capital, capital gains, dividends, income received by way of interest and any compensation received towards sale or renunciation of rights offerings of shares.

10.D.6 Ownership restrictions

SEBI and RBI regulations restrict investments in Indian companies by Foreign Direct Investors. Under current SEBI regulations applicable to the company, subject to the requisite approvals of the shareholders in a general meeting, Foreign Institutional Investors in aggregate may hold no more than 49% of the company's equity shares, excluding the equity shares underlying the ADSs, and NRIs and OCBs in aggregate may hold no more than 10% of the company's equity shares, excluding the equity shares underlying the ADSs. Furthermore, SEBI regulations provide that no single FII may hold more than 10% of the company's total equity shares and no single NRI or OCB may hold more than 5% of the company's total equity shares.

There is uncertainty under Indian law about the tax regime applicable to FIIs which hold and trade ADSs. FIIs are urged to consult with their Indian legal and tax advisers about the relationship between the FII guidelines and the ADSs and any equity shares withdrawn upon surrender of ADSs.

More detailed provisions relating to FII investment have been introduced by the SEBI with the introduction of the SEBI Foreign Institutional Investors Regulations, 1995. These provisions relate to the registration of FIIs, their general obligations and responsibilities, and certain investment conditions and restrictions. One such restriction is that the total investment in equity and equity-related instruments should not be less than 70% of the aggregate of all investments of an FII in India. The SEBI has also permitted private placements of shares by listed companies with FIIs, subject to the prior approval of the RBI under FERA. Such private placement must be made at the average of the weekly highs and lows of the closing price over the preceding six months or the preceding two weeks, whichever is higher.

Under the Securities and Exchange Board of India (Substantial Acquisition of shares and Takeovers) Regulations, 1997 approved by the SEBI in January 1997 and promulgated by the Government of India in February 1997 (the "Takeover Code"), which replaced the 1994 Takeover Code (as defined herein), upon the acquisition of more than 5% of the outstanding shares of a public Indian company, a purchaser is required to notify the company and all the stock exchanges on which the shares of the company are listed. Upon the acquisition of 15% or more of such shares or a change in control of the company, the purchaser is required to make an open offer to the other shareholders offering to purchase at least 20% of all the outstanding shares of the company at a minimum offer price as determined pursuant to the rules of the Takeover Code. Upon conversion of ADSs into equity shares, an ADS holder will be subject to the Takeover Code.

Open market purchases of securities of Indian companies in India by Foreign Direct Investors or investments by NRIs, OCBs and FIIs above the ownership levels set forth above require Government of India approval on a case-by-case basis.

10.E Taxation

10.E.1 Indian taxation

10.E.1.1 General

The following summary is based on the provisions of the Income Tax Act, 1961 (the "Indian Tax Act"), including the special tax regime contained in Section 115AC (the "Section 115AC Regime") and the 1993 Regulation. The Indian Tax Act is amended every year by the Finance Act of the relevant year. Some or all of the tax consequences of the Section 115 AC Regime may be amended or changed by future amendments of the Indian Tax Act.

THE SUMMARY SET FORTH BELOW IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF THE INDIVIDUAL TAX CONSEQUENCES TO NON-RESIDENT HOLDERS UNDER INDIAN LAW FOR THE ACQUISITION, OWNERSHIP AND SALE OF ADSs AND EQUITY SHARES BY NON-RESIDENT HOLDERS. PERSONAL TAX CONSEQUENCES OF AN INVESTMENT MAY VARY FOR INVESTORS IN VARIOUS CIRCUMSTANCES AND POTENTIAL INVESTORS SHOULD THEREFORE CONSULT THEIR OWN TAX ADVISERS ON THE TAX CONSEQUENCES OF SUCH ACQUISITION, OWNERSHIP AND SALE, INCLUDING SPECIFICALLY THE TAX CONSEQUENCES UNDER THE LAW OF THE JURISDICTION OF THEIR RESIDENCE AND ANY TAX TREATY BETWEEN INDIA AND THEIR COUNTRY OF RESIDENCE.

10.E.1.2 Residence

For purposes of the Indian Tax Act, an individual is considered to be a resident of India during any financial year if he: (i) is in India in that year for a period or periods amounting in all to 182 days or more; or (ii) is in India in that year for 60 days or more and, in case of a citizen of India or a person of Indian origin, who, being outside India, comes on a visit to India, is in India in that year for more than 182 days effective April 1, 1995 and in each case as specified in (ii) above, within the four preceding years has been in India for a period or periods amounting to 365 days or more. A company is resident in India if it is formed and registered in India or the control and the management of its affairs is situated wholly in India.

10.E.1.3 Taxation of distributions

Pursuant to the Finance Act, 1997, dividends received by a shareholder from a domestic company are exempt from tax. Consequently, withholding tax on dividends paid to shareholders no longer applies. Companies will be required to pay tax on distributed profits on any amount declared, distributed or paid by way of dividends, whether interim or otherwise on or after June 01, 1997. Distributions to non-resident Holders of additional ADSs or equity shares; or rights to subscribe for equity shares ("Rights") made with respect to ADSs or equity shares are not subject to Indian income tax.

10.E.1.4 Taxation of capital gains

Any gain realized on the sale of ADSs by a non-resident holder to another non-resident holder outside India is not subject to Indian capital gains tax. However, as Rights are not expressly covered by the Indian Income Tax Act, 1961, it is unclear, as to whether capital gain derived from the sale of Rights by a non-resident holder (not entitled to an exemption under a tax treaty) to another non-resident holder outside India will be subject to Indian capital gains tax. If such Rights are deemed by the Indian tax authorities to be situated within India, the gains realized on the sale of such Rights will be subject to customary Indian taxation as discussed below.

Since the issuance of the ADSs has been approved by the Government of India under the Section 115AC Regime, non-resident holders of the ADSs will have the benefit of tax concessions available under the Section 115AC Regime. However, the 1993 Regulation provides that if the equity shares are sold on an Indian Stock Exchange against payment in Indian rupees, they will no longer be eligible for such concessional tax treatment. The Section 115AC Regime is unclear as to whether such tax treatment is available to a non-resident who acquires equity shares outside India from a non-resident holder of equity shares after receipt of the equity shares upon surrender of the ADSs. If concessional tax treatment is not available, gains realized on the sale of such equity shares will be subject to customary Indian taxation as discussed below.

Subject to any relief provided pursuant to an applicable tax treaty, any gain realized on the sale of equity shares by a non-resident will be subject to Indian capital gains tax which is to be deducted at the source by the buyer. For the purpose of computing capital gains tax, the cost of acquisition of equity shares received in exchange for ADSs will be determined on the basis of the prevailing price of the shares on any of the Indian Stock Exchanges on the date that the Depositary gives notice to the custodian of the delivery of the equity shares in exchange for the corresponding ADSs. A non-resident holder's holding period (for purposes of determining the applicable Indian capital gains tax rate) in respect of equity shares received in exchange for ADSs commences on the date of the notice of the redemption by the Depositary to the custodian. The Indo-U.S. Treaty does not provide an exemption from the imposition of Indian capital gains tax.

Taxable gain realized on equity shares (calculated in the manner set forth in the prior paragraph) for more than 12 months (long-term gain) is subject to tax at the rate of 10%. Taxable gain realized on equity shares held for 12 months or less (short-term gain) is subject to tax at variable rates with a maximum rate of 48%. The actual rate of tax on short-term gain depends on a number of factors, including the legal status of the non-resident holder and the type of income chargeable in India.

10.E.1.5 Stamp duty and transfer tax

Upon issuance of the equity shares, the company is required to pay a stamp duty of 0.1% per share of the issue price of the underlying equity shares. A transfer of ADSs is not subject to the Indian stamp duty. However, upon the acquisition of equity shares from the Depositary in exchange for ADSs, the holder will be liable for Indian stamp duty at the rate of 0.5% of the market value of the ADSs or equity shares exchanged. A sale of equity shares, other than in electronic mode, by a registered holder will also be subject to Indian stamp duty at the rate of 0.5% of the market value of the equity shares on the trade date, although customarily such tax is borne by the transferee.

10.E.1.6 Gift and Wealth tax

ADSs held by non-resident holders and the underlying equity shares held by the Depositary as a fiduciary and the transfer of ADSs between non-resident holders and the Depositary will be exempt from Indian gift tax and Indian wealth tax. Although Indian gift tax was abolished effective October 1, 1998, a gift tax may apply to transfers by way of gift of equity shares or ADSs in the future. Investors are advised to consult their own tax advisers in this context.

10.E.1.7 Estate duty

Under current Indian law, there is no estate duty applicable to a non-resident holder of ADSs or equity shares.

10.E.2 United States federal taxation

The following is a summary of the material U.S. federal income and estate tax matters that may be relevant with respect to the acquisition, ownership and disposition of equity shares or ADSs. This summary addresses only the U.S. federal income and estate tax considerations of holders that are citizens or residents of the United States, partnerships or corporations created in or under the laws of the United States or any political subdivision thereof or therein, estates, the income of which is subject to U.S. federal income taxation regardless of its source and trusts ("U.S. Holders") or are not U.S. Holders ("Non-U.S. Holders") and that will hold equity shares or ADSs as capital assets. This summary does not address tax considerations applicable to holders that may be subject to special tax rules, such as banks, insurance companies, dealers in securities or currencies, tax-exempt entities, persons that will hold equity shares or ADSs as a position in a "straddle" or as part of a "hedging" or "conversion" transaction for tax purposes, persons that have a "functional currency" other than the U.S. dollar or holders of 10% or more (by voting power or value) of the stock of the company. This summary is based on the tax laws of the United States as in effect and on United States Treasury Regulations in effect (or, in certain cases, proposed), as well as judicial and administrative interpretations thereof available on or before such date and is based in part on representations of the Depositary and the assumption that each obligation in the Depositary Agreement and any related agreement will be performed in accordance with its terms. All of the foregoing are subject to change, which change could apply retroactively and could affect the tax consequences described below.

EACH INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR WITH RESPECT TO THE U.S. FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF ACQUIRING, OWNING AND DISPOSING OF EQUITY SHARES OR ADSs.

10.E.2.1 Ownership of ADSs

For U.S. federal income tax purposes, holders of ADSs will be treated as the owners of equity shares represented by such ADSs.

10.E.2.2 Dividends

Distributions of cash or property (other than equity shares, if any, distributed pro rata to all shareholders of the company, including holders of ADSs) with respect to equity shares will be includible in income by a U.S. Holder as foreign source dividend income at the time of receipt, which in the case of a U.S. Holder of ADSs generally will be the date of receipt by the Depositary, to the extent such distributions are made from the current or accumulated earnings and profits of the company. Such dividends will not be eligible for the dividends received deduction generally allowed to corporate U.S. Holders. To the extent, if any, that the amount of any distribution by the company exceeds the company's current and accumulated earnings and profits as determined under U.S. federal income tax principles, it will be treated first as a tax-free return of the U.S. Holder's tax basis in the equity shares or ADSs and thereafter as capital gain.

A U.S. Holder will not be eligible for a foreign tax credit against its U.S. federal income tax liability for Indian taxes paid by the company and deemed under Indian law to have been paid by the shareholders of the company, unless it is a U.S. company holding at least 10% of the Indian company paying the dividends.

U.S. Holders should be aware that dividends paid by the company generally will constitute "passive income" for purposes of the foreign tax credit. The Internal Revenue Code applies various limitations on the amount of foreign tax credit that may be available to a U.S. taxpayer. U.S. Holders should consult their own tax advisors with respect to the potential consequences of those limitations.

A Non-U.S. Holder of equity shares or ADSs generally will not be subject to U.S. federal income tax or withholding tax on dividends received on equity shares or ADSs unless such income is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the United States.

10.E.2.3 Sale or exchange of equity shares or ADSs

A U.S. Holder generally will recognize gain or loss on the sale or exchange of equity shares or ADSs equal to the difference between the amount realized on such sale or exchange and the U.S. Holder's tax basis in the equity shares or ADSs, as the case may be. Such gain or loss will be capital gain or loss, and will be long-term capital gain or loss if the equity shares or ADSs, as the case may be, were held for more than one year. Gain, if any, recognized by a U.S. Holder generally will be treated as U.S. source passive income for U.S. foreign tax credit purposes.

A Non-U.S. Holder of equity shares or ADSs generally will not be subject to U.S. federal income or withholding tax on any gain realized on the sale or exchange of such equity shares or ADSs unless: (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the U.S.; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale and certain other conditions are met.

If dividends are paid in Indian rupees, the amount of the dividend distribution includible in the income of a U.S. Holder will be in the U.S. dollar value of the payments made in Indian rupees, determined at a spot exchange rate between Indian rupees and U.S. dollars applicable to the date such dividend is includible in the income of the U.S. Holder, regardless of whether the payment is in fact converted into U.S. dollars. Generally, gain or loss (if any) resulting from currency exchange fluctuations during the period from the date the dividend is paid to the date such payment is converted into U.S. dollars will be treated as ordinary income or loss.

10.E.2.4 Estate taxes

An individual shareholder who is a citizen or resident of the United States for U.S. federal estate tax purposes will have the value of the equity shares or ADSs owned by such holder included in his or her gross estate for U.S. federal estate tax purposes. An individual holder who actually pays Indian estate tax with respect to the equity shares will, however, be entitled to credit the amount of such tax against his or her U.S. federal estate tax liability, subject to certain conditions and limitations.

10.E.2.5 Backup withholding tax and information reporting requirements

Under current U.S. Treasury Regulations, dividends paid on equity shares, if any, generally will not be subject to information reporting and generally will not be subject to U.S. backup withholding tax. Information reporting will apply to payments of dividends on, and to proceeds from the sale or redemption of, equity shares or ADSs by a paying agent (including a broker) within the United States to a U.S. Holder (other than an "exempt recipient", including a corporation, a payee that is a Non-U.S. Holder that provides an appropriate certification and certain other persons). In addition, a paying agent within the United States will be required to withhold 31% of any payments of the proceeds from the sale or redemption of equity shares or ADSs within the United States to a holder (other than an "exempt recipient") if such holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with such backup withholding requirements.

10.E.2.6 Passive foreign investment company

A non-U.S. corporation will be classified as a passive foreign investment company (a "PFIC") for U.S. Federal income tax purposes if it satisfies either of the following two tests: (i) 75% or more of its gross income for the taxable year is passive income; or (ii) on average for the taxable year (by value or, if the company so elects, by adjusted basis) 50% or more of its assets produce or are held for the production of passive income.

The company does not believe that it satisfies either of the tests for PFIC status. If the company were to be a PFIC for any taxable year, U.S. Holders would be required to either: (i) pay an interest charge together with tax calculated at maximum ordinary income rates on certain "excess distributions" (defined to include gain on a sale or other disposition of equity shares); or (ii) if a Qualified Electing Fund election is made, to include in their taxable income their pro rata share of certain undistributed amounts of the company's income.

10.G Statement by experts

The U.S. GAAP financial statements of Infosys Technologies Limited as of March 31, 2001 and 2000, and for each of the years in the three-year period ended March 31, 2001, have been included herein in reliance upon the report of KPMG, India, independent accountants, appearing elsewhere herein, and upon the authority of said firm as experts in auditing and accounting.

10.H Documents on display

This report and other information filed or to be filed by the company can be inspected and copied at the public reference facilities maintained by the SEC at:

- Judiciary Plaza
450 Fifth Street, N.W.
Room 1024
Washington, D.C. 20529
- Seven World Trade Center
13th Floor,
New York, New York 10048; and
- Northwestern Atrium Center
500 West Madison Street
Suite 1400
Chicago, Illinois 60661-2511

Copies of these materials can also be obtained from the Public Reference Section of the SEC, 450th Street, N.W., Washington, DC 20549, at prescribed rates.

