

INFOSYS TECHNOLOGIES LIMITED

Report for the third quarter ended December 31, 1999



At a glance - Indian GAAP

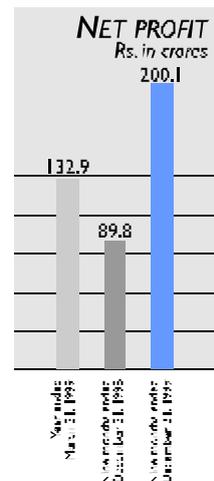
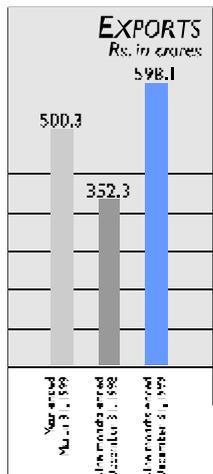
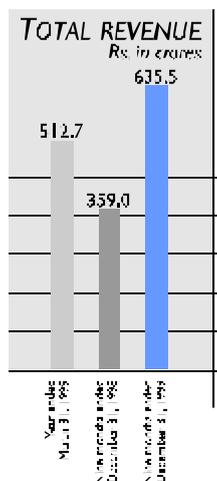
Rs. in crores, except per equity share data

	Quarter ended December 31,		Nine months ended December 31,		Year ended March 31, 1999
	1999	1998	1999	1998	
For the period					
Total revenue	233.52	140.17	635.46	359.03	512.74
Export revenue	224.41	137.83	598.10	352.31	500.25
Operating profit (PBIDT)	98.47	54.65	262.32	128.32	191.75
Profit after tax (PAT) from ordinary activities	73.79	37.74	200.10	89.81	132.92
PBIDT as a percentage of total revenue	42.32%	38.99%	40.42%	35.74%	37.40%
PAT (from ordinary activities) as a percentage of total revenue	31.78%	26.93%	30.49%	25.02%	25.92%
Earnings per share (from ordinary activities)	22.50	12.12	57.74	27.87	40.19
Dividend per share	NA	NA	3.00	2.50	7.50
Dividend amount	NA	NA	9.92	4.00	12.11
Capital investment	46.98	19.75	106.74	52.92	71.68
At the end of the period					
Total assets			761.26	260.71	574.43
Fixed assets – net			172.92	96.38	100.72
Cash and equivalents			464.43	96.39	416.66
Working capital			587.58	163.58	472.96
Total debt			-	-	-
Net worth			761.26	260.71	574.43
Equity			33.07	16.02	33.07
Market capitalization			47,843.98	4,760.31	9,672.80

Note: Rs. One crore equals Rs. 10 million.

All ratios are calculated excluding income from exchange differences on translation of foreign currency deposits kept abroad. Market capitalization is calculated by considering the Indian market price for shares outstanding at the period / year-end.

EPS figures have been calculated for the period and has not been annualized.



Letter to shareholders

Dear Shareholder,

It gives us pleasure to report on yet another successful quarter. Total income (Revenues) for the quarter was Rs. 233.52 crore (\$52.2 million) compared to Rs. 140.17 crore (\$33.0 million) for the corresponding quarter in the previous year, a growth of 66.6% (57.9%). Export income (Export revenues) grew to Rs. 224.41 crore (\$51.7 million) from Rs. 137.83 crore (\$32.7 million) for the corresponding quarter in the previous year, a growth of 62.8% (58.1%).

Net profit from ordinary activities (Net income) for the quarter was Rs. 73.79 crore (\$15.4 million) as compared to Rs. 37.74 crore (\$9.6 million) for the corresponding quarter in the previous year, an increase of 95.5% (60.9%). Operating profit (Operating income) was Rs. 98.47 crore (\$15.7 million) as compared to Rs. 54.66 crore (\$10.8 million) for the corresponding quarter in the previous year, a growth of 80.2% (45.2%).

