

16. SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

Company overview

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

16.1 Significant accounting policies

16.1.1 Basis of preparation of financial statements

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

Effective the current fiscal year, the company has voluntarily adopted the applicable accounting standard on intangible assets, which is mandatory effective the year commencing April 1, 2003. Management has also evaluated the effect of the other recently issued accounting standards such as discontinuing operations and reporting of interests in joint ventures (although all these accounting standards are not mandatory for the fiscal year ending 2003). These accounting standards do not have a material impact on the financial statements of 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 income and expenses of the period, reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as of the date of the financial statements. Examples of such estimates include expected development costs to complete software contracts, provisions for doubtful debts, future obligations under employee retirement benefit plans, income taxes, provision for post sales customer support and the useful lives of fixed assets and intangible assets. Actual results could differ from those estimates. Contingencies are recorded when it is probable that a liability has been incurred, and the amount can be reasonably estimated.

16.1.2 Revenue recognition

Revenue from software development on fixed-price fixed time-frame contracts is recognized as per the proportionate-completion method. On time-and-materials contracts, revenue is recognized as the related services are performed. Annual Technical Services revenue is recognized proportionately over the period in which services are rendered. Revenue from the sale of user licenses for software applications is recognized on transfer of the title in the user license, except in the case of multiple element contracts, where revenue is recognized as per the proportionate-completion method. Interest is recognized using the time-proportion method, based on rates implicit in the transaction. Dividend income is recognized when the company's right to receive dividend is established.

16.1.3 Expenditure

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

16.1.4 Fixed assets, intangible assets and capital work-in-progress

Fixed assets are stated at cost, after reducing accumulated depreciation until the date of the balance sheet. Intangible assets comprise the consideration paid to acquire intellectual property rights. Direct costs are capitalized until the assets are ready for use. Capital work-in-progress includes the cost of fixed assets that are not yet ready for their intended use and advances paid to acquire fixed assets before the balance sheet date.

16.1.5 Depreciation and amortization

Depreciation on fixed assets is determined using the straight-line method based on useful lives of assets as estimated by the company. Depreciation for assets purchased/sold during the period is proportionately charged. Individual assets acquired for less than Rs. 5,000/- are entirely depreciated in the year of acquisition. Intangible assets are amortized over their respective individual estimated useful lives on a straight-line basis, commencing from the date the asset is available to the company for its use. 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
Intellectual property rights	2-5 years

16.1.6 Retirement benefits to employees

16.1.6a Gratuity

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

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

16.1.6b Superannuation

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

16.1.6c Provident fund

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

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

16.1.7 Research and development

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

16.1.8 Foreign currency transactions

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

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

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

16.1.9 Income tax

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

The differences that result between the profit offered for income taxes and the profit as per the financial statements are identified and thereafter a deferred tax asset or deferred tax liability is recorded for timing

differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount being considered. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on prevailing enacted or substantially enacted regulations. Deferred tax assets are recognized only if there is reasonable certainty that they will be realized and are reviewed for the appropriateness of their respective carrying values at each balance sheet date.

16.1.10 Earnings per share

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

16.1.11 Investments

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

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

16.2 Notes on accounts

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

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

16.2.1 Deferred income taxes

Consequent to the standard on accounting for taxes on income becoming mandatory effective April 1, 2001, the company recorded the cumulative net deferred tax credit of Rs 15.53 until April 1, 2001, as an addition to the general reserves. The deferred tax credit of Rs. 8.74 for the quarter and Rs. 9.36 for the half-year ended September 30, 2002 are included in the provision for taxation for the respective periods.

16.2.2 Branch profit tax

As of September 30, 2002, the accumulated undistributed earnings of branch offices in the United States are Rs. 379.70. These earnings may attract the 15% tax imposed by the United State Internal Revenue Service on repatriation to India. The company intends to reinvest such undistributed earnings within the United States and currently has no intent to repatriate such earnings in the foreseeable future.

16.2.3 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. 80.55 at September 30, 2002. The amount of such contracts as at September 30, 2001 was Rs. 67.47 and as at March 31, 2002 was Rs. 63.53.
- b. The company has outstanding guarantees and counter guarantees of Rs.13.88 as at September 30, 2002, to various banks, in respect of the guarantees given by the banks in favor of various government authorities and others. The guarantees outstanding as at September 30, 2001 were Rs. 15.67 and as at March 31, 2002 were Rs. 16.27.
- c. Claims against the company, not acknowledged as debts, amounted to Rs. 14.22 as at September 30, 2002. Such claims as at September 30, 2001 were Rs. 3.22 and as at March 31, 2002 was Rs. 3.77.
- d. Outstanding forward contracts amounted to US\$ 92,000,000 (approximately Rs.445.28) at September 30, 2002. Such contracts as at September 30, 2001 were US\$ 26,000,000 (approximately Rs. 124.41) and as at March 31, 2002 were US\$ 2,000,000 (approximately Rs. 9.76). Unamortized income on forward exchange contracts as at September 30, 2002 was Rs. 4.43 (at September 30, 2001 was Rs. Nil and at March 31, 2002 was Rs. 0.05).
- e. The company is subject to legal proceedings and claims, which have arisen, in the ordinary course of its business. In relation to a lawsuit filed against the company, management initiated voluntary settlement discussions with the plaintiff. It appears that settlement may not be possible in the near future and the lawsuit may go to trial. No trial date has been set yet. The Company intends to vigorously defend this

matter. However, the results of such a lawsuit are difficult to predict. As a result an unfavorable resolution of the lawsuit could adversely impact the results of operations or the financial position of the company. Except for this one instance, legal 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.