The SEC maintains a website at www.sec.gov that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system. As a foreign private issuer, we are not required to use the EDGAR system, but currently intend to do so in order to make our reports available over the Internet.

Additionally, documents referred to in this Form 20-F may be inspected at the corporate offices of the company which are located at Electronics City, Hosur Road, Bangalore – 561 229.

10.I Subsidiary information

Not applicable.

Item 11. Quantitative and Qualitative Disclosure About Market Risk

This information is set forth under the caption "Management's discussion and analysis of financial condition and results of operations" on pages 99 through 110 of the Infosys Annual Report for fiscal 2001 and is incorporated herein by reference.

Item 12. Description of Securities Other than Equity Securities

Not applicable.

Part II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

None.

Item 17

Not Applicable.

Part III

Item 18. Financial Statements

The following financial statements of the company included in Item 18 of this Report on Form 20-F are hereby incorporated by reference from the Infosys Annual Report for fiscal 2001, filed as Exhibit 13.1 to this Report on Form 20-F.

- Independent auditors' report.
- Balance Sheets as of March 31, 2001 and 2000.
- Statements of Income for the years ended March 31, 2001, 2000 and 1999 .
- Statements of Shareholders' Equity for the years ended March 31, 2001, 2000 and 1999
- Statements of Cash Flows for the years ended March 31, 2001, 2000 and 1999.
- Notes to financial statements.

Item 19. Exhibits

Exhibit number	Description of document
**3.1	Articles of Association of the Registrant, as amended
**3.2	Memorandum of Association of the Registrant, as amended
*3.3	Certificate of Incorporation of the Registrant, as currently in effect
*4.1	Form of Deposit Agreement among the Registrant, Bankers Trust Receipts issued thereunder (including as an exhibit, the form of American Depositary Receipt)
*4.2	Registrant's Specimen Certificate for Equity Shares
*10.1	Registrant's 1998 Stock Option Plan
*10.2	Registrant's Employee Stock Offer Plan
*10.3	Employees Welfare Trust Deed of Registrant Pursuant to Employee Stock Offer Plan
*10.4	Form of Indemnification Agreement
***10.5	Registrant's 1999 Stock Option Plan
13.1	Infosys Annual Report for fiscal 2001
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

* Incorporated by reference to exhibits filed with the Registrant's Registration Statement on Form F-1 (File No. 333-72195) in the form declared effective on March 10, 1999.

** Incorporated by reference to exhibits filed with the Registrant's Quarterly Report on Form 6-K filed on January 21, 2000

*** Incorporated by reference to exhibits filed with the Registrant's Quarterly Report on Form 6-K filed on August 4, 1999

Signatures

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

for Infosys Technologies Limited

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

N. R. Narayana Murthy
Chairman and Chief Executive Officer

Bangalore
May 03, 2001

Shareholder information

- Shareholder information
- Frequently asked questions (FAQ)
- Additional information to shareholders
  - 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
- Management structure
- A historical perspective
- Infosys Foundation

Shareholder information

1. Dates of book closure — May 16 to June 2 (both days inclusive)

2. Date and venue of the annual general meeting — 3.00 p.m. on June 2, 2001
at the J.N. Tata Auditorium, National Science Seminar Complex
Indian Institute of Science, Bangalore – 560 012, India

3. Dividend payment — On or after June 2, 2001, but within the statutory time limit

4. Listing on stock exchanges in India at —
Bangalore Stock Exchange Ltd. (BgSE)
Stock Exchange Towers, No. 51, 1 Cross, J.C. Road, Bangalore – 560 027, India
Tel.: +91-80-299 5234, Fax: +91-80-299 5242

The Stock Exchange, Mumbai (BSE)
Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001, India
Tel.: +91-22-265 5581, Fax: +91-22-265 8121

National Stock Exchange of India Ltd. (NSE)
Trade World, Senapati Bapat Marg, Lower Parel, Mumbai – 400 013, India
Tel.: +91-22-497 2950, Fax: +91-22-491 4275 / 85

5. Listing fees — Paid for all the above stock exchanges for 2000-2001

6. Listing on stock exchanges outside India — NASDAQ National Market in the United States
33 Whitehall Street, New York, NY-1004-4087
Tel.: +1-212-709-2400, Fax: +1-212-709-2496

7. Registered office — Electronics City, Hosur Road, Bangalore – 561 229, India
Tel.: +91-80-852 0261, Fax: +91-80-852 0362
Homepage: www.infy.com

8. Share transfers in physical form and other communication regarding share certificates, dividends, and change of address, etc. in India may be addressed to — Karvy Consultants Limited
Registrars and Share Transfer Agents
T.K.N. Complex, No. 51/2, Vanivilas Road
Opp. National College, Basavanagudi
Bangalore – 560 004, India
Tel.: +91-80-662 1184, Fax: +91-80-662 1169
E-mail: bangalore@karvy.com

9. Share transfer system

Shares sent for physical transfer are generally registered and returned within a period of 15 days from the date of receipt, if the documents are clear in all respects. The share transfer committee of the company meets as often as required.

The total number of shares transferred in physical form during the year 2000-01 was 11,356 (previous year – 3,35,878). 87.67% of transfers (previous year – 99.16%) were completed within 15 days.

	Year ended March 31							
	2001				2000			
Transfer period in days	No. of transferees (folios) New	No. of transferees (folios) Existing	No. of shares	%	No. of transferees (folios) New	No. of transferees (folios) Existing	No. of shares	%
1 – 10	15	4	9,556	84.15	87	36	3,25,068	96.78
11 – 15	1	–	400	3.52	22	7	8,010	2.38
16 – 20	3	–	1,400	12.33	5	–	1,400	0.42
21 and above*	–	–	–	–	5	3	1,400	0.42
	19	4	11,356	100.00	119	46	3,35,878	100.00

* Delays beyond 21 days were due to compliance with legal requirements.

10. Stock market data relating to shares listed in India

a. The company's market capitalization is included in the computation of the BSE-30 Sensitive Index (Sensex), the BSE Dollex and S&P CNX NIFTY Index.

b. Monthly high and low quotations, as well as, the volume of shares traded at Mumbai, National and Bangalore Stock Exchanges for 2000-01 are:

	BSE			NSE			BgSE		
	High Rs.	Low Rs.	Volume Nos.	High Rs.	Low Rs.	Volume Nos.	High Rs.	Low Rs.	Volume Nos.
April 2000	10,626	6,651	38,63,008	10,601	6,671	38,41,367	10,568	6,541	23,243
May	8,780	5,600	80,35,618	8,740	5,525	1,06,05,877	8,749	5,501	57,567
June	8,938	6,801	75,60,300	8,950	6,833	84,59,664	8,895	6,806	73,934
July	8,815	6,401	91,78,299	8,812	6,355	88,47,755	8,790	6,400	44,147
August	8,617	6,255	1,00,98,169	8,603	6,256	1,26,23,716	8,500	6,230	64,163
September	8,930	6,950	1,40,65,483	8,949	6,975	1,33,52,783	8,998	6,985	74,460
October	7,714	6,102	1,41,69,566	7,725	6,120	1,57,50,857	7,700	6,110	59,794
November	8,042	7,150	1,08,26,217	8,014	7,160	1,28,90,086	8,025	7,150	47,303
December	7,680	5,416	1,51,85,245	8,042	5,422	1,67,18,910	7,872	5,411	45,266
January 2001	6,988	5,475	1,83,36,214	6,940	5,484	1,98,28,472	7,100	5,502	56,355
February	6,900	5,540	1,00,60,615	6,910	5,536	1,17,73,048	6,880	5,550	28,539
March	6,294	3,741	1,03,15,855	6,250	3,765	1,24,75,281	6,380	3,755	32,209
Total			13,16,94,589			14,71,67,816			6,06,980
% of volume traded to average shares outstanding		2000-01	205.55%			229.70%			0.95%
		1999-00	76.27%			78.09%			0.10%
		1998-99	102.41%			131.42%			–

The number of shares outstanding is 6,40,70,000. The American Depositary Shares (ADSs) have been excluded for the purpose of this calculation.

11. Investors' services – complaints received during the year

	Year ended March 31			
	2001		2000	
Nature of complaints	Received	Attended to	Received	Attended to
1. Non-receipt of share certificates	1	1	9	9
2. Non-receipt of bonus shares / split shares	8	8	67	67
3. Letters from stock exchanges, SEBI, etc.	2	2	1	1
4. Non-receipt of dividend warrants	88	88	45	45
	99	99	122	122

The company has attended to most of the investors' grievances/correspondence within a period of 10 days from the date of receipt of the same, during the years 2000-01 and 1999-2000, except in cases that are constrained by disputes or legal impediments.

12. Legal proceedings

There are some pending cases relating to disputes over title to shares, in which the company is made a party. However, these cases are not material in nature.

13. Distribution of shareholding as on March 31

	2001				2000			
No. of equity shares held	No. of share-holders	% of share-holders	No. of shares	% of share-holding	No. of share-holders	% of share-holders	No. of shares	% of share-holding
1 – 100	77,725	86.71	9,83,502	1.53	34,563	74.63	8,15,853	1.27
101 – 200	2,739	3.06	4,39,999	0.69	2,560	5.53	7,29,086	1.14
201 – 500	3,131	3.49	10,83,761	1.69	2,845	6.14	12,54,656	1.96
501 – 1000	2,586	2.88	19,03,875	2.97	2,695	5.82	21,81,550	3.41
1001 – 5000	2,715	3.03	55,96,755	8.74	2,972	6.42	63,90,248	9.97
5001 – 10000	313	0.35	22,32,869	3.48	340	0.73	25,38,044	3.96
10001 and above	433	0.48	5,14,25,033	80.27	338	0.73	4,99,07,070	77.90
NSDL transit	–	–	4,04,206	0.63	–	–	2,52,293	0.39
	89,642	100.00	6,40,70,000	100.00	46,313	100.00	6,40,68,800	100.00
Equity shares underlying American Depositary Shares*	1		20,88,117		1		20,81,900	
Total	89,643		6,61,58,117		46,314		6,61,50,700	

* Held by beneficial owners outside India.

14. Categories of shareholders as on March 31

	2001			2000		
Category	No. of shareholders	Voting strength (%)	No. of shares held	No. of shareholders	Voting strength (%)	No. of shares held
Individuals	84,881	24.03	1,58,96,476	43,364	26.87	1,77,74,390
Companies	3,478	1.50	9,94,196	2,220	1.78	11,75,866
FIIs	383	28.90	1,91,14,466	270	24.38	1,61,27,027
OCBs and NRIs	675	0.75	4,97,918	299	0.75	4,95,267
Founders and their families	23	29.15	1,92,87,560	23	29.30	1,93,81,960
Mutual funds, banks, FIs	202	11.90	78,75,178	137	13.39	88,61,997
NSDL transit	–	0.61	4,04,206	–	0.38	2,52,293
Equity shares underlying American Depositary Shares*	1	3.16	20,88,117	1	3.15	20,81,900
Total	89,643	100.00	6,61,58,117	46,314	100.00	6,61,50,700

* Held by beneficial owners outside India.

15. Shares under lock-in

Employee Stock Offer Plan (ESOP) 1994

Details of shares of par value of Rs. 5 each held by employees under the Employee Stock Offer Plan (ESOP) 1994 subject to lock-in are given below. These shares are also included in the categories of shareholders given in (14) above.

No. of shares subject to lock-in as on March 31

	2001		2000	
Period of lock-in	No. of shares	No. of employees	No. of shares	No. of employees
3-4 years	–	–	7,82,000	1,033
2-3 years	7,50,200	994	5,00,400	340
1-2 years	4,79,600	329	2,04,000	151
0-1 year	1,91,400	144	2,57,200	105

As on March 31, 2001, 529 employees hold rights to 3,30,000 shares of par value of Rs. 5 each, which are subject to a lock-in of 3-4 years. Currently, 1,544 employees hold shares under the 1994 Stock Offer Plan. Shares subject to lock-in held by the employees will be transferred back to the ITL Employees Welfare Trust if such employees leave the services of the company before the vesting period. As on March 31, 2001, the ITL Employees Welfare Trust holds 2,57,400 shares of par value of Rs. 5 each that are not subject to further grants as the 1994 Stock Offer Plan has since been terminated.

Employee Stock Option Plan (ESOP) 1998

The company established the 1998 Stock Option Plan, which provides for the grant of non-statutory stock options and incentive stock options to the employees of the company. This plan was approved by the board of directors in December 1997, and by the shareholders in January 1998. The Government of India has approved the 1998 plan, subject to a limit of 14,70,000 equity shares of par value of Rs. 5 each, representing 29,40,000 ADSs to be issued under the plan. During the year, options were granted to 752 employees to acquire 9,64,840 ADSs, corresponding to 4,82,420 equity shares of par value of Rs. 5 each. During the year, 20 employees exercised the options to acquire 12,434 ADSs, corresponding to 6,217 shares of par value of Rs. 5 each. As on March 31, 2001, 757 employees hold options to acquire 15,65,506 ADSs, corresponding to 7,82,753 equity shares of par value of Rs. 5 each. Details of the number of ADSs options granted and exercised are given below.

No. of options granted and exercised

	Granted		Exercised		Balance
Year	No. of employees	ADSs (net)	No. of employees	ADSs	ADSs
1999	31	4,01,400	32	34,534	3,66,866
2000	64	2,63,100	5	1,700	2,61,400
2001	735	9,37,240	–	–	9,37,240
Total		16,01,740		36,234	15,65,506

Employee Stock Option Plan (ESOP) 1999

The 1999 plan was approved by the board of directors and the shareholders in June 1999, and was instituted in fiscal 2000. The plan provides for the issue of 66,00,000 equity shares of par value of Rs. 5 each to the employees. During the year, options were granted to 9,376 employees to acquire 19,57,830 equity shares of par value of Rs. 5 each. During the year, 22 employees exercised the options to acquire 1,200 shares of par value of Rs. 5 each. As on March 31, 2001, 9,170 employees hold options to acquire 27,93,980 shares of par value of Rs. 5 each. Details of shares of par value of Rs. 5 each held by employees under the Employee Stock Offer Plan (ESOP) 1999, are given below.

No. of options granted and exercised

	Granted		Exercised		Balance
Year	No. of employees	No. of shares (net)	No. of employees	No. of shares	No. of shares
2000	1,150	9,46,000	22	1,200	9,44,800
2001	8,713	18,49,180	–	–	18,49,180
Total		27,95,180		1,200	27,93,980

16. Dematerialization of shares and liquidity

Your company 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. Over 98% of the company's shares are now held in electronic form.