Other income (Other income, net) of Rs. 7.11 crore (\$1.6 million) in the current quarter includes Rs. 4.20 crore (\$1.0 million) of interest on deployment of funds raised through issue of American Depositary Shares (ADS), Rs. 0.72 crore (\$0.1 million) from the sale of Special Import Licenses, and loss of Rs. 0.61 crore (\$0.1 million) arising from exchange rate differences on translation of foreign currency deposits. Excluding the above, net profit (net income) for the current quarter was Rs. 69.48 crore (\$14.4 million), an 84.1% (50.3%) increase over the comparable net profit of Rs. 37.74 crore (net income of \$9.6 million) for the quarter ended December 31, 1998.

E-commerce initiatives have become an integral part of every business around the world. Your company has made investments in building the skills required in this new paradigm, and now has the experience, the people and the ability to support its clients in their e-business endeavors. During this quarter, 15.6 % of your company's total income was e-commerce related and we continue to focus on this area.

Your company has successfully managed to convert the opportunity of providing Year 2000 conversion solutions into long-term relationships with its clients. The company had capped Year 2000 conversion business at 25% of total revenue and gradually reduced revenue from this service as the Year 2000 approached. We are happy to report that even with revenues from Year 2000 projects declining to just 5.8% this quarter, we have been able to maintain a healthy top- and bottom-line growth.

Your company had made preparations to support its internal systems and its clients during the transition to the Year 2000. Teams were, and continue to be in place at all development centers and in the U.S., Europe and Japan. Further, precautions were taken to monitor the impact on communication infrastructure. As of the date of this letter, no material disruption has been reported. However, your company does not expect to arrive at a conclusive picture of the effect of the transition immediately and continues to monitor its systems and is in touch with its clients to address any problems. The full cost of transition support is still being computed; but is expected to be insignificant. We would like to record our appreciation of all employees who worked very hard to ensure that our clients transition to the Year 2000 smoothly.

Your company added 23 new clients in the quarter. New clients include e-business clients like Fitme.com, Interval Research, Medschool.com and Beyond.com. The company continues to execute significant cutting-edge projects in voice and data communication technologies, the basic infrastructure of the Internet.

During the quarter, your company added another 218 employees (net), increasing the total strength to 4,996 as of the end of the quarter. The new e-commerce paradigm requires the company to keep personnel on "bench" so that it can quickly respond to market requirements. The company's global delivery model enables it to maintain this reserve without significantly impacting margins.

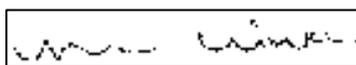
Your company was assessed at the highest level, Level 5, of the Capability Maturity Model, a software-specific quality standard formulated by the Software Engineering Institute at Carnegie Mellon University. This represents another significant milestone in the company's continuous quality journey, which began 7 years ago.

Phase I of the software development facility at Pune Infotech Park, Hinjawadi, Pune was inaugurated in the quarter. Construction of phase II of this facility is also progressing satisfactorily. Construction of one more block of 75,000 sq. ft of Infosys Park, Phase I is progressing well. Construction of 2,70,000 sq.ft at Infosys Park, Phase II, adjacent to the Company's headquarters in Electronic City, is progressing as per schedule.

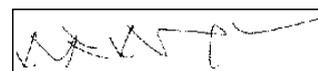
Work began on a new software development facility in Chennai, with a ground-breaking ceremony. A new facility, with a capacity to accommodate 100 employees, was occupied in Mangalore. This facility is part of a larger building that the company is in the process of acquiring. The company completed the acquisition of 25 acres of land in Bhubaneswar, and will begin construction of a software development campus in due course.

Your company was again voted as the "Best Managed Company" in India in a poll conducted by *Asiamoney* among the international investment community. Your company was voted "India's Most Admired Company" in a survey conducted by *The Economic Times*. The Institute of Chartered Accountants of India has adjudged the Annual Report and Accounts of the company for the year ended March 31, 1999 as the best amongst the entries received from Non-Financial Private Sector Companies for the Best Presented Accounts Competition 1998-99. This is the fifth consecutive year that Infosys is winning this prestigious award.

We thank all Infosys, who through their unwavering commitment to the Infosys ideals of quality, hard work and cost control, have made this yet another successful quarter, and look forward to reporting to you the results of the quarter and year ending March 31, 2000.