16.2.4 Aggregate expenses

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

	Quarter ended		Half-year ended		Year ended
	September 30, 2002	September 30, 2001	September 30, 2002	September 30, 2001	March 31, 2002
Salaries and bonus including overseas staff expenses	390.40	269.15	730.31	521.94	1,082.63
Staff welfare	1.78	1.64	3.60	1.98	6.41
Contribution to provident and other funds	7.71	7.21	15.05	14.22	28.83
Foreign travel expenses	53.27	34.23	100.82	66.47	136.59
Consumables	1.31	0.70	2.49	1.09	3.24
Cost of software packages for – own use	11.32	9.14	21.05	17.13	35.02
Cost of software packages for service delivery to clients	0.74	2.04	7.62	6.05	9.17
Computer maintenance	2.52	1.72	4.38	2.90	7.11
Communication expenses	5.27	10.60	12.50	20.82	36.49
Consultancy charges	12.95	2.22	18.65	4.26	10.12
Provision for post-sales client support	(2.27)	0.95	(0.30)	1.05	3.65
Traveling and conveyance	4.04	5.60	7.11	9.81	18.62
Rent	6.72	5.52	12.85	12.03	24.41
Telephone charges	6.83	4.04	11.53	8.28	14.71
Professional charges	10.95	4.74	19.75	8.60	22.13
Printing and stationery	1.41	1.02	3.43	4.16	6.30
Advertisements	1.26	0.84	2.07	1.45	3.09
Office maintenance	4.33	3.36	8.41	6.70	14.12
Repairs to building	1.15	1.57	3.02	3.79	8.50
Repairs to plant and machinery	0.93	0.78	2.09	1.27	2.49
Power and fuel	5.39	4.76	11.05	9.40	18.96
Brand building	9.37	5.80	17.35	7.66	13.16
Insurance charges	2.49	1.22	4.49	2.51	5.34
Rates and taxes	1.22	1.03	2.50	1.93	4.26
Commission charges	4.70	1.49	6.22	2.01	10.82
Donations	1.37	1.56	3.04	3.99	5.12
Auditor's remuneration – audit fees	0.07	0.05	0.13	0.10	0.21
– certification charges	-	-	-	-	0.02
– out-of-pocket expenses	-	0.01	0.01	0.01	0.02
Provision for bad and doubtful debts	0.11	3.53	0.18	10.47	13.09
Provision for doubtful loans and advances	(0.01)	0.06	(0.05)	0.06	0.42
Bank charges and commission	0.19	0.09	0.35	0.14	0.71
Commission to non-whole time directors	0.24	0.24	0.48	0.48	0.98
Postage and courier	0.72	0.76	1.97	1.98	3.23
Books and periodicals	0.40	0.25	0.65	0.60	1.14
Research grants	-	0.25	-	0.50	0.75
Freight charges	0.16	0.10	0.27	0.21	0.52
Professional membership and seminar participation fees	0.83	0.37	1.65	1.06	2.20
Marketing expenses	2.20	1.11	3.31	2.65	4.67
Sales promotion expenses	0.05	0.10	0.20	0.21	0.44
Transaction processing fee and filing fees	1.45	0.90	2.70	2.29	4.78
Other miscellaneous expenses	2.76	0.47	2.95	0.96	1.49
	556.33	391.22	1,046.02	763.22	1,565.96

16.2.5 Quantitative details

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

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

	Quarter ended		Half-year ended		Year ended
	September 30, 2002	September 30, 2001	September 30, 2002	September 30, 2001	March 31, 2002
Capital goods	18.29	12.54	23.01	27.19	41.66
Software packages	2.55	0.90	3.89	2.57	7.08

16.2.7 Earnings in foreign exchange (on the receipts basis)

	Quarter ended		Half-year ended		Year ended
	September 30, 2002	September 30, 2001	September 30, 2002	September 30, 2001	March 31, 2002
Income from software services and products	812.03	603.06	1,487.95	1,188.81	2,490.91
Interest received on deposits with banks	0.95	1.32	1.87	3.00	4.59

Expenditure in foreign currency (on the payments basis)

	Quarter ended		Half-year ended		Year ended
	September 30, 2002	September 30, 2001	September 30, 2002	September 30, 2001	March 31, 2002
Travel expenses	39.49	28.76	62.68	49.67	101.21
Professional charges	5.36	3.04	10.48	6.47	14.31
Other expenditure incurred overseas for software development	347.30	224.55	601.50	426.64	907.89

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

	Quarter ended		Half-year ended		Year ended
	September 30, 2002	September 30, 2001	September 30, 2002	September 30, 2001	March 31, 2002
Net earnings in foreign exchange	420.83	348.03	815.16	709.03	1,472.09

16.2.8 Fixed assets

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

	Quarter ended		Half-year ended		Year ended
	September 30, 2002	September 30, 2001	September 30, 2002	September 30, 2001	March 31, 2002
Charged during the period/year	2.31	1.48	2.92	4.34	21.17

Profit/loss on disposal of fixed assets

	Quarter ended		Half-year ended		Year ended
	September 30, 2002	September 30, 2001	September 30, 2002	September 30, 2001	March 31, 2002
Profit on sale of fixed assets	0.03	0.53	0.11	0.56	0.86
Loss on sale of fixed assets	(0.17)	(0.54)	(0.24)	(0.54)	(0.77)
Profit/(loss) on sale of fixed assets, net	(0.14)	(0.01)	(0.13)	0.02	0.09

16.2.9 Obligations on long-term non-cancelable operating leases

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

	Quarter ended		Half-year ended		Year ended
	September 30, 2002	September 30, 2001	September 30, 2002	September 30, 2001	March 31, 2002
Lease rentals recognized during the period/year	6.72	5.52	12.86	12.03	24.41
Lease obligations					
			Half-year ended September 30, 2002	September 30, 2001	Year ended March 31, 2002
Within one year of the balance sheet date			16.83	15.90	16.95
Due in a period between one year and five years			39.00	54.72	46.90
Due after five years			5.98	15.08	7.20

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

Lease rental commitments on a contract with Progeon Limited ("Progeon"), a subsidiary company, as at September 30, 2002 due to Infosys within one year of the balance sheet date amounted to Rs. 1.64 and due in the period between one year and five years amounted to Rs. 2.73. The lease for premises extends for a maximum period of three years from quarter ended June 30, 2002 (the period of inception).