17. Financial calendar (tentative and subject to change)

Annual General Meeting	June 02, 2001
Financial reporting for the first quarter ending June 30, 2001	July 10, 2001
Financial reporting for the second quarter ending September 30, 2001	October 10, 2001
Interim dividend payment (if any)	November, 2001
Financial reporting for the third quarter ending December 31, 2001	January 10, 2002
Financial results for the year ending March 31, 2002	April 10, 2002
Annual General Meeting for the year ending March 31, 2002	May / June, 2002

18. Investors' correspondence in India may be addressed to:
The Company Secretary
Investors' Service Cell
Infosys Technologies Ltd., Electronics City
Hosur Road, Bangalore – 561 229, India
Tel.: +91-80-852 0440, Fax: +91-80-852 0362
E-mail: balakv@infy.com

Any queries relating to the financial statements of the company may be addressed to:
Mr. T. V. Mohandas Pai
Director (F&A) and CFO
Infosys Technologies Ltd., Electronics City
Hosur Road, Bangalore – 561 229, India
Tel.: +91-80-852 0396, Fax: +91-80-852 0362
E-mail: mdpai@infy.com

19. Reuters code – INFY.BO (BSE)
– INFY.NS (NSE)
– INFY.O (NASDAQ)

Bridge code – IN;INF (BSE)
– IN;INFN (NSE)
– US;INFY (NASDAQ)

Bloomberg code – INFO IN (BSE)
– NINFO IN (NSE)

20. Stock market data relating to American Depositary Shares (ADSs)

a. ADS listed at — NASDAQ National Market in the United States

b. Ratio of ADS to equity shares — 2 ADS for one equity share

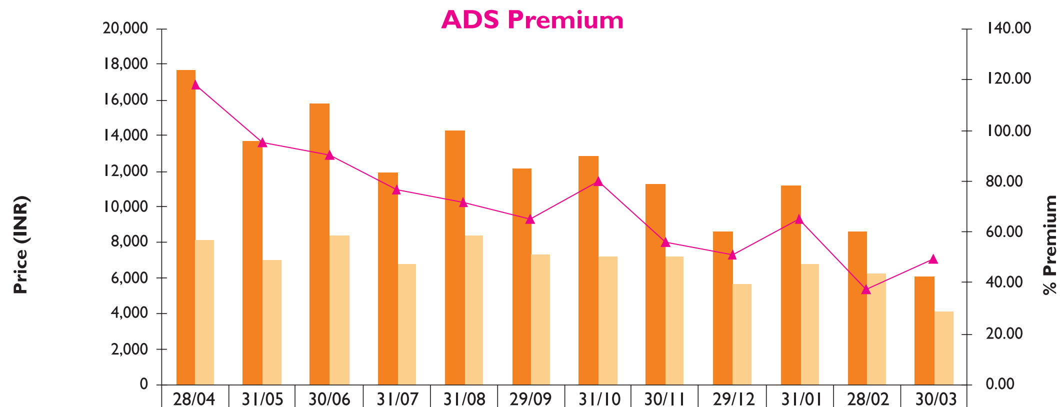
c. ADS symbol — INFY

d. The American Depositary Shares issued under the ADS program of the company were listed on the NASDAQ National Market in the United States on March 11, 1999. The monthly high and low quotations as well as the volume of ADSs traded at the NASDAQ National Market for the year ended March 31, 2001, are:

	High		Low		Volume
	$	Rs.	$	Rs.	Nos.
April 2000	284.56	24,837	131.13	11,445	5,999,400
May	214.50	19,116	130.75	11,652	3,698,600
June	199.94	17,850	154.38	13,783	1,888,300
July	186.94	16,776	120.00	10,769	2,533,000
August	169.13	15,475	96.50	8,830	3,700,100
September	164.00	15,091	121.00	11,134	2,045,300
October	137.55	12,839	105.13	9,813	2,584,900
November	147.25	13,800	112.00	10,497	1,372,600
December	141.50	13,213	90.06	8,410	2,963,900
January 2001	131.38	6,093	86.13	3,994	2,536,300
February	123.00	5,737	86.75	4,046	2,661,200
March	92.94	4,327	60.13	2,799	5,009,600
Total					36,993,200
% of volume traded to total float					885.80%

2 ADS = 1 equity share
The number of ADSs outstanding is 4,176,234
US$ have been converted into Indian rupees at the monthly closing rates

e. Premium of American Depositary Shares over the shares traded on the Indian stock exchanges
The ADS price quoted below is in Indian rupees and has been converted at the monthly closing rates.



	28/04	31/05	30/06	31/07	31/08	29/09	31/10	30/11	29/12	31/01	28/02	30/03
ADS Price *	17713	13677	15822	11927	14273	12144	12832	11235	8614	11212	8582	6099
NSE Share Price	8122	6999	8310	6761	8327	7361	7133	7184	5694	6793	6242	4084
% Premium	118.10	95.42	90.39	76.41	71.41	64.98	79.89	56.38	51.28	65.06	37.49	49.36

* 2 ADS = 1 equity share

f. Investor correspondence in the US may be addressed to	P. R. Ganapathy Investor Relations Officer Infosys Technologies Limited 34760, Campus Drive Fremont CA 94555, USA Tel.: +1-510-742-3030, Mobile: +1-510-872-4412 Fax: +1-510-742-2930, E-mail: guns@infy.com
g. Name and address of the depositary bank	Deutsche Bank A.G. Corporate Trust and Agency Services 4 Albany Street New York, NY 10006, USA Tel.: +1-212-250-8500, Fax: +1-212-250-5644 Corporate Trust and Agency Services Deutsche Bank A.G. 1 st Floor, Kodak House 222, Dr. D. N. Road Fort, Mumbai – 400 001, India Tel.: +91-22-207 3262, Fax: +91-22-207 9614
i. Name and address of the custodian in India	ICICI Limited ICICI Towers Bandra Kurla Complex Mumbai – 400 051, India Tel.: +91-22-653 1414, Fax: +91-22-653 1164/65

Frequently asked questions

1. What is an American Depositary Share ("ADS")?

   Ans: An ADS is a negotiable certificate evidencing ownership of an outstanding class of stock in a non-US company. ADSs are created when ordinary shares are delivered to a custodian bank in the domestic market, which then instructs a depositary bank in the US to issue ADSs based on a predetermined ratio. ADSs are SEC registered securities and may trade freely, just like any other security, either on an exchange or in the over-the-counter market.

2. What is the difference between an ADS and a GDR?

   Ans: ADSs and GDRs (Global Depositary Receipts) are the same in their functionality – they both evidence ownership of foreign securities deposited with a custodian bank. ADSs represent securities that are listed in the United States, while GDRs represent securities listed outside of the United States, typically in London.

3. Do the ADSs have voting rights?

   Ans: Yes. In the event of a matter submitted to the holders of ordinary shares for a vote, the ADS holders on record as at a particular date will be allowed to instruct the depositary bank to exercise the vote in respect of the equity shares representing the ADS held by them.

4. Are the ADSs entitled to cash dividends?

   Ans: Yes, whenever dividends are paid to ordinary shareholders. Cash dividends to ADS holders are declared in local currency and paid in dollars (based on the prevailing exchange rate) by the depositary bank, net of the depositary's fees and expenses.

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.

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)
First quarter ending June 30, 2001	July 10, 2001
Second quarter ending September 30, 2001	October 10, 2001
Third quarter ending December 31, 2001	January 10, 2002
Year ending March 31, 2002	April 10, 2002

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, 2001, Infosys had 9,831 employees, as compared to 5,389 on March 31, 2000, on a full-time basis. The distribution of the employees is:

	2001		2000	
Software development including trainees	8,656	88.05%	4,623	85.79%
Support services	1,175	11.95%	766	14.21%
Total	9,831	100.00%	5,389	100.00%
The gender classification of the employees is:				
Male	8,140	82.80%	4,558	84.58%
Female	1,691	17.20%	831	15.42%
Total	9,831	100.00%	5,389	100.00%

The age profile of employees is:

	2001		2000	
Between 20 and 25 years	6,030	62%	3,057	57%
Between 26 and 30 years	2,794	28%	1,659	31%
Between 31 and 40 years	870	9%	579	11%
Between 41 and 50 years	120	1%	83	1%
Between 51 and 60 years	17	–	11	–
Total	9,831	100%	5,389	100%

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: bangalore@karvy.com

or write to:

The Company Secretary
Infosys Technologies Limited
Electronics City, Hosur Road
Bangalore – 561 229, India
Tel.: +91-80-852 1518, Fax: +91-80-852 0362

You can also address your queries to the e-mail id: 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 A.G.
Corporate Trust and Agency Services
4 Albany Street, New York, NY 10006, USA
Tel.: +1-212-250-8500, Fax: +1-212-250-5644

Custodian
ICICI Limited
ICICI Towers
Bandra Kurla Complex
Mumbai – 400 051, India
Tel.: +91-22-653 1414, Fax: +91-22-653 1164/65

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 21 marketing offices overseas, of which 9 are located in the US, two in Australia, one each in the UK, Germany, Canada, Japan, Belgium, Sweden, Hong Kong, Sharjah, Argentina and France. Besides these, there are four marketing offices in India.

20. What is the employee strength and revenue growth since 1995?

Ans: The employee strength and revenue growth since 1995 is 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 %
1995	903	58	18.11	90	3.96	48
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

* This excludes a one-time deferred stock compensation expense arising from stock split amounting to $ 12,906,962 and $ 1,519,739 in fiscal 1999 and 1998, respectively.

As per Indian GAAP

Fiscal year ended March 31	Total no. of employees	Growth %	Revenue in Rs. crore	Growth %	PAT* in Rs. crore	Growth %
1995	903	58	57.70	92	13.32	65
1996	1,172	30	93.41	62	21.01	58
1997	1,705	45	143.81	54	33.68	60
1998	2,605	53	260.37	81	60.36	79
1999	3,766	45	512.74	97	132.92	120
2000	5,389	43	921.46	80	285.95	115
2001	9,831	82	1,959.94	113	623.32	118

* From ordinary activities

21. Does Infosys pay dividends? What is the dividend policy of Infosys?

Ans: Currently, Infosys pays dividend to its shareholders. The current dividend policy is to distribute up to 20% of the PAT as dividend. The board of directors reviews the dividend policy periodically.

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 Executive Officer — Tel: +91-80-852 0363 / 852 0399

Nandan M. Nilekani,
Managing Director, President and Chief Operating Officer — Tel: +91-80-852 0351

T. V. Mohandas Pai,
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?

Ans: Mr. P. R. Ganapathy, Investor Relations Officer, is based at the company's Fremont office and will be available at the following address to answer any queries from investors.

Infosys Technologies Limited
34760, Campus Drive
Fremont CA 94555, USA
Tel.: +1-510-742-3030, Mobile: +1-510-872-4412
Fax: +1-510-742-2930, E-mail: guns@infy.com

24. Is there any investor relations contact in India?

Ans: Mr. Sumanth Cidambi, Investor Relations Officer, is based at the company's corporate office in Bangalore, India and will be available at the following address to answer any queries from investors.

Infosys Technologies Limited
44, Electronics City, Hosur Road
Bangalore 561 229, India
Tel.: +91-80-8520261 Extn. 7904, +91-80-8522380 (Direct)
Fax: +91-80-8520362, E-mail: sumanthc@infy.com

25. Does the company have a disclosure policy?

Ans: Yes. The company has a written disclosure policy, which covers interacting with all external constituents like analysts, fund managers, media, etc.

26. 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
First quarter ending June 30, 2001	July 10, 2001	June 16 – July 10, 2001
Second quarter ending September 30, 2001	October 10, 2001	September 16 – October 10, 2001
Third quarter ending December 31, 2001	January 10, 2002	December 16 – January 10, 2002
Year ending March 31, 2002	April 10, 2002	March 16 – April 10, 2002

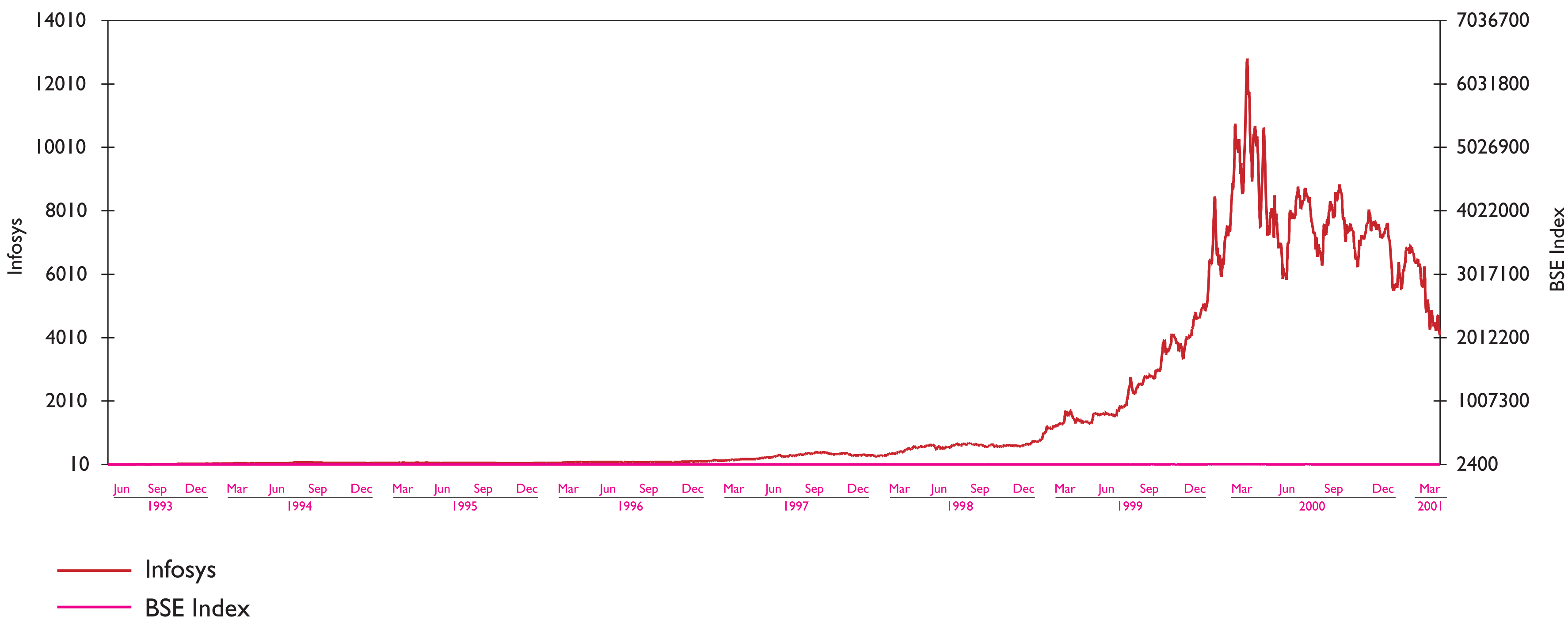
27. What has been the CAGR in revenues and net income in the last five years?

Ans: The 5 year CAGR under Indian GAAP and US GAAP are

Indian GAAP		US GAAP	
Revenues	84%	Revenues	73%
PAT from ordinary activities	97%	Net income	81%

Additional information to shareholders
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 scoresheet

A knowledge-intensive company leverages knowhow, 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 in enhancing the re-usability of their knowledge and expertise.

The stock price of a company is the result of the market's valuation of 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, the intangible assets of the 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 by 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 scoresheet

			Knowledge capital					
Our clients (External structure)			Our organization (Internal structure)			Our people (Competence)		
	2000-2001	1999-2000		2000-2001	1999-2000		2000-2001	1999-2000
Growth/renewal								
Revenue growth over previous year (%)	113	80	IT investment/value added (%)	9.32	7.47	Education index of all staff	28,725	15,544
Percentage of revenue from image-enhancing clients	52	47	R&D/ value added (%)	1.09	1.14			
Percentage of revenue from exports	96	94	Total investment in organization/ value added (%)	29.64	22.10			
No. of new clients added during the year	122	99						
Efficiency								
Sales/client (in Rs. lakh)	696	455	Average proportion of support staff (%)	10.30	12.70	Value added per software engineer (in Rs. lakh)	22.14	17.71
			Sales per support staff (in Rs. lakh)	243	155	Value added per employee (in Rs. lakh)	19.87	15.46
Stability								
Repeat-business revenue/ total revenue (%)	85	87	Average age of support staff (Years)	30.61	31.14	Average age of all employees (Years)	25.67	26.14
Sales from the five largest clients/total revenue (%)	26.0	30.2						
Sales from the ten largest clients/total revenue (%)	39.2	45.7						
Milliion dollar clients (Nos)	80	42						
Five-million dollar clients (Nos)	19	10						
Ten-million dollar clients (Nos)	11	4						

The figures above are based on Indian GAAP financial statements.