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



N. R. Narayana Murthy
*Chairman
and Chief Executive Officer*

Bangalore, India
January 11, 2000

Note: Figures and terminology in parenthesis refer to US GAAP financial statements, and are in US dollars.

Auditor's report to the members of Infosys Technologies Limited

We have audited the attached Balance Sheet of Infosys Technologies Limited (the Company) as at 31, December, 1999 and the Profit and Loss Accounts of the Company for the nine month period and quarter 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 Accounts 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 sub section(3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
 - e. 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 31 December , 1999; and
 - ii. in the case of the Profit and Loss Accounts, of the profit for the nine months period and quarter ended on that date.
3. We have also examined the attached Cash Flow Statements of the Company for the nine month period and quarter ended 31 December, 1999. The Statements have been prepared by the Company in accordance with the requirements of Clause 32 of the listing agreements entered into with the Stock Exchanges.

Bangalore
January 11, 2000

for Bharat S Raut & Co.
Chartered Accountants

Ravi Ramu
Partner

Balance Sheet as at

	<i>in Rs.</i>		
	December 31		March 31
	1999	1998	1999
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	33,06,95,500	16,01,73,500	33,06,95,500
Reserves and surplus	728,18,83,990	244,69,23,518	541,36,15,748
	761,25,79,490	260,70,97,018	574,43,11,248
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross block	232,93,48,993	150,19,23,526	168,92,38,345
Less : Depreciation	116,24,08,642	68,93,95,453	83,09,14,934
Net block	116,69,40,351	81,25,28,073	85,83,23,411
Add : Capital work-in-progress	56,23,06,951	15,12,52,880	14,88,35,800
	172,92,47,302	96,37,80,953	100,71,59,211
	75,48,469	75,48,469	75,48,469
INVESTMENTS			
CURRENT ASSETS, LOANS AND ADVANCES			
Sundry debtors	138,35,95,210	89,93,12,816	84,51,88,425
Cash and bank balances	395,23,42,087	96,38,98,984	405,04,82,999
Loans and advances	178,21,08,869	47,43,24,156	68,35,96,522
	711,80,46,166	233,75,35,956	557,92,67,946
Less: Current liabilities	57,84,73,154	46,11,36,190	42,83,42,481
Provisions	66,37,89,293	24,06,32,170	42,13,21,897
NET CURRENT ASSETS	587,57,83,719	163,57,67,596	472,96,03,568
	761,25,79,490	260,70,97,018	574,43,11,248

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

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

Ravi Ramu
Partner

N.R.Narayana Murthy
*Chairman and
Chief Executive Officer*

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

Susim M. Datta
Director

Marti G. Subrahmanyam
Director

N.S. Raghavan
Joint Managing Director

S. Gopalakrishnan
Deputy Managing Director

Place: Bangalore
Date: January 11, 2000

K. Dinesh
Director

S.D. Shibulal
Director

T.V.Mohandas Pai
Sr. Vice-President (F&A)