Fixed Assets stated below have been provided on operating lease to Progeon, which is under the same management, as at September 30, 2002:

Particulars	Cost	Accumulated depreciation	Net book value
Building	9.59	0.27	9.32
Plant and machinery	2.42	0.27	2.15
Computers	0.78	0.12	0.66
Furniture & fixtures	1.74	0.26	1.48
Total	14.53	0.92	13.61

The aggregate depreciation charged on the above assets for the quarter and half-year ended September 30, 2002 amounted to Rs. 0.69 and Rs. 0.92 respectively.

The rental income from Progeon for the quarter and half-year ended September 30, 2002 amounted to Rs. 0.41 and Rs. 0.55 respectively.

16.2.10 Related party transactions

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

The transactions with Yantra Corporation comprise sales of Rs. 4.43 during the period from April 1, 2001 until February 27, 2002. The outstanding dues from Yantra Corporation as at September 30, 2002 were Rs.0.45. Such dues as at September 30, 2001 were Rs.0.52 and as at March 31, 2002 were Rs. 0.34.

The company entered into related party transactions during the period ended September 30, 2002 with Progeon, the subsidiary company, under the same management. The transactions are set out below.

Particulars	Quarter ended September 30, 2002	Half-year ended September 30, 2002
<u>Capital transactions:</u>		
Financing transactions – amount paid to Progeon for issue of 1,22,49,993 fully paid equity shares of Rs 10/- each at par	-	12.25
<u>Revenue transactions:</u>		
Purchase of services	1.87	2.08
	1.87	2.08
<u>Sale of services</u>		
Business consulting services	0.99	1.11
Shared services including facilities and personnel	1.64	2.37
	2.63	3.48

During the quarter ended September 30, 2002 and half-year ended September 30, 2002 an amount of Rs. 1.28 and Rs. 2.53 respectively has been donated to Infosys Foundation a not-for-profit trust, in which certain directors of the company are trustees. Donation to the foundation for the quarter ended September 30, 2001 half-year ended September 30, 2001 and year ended March 31, 2002 were Rs. 1.00, Rs. 3.00 and Rs. 3.75 respectively.

16.2.11 Transactions with Key Management personnel

Our policy in determining our executive officers for reporting purposes has traditionally been to include all statutory officers and all members of our Management Council. As of April, 2002 in line with our growth and strategic objectives, we divided our Management Council into two levels comprising of senior executives and all other members. In accordance with this policy, our directors and executive officers, which include only senior members of our Management Council, who we believe are our key management personnel.

Particulars of remuneration and other benefits provided to key management personnel during the quarters ended September 30, 2002, 2001, *half-year ended September 30, 2002, 2001* and the year ended March 31, 2002, are set out below.

Name	Salary	Contributions to provident and other funds	Perquisites and incentives	Commission*	Sitting fees	Reimbursement of expenses	Total remuneration
Chairman and Chief Mentor							
N R Narayanamurthy	0.02	0.01	0.01	-	-	-	0.04
	0.02	0.01	0.03	-	-	-	0.06
	0.04	0.02	0.04	-	-	-	0.10
	0.04	0.02	0.06	-	-	-	0.12
	0.08	0.03	0.10	-	-	-	0.21
Chief Executive Officer, President and Managing Director							
Nandan M Nilekani	0.02	0.01	0.01	-	-	-	0.04
	0.02	0.01	0.03	-	-	-	0.06
	0.04	0.02	0.03	-	-	-	0.09
	0.04	0.02	0.05	-	-	-	0.11
	0.08	0.03	0.09	-	-	-	0.20
Chief Operating Officer and Deputy Managing Director							
S Gopalakrishnan	0.02	0.01	0.01	-	-	-	0.04
	0.02	0.01	0.01	-	-	-	0.04
	0.04	0.02	0.04	-	-	-	0.10
	0.04	0.02	0.05	-	-	-	0.11
	0.08	0.03	0.09	-	-	-	0.20
Whole-time Directors							
K Dinesh	0.02	0.01	0.01	-	-	-	0.04
	0.02	0.01	0.02	-	-	-	0.05
	0.04	0.02	0.03	-	-	-	0.09
	0.04	0.02	0.06	-	-	-	0.12
	0.08	0.03	0.10	-	-	-	0.21
SD Shibulal	0.31	-	-	-	-	-	0.31
	0.02	0.01	0.01	-	-	-	0.04
	0.52	-	0.03	-	-	-	0.55
	0.04	0.01	0.04	-	-	-	0.09
	0.08	0.03	0.08	-	-	-	0.19
TV Mohandas Pai	0.02	0.01	0.01	-	-	-	0.04
	0.02	0.01	0.03	-	-	-	0.06

Name	Salary	Contributions to provident and other funds	Perquisites and incentives	Commission *	Sitting fees	Reimbursement of expenses	Total remuneration
	0.05	0.01	0.02	-	-	-	0.08
	0.05	0.01	0.05	-	-	-	0.11
	0.10	0.03	0.07	-	-	-	0.20
Phaneesh Murthy (Until July 23, 2002)	0.69	-	0.48	-	-	-	1.17
	0.29	-	0.01	-	-	-	0.30
	1.00	-	1.13	-	-	-	2.13
	0.59	-	0.48	-	-	-	1.07
	1.43	-	0.48	-	-	-	1.91
Srinath Batni	0.02	0.01	0.01	-	-	-	0.04
	0.02	0.01	0.02	-	-	-	0.05
	0.04	0.02	0.02	-	-	-	0.08
	0.04	0.02	0.04	-	-	-	0.10
	0.09	0.03	0.06	-	-	-	0.18
TOTAL	1.12	0.06	0.54	-	-	-	1.72
	0.43	0.07	0.16	-	-	-	0.66
	1.77	0.11	1.34	-	-	-	3.22
	0.88	0.12	0.83	-	-	-	1.83
	2.02	0.21	1.07	-	-	-	3.30

*An amount of Rs. 0.24 and Rs. 0.48 provided during the quarter and half-year ended September 30, 2002, such provision for the quarter and half-year ended September 30, 2001 were Rs. 0.24 and Rs. 0.48 and for the year ended March 31, 2002, Rs. 0.96.