Notes:

- Marqué or image-enhancing clients are those who enhance the company's market-worthiness, typically *Fortune 1000* clients. Often they are reference clients for Infosys.
- Sales per client is calculated by dividing total revenue, excluding other income, by the total number of clients.
- Repeat business revenue is the revenue during current year from those clients who contributed to the revenue of the company during the previous year also.
- Value-added is the revenue of the company less payment to all outside resources. The value-added statement is provided 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 113% this year, compared to 80%, in the previous year. The most valuable intangible asset of Infosys is its client base. Marqué clients or image-enhancing clients contributed around 52% of revenue this year, as compared to 47% in the previous year. They give stability to our revenues and also reduce our marketing costs.

The high percentage – 85% – of revenue from repeat orders during the current year is an indication of the satisfaction and loyalty of the clients. The top 5 and 10 clients contributed around 26% and 39%, respectively, of the company's revenue during the current year, as compared to 30% and 46%, 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 2000-2001, the company added 122 new clients.

Organization

During the current year, Infosys invested around 9% of the value-added on its IT infrastructure, and 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 30.61 years, as against the previous year average age of 31.14 years. The sales per support staff, as well as, the proportion of support staff to the total organizational staff, have shown improvements over the previous year.

People

Infosys is in a people-oriented business. The education index of employees has gone up substantially to 28,725 from 15,544. 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, 2001 was 25.67 as compared to 26.14 as of March 31, 2000.

Additional information to shareholders (contd.)

Human resources accounting

The dichotomy in accounting between human and non-human capital is fundamental. The latter is recognized as an asset and is therefore recorded in the books and reported in the financial statements, whereas, the former is totally ignored by accountants. The definition of wealth as a source of income inevitably leads to the recognition of human capital as one of several forms of wealth such as money, securities and physical capital.

The *Lev & Schwartz* model has been used by Infosys to compute the value of the human resources as at March 31, 2001. 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 21.08% (previous year – 22.29%) being the cost of capital for Infosys. Beta has been assumed at 1.54 based on average beta for software stocks in the US.

As of March 31	2001		2000	
	No. of employees	Value of human resources (in Rs. crore)	No. of employees	Value of human resources (in Rs. crore)
Production	7,641	4,406.53	4,292	1,965.14
Support –technical*	1,230	302.83	450	81.65
–others	960	414.06	647	190.63
	9,831	5,123.42	5,389	2,237.42

* Note: Support – technical includes trainees, employees in R&D activities and support personnel allocated to production.

	2001	2000
Number of employees	9,831	5,389
Value of human resources	5,123.42	2,237.42
Total revenue	1,959.94	921.46
Software revenue	1,900.57	882.32
Employee cost	717.78	334.56
Value-added excluding extraordinary income	1,563.17	723.31
Net profits excluding extraordinary income	623.32	285.95
Total revenue / human resources value (ratio)	0.38	0.41
Total software revenue / human resources value (ratio)	0.37	0.39
Value-added / human resources value (ratio)	0.31	0.32
Value of human resources per employee (Rs. cr)	0.52	0.42
Employee cost / human resources value (%)	14.01%	14.95%
Return on human resources value (%)	12.17%	12.78%

Value-added statement

in Rs. crore

Year ending March 31	2001	2000
Total revenue	1,959.94	921.46
Less:		
Software development expenses (other than employee costs and provision for post-sales client support)	238.56	129.61
Administration expenses (other than provisions)	158.20	68.54
Sub-total	396.76	198.15
Total value-added	1,563.18	723.31
Applied to meet		
Employee costs	717.78	334.56
Provision for post-sales client support	1.83	2.10
Provision for bad and doubtful debts and doubtful loans and advances	19.35	0.94
Provision for contingencies	–	3.33
Provision for e-inventing the company	–	3.50
Provision for investments	15.29	–
Income tax	72.71	39.70
Dividend (including dividend tax)	74.86	33.04
Retained in business	661.36	306.14
	1,563.18	723.31

The figures above are based on Indian GAAP financial statements.

Additional information to shareholders (contd.)

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 understand the components that make up goodwill. The aim of such modeling is to lead the debate on the balance sheet of the future. The Infosys management cautions the investors that these models are still the subject of debate among researchers, and using such models and data in predicting the future of Infosys, or any other company, is risky, and that the Infosys management is not responsible for any direct, indirect or consequential losses suffered by any person using these models or data.

Valuing the brand

A brand is much more than a trademark or a logo. It is a "trustmark" – a promise of quality and authenticity that clients can rely on. Brand equity is the value addition provided to a product or company by its brand name. It is the financial premium that a buyer is willing to pay for the brand over a generic or less worthy brand. Brand equity is not created overnight. It is the result of relentless pursuit of quality in production, selling, service, advertising and marketing. It is the integral of client experiences in dealing with the company and the company's 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 the company offerings. 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 one 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 at $ 72.54 billion in the year 2000, when its market capitalization was $ 142.16 billion, on the date of brand valuation. Thus, the brand valuation of Coca-Cola was around 51% of its market capitalization on the date of valuation. Interestingly, the study says that technology changes such as the Internet are only accelerating the globalization trend of the companies, and technology companies such as Microsoft, IBM, Intel and Nokia dominated the top five most valuable brands, in the study.
(Source : www.business2.com/chart/most_valuable_brands.html)

Goodwill is a nebulous accounting concept that is defined as the premium paid for the tangible assets of a company. It is an umbrella concept that transcends components like brand equity and human resources, and is the result of many corporate attributes including core competency, market leadership, copyrights, trademarks, brands, superior earning power, excellence in management, outstanding work-force, competition, longevity and so on.

The Infosys management has adapted the generic brand-earnings-multiple model (given in the article on *Valuation of Trademarks and Brand Names* by Michael Birkin in the book *Brand Valuation*, edited by John Murphy and published by Business Books Limited, London) to value its corporate brand "Infosys". The methodology followed for valuing the brand is as given below:

1. Determine brand earnings

To do this,

- Determine brand profits by eliminating the non-brand profits from the total profits of the company
- Restate the historical profits at present-day values
- Provide for the remuneration of capital to be used for purposes other than promotion of the brand
- Adjust for taxes

2. Determine the brand-strength or brand-earning multiple

Brand-strength multiple is a function of a multitude of factors like leadership, stability, market, internationality, trend, support and protection. These factors have been evaluated on a scale of 1 to 100, internally by the Infosys management, based on the information available within the company.

3. Compute the brand value by multiplying the brand earnings by the multiple derived in step 2 above.

The computation is as follows:

in Rs. crore

Year ended March 31,	2001	2000	1999
PBIT	696.03	325.65	155.86
Less: non-brand income	53.43	35.23	3.46
Adjusted profit	642.60	290.42	152.40
Inflation compound factor at 8%	1.000	1.087	1.181
Present value of profits for the brand	642.60	315.69	179.98
Weightage factor	3	2	1
Weighted profits	1,927.80	631.38	179.98
Three-year average weighted profits	456.53		
Remuneration of capital (5% of average capital employed)	55.57		
Brand-related profits	400.96		
Tax at 39.55%	158.58		
Brand earnings	242.38		
Multiple-applied	22.18		
Brand value	5,376.00		

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 8% per annum.
3. 5% of the average capital employed is used for purposes other than promotion of the brand.
4. Tax rate is at 39.55%.
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. 26,926 crore as on March 31, 2001, the value of the "Infosys" brand alone is estimated at Rs. 5,376 crore. The corresponding figures for market capitalization and brand value of Infosys as on March 31, 2000 and March 31, 1999 were Rs. 59,338 crore, Rs. 5,246 crore and Rs. 9,673 crore, Rs. 1,727 crore respectively.

Additional information to shareholders (contd.)

Balance sheet (including intangible assets) as at March 31, 2001

	in Rs. crore
SOURCES OF FUNDS	
SHAREHOLDERS' FUNDS	
Share capital	33.08
Reserves and surplus	
Share premium account	320.75
Capital reserves	10,499.42
Other reserves	1,035.81
	11,889.06
APPLICATION OF FUNDS	
FIXED ASSETS	
Tangible assets – at cost	631.14
Less : Depreciation	244.13
Net block	387.01
Add : Capital work-in-progress	170.65
	557.66
Intangible assets	
Brand equity	5,376.00
Human resources	5,123.42
INVESTMENTS	34.12
CURRENT ASSETS, LOANS AND ADVANCES	
Sundry debtors	302.37
Cash and bank balances	385.06
Loans and advances	430.28
	1,117.71
Less : Current liabilities	134.92
Provisions	184.93
Net current assets	797.86
	11,889.06

Notes:

1. The balance sheet is provided as additional 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, 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, 2001

in Rs.

Assets employed		
Fixed Assets		
Original cost		527,46,69,569
Accumulated depreciation		129,68,72,381
		397,77,97,188
Capital work in progress		170,65,04,250
Net fixed assets		568,43,01,438
Investments		34,11,54,821
Current Assets, Loans and Advances:		
Cash and bank balances		385,06,10,285
Loans and advances		430,27,93,623
Monetary working capital		167,45,21,241
		982,79,25,149
Less: Other liabilities and provisions		184,93,20,275
Net current assets		797,86,04,874
TOTAL		1400,40,61,133
Financed by		
Share Capital and Reserves		
Share capital		33,07,92,085
Reserves		
Capital reserve		5,93,54,103
Share premium		320,75,30,416
Current cost reserve	19,76,11,149	
General reserve	1020,87,73,380	
		1040,63,84,529
TOTAL		1400,40,61,133

Additional information to shareholders (contd.)

Current cost adjusted financial statements
Profit and Loss Account for the year ended March 31, 2001

	in Rs.
Total income	1,959,93,73,722
Historic cost profit before tax and extraordinary item	696,02,92,341
Less: Current cost operating adjustments	8,99,42,003
	687,03,50,338
Less: Gearing adjustment	-
Current cost profit before tax and extraordinary item	687,03,50,338
Provision for taxation	
Earlier years	1,40,00,000
Current year	71,31,00,000
Current cost profit after tax before extraordinary item	614,32,50,338
Extraordinary item – Transfer of intellectual property (net of tax)	5,49,44,000
Current cost profit after tax and extraordinary item	619,81,94,338
Appropriations	
Dividend	
Interim	16,53,78,418
Final (proposed)	49,61,85,878
Dividend tax	8,69,94,211
Amount transferred – general reserve	544,96,35,831
	619,81,94,338

Statement of retained profits / reserves as of March 31, 2001

	in Rs.
Opening balance of reserves	475,50,19,440
Retained current cost profit for the year	544,96,35,831
Movements on current cost reserve during the year	20,17,29,258
	1,040,63,84,529

Notes:

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.

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) less the cost of capital employed. Companies which earn higher returns than cost of capital create value, while those companies that earn lower returns than cost of capital are deemed destroyers of shareholder value.

Economic value-added analysis

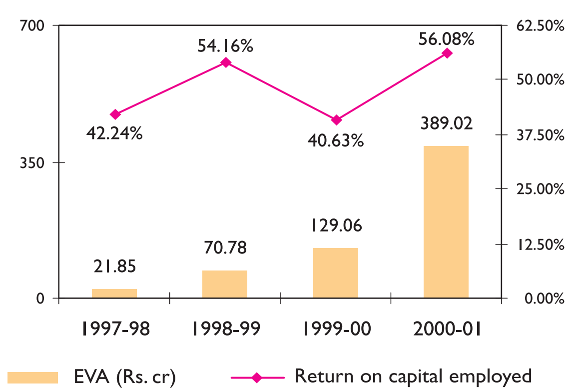
Year ended March 31	2001	2000	1999	1998
1. Average capital employed (Rs. in crore)	1,111.47	703.87	245.42	142.90
2. Average debt/total capital (%)	–	–	–	–
3. Beta variant	1.54	1.48	1.48	1.48
4. Risk-free debt cost (%)	10.30	10.45	12.00	12.15
5. Market premium	7.00	8.00	9.00	10.00
6. Cost of equity (%)	21.08	22.29	25.32	26.95
7. Cost of debt (post tax) (%)	NA	NA	NA	NA
8. Weighted average cost of capital (WACC) (%)	21.08	22.29	25.32	26.95
9. PAT as a percentage of average capital employed (%)	56.08	40.63	54.16	42.24
10. Economic value-added (EVA)				*(in Rs. crore)*
Operating profit				
(PBT excluding extraordinary income)	696.03	325.65	155.86	65.86
Less: tax	72.71	39.70	22.94	5.50
Less: cost of capital	234.30	156.89	62.14	38.51
Economic value-added	389.02	129.06	70.78	21.85
11. Enterprise value				*(in Rs.* crore)
Market value of equity	26,926.35	59,338.17	9,672.80	2,963.42
Less: cash and cash equivalents	577.74	508.37	416.66	51.14
Add: debt	–	–	–	–
Enterprise value	26,348.61	58,829.80	9,256.14	2,912.28
12. Ratios				
EVA as a percentage of average capital employed (%)	35.00	18.34	28.84	15.29
Enterprise value / average capital employed	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 the 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

	2001	2000	1999
Ratios – Financial performance			
Export revenue / total revenue (%)	95.62	94.38	97.57
Domestic revenue / total revenue (%)	1.35	1.37	1.68
Other income / total revenue (%)	3.03	4.25	0.75
Employee costs / total revenue (%)	36.62	36.31	32.39
Administration expenses / total revenue (%)	9.06	7.54	8.92
Operating expenses / total revenue (%)	58.73	58.88	62.60
Depreciation / total revenue (%)	5.76	5.78	7.00
Tax / total revenue (%)	3.71	4.31	4.47
Tax / PBT (%)	10.45	12.19	14.72
EBIDTA / total revenue (%)	41.27	41.12	37.40
PAT from ordinary activities / total revenue (%)	31.80	31.03	25.92
PAT from ordinary activities / average net worth (%)	56.08	40.63	54.16
ROCE (PBIT / Average capital employed) (%)	62.62	46.27	63.51
Return on invested capital (%)	105.67	111.68	93.47
Capital output ratio	1.71	1.25	1.36
Invested capital output ratio	3.34	3.66	3.64
Value-added / total revenue (%)	79.76	78.50	72.96
Enterprise-value / total revenue	13.44	63.84	18.08
Ratios – Balance sheet			
Debt-equity ratio	–	–	–
Debtors turnover (Days)	58	56	61
Current ratio	3.49	4.69	6.57
Cash and equivalents / total assets (%)	41.57	61.01	72.53
Cash and equivalents / total revenue (%)	29.48	55.17	81.26
Depreciation / average gross block (%)	24.67	23.50	26.19
Technology investment / total revenue (%)	7.43	5.86	8.55
Ratios – Growth*			
Export revenue (%)	115.48	73.85	99.35
Total revenue (%)	112.70	79.71	96.93
Operating expenses (%)	112.14	69.03	86.89
Operating profit (%)	113.50	97.59	116.39
Net profit (from ordinary activities) (%)	117.98	115.14	120.19
Per-share data			
Basic earnings per share from ordinary activities (Rs.)	94.23	43.23	20.71
Basic earnings per share (including extraordinary items) (Rs.)	95.06	44.38	21.07
Cash earnings per share from ordinary activities (Rs.)	111.29	51.28	26.30
Cash earnings per share(including extraordinary items) (Rs.)	112.12	52.43	26.67
Book value (Rs.)	210.05	125.97	86.84
Price / earning, end of year	43.19	207.48	70.74
Price / cash earnings, end of year	36.57	174.92	55.70
Price / book value, end of year	19.38	71.21	16.87
Price / total revenue, end of year	13.74	64.40	18.90
EPS growth (%)	117.97	108.77	120.15
PE / EPS Growth	0.37	1.91	0.61
Dividend per share (Rs.)	10.00	4.50	3.75
Dividend (%)	200	90	75
Dividend payout (%)	12.01	11.55	10.02
Dividend / adjusted public offer price (%)	168	76	63
Market price / adjusted public offer price (%)	68547	151076	24632

Note: The ratio calculations are based on Indian GAAP and have been adjusted for stock split.

