



# Financial Highlights

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Certain statements made in this Analyst Meet concerning our future growth prospects are forward-looking statements, which involve a number of risks and uncertainties that could cause actual results to differ materially from those in such forward-looking statements. The risks and uncertainties relating to these statements include, but are not limited to, risks and uncertainties regarding fluctuations in earnings, our ability to manage growth, intense competition in IT services including those factors which may affect our cost advantage, wage increases in India, our ability to attract and retain highly skilled professionals, time and cost overruns on fixed-price, fixed-time frame contracts, client concentration, restrictions on immigration, industry segment concentration, our ability to manage our international operations, reduced demand for technology in our key focus areas, disruptions in telecommunication networks or system failures, our ability to successfully complete and integrate potential acquisitions, liability for damages on our service contracts, the success of the companies in which Infosys has made strategic investments, withdrawal of governmental fiscal incentives, political instability and regional conflicts, legal restrictions on raising capital or acquiring companies outside India, and unauthorized use of our intellectual property and general economic conditions affecting our industry. Additional risks that could affect our future operating results are more fully described in our United States Securities and Exchange Commission filings including our Annual Report on Form 20-F for the fiscal year ended March 31, 2010 and on Form 6-K for the quarters ended June 30, 2010 and September 30, 2010. These filings are available at [www.sec.gov](http://www.sec.gov). Infosys may, from time to time, make additional written and oral forward-looking statements, including statements contained in the company's filings with the Securities and Exchange Commission and our reports to shareholders. The company does not undertake to update any forward-looking statements that may be made from time to time by or on behalf of the company.

- Revenue growth of 10.2% qoq, constant currency growth of 9.3%
- EPS of \$ 0.65 vs guidance of \$ 0.59-\$ 0.60
- Operating margins went up by 190 bps qoq
- Volume growth of 7.2% qoq; onsite volumes grew 11.4% qoq due to new project starts
- Pick up in discretionary spend led to 2.5% increase in blended revenue productivity (constant currency)
- Strong growth seen in Consulting & Package Implementation and Europe
- 14,264 employees added (gross)

The first two quarters came out better than what we expected...

	Q1 11		Q2 11	
	Guidance	Actuals	Guidance	Actuals
<b>Revenues (\$ mn)</b>	1,330 - 1,340	1,358	1,413 - 1,427	1,496
<b>EPS (\$)</b>	0.55-0.56	0.57	0.59 - 0.60	0.65

...consequently, we increased our guidance for FY 11

	April guidance	July guidance	October guidance
<b>Revenue (US \$ bn)</b>	5.57 – 5.67	5.72 – 5.81	5.95 – 6.00
<b>Revenue growth-reported</b>	16% – 18%	19% – 21%	24% – 25%
<b>EPADS (\$)</b>	2.40 – 2.50	2.42 – 2.52	2.54 – 2.58
<b>EPADS growth</b>	4.3% – 8.6%	5.1% – 9.5%	10.4% – 12.2%
<b>Employee additions (Gross)</b>	30,000	36,000	40,000

# The environment continues to be uncertain

- Economic uncertainty
- Currency volatility
- Regulatory changes

Our aim is to have high quality  
growth

Over the years, we maintained our operating margins in a narrow band.

%	FY 06	FY 07	FY 08	FY 09	FY 10	H1 11
Revenues	100.0	100.0	100.0	100.0	100.0	100.0
Cost of sales	57.8	57.5	58.7	57.9	57.2	58.0
<b>Gross Profit</b>	<b>42.2</b>	<b>42.5</b>	<b>41.3</b>	<b>42.1</b>	<b>42.8</b>	<b>42.0</b>
S&M expenses	6.3	6.8	5.5	5.1	5.2	5.5
G&A expenses	8.0	8.1	8.0	7.5	7.2	7.3
Amortization	-	0.1	-	-	-	-
<b>Operating profit</b>	<b>27.8</b>	<b>27.6</b>	<b>27.8</b>	<b>29.5</b>	<b>30.4</b>	<b>29.3</b>
Other income/Gain on sale of investments	1.4	2.7	4.2	2.2	4.4	3.9
<b>Profit before tax</b>	<b>29.3</b>	<b>30.3</b>	<b>31.9</b>	<b>31.6</b>	<b>34.7</b>	<b>33.1</b>
Income taxes	3.3	2.7	4.1	4.2	7.4	8.6
<b>Profit after tax</b>	<b>26.0</b>	<b>27.6</b>	<b>27.8</b>	<b>27.5</b>	<b>27.3</b>	<b>24.5</b>
<b>Pricing change (%)</b>	<b>0.7</b>	<b>4.9</b>	<b>5.2</b>	<b>(3.0)</b>	<b>(4.0)</b>	<b>(0.3)</b>
<b>Average USD-INR rate</b>	<b>44.21</b>	<b>45.06</b>	<b>40.00</b>	<b>46.54</b>	<b>47.43</b>	<b>46.03</b>