Non-Wholetime Directors							
Deepak M Satwalekar	-	-	-	-	-	-	0.01
	-	-	-	-	-	-	-
	-	-	-	-	-	-	0.01
	-	-	-	-	-	-	0.01
	-	-	-	0.12	0.01	0.01	0.14
Marti G Subrahmanyam	-	-	-	-	-	-	0.01
	-	-	-	-	-	-	0.03
	-	-	-	-	-	-	0.05
	-	-	-	-	-	-	0.05
	-	-	-	0.12	0.01	0.06	0.19
Ramesh Vangal	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	0.01	0.01
	-	-	-	0.07	-	0.02	0.09
Philip Yeo	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	0.01
	-	-	-	-	-	-	-
	-	-	-	0.12	-	-	0.12
Jitendra Vir Singh	-	-	-	-	-	-	0.02
	-	-	-	-	-	-	0.01
	-	-	-	-	-	-	0.08
	-	-	-	-	-	-	0.03
	-	-	-	0.12	0.01	0.05	0.18
Omkar Goswami	-	-	-	-	-	-	-
	-	-	-	-	-	-	0.01
	-	-	-	-	-	-	0.02
	-	-	-	-	-	-	0.02
	-	-	-	0.12	0.01	0.02	0.15
Larry Pressler	-	-	-	-	-	-	0.03
	-	-	-	-	-	-	0.04
	-	-	-	-	-	-	0.08
	-	-	-	-	-	-	0.06
	-	-	-	0.12	0.01	0.08	0.21
Rama Bijapurkar	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	0.01
	-	-	-	-	-	-	0.01
	-	-	-	0.12	0.01	0.01	0.14
Claude Smadja	-	-	-	-	-	-	0.03
	-	-	-	-	-	-	-
	-	-	-	-	-	-	0.05
	-	-	-	-	-	-	-
	-	-	-	0.05	-	0.02	0.07

Name	Salary	Contributions to provident and other funds	Perquisites and incentives	Total remuneration	Total loans granted	Outstanding loans and advances
Other Senior Management Personnel						
P Balasubramaniam	0.02	0.01	0.02	0.05	-	-
	0.02	0.01	0.02	0.05	-	-
	0.04	0.01	0.05	0.10	-	-
	0.04	0.01	0.06	0.11	-	-
	0.07	0.02	0.11	0.20	-	-
Girish G Vaidya	0.02	0.01	0.03	0.06	-	0.07
	0.02	0.01	0.02	0.05	-	0.09
	0.04	0.01	0.10	0.15	-	0.07
	0.04	0.01	0.04	0.09	-	0.09
	0.08	0.03	0.11	0.22	-	0.08
Hema Ravichandar	0.01	0.01	0.02	0.04	-	-
	0.01	0.01	0.02	0.04	-	-
	0.03	0.01	0.03	0.07	-	-
	0.03	0.01	0.03	0.07	-	-
	0.06	0.02	0.08	0.16	-	-
MSS Prabhu	0.01	0.01	0.02	0.04	-	-
	0.01	0.01	0.02	0.04	-	-
	0.03	0.01	0.07	0.11	-	-
	0.04	0.01	0.03	0.08	-	-
	0.07	0.02	0.08	0.17	-	-
Basab Pradhan	0.23	-	-	0.23	-	-
	0.19	-	-	0.19	-	-
	0.43	-	0.03	0.46	-	-
	0.37	-	0.17	0.54	-	-
	0.76	-	0.31	1.07	-	-
<i>Company Secretary</i> V Balakrishnan	0.01	0.01	0.02	0.04	-	-
	0.01	0.01	0.03	0.05	-	-
	0.03	0.01	0.04	0.08	-	-
	0.03	0.01	0.05	0.09	-	-
	0.06	0.02	0.10	0.18	-	-
TOTAL	0.30	0.05	0.11	0.46	-	0.07
	0.26	0.05	0.11	0.42	-	0.09
	0.60	0.05	0.32	0.97	-	0.07
	0.55	0.05	0.38	0.98	-	0.09
	1.10	0.11	0.79	2.00	-	0.08

In addition, the details of the only options granted to non-wholetime directors and other senior officers during the quarters ended September 30, 2002, 2001, half-year ended September 30, 2002, 2001 and the year ended March 31, 2002 areas follows:

Name	Date of Grant	Option plan	Number of options granted	Exercise price (in Rs.)	Expiration of options
Non-Wholetime Directors					
Deepak M Satwalekar	April 11, 2001	1999	7,000	3,215.60	April 11, 2011
Marti G Subrahmanyam	April 11, 2001	1999	6,000	3,215.60	April 11, 2011
Philip Yeo	April 11, 2001	1999	3,000	3,215.60	April 11, 2011
Jitendra Vir Singh	April 11, 2001	1999	2,000	3,215.60	April 11, 2011
Omkar Goswami	April 11, 2001	1999	2,000	3,215.60	April 11, 2011
Larry Pressler	April 11, 2001	1999	2,000	3,215.60	April 11, 2011
Rama Bijapurkar	April 11, 2001	1999	2,000	3,215.60	April 11, 2011
Claude Smadja	July 10, 2002	1999	2,000	3,333.65	October 24, 2011
Other Senior Management Personnel					
Girish G Vaidya	October 29, 2001	1999	3,000	3,106.75	October 29, 2011
Basab Pradhan	October 27, 2001	1998	4,000	2,366.85	October 27, 2011
Company Secretary V Balakrishnan	October 29, 2001	1999	2,000	3,106.75	October 29, 2011

16.2.12 Exchange differences

Other income includes exchange differences of Rs. (1.63) for the quarter ended September 30, 2002 and Rs. 4.87 for the half-year ended September 30, 2002, the corresponding amounts for the quarter ended September 30, 2001 were Rs. 2.56 and Rs 3.82 for the half-year ended September 30, 2001. Of this amount, the losses on translation of foreign currency deposits amount to (Rs. 1.06) in the quarter ended September 30, 2002 and Rs. (0.97) for half-year ended September 30, 2002 (Rs. 2.56, Rs. 3.82 and Rs. 6.65 for the quarter and half-year ended September 30, 2001 and for the year ended March 31, 2002 respectively).