* Denotes growth compared with figures of the corresponding period in the previous year

Ratio analysis

Ratio analysis is amongst the best tools available to analyze the financial performance of a company. It allows inter-company and intra-company comparison and analysis. Ratios also provide a bird's eye view of the financial condition of the company. The ratios analyzed are based on Indian GAAP.

Financial performance

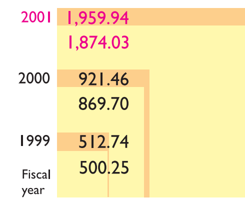
Exports have grown by 115% during the year, as against 74% in the previous year. Export revenue is from various parts of the globe and is well segmented. Segmental analysis of the revenue is provided under the Notes to financial statements section in this report. During the year ended March 31, 2001, exports constituted 96% of total revenue, as compared to 94% during the previous year. USA continued to be a major market. Domestic revenue remained constant at 1% of total revenue.

Manpower costs were approximately 37% of total revenue as compared to 36% during the previous year. Administration expenses were approximately 9% and 8% during the years ended March 31, 2001 and 2000, respectively.

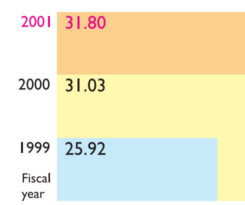
Depreciation was at 6% of total revenue, which is same as during the previous year. Depreciation to average gross block was at 25%, as compared to 24% during the previous year.

Income tax expense was approximately 4% of total revenue during the years ended March 31, 2001 and 2000. Income tax expense includes a provision of Rs. 140 lakh for earlier years.

Profit after tax from ordinary activities was 32% of total revenue, as against 31% during the previous year.



Revenue & exports
in Rs. crore
Revenue
Exports



Net profit as a % of total revenue
Percentage

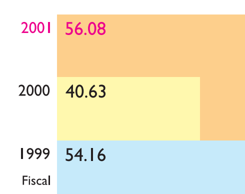
Balance sheet analysis

The key ratios affecting the performance of the company's financial condition are discussed below:

1. Return on average net worth

Return on average net worth is 56% as against 41% during the previous year.

As the company is maintaining around 42% 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 are adjusted against net profit, return on invested capital stands at 106%, as compared to 112% during the previous year.



Return on average net worth
Percentage

2. Debt-equity ratio

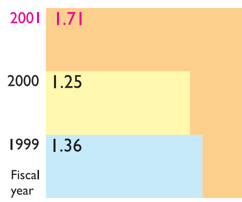
The company funds its short-term and long-term cash requirements primarily from internal accruals. As on March 31, 2001, the company was debt-free.

3. Current ratio

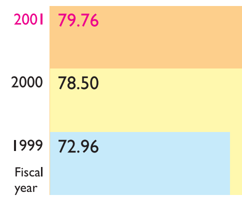
Current ratio is 3.49, as compared to 4.69 as on March 31, 2000.

4. Capital output ratio

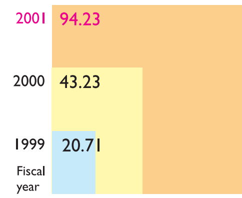
Capital output ratio is 1.71, as compared to 1.25 for the previous year. Invested capital output ratio is 3.34, as compared to 3.66 for the previous year.



Capital output ratio



Value added to total revenue
Percentage



Earnings per share
from ordinary activities (Rs.)

5. Value-added to total revenue

Value-added to total revenue is 80%, as compared to 79% for the previous year. This is primarily due to higher margins. Details are given in "Additional information to shareholders" in this report.

6. Enterprise value to total revenue

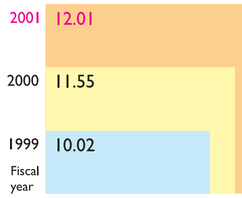
Enterprise value to total revenue is 13 times, as compared to 64 times in the previous year.

Per share data

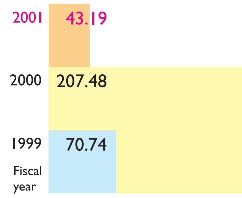
Per share data for the earlier years have been restated on par value of Rs. 5 per share, and adjusted for bonus issues during the previous years. Earnings per share (EPS) (basic) is Rs. 94.23, as compared to Rs. 43.23 for the previous year. Cash earnings per share (basic) is Rs. 111.29, as compared to Rs. 51.28 during the previous year. This is due to higher cash generation and due to higher value addition. Book value per share has also increased to Rs. 210, as against Rs. 126 on March 31, 2000. Dividend payout ratio for the years ended March 31, 2001 and 2000, was 12% and 11.55% respectively.

The P/E to EPS growth was approximately 0.37, as compared to 1.91 for the previous year. This represents the valuation of the company in comparison to its growth in earnings.

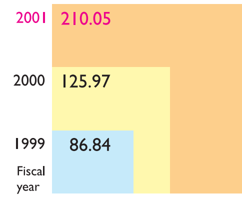
Appreciation in the Infosys share price (adjusted for bonus issues in 1994, 1997 & 1999 and a stock split of two-for-one in 2000), over the public issue price is more than 68547%. Since the public issue, the market capitalization of the company has grown to Rs. 26,926.35 crore, as on March 31, 2001, from the public issue valuation of Rs. 31.84 crore during February 1993.



Dividend payout
Percentage



Price earnings multiple



Book value (Rs.)

Statutory obligations

The company has established Software Technology Parks (STPs) – 100% export-oriented units – for the development of software at Electronics City, Koramangala, BTM Layout and J. P. Nagar all in Bangalore, as well as in Mangalore, Pune, Chennai, Bhubaneswar, Hyderabad, Mohali and Mysore (all in India). Certain capital items purchased for these centers are eligible for 100% customs and excise duty exemption, subject to fulfillment of stipulated export obligations, namely, five times the value of duty-free imports of capital goods, or duty-free purchase of goods subject to excise, over a period of 5 years, on a yearly basis. The export obligation on the wage bill was removed recently.

The non-fulfillment of export obligations may result in penalties as stipulated by the government, which may have an impact on future profitability. The table showing the export obligation, and the export obligation fulfilled by the company, on a global basis, for all its STP units together, is given hereunder:

in Rs.

Year ended March 31	Export obligation	Export obligation fulfilled	Excess/ (shortfall)	Cumulative excess/ (shortfall)
1993	11,07,019	28,25,575	17,18,556	17,18,556
1994	2,69,45,277	8,04,57,379	5,35,12,102	5,52,30,658
1995	7,70,12,146	15,63,56,751	7,93,44,605	13,45,75,263
1996	28,42,90,379	47,64,44,106	19,21,53,727	32,67,28,990
1997	39,67,03,285	68,93,56,837	29,26,53,552	61,93,82,542
1998	73,55,63,113	142,41,27,171	68,85,64,058	130,79,46,600
1999	124,97,81,528	305,51,10,194	180,53,28,666	311,32,75,266
2000	106,87,69,005	493,45,83,400	386,58,14,395	697,90,89,661
2001	359,88,68,243	1010,27,21,393	650,38,53,150	1348,29,42,810

The total customs duty exempted on both computer software and hardware imported by the company since 1993 amounts to Rs. 111.97 crore.

The company has fulfilled its export obligations, on a global basis, for all its operations under the STP scheme. However, in the 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 39.55% (comprising a base rate of 35% and a surcharge of 13% 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 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.

The details of the operationalization of various software development centers, and the year till which the exemption under the STP scheme is available, is provided hereunder:

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

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 profit for the relevant years is estimated as below.

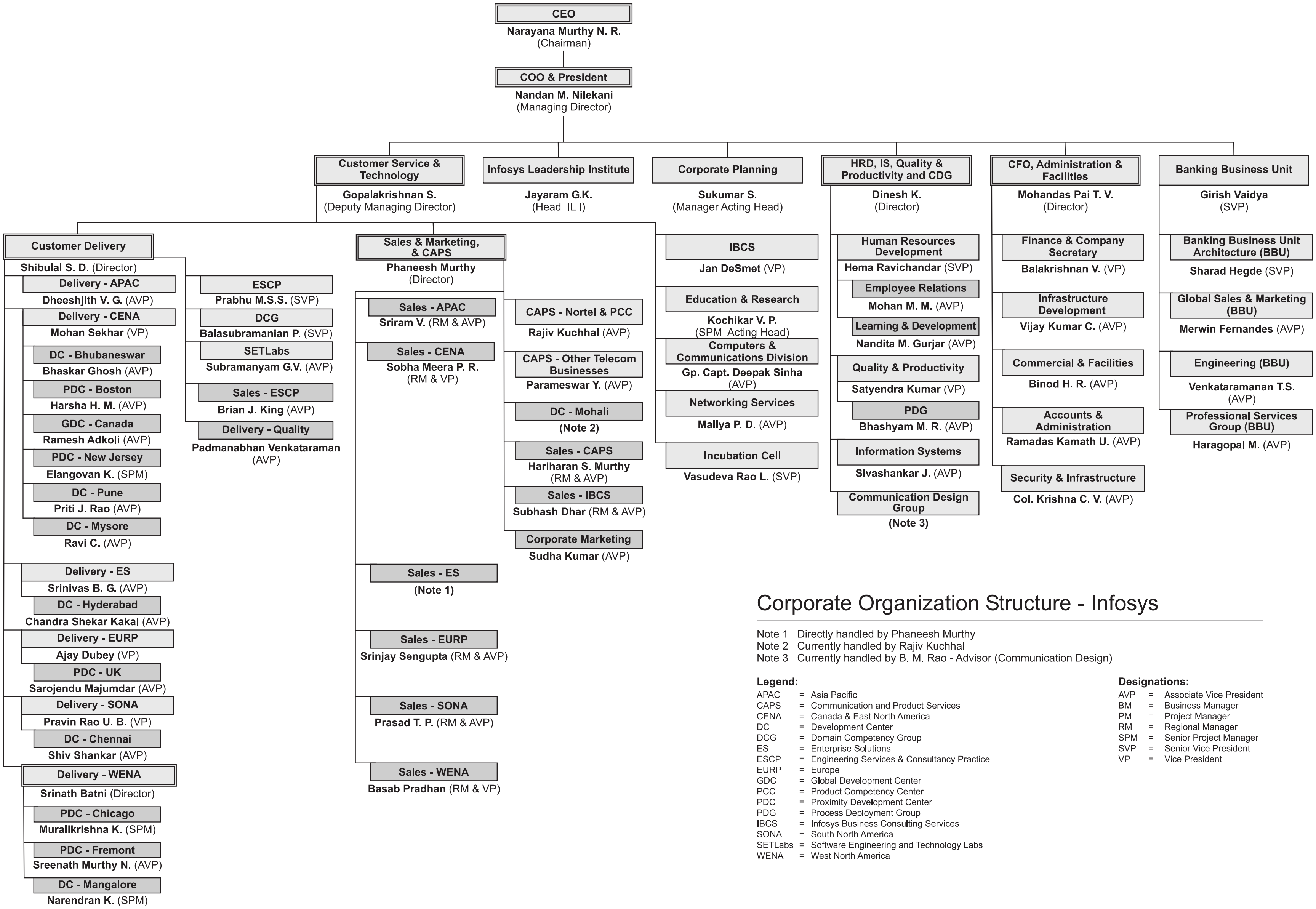
in Rs.

Year ended March 31	2001	2000	1999
Profit before tax (excluding extraordinary items)	696,02,92,341	325,64,85,819	155,85,53,560
Less: Additional depreciation to be provided on duty waiver for computer equipment	26,33,38,717	12,74,89,362	8,43,54,215
Reduction in other income	7,74,13,894	3,24,71,664	1,52,47,181
Adjusted profit before tax	661,95,39,730	309,65,24,793	145,89,52,164
Less: Income tax on full tax basis	264,75,71,927	128,00,91,259	63,07,51,956
Adjusted profit after tax	397,19,67,803	181,64,33,534	82,82,00,208
Adjusted earnings per share[1]	60.04	27.46	12.90

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 and the tax rates applicable to India-based income..

   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

Management structure



Corporate Organization Structure - Infosys

Note 1 Directly handled by Phaneesh Murthy
Note 2 Currently handled by Rajiv Kuchhal
Note 3 Currently handled by B. M. Rao - Advisor (Communication Design)

Legend:

APAC	=	Asia Pacific
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
PDG	=	Process Deployment Group
IBCS	=	Infosys Business Consulting Services
SONA	=	South North America
SETLabs	=	Software Engineering and Technology Labs
WENA	=	West North America

Designations:

AVP	=	Associate Vice President
BM	=	Business Manager
PM	=	Project Manager
RM	=	Regional Manager
SPM	=	Senior Project Manager
SVP	=	Senior Vice President
VP	=	Vice President

A historical perspective

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

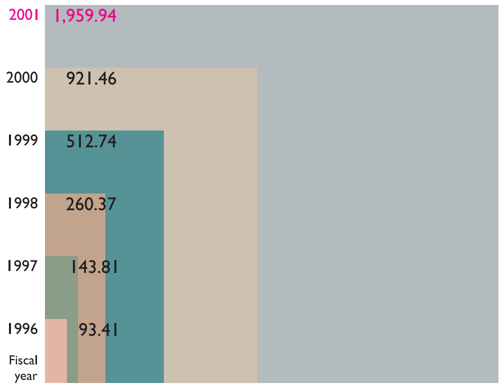
Particulars	1981-82	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-2001
For the year									
Revenue	0.12	30.08	57.70	93.41	143.81	260.37	512.74	921.46	1,959.94
Operating profit (PBIDT)	–	9.71	19.86	33.95	50.06	88.61	191.75	378.88	808.92
Interest	–	0.05	–	–	0.61	–	–	–	–
Depreciation	–	0.81	4.60	8.63	10.52	22.75	35.89	53.23	112.89
Provision for taxation	–	0.76	1.94	4.31	5.25	5.50	22.94	39.70	72.71
Profit after tax from ordinary activities	0.04	8.09	13.32	21.01	33.68	60.36	132.92	285.95	623.32
Dividend	–	1.17	2.31	3.63	3.99	7.03	12.11	29.76	66.16
Return on average networth (%)	96.88	39.61	29.71	29.53	34.96	42.24	54.16	40.63	56.08
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
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
Reserves and surplus	0.04	25.35	55.20	72.58	105.58	156.94	541.36	800.23	1,356.56
Loan funds	–	–	6.34	4.26	–	–	–	–	–
Gross block	–	8.27	25.32	46.86	71.29	105.14	168.92	284.03	631.14
Capital investment	–	7.13	25.23	15.55	27.31	34.41	71.68	159.87	463.35
Net current assets	0.06	13.94	32.47	41.17	54.20	97.23	472.96	612.13	797.86
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
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
Dividend per share (Rs.)**	–	1.75	2.25	2.50	2.75	3.00	3.75	4.50	10.00
Book value (Rs.)*	–	4.34	9.44	12.07	17.06	26.15	86.84	125.97	210.05
Other information									
Number of shareholders	7	6,033	6,526	6,909	6,414	6,622	9,527	46,314	89,643
Credit rating from CRISIL									
Commercial paper	–	–	"P1+"	"P1+"	"P1+"	"P1+"	"P1+"	"P1+"	"P1+"
Non-convertible debentures	–	–	"AA"	"AA"	"AA"	"AA"	"AA"	"AA"	"AAA"

Note:The above figures are based on Indian GAAP.

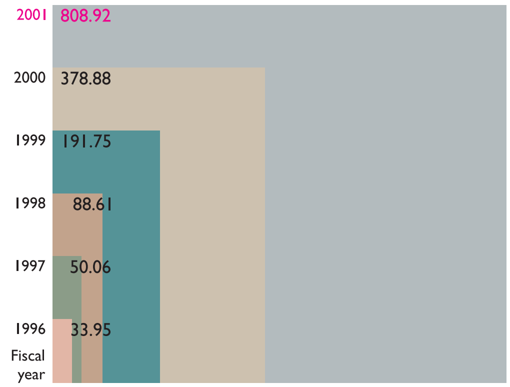
*Figures for the earlier years have been restated on par value of Rs. 5 per share and adjusted for bonus issues in previous years.