- Revenue growth
- Pricing increases
- Improving revenue productivity by focusing on high revenue productivity services
- Scale benefits on G&A costs
- Onsite-offshore mix
- Contribution to margins by subsidiaries performing better
- Employee utilization
- Employee pyramid resulting in manageable per-capita employee cost
- Portfolio of customers and geographies
- Variable compensation structure
- Discretionary costs

# Quality of earnings is very important

- Depreciation policies - Computers 2 - 5 years; Buildings – 15 years and other assets – 5 years
- R&D costs – Fully amortized, when incurred
- Software costs – Fully amortized, when incurred
- Accounts receivables – Provide for all receivables more than 180 days old and also all doubtful receivables
- Hedging instruments – Marked-to-market, every quarter
- Retirement benefits to employees – Mostly defined contribution plans; Gratuity which is a defined benefit plan is actuarially valued and provided for every quarter

# We have a strong Balance Sheet

# Strong Balance Sheet

\$ mn

	30 <sup>th</sup> Sep, 2010	%	31 <sup>st</sup> Mar, 2010	%
<b>ASSETS</b>				
Cash and cash equivalents	3,869	57	3,532	57
Trade receivables	928	14	778	13
Other current assets	414	6	351	6
<i>Total current assets</i>	<i>5,211</i>	<i>77</i>	<i>4,661</i>	<i>76</i>
Property, plant & equipment	1,008	15	989	16
Goodwill and intangible assets	195	3	195	3
Other non-current assets	328	5	303	5
<b>Total assets</b>	<b>6,742</b>	<b>100</b>	<b>6,148</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
Current liabilities	825	12	710	12
Non-current liabilities	58	1	77	1
Share capital	64	1	64	1
Retained earnings	5,096	76	4,611	75
Share premium and other components of equity	699	10	686	11
<b>Total liabilities and equity</b>	<b>6,742</b>	<b>100</b>	<b>6,148</b>	<b>100</b>

- Zero-debt
- Cash and equivalents of \$ 3.87 bn (as of Sep 30, 2010) represent 57% of total assets
- High cash generation – FCF of \$ 1.31 bn in FY 10; \$ 560 mn in H1 11
- DSO at 63 days; 77.6% of receivables are less than 30 days
- Dividend policy – To pay up to 30% of net profits as dividend every year
- Declared a 30<sup>th</sup> year special dividend of \$ 0.67 per ADS (at USD-INR rate of 44.50)

# Currency

- We are pro-actively hedging our exposure – both in rupee-dollar and cross currencies
- We have US\$ 556 mn of hedges as of September 30, 2010
- We are continuing with our policy of covering upto next two quarters of net exposures at any point of time
- We believe that in a highly volatile currency environment, it is better to take a short-term view instead of a long-term view

	FY 09	FY 10	H1 FY 11
<b>% of revenues</b>			
- USD	71.1	73.3	74.0
- GBP	12.7	9.2	6.9
- Euro	7.1	6.9	6.4
- AUD	4.6	5.8	6.1
<b>Yoy movement* (%)</b>			
- USD-INR	16.3	1.9	(5.3)
- GBP-USD	(15.9)	(5.3)	(5.0)
- Euro-USD	(2.1)	-	(8.6)
- AUD-USD	(10.3)	9.0	11.3

\* Yoy movement calculated over average rates

**Every 1% movement in rupee dollar rate has a 40 bps impact on the operating margins**



# Our flexible financial model helps us to navigate through volatile currency environment

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<b>USD-INR change (%) - average rate</b>	<b>(1.5)</b>	<b>1.9</b>	<b>(11.2)</b>	<b>16.3</b>	<b>1.9</b>	<b>(5.3)</b>

# Income taxes

- Software Technology Park Scheme (STP) provides 10 year tax holiday. Exemption available only till March 31, 2011
- Special Economic Zones (SEZ) – Income fully exempt for first 5 years, 50% exempt for the next 5 years and 50% exempt for another 5 years subject to fulfilling certain conditions – All units notified by 2012 and operational by 2014 eligible for tax exemption
- Today, app. 81% of the revenues are subjected to full taxation in India
- Our effective tax rate for Q2 FY 11 was 26.5%.
- The new Direct Tax Code (DTC) regime will not have any significant impact on our effective tax rates

We focus on **high quality growth** – superior growth, high revenue productivity and superior margins



Thank You

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