16.2.13 Research and development expenditure

	Quarter ended		Half-year ended		Year ended
	September 30, 2002	September 30, 2001	September 30, 2002	September 30, 2001	March 31, 2002
Capital	0.20	0.15	0.27	0.23	0.46
Revenue	3.04	3.87	6.49	7.72	14.40
	3.24	4.02	6.76	7.95	14.86

16.2.14 Unearned revenue

Unearned revenue as at September 30, 2002 amounting to Rs. 49.85 (as at September 30, 2001 Rs 32.78 and as at March 31, 2002 Rs. 16.90) primarily consists of client billings on fixed-price, fixed-time-frame contracts for which the related costs have not yet been incurred.

16.2.15 Dues to small-scale industrial undertakings

As at September 30, 2002, the company had no outstanding dues to small-scale industrial undertakings (as at September 30, 2001 - Rs. Nil and as at March 31, 2002 - Rs. Nil).

16.2.16 Stock option plans

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

1994 Stock Option Plan ("the 1994 Plan")

As of September 30, 2002 the options to acquire 3,32,400 shares were outstanding with the Employee Welfare Trust and options to acquire 3,19,800 shares are outstanding with the employees under the 1994 Plan. These options were granted at an exercise price of Rs 50/- (post split) per option. Additionally, 11,65,000 shares earlier issued are subject to lock-in. No options were issued under this plan during the period.

1998 Stock Option Plan ("the 1998 Plan")

The 1998 Plan provides for the grant of stock options to employees. The 1998 Plan was approved by the board of directors in December 1997 and by the shareholders in January 1998. The Government of India approved 29,40,000 ADSs representing 14,70,000 equity shares for issue under the Plan. The options may be issued at an exercise price that is not less than 90% of the fair market value of the underlying equity share on the date of the grant. The 1998 Plan automatically expires in January 2008, unless terminated earlier. All options under the 1998 Plan are exercisable for ADSs representing equity shares. A compensation committee comprising independent members of the board of directors administers the 1998 Plan. All options have been granted at 100% of fair market value.

Number of options granted, exercised and forfeited	Quarter ended		Half-year ended		Year ended
	September 30, 2002	September 30, 2001	September 30, 2002	September 30, 2001	March 31, 2002
Options granted, beginning of period/year	23,77,528	16,26,486	22,62,494	15,65,506	15,65,506
Granted during the period/year	1,41,200	5,04,900	2,77,700	6,02,700	9,08,500
Exercised during the period/year	(33,300)	Nil	(38,100)	(5,200)	(55,966)
Forfeited during the period/year	(1,34,450)	(21,570)	(1,51,116)	(53,190)	(1,55,546)
Options granted, end of period/year	23,50,978	21,09,816	23,50,978	21,09,816	22,62,494
Weighted average exercise price	US\$ 74.52 Rs. 3,617/-	US\$ 77.13 Rs. 3,691/-	US\$ 74.52 Rs. 3,617/-	US\$ 77.13 Rs. 3,691/-	US\$ 83.96 Rs. 4,093/-

1999 Stock Option Plan ("the 1999 Plan")

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

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

Number of options granted, exercised and forfeited	Quarter ended		Half-year ended		Year ended
	September 30, 2002	September 30, 2001	September 30, 2002	September 30, 2001	March 31, 2002
Options granted, beginning of period/year	46,95,773	31,67,370	46,68,815	27,93,980	27,93,980
Granted during the period/year	2,72,050	10,37,570	3,38,750	14,52,820	20,50,500
Exercised during the period/year	-	-	-	-	(30)
Forfeited during the period/year	(67,527)	(63,880)	(1,07,269)	(1,05,740)	(1,75,635)
Options granted, end of period/year	49,00,296	41,41,060	49,00,296	41,41,060	46,68,815
Weighted average exercise price	Rs, 4,424/-	Rs. 4,675/-	Rs, 4,424/-	Rs. 4,675/-	Rs 4,982/-

The aggregate options considered for dilution are set out in note 16.2.30

16.2.17 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.

	Quarter ended		Half-year ended		Year ended
	September 30, 2002	September 30, 2001	September 30, 2002	September 30, 2001	March 31, 2002
Net profit:					
- As reported	225.77	201.56	442.62	391.59	807.96
- Adjusted pro forma	219.73	195.64	430.50	379.76	784.18