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

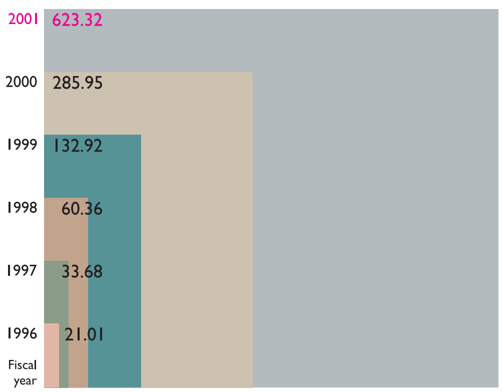
A historical perspective



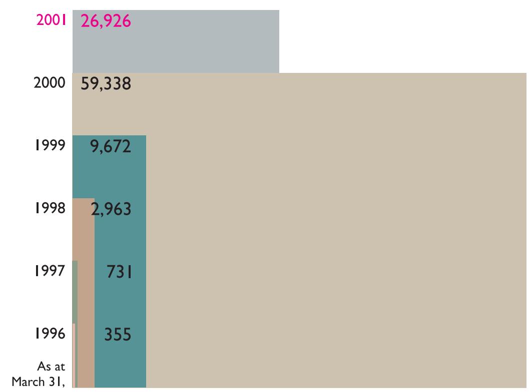
Revenue
in Rs. crore



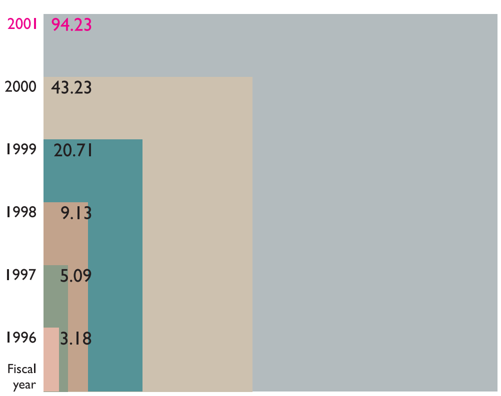
Operating profit
in Rs. crore



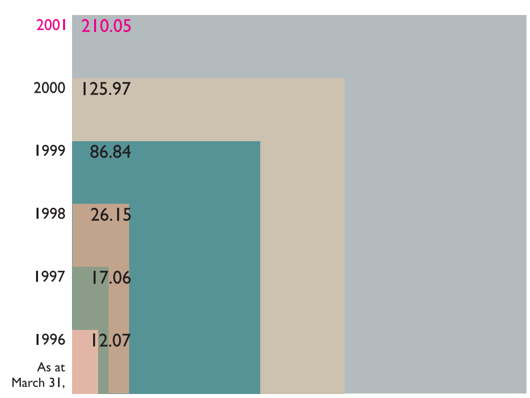
Profit after tax
from ordinary activities
in Rs. crore



Market capitalization
in Rs. crore



Earning per share
from ordinary activities
in Rs.



Book value
in Rs.

Infosys Foundation

A strong sense of responsibility is foremost among the core values of Infosys. This translates into a commitment to help people and communities, to enhance the living conditions of the rural population, and to improve education.

In fiscal 2001, the Infosys Foundation continued its commitment to the rural poor, to the underprivileged, and to the cause of education. Besides, it also helped promote Indian arts and culture. Grants from Infosys during the year aggregated Rs. 5.26 crore as compared to Rs. 2.80 crore in the previous year.

Following are some of the projects undertaken by the Foundation during the year.

1. Initiatives for the rural poor and the underprivileged

a. Construction of a hostel commenced at the Maharshi Karve Stree Shikshana Samsthe, Karvenagar, Pune. The hostel will offer accommodation to girls from the poorer sections of society and is expected to be operational by August 2001. An amount of Rs. 60 lakh has been committed for this purpose by the Foundation.

b. Construction of a 3,800 sq. ft. orphanage at Kalahandi, Orissa, was completed in December 2000, at a cost of about Rs. 8 lakh.

c. The Foundation donated about 340 sewing machines to destitute women in Karnataka and Tamil Nadu. This is expected to provide a secure means of livelihood for them. Additionally, a substantial sum has been spent on providing monetary assistance to these women.

d. The Foundation has aided several organizations in conducting social and literacy awareness campaigns in rural areas. The Foundation organized eye camps, donated ambulances and passenger vans, and donated a Braille system to a residential school for the blind.

2. Healthcare for the poor

a. Computerization of KEM Hospital and Seth G.S. Medical College, Mumbai, has started. This project will provide LAN and Internet facilities for the hospital and the college.

b. Construction of additional wards for the Swami Sivananda Centenary Hospital was launched during the year. This building will be able to accommodate 64 in-patients.

c. Construction of a 47,000 sq. ft. dharmashala – a free ward – for cancer patients availing treatment at the Kidwai Memorial Institute of Oncology, Bangalore, was completed during the year. The building, costing Rs. 3 crore, was inaugurated by S.M. Krishna, the Chief Minister of Karnataka.

d. A building with super-specialty facilities is being planned at Sassoon Hospital, Poona, for providing free treatment to the underprivileged.

e. A sum of Rs. 10 lakh was donated to the Swami Vivekananda Youth Movement, Mysore district, Karnataka, for the construction of a hospital. The hospital has been operational since August 2000.

3. Education

a. More often than not, rural children do not have access to high-quality facilities for education. The Foundation believes that every school should have its own library. The *Shalegondu Granthalaya* program has been extremely successful since it was started in 1997-98. Under the program, in Karnataka alone, more than 5000 sets of books have been donated to libraries of Kannada-medium schools in rural areas. Each set ranges from 200 to 2000 books depending on the number of students in the school.

b. The Foundation undertook reconstruction of old government schools located in the slums of Hyderabad, Andhra Pradesh, at a cost of about Rs. 10 lakh.

c. The construction of a hostel for the Nehru Seva Sangh's school for the blind at Banpur in Orissa has commenced. The total expenditure to date is about Rs. 8 lakh.

d. A number of scholarships have been awarded to children from economically backward families. The Pratibha Puraskar scholarship has been instituted for such students who have excelled in academics. The Foundation has also donated furniture and other equipment to schools.

4. Arts and culture

The Foundation strongly believes in preserving those arts and cultural activities of India, which are under threat of fading out. A North Karnataka folklore festival, featuring many distinguished artistes from Janapada Samshodhana Kendra of Dharwad, was organized in April 2000. Yoga, the art of living a healthy life, is being promoted by the Foundation. The Foundation is also adopting, for a period of one year, guilds that are engaged in handicrafts.

for Infosys Foundation

Bangalore	N. S. Raghavan	Sudha Murty	Sudha Gopalakrishnan
April 11, 2001	*Chairman*	*Trustee*	*Trustee*

Financial statements prepared in substantial compliance with GAAP requirements of various countries and reports of compliance with 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 / 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. This year, we provide 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), including a consolidation of subsidiary financial information, 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.

In the event of a conflict in interpretation, the audited Indian version of the financial statements and the Corporate governance section 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.

Corporate governance reports

Australia

The Australian Institute of Company Directors, the Australian Society of Certified Practicing Accountants, the Business Council of Australia, the Law Council of Australia, the Institute of Chartered Accountants of Australia, and the Securities Institute of Australia, formed a working group to study corporate governance issues which submitted the Bosch Report on corporate governance in 1995.

Your company complies substantially with all recommendations made by the working group, except the following:

1. *Chairman and CEO* – The current policy of the company is to have an executive chairman and chief executive officer (CEO), and a managing director, president and chief operating officer (COO). There is a clear demarcation of responsibilities and authority between the two. At present, the company does not have a non-executive director as deputy chairman.
2. *Composition of the board* – The current strength of the board is 16, with 8 executive directors and 8 non-executive, independent directors.
3. *Board membership term* – Indian law 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

"Good governance plays an important role in protecting shareholder rights, helping to maximize shareholder value over time, and assisting the creation of vibrant, dynamic and successful corporations." – Interim report, Joint Committee on Corporate Governance, March 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 interim report – "Beyond compliance : building a governance culture" – in March 2001.

Your company complies substantially with all recommendations made by the committee, except the following:

1. *Recommendation 4.1* – Selecting the CEO, monitoring performance and succession planning – At present, the succession planning of the CEO is not delegated to the board chairman or a lead director. At present, the CEO is also the chairman of the company. The chairman reviews succession planning and management development with the board from time to time.
2. *Recommendation 4.3* – Risk management – The board of directors is primarily responsible for monitoring risk levels on various parameters, and the management council is responsible for ensuring implementation of mitigation measures, if required. The audit committee provides overall direction on the risk management policies.
3. *Recommendation 5.3* – Ensuring board independence – The independent directors of the board do not formally meet, without the management, at regular intervals. However, they informally discuss any substantive issues, that may arise from time to time, with the chairman and CEO.
4. *Recommendation 5.3* – Responsibilities of the chairman – The chairman of the board is an executive director. The company has not identified any lead director to ensure the capacity of the board to act independent of management. The compensation committee of the board evaluates the performance of all the directors, including the CEO, at regular intervals.
5. *Recommendation 5.4* – The role of the corporate secretary – The company secretary reports to the chief financial officer of the company.

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 françaises. La Commission a fait paraître ses recommandations en septembre 1999.

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'assemble générale ordinaire est diffusé sur Internet et accessible à tous dans le monde entier.

4. *Recommandation I-B-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-A-3* – Séparation des fonctions de « chairman of the board » et de « chief executive officer »l. La politique actuelle de la société est d'avoir un « executive chairman /chief executive officer », et un directeur opérationnel « président/chief operating officer ». Il existe une délimitation claire entre les responsabilité et l'autorité de ces deux personnes.

6. *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 administrateurs indépendants est limitée 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.

7. *Recommandation II-D-2* – Non-cumul des fonctions d'administrateur. Selon la loi indienne, personne ne peut être administrateur dans plus de 20 sociétés.

8. *Recommandation II-D-4* – A l'heure actuelle, aucun des administrateurs n'est âgé de plus de 65 ans.

Unternehmensführungsbericht – Deutschland

"Unternehmensführungsvorschriften fördern und stärken das Vertrauen der derzeitigen und künftigen Aktionäre, Darlehensgeber, Beschäftigten, Geschäftspartner und der allgemeinen Öffentlichkeit in die nationalen und internationalen Märkte." – Unternehmensführungsvorschriften für börsennotierte deutsche Unternehmen, Juli 2000.

Das deutsche Gremium zu Fragen der Unternehmensführung hatte im Juli 2000 die "Unternehmensführungsvorschriften für börsennotierte deutsche Unternehmen" erlassen. Das Unternehmen besitzt eine Verwaltungsratsstruktur auf einer einzelnen Ebene. Der Verwaltungsrat setzt sich derzeit aus 16 Mitgliedern zusammen: acht an der Geschäftsleitung beteiligte Direktoren und acht nicht an der Geschäftsleitung beteiligte, selbstständige Direktoren. Der Verwaltungsrat besitzt vier Ausschüsse: den Wirtschaftsprüfungsausschuss, den Vergütungsausschuss, den Nominierungsausschuss und den Investorenbeschwerdeausschuss. Alle diese Ausschüsse – mit Ausnahme des Investorenbeschwerdeausschusses – bestehen gänzlich aus selbstständigen Direktoren. Der Investorenbeschwerdeausschuss besteht aus einem nicht an der Geschäftsleitung beteiligten Vorsitzenden und einigen der an der Geschäftsleitung beteiligten Direktoren.

Das Gremium hatte eine Reihe von Empfehlungen ausgesprochen. Ihr Unternehmen erfüllt im wesentlichen alle von diesem Ausschuss ausgesprochenen Empfehlungen, mit Ausnahme der folgenden:

1. *Empfehlung II (2) (a)* – Vorschriften über Informationen und Bekanntmachungen. Die Abstimmungsergebnisse der Jahreshauptversammlungen werden nicht auf der Internet-Homepage des Unternehmens bekannt gegeben. Der gesamte Ablauf der Jahreshauptversammlung wird über das Internet bekannt gemacht, und alle Aktionäre in jedem Teil der Welt hätten die Möglichkeit, darauf zuzugreifen.
2. *Empfehlung II (3) (a)* – Vergütung. Der Aktienoptionsplan des Unternehmens von 1999 enthält nicht an der Geschäftsleitung beteiligte Direktoren als Begünstigte. Laut dem Plan gehen die Optionen über einen Zeitraum von vier Jahren schrittweise in das Eigentum der betreffenden Person über. Doch ist der Vergütungsausschuss befugt, den Eigentumübergangsplan zu ändern, wenn die Umstände es erfordern. Jedoch wurden im laufenden Jahr bisher noch keine Optionen an die nicht an der Geschäftsleitung beteiligten Direktoren ausgegeben.
3. *Empfehlung III (1) (f)* – Aktienbesitz durch die Aufsichtsratsmitglieder. Das Unternehmen gibt Informationen zu Personen, die wirtschaftliche Eigentümer von mehr als 5% der Unternehmensaktien sind, in seinem Jahresbericht bekannt. Das Unternehmen gibt darüber hinaus Informationen zu Optionen bekannt, die im Lauf des Jahres an an der Geschäftsleitung beteiligte Direktoren und an nicht an der Geschäftsleitung beteiligte Direktoren vergeben wurden. Jedoch gibt das Unternehmen derzeit keine näheren Informationen zum Aktienbesitz der Direktoren für das vergangene Jahr und zu den Veränderungen beim Aktienbesitz der Direktoren für das vergangene Jahr bekannt.
4. *Empfehlung III (2) (e)* – Unabhängigkeit der Wirtschaftsprüfer. Der Wirtschaftsprüfungsausschuss des Verwaltungsrates besteht ausschließlich aus selbstständigen Direktoren des Unternehmens. Der Wirtschaftsprüfungsausschuss erhält von den unabhängigen Wirtschaftsprüfern entsprechend den geltenden regulatorischen Vorschriften formale schriftliche Erklärungen, in denen alle Beziehungen zwischen den Wirtschaftsprüfern und dem Unternehmen dargelegt werden.
5. *Empfehlung III (3)* – Allgemeiner Ausschuss. Das Unternehmen besitzt derzeit keinen allgemeinen Ausschuss. Der Verwaltungsrat ist für sämtliche unternehmenspolitischen Angelegenheiten sowie für strategische, planerische und operative Fragen zuständig. Die Überwachung der Einhaltung der Unternehmensführungsvorschriften obliegt derzeit dem Wirtschaftsprüfungsausschuss.
6. *Empfehlung III (3)* – Markt- und Kreditrisikoausschuss. Das Unternehmen besitzt derzeit keinen Markt- und Kreditrisikoausschuss. Der Verwaltungsrat ist für das Management der Markt- und Kreditrisiken des Unternehmens verantwortlich.
7. *Empfehlung III (3)* – Vermittlungsausschuss. Das Unternehmen besitzt derzeit keinen Vermittlungsausschuss. Die Ernennung der Direktoren des Verwaltungsrates obliegt dem Nominierungsausschuss.

Japan

コーポレート・ガバナンス（企業統治）－日本

「国際化された市場において効果的に企業を運営するために、良好なるコーポレート・ガバナンス（企業統治）の実行は、いかなる企業おいても必要前提条件となっている」－コーポレートガバナンス・コミッティー（企業統治委員会）、日本コーポレート・ガバナンス・フォーラム、1997 年 10 月 30 日。

企業統治原則が日本の企業に適用可能であるかを様々な観点から調査するために日本コーポレート・ガバナンス・フォーラムが、「コーポレートガバナンス・コミッティー（企業統治委員会）」を設立し、同委員会は 1997 年 10 月 30 日にそのレポートを提出した。
コーポレートガバナンス・コミッティー（企業統治委員会）は様々な推薦をし、貴社は以下の点を除いて、委員会により作成されたすべての推薦に大幅に準拠している：

1. 原則 7A および原則 10B　－　取締役会機能の独立－　会社の現在の方針は、会長、最高経営責任者（CEO）、そして常務取締役、社長、チーフオペレーティング オフィサーを有することとしている。この二区分の間には責任と権限の明確なたてわけがある。
2. 原則 8B－取締役会の大多数は非執行取締役－現在、全体の取締役会は、8 人の執行取締役および 8 人の独立取締役の計 16 人で構成されている。
3. 原則 12A－2 人以上の独立監査役の任命－企業は会計年度 1998 年以来独立監査委員会を設置している。監査委員会は、現在 5 人の取締役会の独立及び非執行取締役から構成される。会社の内部監査人及び外部監査人は、委員に要約するために、すべての監査委員会会議に出席する。委員会は、必要に応じてそれらの部門に関係している様々な問題において、それぞれの部門の長に出席の要求をする。
4. 原則 16A－株主会議を除いた主要株主のための情報会議－年次総会(AGM)の全体の進行はインターネット上のウェブカストで発信され、世界中どこから誰でもアクセス可能である。

United Kingdom

"Good corporate governance is not just a matter of prescribing particular corporate structures and complying with a number of hard and fast rules." – Committee on Corporate Governance, final report, January 1998

Directors' report on corporate governance

In June 1998, the London stock exchange published the principles of good governance and the code of best practice ("the combined code") which embraces the work of the Cadbury, Greenbury and Hampel committees, and became effective in respect of accounting periods ending on or before December 31, 1998.

The company has complied throughout the period under review with all the provisions of the combined code of good practice in corporate governance, as laid down in the listing rules of the London stock exchange, except the following:

1. *Code A.2.1* – At present, the roles of chairman and chief executive officer are not separated. The current policy of the company is to have an executive chairman and chief executive officer (CEO), and a managing director, president and chief operating officer (COO). However, there is a clear demarcation of responsibilities and authority between the two. The CEO is responsible for corporate strategy, brand equity, planning, external contacts, acquisitions, and board matters. The COO is responsible for all day-to-day operations-related issues, and for the achievement of annual targets in customer satisfaction, sales, profitability, quality, productivity, recruitment, training and employee retention. The company has 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 a proxy holding at least one-tenth of the total shares and 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 in a poll.

This statement along with the report of the compensation committee and the policies mentioned in the "Corporate governance" section of this 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 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
- 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 established 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 in weighing the assurances provided by any system of internal controls.

In addition, the company has put in place prudent risk management norms, which considers significant business risks and specifies the controls needed to manage them. A detailed report is provided in the *Risk management* section of this report. Further, as the business risk profile changes, new risks are periodically assessed. The controls are continually monitored using the risk management process, internal audit coverage and routine management review. The results are reviewed by the audit committee and 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.

	Sd.	Sd.
	Nandan M. Nilekani	N. R. Narayana Murthy
Bangalore	*Managing Director, President*	*Chairman*
April 11, 2001	*and Chief Operating Officer*	*and Chief Executive Officer*

Financial statements prepared in substantial compliance with GAAP requirements of Australia

Balance sheet (Unaudited)

Infosys Technologies Limited as at March 31

Australian dollars

	2001	2000
CURRENT ASSETS		
Cash	253,949,997	193,445,114
Receivables	132,909,996	51,818,160
Investments	–	–
Other	33,328,193	14,726,981
TOTAL CURRENT ASSETS	420,188,186	259,990,255
NON-CURRENT ASSETS		
Receivables	–	–
Investments	11,068,783	5,264,401
Property, plant and equipment	245,126,694	78,896,045
Intangibles	–	–
Other	23,204,507	15,696,107
TOTAL NON-CURRENT ASSETS	279,399,984	99,856,553
TOTAL ASSETS	699,588,170	359,846,808
CURRENT LIABILITIES		
Trade creditors	57,472	1,620,633
Unearned revenues	15,308,141	6,684,626
Provisions	68,980,707	31,278,580
TOTAL CURRENT LIABILITIES	84,346,320	39,583,839
NON-CURRENT LIABILITIES		
Borrowings	–	–
Provisions	–	–
TOTAL NON-CURRENT LIABILITIES	–	–
TOTAL LIABILITIES	84,346,320	39,583,839
NET ASSETS	615,241,850	320,262,969
SHAREHOLDERS' EQUITY		
Share capital	12,991,471	12,990,002
Reserves	602,250,379	307,272,967
Retained profits	–	–
Shareholders' equity attributable to members of the company	615,241,850	320,262,969
Convertible preferred stock	–	–
TOTAL SHAREHOLDERS' EQUITY	615,241,850	320,262,969

Financial statements prepared in substantial compliance with GAAP requirements of Australia

Profit and loss account (Unaudited)

Infosys Technologies Limited for the year ended March 31 *Australian dollars*

	2001	2000
Operating revenue	771,073,557	332,658,775
Operating profit before abnormal items and income tax	277,109,396	116,864,622
Abnormal items	–	–
Operating profit before income tax	277,109,396	116,864,622
Income tax expense / (benefit) attributable to		
Operating profit	27,108,845	13,001,320
Abnormal items	–	–
Income tax expense / (benefit) for the year	27,108,845	13,001,320
Operating profit after income tax	250,000,551	103,863,302
Outside equity interests in operating profit after income tax	–	–
Operating profit after income tax attributable to members of Infosys Technologies Limited	250,000,551	103,863,302
Dividend on preferred stock	–	–
Retained profits at the beginning of the financial year	–	–
Aggregate of amounts transferred from reserves	–	–
Total available for appropriation	250,000,551	103,863,302
Dividends provided for or paid	29,681,146	11,926,546
Aggregate of amounts transferred to reserves	220,319,405	91,936,756
Retained profits at the end of the financial year	–	–
Basic earnings per share	3.80	1.58
Diluted earnings per share	3.75	1.58

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:	2001	2000
Average exchange rate used	1 AUD = Rs.25.22	1 AUD = Rs. 27.70
Closing exchange rate used	1 AUD = Rs. 22.75	1 AUD = Rs. 26.28

3. Reconciliation between the Indian GAAP and the Australian GAAP statements: *Australian dollars*

		2001	2000
Net income as per Indian GAAP in Rs.		6,288,136,341	2,935,156,665
Net income as per Indian GAAP in Aus $		249,331,338	105,962,334
Less :	Provision for gratuity	–	(1,166,339)
	Extraordinary income	(2,178,588)	(2,731,799)
	Expenses against provisions for contingencies and e-inventing the company	(154,678)	(1,997,407)
Add :	Provision for deferred taxes	1,721,449	1,330,810
	Provision for contingencies and e-inventing the company	–	2,465,703
	Provision for gratuity	1,281,030	–
Net income as per Australian GAAP		250,000,551	103,863,302

Financial statements prepared in substantial compliance with GAAP requirements of Canada

Balance sheet (Unaudited)

Canadian dollars

March 31	2001	2000
ASSETS		
Current assets		
Cash and cash equivalents	195,181,164	169,457,920
Accounts receivable	102,152,109	45,392,708
Inventories	–	–
Prepaid expenses and other assets	25,615,418	12,900,836
	322,948,691	227,751,464
Property, plant and equipment	188,399,740	69,112,935
Investments	8,507,257	4,611,616
Deferred taxes	5,246,761	3,729,640
Other assets	12,587,783	10,020,149
	537,690,232	315,225,804
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	44,172	1,419,675
Accrued liabilities	51,101,799	26,781,318
Current portion of long-term obligations	–	–
Advances received from clients	1,915,467	618,718
Unearned revenue	11,765,547	5,855,732
	64,826,985	34,675,443
Long-term obligations	–	–
	64,826,985	34,675,443
Minority interest	–	–
Share capital		
Common shares – 66,158,117 outstanding (2000 – 66,150,700 outstanding)	12,364,630	12,363,410
Additional paid-in capital	117,583,215	116,801,747
Accumulated foreign currency translation adjustment	(16,929,115)	(25,621,031)
Retained earnings	359,844,517	177,006,235
	537,690,232	315,225,804

Financial statements prepared in substantial compliance with GAAP requirements of Canada

Statement of earnings and retained earnings (Unaudited)

Canadian dollars

Year ended March 31	2001	2000
Sales	625,391,866	299,804,179
Cost of sales	322,784,546	163,705,072
Gross margin	302,607,320	136,099,107
EXPENSES		
Selling, general and administration expenses	87,145,568	39,403,933
Income from operations	215,461,752	96,695,174
Interest and other income	14,505,308	13,299,731
Interest expense	–	–
Earnings before income taxes	229,967,060	109,994,905
Provision for income taxes	22,497,040	12,237,056
Net earnings	207,470,020	97,757,849
Cash dividend declared	24,631,738	11,225,461
	182,838,282	86,532,388
Retained earnings, beginning of the year	177,006,235	90,473,847
Adjustment on deconsolidation of subsidiary	–	–
Capitalization of profits	–	–
Retained earnings, end of the year	359,844,517	177,006,235
EARNINGS PER SHARE		
Net earnings		
Basic	3.15	1.49
Fully diluted	3.11	1.48
Weighted average number of shares		
Basic	65,771,256	65,659,625
Fully diluted	66,714,739	65,863,990

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:

	2001	2000
Average exchange rate used	1 CAD = Rs. 30.39	1 CAD = Rs. 29.43
Closing exchange rate used	1 CAD = Rs. 29.60	1 CAD = Rs. 30.00

3. Reconciliation between the Indian GAAP and the Canadian GAAP statements:

	2001	2000
Net income as per Indian GAAP in Rs.	6,288,136,341	2,935,156,665
Net income as per Indian GAAP in Canadian dollars	206,914,654	99,733,492
Less : Provision for gratuity	–	(1,097,778)
Extraordinary income	(1,807,963)	(2,571,215)
Expenses against provisions for contingencies and e-inventing the company	(128,364)	(1,879,992)
Add : Provision for deferred taxes	1,428,593	1,252,580
Provision for contingencies	–	2,320,762
Provision for gratuity	1,063,100	–
Net earnings as per Canadian GAAP	207,470,020	97,757,849

Financial statements prepared in substantial compliance with GAAP requirements of France

Etats financiers préparés selon les principes comptables français (non vérifiés)

Compte de résultat

	2001	2000
		FRF
Produits d'exploitation		
Vente de marchandises	–	–
Production vendues	3,021,567,378	1,307,146,219
Montant net du chiffres d'affaires	3,021,567,378	1,307,146,219
Production stockée	–	–
Production immobilisée	–	–
Subventions d'exploitation	–	–
Reprises sur amortissements, provisions et transfert de charges	–	–
Autres produits	–	–
Total des produits d'exploitation (I)	3,021,567,378	1,307,146,219
Charges d'exploitation		
Achat de marchandises	9,064,190	4,214,578
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	1,141,149,110	495,643,041
Dotations aux amortissements et aux provisions	–	–
Sur immobilisations : Dotation aux amortissements	179,482,536	78,863,317
Sur immobilisations : Dotations aux provisions	–	–
Sur actif circulant : Dotations aux provisions	–	–
Pour risques et charges: dotation sur provisions	–	–
Autres charges	650,872,709	306,834,328
Total des charges d'exploitation (II)	1,980,568,545	885,555,264
Résultat d'exploitation (I-II)	1,040,998,833	421,590,955
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	70,082,084	57,986,829
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)	70,082,084	57,986,829
Charges financières		
Dotations aux amortissements et aux provisions	–	–
Intérêt et charges similaires	–	–
Différences négatives de change	–	–
Charges nettes sur cessions de valeurs mobilières de placements	–	–
Total des charges financières (VI)	–	–
Résultat financier (V-VI)	70,082,084	57,986,829
Résultat courant avant impôts (I-II + III-IV + V-VI)	1,111,080,917	479,577,784

Financial statements prepared in substantial compliance with GAAP requirements of France

	2001	2000
		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)	108,693,968	53,353,565
Total des produits (I + III + V + VII)	3,091,649,462	1,365,133,048
Total des charges (II + IV + VI + VII + IX + X)	2,089,262,513	938,908,829
Dividendes préciputaires	–	–
Participation à la perte de filiale déconsolidées	–	–
Bénéfice ou perte	1,002,386,949	426,224,219

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 actif et passif 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 *Reserves*.

2. Taux de change utilisé

	2001	2000
Taux moyen de change utilisé	1 FRF = Rs. 6.29	1 FRF= Rs. 6.75
Taux de change de clôture utilisé	1 FRF = Rs. 6.23	1 FRF= Rs. 6.32

3. Rapprochement entre les états financiers établis selon les principes comptables indiens et français: *FRF*

	2001	2000
Résultat net selon les principes comptables indiens en Rs.	6,288,136,341	2,935,156,665
Résultat net selon les principes comptables indiens en FRF	999,703,711	434,838,024
Soustraction du revenu net de la filiale inclus en consolidation en FRF		
Moins: diminutions relatives aux provision retraite	–	(4,786,311)
Moins: Produit extraordinaire	(8,735,135)	(11,210,496)
Moins: Dépenses liées aux provisions pour risques et charges	(620,187)	(8,196,767)
Addition des provisions pour impôts différés en FRF	6,902,216	5,461,250
Addition relatives aux provisions pour risques et charges	–	10,118,519
Addition relatives aux provision pour retraite	5,136,344	
Résultat net selon les principes comptables français en FRF	1,002,386,949	426,224,219

Financial statements prepared in substantial compliance with GAAP requirements of France

Etats financiers préparés selon les principes comptables français (non vérifiés)
Bilan le 31 mars, *FRF*

Actif	2001 Brut	2001 Amortissements ou Provisions	2001 Net	2000 Net
Actif immobilisé				
Immobilisations incorporelles				
Frais d'établissements	–	–	–	–
Frais de recherche et de développement	–	–	–	–
Fonds comercial	–	–	–	–
Autres	–	–	–	–
Avance et acomptes	–	–	–	–
	–	–	–	–
Immobilisations corporelles				
Terrains	58,781,825	–	58,781,825	33,347,003
Constructions	253,138,782	21,474,184	231,664,598	84,920,255
Installations techniques, matériel	539,311,474	289,612,587	249,698,887	94,991,231
Autres immobilisations corporelles	161,840,797	80,777,752	81,063,045	24,682,105
Immobilisations corporelles en cours	273,917,215	–	273,917,215	90,127,137
Avances et acomptes versés				
	1,286,990,093	391,864,523	895,125,570	328,067,731
Immobilisations financières				
Placements évalués selon la participation	–	–	–	–
Autres participations	–	–	–	–
Créances rattachées à des participations	–	–	–	–
Autres titres immobilisés	40,419,714	–	40,419,714	21,890,581
Prêts	–	–	–	–
Autres	–	–	–	–
	40,419,714	–	40,419,714	21,890,581
Total de l'actif (I)	1,327,409,807	391,864,523	935,545,284	349,958,312
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	120,281,808	–	120,281,808	82,845,865
Créances				
Créances clients et comptes rattachés	–	–	–	–
Autres créances	514,514,592	29,169,100	485,345,492	215,471,718
Capital souscrit-appelé, non versél	–	–	–	–
Valeurs immobilières de placement	–	–	–	–
Disponibilités	927,345,496	–	927,345,496	804,388,860
	1,441,860,088	29,169,100	1,412,690,988	1,019,860,578
Charges constatées d'avance	61,229,390	–	61,229,390	25,956,280
Total d'actif circulant (II)	1,623,371,286	29,169,100	1,594,202,186	1,128,662,723
Impôts différés (III)	24,928,433	–	24,928,433	17,703,987
Primes de remboursement des obligations (IV)	–	–	–	–
Ecart de conversion actif (V)	–	–	–	–
Total Général (I + II + III + IV + V)	2,975,709,526	421,033,623	2,554,675,903	1,496,325,022