16.2.18 Provision for taxation

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

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

16.2.19 Cash and bank balances

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

Balances with non-scheduled banks	As at		As at March 31, 2002		
	September 30, 2002	September 30, 2001			
In current accounts					
ABN Amro Bank, Brussels, Belgium	0.09	0.01	0.11		
Bank of America, Concord, USA	-	4.96	3.45		
Bank of America, Hong Kong	0.26	0.11	0.08		
Bank of America, Milpitas, USA	-	-	-		
Bank of America, Palo Alto, USA	106.59	29.62	27.88		
Bank of America, Singapore	0.13	0.01	0.07		
Bank of America, Dallas, USA	2.68	0.51	2.43		
Bank of Melbourne, Melbourne, Australia	0.42	0.46	0.10		
Barclays Bank, London, UK	-	0.40	-		
Deutsche Bank, Frankfurt, Germany	0.81	0.01	0.12		
Deutsche Bank, Paris, France	0.56	0.06	0.02		
Deutsche Bank, Brussels, Belgium	0.06	-	0.17		
Deutsche Bank, Zurich, Switzerland	0.05	-	0.10		
Fleet Bank, Boston, USA	0.92	0.73	2.19		
Fleet Bank, New Jersey, USA	0.14	-	2.03		
Hong Kong Bank of Canada, Toronto, Canada	-	0.05	-		
HSBC Bank PLC –Croydon, London	4.83	6.90	7.66		
National Bank of Sharjah, UAE	0.09	0.11	0.06		
Nordbanken, Stockholm, Sweden	0.19	0.10	0.41		
Nova Scotia Bank, Toronto, Canada	2.83	5.06	3.12		
Sanwa Bank, Tokyo, Japan	0.12	0.03	0.41		
Bank One, Columbus (restricted cash)	4.88	-	-		
Svenska Handeb Bank, Sweden	0.01	-	-		
Summit Bank, Bridgewater	-	0.35	-		
	125.66	49.48	50.41		
Maximum balance held in non-scheduled banks during the period/year					
	Quarter ended		Half-year ended		Year ended
	September 30, 2002	September 30, 2001	September 30, 2002	September 30, 2001	March 31, 2002
In deposit account in foreign currency					
SBI, Nassau	148.17	-	148.17	-	-
in current accounts					
ABN Amro Bank, Brussels, Belgium	0.11	0.21	0.12	0.21	0.44
Bank of America, Concord, USA	-	67.46	3.47	7.46	5.99
Bank of America, Hong Kong	0.36	0.17	0.38	0.17	0.29
Bank of America, Milpitas, USA	-	-	-	0.29	0.29
Bank of America, Palo Alto, USA	136.13	104.17	155.98	104.22	145.48
Bank of America, Singapore	0.38	0.05	0.38	0.05	0.11
Bank of America (Nations Bank), Dallas, USA	2.78	2.36	2.78	2.85	3.14
Bank of Melbourne, Melbourne, Australia	2.39	2.98	2.39	2.98	2.98
Bank of Melbourne, Victoria Australia	-	0.61	-	0.61	1.06
Barclays Bank, London, UK	-	0.40	-	0.40	0.40
Deutsche Bank, Frankfurt, Germany	1.55	0.25	1.55	0.57	0.57
Deutsche Bank, Paris, France	1.34	0.06	1.34	0.06	0.35
Deutsche Bank, Brussels, Belgium	24.38	-	24.38	-	0.17
Deutsche Bank, Zurich, Switzerland	0.18	-	0.18	-	0.09
Fleet Bank (Bank of Boston), Boston, USA	1.37	1.11	2.19	1.11	2.89
Fleet Bank (Summit Bank), New Jersey, USA	1.17	-	2.03	-	2.03
Hong Kong Bank of Canada, Toronto, Canada	-	0.05	-	0.05	0.06
HSBC Bank PLC –Croydon, London	19.66	30.22	19.66	31.29	18.70
National Bank of Sharjah, UAE	0.09	0.14	0.09	0.14	0.14
Nordbanken, Stockholm, Sweden	0.34	0.22	0.41	0.22	0.42
Nova Scotia Bank, Toronto, Canada	4.63	6.83	4.78	9.66	6.02
Sanwa Bank, Tokyo, Japan	2.57	0.74	2.57	1.16	1.75
Summit Bank, Bridgewater, USA	-	0.90	-	0.90	-
Svenska Handels banks, Sweden	0.01	-	0.01	-	-
Bank One, Columbus, USA	4.88	-	4.90	-	-

The cash and bank balances include interest accrued but not due on fixed deposits amounting to Rs.6.76 for the half-year ended September 30, 2002 (the half-year ended September 30, 2001 Rs.2.22 and the year ended March 31, 2002, Rs 5.27).

16.2.20 Loans and advances

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

Deposits with financial institutions and a body corporate comprise:

	As at		As at
	September 30, 2002	September 30, 2001	March 31, 2002
Deposits with financial institutions:			
Housing Development Finance Corporation Limited	151.26	96.12	101.10
ICICI Limited	-	60.82	52.77
IDBI Limited	-	29.35	-
Deposits with body corporate:			
GE Capital Services India Limited	151.23	100.87	100.87
	302.49	287.16	254.74

Maximum Balance during the period/year

Maximum balance held in nonscheduled banks during the period/year	Quarter ended		Half-year ended		Year ended
	September 30, 2002	September 30, 2001	September 30, 2002	September 30, 2001	March 31, 2002
Deposits with financial institutions:					
Housing Development Finance Corporation Limited	151.26	96.12	151.26	96.12	101.26
ICICI Limited	-	-	60.82	60.82	62.94
IDBI Limited	-	-	51.50	51.50	51.50
Deposits with body corporate:					
GE Capital Services India Limited	151.23	100.87	151.23	100.87	101.48

The above amounts include interest accrued but not due amounting to Rs.2.49 (the half-year ended September 30, 2001 – Rs. 3.15 and the year ended March 31, 2002 – Rs. 2.74).

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

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

16.2.21 Current liabilities

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

16.2.22 Fixed assets

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

16.2.23 Intangible Assets

During the first quarter, the company acquired the intellectual property rights of Trade IQ product from IQ Financial Systems Inc., USA for its banking group. The consideration paid amounts to Rs. 14.12 (US\$ 2.88 million). An additional US\$ 1 million (Rs. 4.88 as at September 30, 2002) has been retained in escrow for payment to the seller based on the successful renewal of certain customer contracts in favor of the company. The consideration has been recorded as an intangible asset, which is being amortized over two years representing management’s estimate of the useful life of the intellectual property.

The company also entered into an agreement in the first quarter, with the Aeronautical Development Agency, India (“ADA”) for transferring the intellectual property rights in AUTOLAY, a commercial software application product used in the design of high performance structural systems. The company will pay the consideration in the form of a revenue share with a firm commitment of US\$5 million (Rs 24.50) payable by 10 years of the contract date. The ownership of intellectual property in AUTOLAY transfers to the company on remittance of the consideration to ADA. The committed consideration of Rs 24.50 has been recorded as an intangible asset and is being amortized over five years, which is management’s estimate of the useful life.

16.2.24 Investment activity

The following are the particulars of strategic investments made during the quarters and half years ended September 30, 2002 and September 30, 2001 and year ended March 31, 2002 respectively:

Particulars of investee companies	Quarter ended		Half-year ended		Year ended
	September 30, 2002	September 30, 2001	September 30, 2002	September 30, 2001	March 31, 2002
Workadia, Inc., USA	-	-	-	10.32	10.32
Progeon Limited, India	-	-	12.25	-	-
M-Commerce Ventures Pte. Limited, Singapore	-	-	0.27	-	-
	-	-	12.52	10.32	10.32

Investments in Workadia, Inc., USA ("Workadia") comprise of 4,40,000 fully paid Series "B" convertible preferred stock, par value of US\$0.001, at US\$ 5.00 each. Workadia will provide companies with comprehensive, customizable business intranets through browser accessed hosted portals and also offer consulting services to help customers select and deploy their intranet applications, content and services.

Progeon was incorporated on April 3, 2002, and is a majority owned and controlled subsidiary, established to provide business process management and transitioning services. As at the balance sheet date, the company has invested Rs 12.25 in 1,22,49,993 fully paid equity shares in Progeon of face value Rs 10/- each, at par. Progeon seeks to leverage the benefits of service delivery globalization, process redesign and technology to drive efficiency and cost effectiveness in customer business processes. Progeon obtained its financial closure by securing funding of Rs 49.00 from Citicorp International Finance Corporation, USA ("CIFIC") in exchange for 43,75,000 cumulative, convertible, redeemable preferred shares of face value Rs 100/- at a premium of Rs 12/- per share. The preference shares are convertible to an equal number of equity shares based on certain events as agreed between the company and CIFIC.

During the half-year ended September 30, 2002 the company invested Rs 0.27 in MCommerce Ventures Pte Limited, Singapore ("MCommerce") for 10 ordinary shares of face value Singapore \$ ("S\$") 1/- each fully paid at par and 90 redeemable preference shares of face value S\$ 1/- each fully paid for a premium of S\$ 1,110. Accordingly, the aggregate investment in M-Commerce as at September 30, 2002 amounts to Rs 2.11 (Rs 1.84 as at September 30, 2001 and March 31, 2002).

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

16.2.25 Unbilled revenue

Unbilled revenue as at September 30, 2002 amounts to Rs. 62.88 (as at September 30, 2001 Rs. 4.09) primarily comprises the revenue recognized in relation to efforts incurred on fixed-price, fixed-time-frame contracts until the balance sheet date.

16.2.26 Segment reporting

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

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

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

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

Fixed assets used in the company's business or liabilities contracted have not been identified to any of the reportable segments, as the fixed assets and services are used interchangeably between segments. Accordingly, no disclosure relating to total segment assets and liabilities are made.

Customer relationships are driven based on the location of the respective client. North America comprises the United States of America, Canada and Mexico; Europe includes continental Europe (both the east and the west), Ireland and the United Kingdom; and the Rest of the World 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.

Industry segments

Quarter ended September 30, 2002

	Financial services	Manufacturing	Telecom	Retail	Others	Total
Revenues	339.61	150.46	128.45	99.21	161.84	879.57
Identifiable operating expenses	139.84	61.38	44.87	30.74	62.17	339.00
Allocated expenses	84.92	36.90	31.50	24.33	39.68	217.33
Segmental operating income	114.85	52.18	52.08	44.14	59.98	323.24
Unallocable expenses						46.24
Operating income						277.00
Other income (expense), net						(6.23)
Net profit before taxes						270.77
Income taxes						45.00
Net profit after taxes						225.77

Quarter ended September 30, 2001

	Financial services	Manufacturing	Telecom	Retail	Others	Total
Revenues	248.44	111.84	99.39	74.75	115.71	650.13
Identifiable operating expenses	89.88	47.01	27.00	20.63	43.90	228.42
Allocated expenses	63.47	27.66	24.58	18.48	28.61	162.80
Segmental operating income	95.09	37.17	47.81	35.64	43.20	258.91
Unallocable expenses						39.01
Operating income						219.90
Other income (expense), net						14.66
Net profit before taxes						234.56
Income taxes						33.00
Net profit after taxes						201.56

Half-year ended September 30, 2002

	Financial services	Manufacturing	Telecom	Retail	Others	Total
Revenues	621.46	276.13	244.59	187.77	314.24	1,644.19
Identifiable operating expenses	256.91	115.45	83.50	59.97	116.27	632.10
Allocated expenses	162.30	67.93	60.18	46.20	77.31	413.92
Segmental operating income	202.25	92.75	100.91	81.60	120.66	598.17
Unallocable expenses						86.71
Operating income						511.46
Other income (expense), net						18.66
Net profit before taxes						530.12
Income taxes						87.50
Net profit after taxes						442.62

Half-year ended September 30, 2001

	Financial services	Manufacturing	Telecom	Retail	Others	Total
Revenues	474.02	224.24	201.67	142.79	219.93	1,262.65
Identifiable operating expenses	168.04	91.62	52.93	38.78	80.45	431.82
Allocated expenses	128.09	57.86	52.06	36.77	56.62	331.40
Segmental operating income	177.89	74.76	96.68	67.24	82.86	499.43
Unallocable expenses						74.49
Operating income						424.94
Other income (expense), net						28.15
Net profit before taxes						453.09
Income taxes						61.50
Net profit after taxes						391.59

Year ended March 31, 2002

	Financial services	Manufacturing	Telecom	Retail	Others	Total
Revenues	953.98	445.94	406.79	320.40	476.48	2,603.59
Identified operating expenses	355.38	181.92	114.13	89.43	166.37	907.23
Allocated expenses	247.73	111.26	101.50	79.61	118.63	658.73
Segmental operating income	350.87	152.76	191.16	151.36	191.48	1,037.63
Unallocable expenses						160.65
Operating income						876.98
Other income (expense), net						66.41
Net profit before taxes						943.39
Income taxes						135.43
Net profit after taxes						807.96

Geographic segments

Quarter ended September 30, 2002

in Rs.