Financial statements prepared in substantial compliance with GAAP requirements of France

FRF

Passif	2001	2000
Capitaux propres		
Capital social	49,257,515	49,251,619
Primes d'émission (de fusion, d'apport)	456,082,232	452,306,585
Ecart de réévaluation	–	–
Réserves (bénéfices non distribués)		
Réserve légale	–	–
Réserve statutaires	–	–
Réserves réglementées	–	–
Autres réserves	1,690,576,768	807,197,531
Report à nouveau	–	–
Résultat de l'exercice (Bénéfice ou perte)	–	–
Subventions d'investissement	–	–
Provisions réglementées	–	–
Total des capitaux propres (I)	2,195,916,515	1,308,755,735
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	65,001,286	30,733,151
Dettes d'exploitation		
Dettes fournisseurs et comptes rattachés	209,868	6,738,962
Dettes fiscales et sociales	–	–
Autres dettes		
Dettes sur immobilisations et comptes rattachés	–	–
Autres dettes	242,795,066	127,126,510
Produits constatés d'avance	–	–
Total des dettes (III)	308,006,220	164,598,623
Intérêt minoritaire	–	–
Ecart de conversion passif (IV)	50,753,168	22,970,664
Total Général (I + II + III + IV)	2,554,675,903	1,496,325,022

Jahresabschluss erarbeitet in wesentlicher Übereinstimmung mit den Grundsätzen einer ordnungsgemäßen Buchführung (GAAP) verschiedener Länder – Deutschland (untestiert)

Bilanz 31. März *(DM)*

	2001	2000
AKTIVA		
Immaterielle Vermögensgegenstände	–	–
Sachanlagen	266.696.905	97.893.676
Finanzanlagen	12.042.794	6.532.033
Anlagevermögen	278.739.699	104.425.709
Vorräte	–	–
Forderungen aus Lieferungen und Leistungen	144.605.568	64.295.621
Sonstige Forderungen und sonstige Vermögensgegenstände	36.260.946	18.273.138
Marktfähige Wertpapiere und Obligationen	–	–
Kasse, Bank	276.296.626	240.025.382
Umlaufvermögen	457.163.140	322.594.141
Aktiver Rechnungsabgrenzungsposten einschl. latenter Steuern	25.246.415	19.475.622
Aktiva gesamt	761.149.254	446.495.472
PASSIVA		
Gezeichnetes Kapital	14.556.575	14.554.818
Kapitalrücklage	135.055.347	133.930.344
Gewinnrücklagen	519.768.859	248.894.952
Eigenkapital	669.380.781	397.380.114
Einziehbare Vorzugsaktien	–	–
Registrierte Gewinnbeteiligungszertifikate	–	–
Pensionsrückstellungen	–	–
Sonstige Rückstellungen	72.339.228	37.933.878
Rückstellungen	72.339.228	37.933.878
Verbindlichkeiten aus Lieferungen und Leistungen	62.529	2.010.870
Sonstige Verbindlichkeiten	2.711.517	876.372
Verbindlichkeiten	2.774.046	2.887.242
Passiver Rechnungsabgrenzungsposten	16.655.199	8.294.238
Passiva gesamt	761.149.254	446.495.472

Jahresabschluss erarbeitet in wesentlicher Übereinstimmung mit den Grundsätzen einer ordnungsgemäßen Buchführung (GAAP) verschiedener Länder – Deutschland (untestiert)

Nach den allgemeingültigen Buchführungsmethoden (GAAP) erfasster Finanzbericht (ungeprüft)

Gewinn- und Verlustrechnung für das Geschäftsjahr zum 31. März

DM

	2001	2000
Umsatzerlöse	900.315.434	389.891.161
Kosten zur Erzielung der Umsatzerlöse	464.681.305	212.896.168
Bruttoergebnis vom Umsatz	435.634.129	176.994.993
Allgemeine Kosten, Vertriebs- und Verwaltungskosten	125.454.941	51.244.267
Sonstiges betriebliche Erträge	–	–
Sonstige betriebliche Aufwendungen	–	–
Betriebsgewinn	310.179.188	125.750.726
Zinsen und ähnliche Erträge	20.881.871	17.296.116
Ergebnis der gewöhnlichen Geschäftstätigkeit	331.061.059	143.046.842
Außerordentliche Erträge	–	–
Ertrag vor Steuer	331.061.059	143.046.842
Steuern vom Einkommen	32.386.786	15.914.121
Dividende auf Vorzugsaktien	–	–
Verlorenes Kapital durch dekonsolidierte Tochtergesellschaft	–	–
Jahresüberschuss	298.674.273	127.132.721
Zuweisung zu Gewinnrücklagen	263.214.372	112.534.165
Dividenden an Aktionäre	35.459.901	14.598.556
Ungebundener Gewinn	–	–

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 Jahresendkurs, dauerhafte Investitionen zum Umrechnungskurs zum Zeitpunht der Investition. Die Währungsumrechnungsdifferenz wird unter den Gewinnrücklagen ausgewiesen

2. Verwendete wechselkurse

	2001	2000
Verwendeter durchschnittlicher Wechselkurs	1 DM = Rs. 21,11	1 DM = Rs. 22,63
Verwendeter Jahresendwechselkurs	1 DM = Rs. 20,91	1 DM = Rs. 21,18

3. Abgleich zwischen den Abschlüssen nach indischen GAAP und deutschen GAAP (DM):

	2001	2000
Jahresüberschuss nach indischen GAAP in Rs.	6.288.136.341	2.935.156.665
Jahresüberschuss nach indischen GAAP in DM	297.874.767	129.702.018
Abzüglich:		
bei Konsolidierung mit aufgenommenes Nettoeinkommen / (Verlust) der Tochtergesellschaft	–	–
Rücklage für Zuwendungen	–	(1.427.645)
Außerordentliche Erträge	(2.602.748)	(3.343.829)
Aufwendungen für Rückstellungen für Eventualverbindlichkeiten and e-Erfindungen des Unternehmens	(184.793)	(2.444.904)
Plus:		
Rückstellungen für Steuern	2.056.605	1.628.963
Rückstellungen für Eventualverbindlichkeiten and e-Erfindungen des Unternehmens	–	3.018.118
Bestimmung für Gratifikationen	1.530.442	–
Gewinn für das Geschäftsjahr nach deutschen GAAP	298.674.273	127.132.721

Financial Statements prepared in substantial compliance with GAAP requirements of Japan

財務諸表（日本の会計基準準拠）［未監査］

連結損益計算書

Infosys Technologies Limited	2001	2000
３月３１日		
	¥	
売上高	46,063,157,559	22,428,157,034
売上原価	23,774,654,239	12,246,670,765
売上総利益	22,288,503,320	10,181,486,268
販売費及び一般管理費	6,418,695,618	2,947,782,794
営業利益	15,869,807,702	7,233,703,475
受取利息及びその他収益	1,068,386,587	994,944,319
支払利息	-	-
	1,068,386,587	994,944,319
経常利益及び税引前当期利益	16,938,194,290	8,228,647,794
法人税、住民税及び事業税	1,657,016,628	915,446,273
当期利益	15,281,177,662	7,313,201,521
前期繰越利益	14,041,714,672	7,568,282,636
中間配当金	(1,814,247,472)	(839,769,484)
当期未処分利益	27,508,644,862	14,041,714,672
加重平均株数	65,771,256	65,659,625
一株当たり当期利益	232	111

Financial Statements prepared in substantial compliance with GAAP requirements of Japan

貸借対照表

Infosys Technologies Limited ３月３１日	2001	2000
資産の部	¥	
流動資産		
現金及び現金価物	15,447,493,160	12,226,401,142
	-	-
売掛金	8,084,765,821	3,275,087,189
棚卸資産	-	-
その他流動資産	2,027,316,513	930,796,217
流動資産合計	25,559,575,495	16,432,284,548
固定資産		
有形固定資産		
建物	4,216,723,556	1,416,571,041
機械装置	8,983,717,866	3,944,124,226
器具備品及び車両運搬具	2,695,904,187	963,383,826
	15,896,345,610	6,324,079,093
控除：減価償却累計額	6,527,582,840	3,214,335,243
	9,368,762,770	3,109,743,850
土地	979,173,174	506,861,607
建設仮勘定	4,562,845,588	1,369,897,799
固定資産合計	14,910,781,532	4,986,503,256
無形固定資産	-	-
投資有価証券及びその他投資	673,301,660	332,728,401
その他資産	1,411,504,088	992,048,301
資産合計	42,555,162,775	22,743,564,506
負債の部		
流動負債		
前受収益	931,177,008	422,491,494
長期借入金	-	-
買掛金	3,495,928	102,429,627
未払費用	2,704,845,511	1,448,170,512
その他流動負債	1,491,173,401	528,744,098
流動負債合計	5,130,691,848	2,501,835,731
長期借入金		
資本の部		
資本金	1,032,401,384	1,032,311,502
資本準備金	9,766,136,824	9,708,577,878
当期未処分利益	27,508,644,863	14,041,714,672
為替換算調整勘定	(882,712,142)	(4,540,875,278)
資本合計	37,424,470,928	20,241,728,775
負債及び資本合計	42,555,162,775	22,743,564,506

Financial statements prepared in substantial compliance with GAAP requirements of the United Kingdom

Balance sheet as at March 31 (Unaudited)

	2001	2000
Fixed assets		
Tangible fixed assets	83,934,863	29,828,630
Investments	3,790,109	1,990,339
	87,724,972	31,818,969
Current assets		
Stocks	–	–
Debtors	45,510,271	19,591,156
Cash at bank and in hand	86,956,087	73,136,780
Others - advances and prepayments	17,020,090	9,892,527
Deferred tax asset	2,337,510	1,609,685
	151,823,958	104,230,148
Creditors – amounts falling due within a year		
Creditors	19,679	612,721
Dividend	7,540,654	2,895,846
Provisions and other liabilities	21,321,045	11,457,097
	28,881,378	14,965,664
Net current assets	122,942,580	89,264,484
Loans and advances more than one year	–	–
Total assets less current liabilities	210,667,552	121,083,453
Capital and reserves		
Called-up share capital	5,250,225	5,249,675
Share premium account	48,247,352	47,895,413
Retained profits	157,169,975	67,938,365
Equity shareholders' funds	210,667,552	121,083,453
Convertible preferred stock	–	–
	210,667,552	121,083,453

£

Financial statements prepared in substantial compliance with GAAP requirements of the United Kingdom

Profit and loss account for the years ended March 31 (Unaudited)

£	2001	2000
Turnover	281,648,767	126,770,646
Operating expenses	184,614,347	85,883,592
Operating profit	97,034,420	40,887,054
Interest receivable	6,532,548	5,623,722
Interest payable	–	–
Net interest (payable)/receivable	6,532,548	5,623,722
Profit on ordinary activities before taxation and exceptional items	103,566,968	46,510,776
Exceptional items	–	–
Profit on ordinary activities before taxation	103,566,968	46,510,776
Taxation on profit on ordinary activities	10,131,670	5,174,376
Profit on ordinary activities after taxation	93,435,298	41,336,400
Dividend on preferred stock	–	–
Equity in loss of deconsolidated subsidiary	–	–
Profit for the financial year	93,435,298	41,336,400
Dividends	11,093,042	4,746,628
Retained profits for the financial year	82,342,256	36,589,772
Earnings per ordinary share:		
Undiluted	1.42	0.63
Diluted	1.42	0.63

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 retained profits.

2. Exchange rates used:

	2001	2000
Average exchange rate used	1£ = Rs. 67.48	1£ = Rs. 69.60
Closing exchange rate used	1£ = Rs. 66.44	1£ = Rs. 69.51

3. Reconciliation between Indian GAAP and UK GAAP statements:

£	2001	2000
Net income as per Indian GAAP in Rs.	6,288,136,341	2,935,156,665
Net income as per Indian GAAP in £	93,185,185	42,171,791
Less : Provision for gratuity	–	(464,190)
Expenses against provisions for contingency and e-inventing the company	(57,809)	(794,945)
Extraordinary income	(814,226)	(1,087,225)
Add : Provision for deferred taxes	643,375	529,647
Provision for contingency and e-inventing the company	–	981,322
Provision for gratuity	478,773	–
Profit for the financial year as per the UK GAAP	93,435,298	41,336,400

Attachment to the Balance Sheet as per Section 212 of the Companies Act, 1956

Consolidated Balance Sheets of Yantra Corporation as at March 31,

in '000s

	2001		2000	
	$	Rs.	$	Rs.
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	30,935	144,03,33	16,844	73,43,98
Marketable securities	10,739	50,00,08	–	–
Accounts receivable, net of allowances for doubtful accounts of $335 and $295 at March 31, 2001 and 2000	2,475	11,52,36	2,805	12,22,98
Prepaid expenses and other current assets	932	4,33,94	415	1,80,94
Total current assets	45,081	209,89,71	20,064	87,47,90
Property and equipment, net	5,455	25,39,85	2,539	11,07,01
Other long-term assets	950	4,42,32	285	1,24,26
TOTAL ASSETS	51,486	239,71,88	22,888	99,79,17
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES				
Current portion of long-term obligations	1,977	9,20,49	987	4,30,33
Accounts payable	949	4,41,85	1,388	6,05,17
Accrued expenses	3,660	17,04,10	2,836	12,36,50
Deferred revenue	2,801	13,04,15	3,181	13,86,91
Total current liabilities	9,387	43,70,59	8,392	36,58,91
Long-term obligations, excluding current portion	1,507	7,01,66	3,650	15,91,40
Total liabilities	10,894	50,72,25	12,042	52,50,31
STOCKHOLDERS' EQUITY				
Redeemable convertible preferred stock, $0.01 par value; 32,809,864 and 22,717,708 shares authorized; 30,119,744 and 20,517,241 shares issued and outstanding at March 31, 2001 and 2000	79,200	368,75,52	26,991	117,68,08
Common stock, $0.01 par value; 75,000,000 and 50,000,000 shares authorized; 10,989,744 and 10,080,100 shares issued and outstanding at March 31, 2001 and 2000	110	51,22	101	44,04
Additional paid-in capital	3,343	15,56,50	2,722	11,86,79
Notes receivable from stockholders	(653)	(3,04,04)	(816)	(3,55,78)
Accumulated other comprehensive loss	(35)	(16,30)	–	–
Accumulated deficit	(41,373)	(192,63,27)	(18,152)	(79,14,27)
Total stockholders' equity	40,592	188,99,63	10,846	47,28,86
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	51,486	239,71,88	22,888	99,79,17

1. The audited balance sheets of Yantra Corporation are in U.S. dollars and as per US GAAP and, are translated into Indian Rupees at the closing exchange rates on March 31, 2001 and 2000, of $ 1 = Rs. 46.56 and $ 1 = Rs. 43.60, respectively.
2. The Department of Company Affairs, Government of India, has granted exemption from the reporting requirements of Section 212 of the Companies Act, 1956, except in the case of the above balance sheets of Yantra Corporation.

Corrigendum

On Page 23, Line 44, instead of $ 40 million read as $ 49 million

On Page 81, Line 3, instead of $ 40 million read as $ 49 million

On Page 104, Line 12, instead of $ 40 million read as $ 49 million

On Page 118, Line 24, instead of $ 40 million read as $ 49 million

On Page 143, Line 2, instead of $ 40 million read as $ 49 million

On Page 145, Line 40, instead of $ 40 million read as $ 49 million

On Page 155, Line 31, instead of $ 40 million read as $ 49 million

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