	North America	Europe	India	Rest of the World	Total
Revenues	648.01	144.94	22.35	64.27	879.57
Identifiable operating expenses	260.29	48.76	6.72	23.23	339.00
Allocated expenses	161.04	36.02	5.00	15.27	217.33
Segmental operating income	226.68	60.16	10.63	25.77	323.24
Unallocable expenses					46.24
Operating income					277.00
Other income (expense), net					(6.23)
Net profit before taxes					270.77
Income taxes					45.00
Net profit after taxes					225.77

Quarter ended September 30, 2001

	North America	Europe	India	Rest of the World	Total
Revenues	462.51	122.87	11.86	52.89	650.13
Identifiable operating expenses	160.95	46.10	4.93	16.44	228.42
Allocated expenses	115.78	30.76	3.38	12.88	162.80
Segmental operating income	185.78	46.01	3.55	23.56	258.91
Unallocable expenses					39.01
Operating income					219.90
Other income (expense), net					14.66
Net profit before taxes					234.56
Income taxes					33.00
Net profit after taxes					201.56

Half-year ended September 30, 2002

	North America	Europe	India	Rest of the World	Total
Revenues	1,200.57	292.44	36.45	114.73	1,644.19
Identifiable operating expenses	476.70	103.17	12.60	39.63	632.10
Allocated expenses	298.84	72.80	11.04	31.24	413.92
Segmental operating income	425.03	116.47	12.81	43.86	598.17
Unallocable expenses					86.71
Operating income					511.46
Other income (expense), net					18.66
Net profit before taxes					530.12
Income taxes					87.50
Net profit after taxes					442.62

Half-year ended September 30, 2001

	North America	Europe	India	Rest of the World	Total
Revenues	904.60	244.28	28.08	85.69	1,262.65
Identifiable operating expenses	303.13	89.14	9.77	29.78	431.82
Allocated expenses	235.90	63.75	9.53	22.22	331.40
Segmental operating income	365.57	91.39	8.78	33.69	499.43
Unallocable expenses					74.49
Operating income					424.94
Other income (expense), net					28.15
Net profit before taxes					453.09
Income taxes					61.50
Net profit after taxes					391.59

Geographic segments

Year ended March 31, 2002

	North America	Europe	India	Rest of the World	Total
Revenues	1,854.10	506.84	51.12	191.53	2,603.59
Identifiable operating expenses	646.90	181.55	19.98	58.80	907.23
Allocated expenses	468.20	127.97	14.82	47.74	658.73
Segmental operating income	739.00	197.32	16.32	84.93	1,037.63
Unallocable expenses					160.65
Operating income					876.98
Other income (expense), net					66.41
Net profit before taxes					943.39
Income taxes					135.43
Net profit after taxes					807.96

16.2.27 Provisions for doubtful debts

Periodically, the company evaluates all customer dues to the company for collectibles. The need for provisions is assessed based on various factors including collectibles of specific dues, risk perceptions of the industry in which the customer operates, general economic factors, which could effect the customer's ability to settle. The company normally provides for debtor dues outstanding for 180 days or longer as at the balance sheet date. As at September 30, 2002 the company has provided for doubtful debts of Rs. 5.98 (as at September 30, 2001 – Rs. 8.96 and as at March 31, 2002 Rs 11.88) on dues from certain customers although the outstanding amounts were less than 180 days old, since the amounts were considered doubtful of recovery. The company continues pursuing the parties for recovery of the dues, in part or full.

16.2.28 Provisions for investments

The Company evaluates all investments for any diminution in their carrying values that is other than temporary. Accordingly, the company provided for an aggregate amount of Rs. 23.76, which consists of Rs.0.75 to JASDIC Park Company, Japan; Rs. 6.85 to Asia Net Media (BVI) Ltd, the British Virgin Islands; Rs. 8.95 to OnMobile Systems Inc (formerly OnScan Inc), USA; Rs.7.21 to Workadia Inc., USA; Rs.10,350/- to The Saraswat Co-operative Bank Limited and Rs.10/- to Software Services Support Education Center Limited, during the quarter ended September 30, 2002.

16.2.29 Dividends remitted in foreign currencies

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

Particulars of dividends remitted are as follows:

Particulars	Number of shares to which the dividends relate	Quarter ended		Half-year ended		Year ended
		September 30, 2002	September 30, 2001	September 30, 2002	September 30, 2001	March 31, 2002
Final dividend for fiscal 2001	20,88,517	-	-	-	1.56	1.56
Interim dividend for fiscal 2002	20,95,517	-	-	-	-	1.57
Final dividend for fiscal 2002	21,18,500	-	-	2.65	-	-

in Rs.Crore

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

	Quarter ended		Half-year ended		Year ended
	September 30, 2002	September 30, 2001	September 30, 2002	September 30, 2001	March 31, 2002
Number of shares considered as basic weighted average shares outstanding	6,61,98,735	6,61,60,717	6,61,93,632	6,61,59,892	6,61,62,274
Add: Effect of dilutive issues of shares/stock options	3,97,734	1,73,889	4,58,300	1,52,840	4,05,301
Number of shares considered as weighted average shares and potential shares outstanding	6,65,96,469	6,63,34,606	6,66,51,932	6,63,12,732	6,65,67,575