V.Viswanathan
Company Secretary

Profit and Loss Account

	Quarter ended December 31		Nine months ended December 31		Year ended
					March 31
	1999	1998	1999	1998	1999
<i>in Rs.</i>					
INCOME					
Software development services and products					
- Overseas	224,40,92,531	137,82,71,833	598,10,25,956	352,30,43,148	500,25,40,418
- Domestic	2,00,37,227	1,61,76,460	6,87,97,826	4,66,23,604	8,63,71,250
Other income	7,11,00,819	72,25,046	30,48,32,499	2,06,22,369	3,84,71,833
	233,52,30,577	140,16,73,339	635,46,56,281	359,02,89,121	512,73,83,501
EXPENDITURE					
Software development expenses	117,78,46,621	66,46,78,959	320,04,95,341	188,21,71,058	261,51,74,052
Administration and other expenses	17,27,30,083	12,18,33,522	46,26,00,508	32,10,23,822	45,75,30,137
Provision for Contingencies	-	3,33,00,000	3,33,00,000	3,33,00,000	6,66,00,000
Provision towards e-inventing the Company	-	-	3,50,00,000	-	-
Provision for investment in subsidiary	-	3,52,95,674	-	7,05,95,674	7,05,95,674
	135,05,76,704	85,51,08,155	373,13,95,849	230,70,90,554	320,98,99,863
Operating profit (PBIDT)	98,46,53,873	54,65,65,184	262,32,60,432	128,31,98,567	191,74,83,638
Interest	-	-	-	-	-
Depreciation	14,47,99,080	9,12,45,179	34,52,40,998	21,46,81,271	35,89,30,078
Profit before tax	83,98,54,793	45,53,20,005	227,80,19,434	106,85,17,296	155,85,53,560
Provision for tax					
- earlier periods	6,00,000	2,57,00,000	23,00,000	4,32,00,000	4,32,00,000
- current period	10,14,00,000	5,22,00,000	27,47,00,000	12,72,00,000	18,62,00,000
Profit after tax from ordinary activities	73,78,54,793	37,74,20,005	200,10,19,434	89,81,17,296	132,91,53,560
Extraordinary income (net of tax)	-	2,34,54,103	-	2,34,54,103	2,34,54,103
Net profit	73,78,54,793	40,08,74,108	200,10,19,434	92,15,71,399	135,26,07,663
AMOUNT AVAILABLE FOR APPROPRIATION	73,78,54,793	40,08,74,108	200,10,19,434	92,15,71,399	135,26,07,663
Dividend					
- Interim	-	-	9,92,08,200	4,00,43,000	4,00,43,011
- Final	-	-	-	-	8,10,32,734
- Dividend Tax	-	-	1,09,12,902	40,04,300	1,21,07,574
Amount transferred					
- capital reserve	-	-	-	-	2,34,54,103
- general reserve	-	-	-	-	119,59,70,241
Balance in Profit and Loss Account	73,78,54,793	40,08,74,108	189,08,98,332	87,75,24,099	-
	73,78,54,793	40,08,74,108	200,10,19,434	92,15,71,399	135,26,07,663

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

The Schedules referred to above and the notes thereon form an integral part of the Profit and Loss Account.

This is the Profit & Loss Account referred to in our report of even date. for Bharat S Raut & Co.

Chartered Accountants

Ravi Ramu Partner	N.R.Narayana Murthy Chairman and Chief Executive Officer	Nandan M. Nilekani Managing Director, President and Chief Operating Officer	Susim M. Datta Director	
		Marti G. Subrahmanyam Director	N.S. Raghavan Joint Managing Director	S. Gopalakrishnan Deputy Managing Director
Place: Bangalore Date: January 11, 2000	K. Dinesh Director	S.D. Shibulal Director	T.V.Mohandas Pai Sr. Vice-President (F&A)	V.Viswanathan Company Secretary

Schedules to the Profit and Loss Account

in Rs.

	Quarter ended December 31		Nine months ended December 31		Year ended March 31
	1999	1998	1999	1998	1999
OTHER INCOME					
Interest received on deposits with banks and others	6,87,87,893	69,09,057	18,98,10,230	1,92,19,735	3,67,00,927
Tax deducted at source Rs. 1,01,56,924 (Rs. 9,04,710)					
Sale of special import licenses	72,35,156	-	2,02,31,549	-	-
Profit on sale of assets	4,06,879	-	8,70,656	-	-
Miscellaneous income	7,96,726	3,15,989	22,87,198	14,02,634	17,70,906
Exchange differences *	(61,25,835)	-	9,16,32,866	-	-
	7,11,00,819	72,25,046	30,48,32,499	2,06,22,369	3,84,71,833
*Exchange differences on translation of foreign currency deposit maintained abroad					
SOFTWARE DEVELOPMENT EXPENSES					
Salaries and bonus including overseas staff expenses	81,15,35,725	38,84,96,572	213,58,96,745	108,16,78,208	151,56,56,923
Staff welfare	1,20,75,533	75,27,821	3,17,77,904	2,15,69,875	3,06,17,200
Contribution to provident and other funds	3,83,57,945	3,29,45,875	9,93,25,259	7,93,10,336	11,42,90,209
Foreign tour and travel	20,19,68,835	17,02,42,715	57,55,38,493	41,69,80,391	58,11,20,975
Consumables	59,07,518	24,59,618	1,65,15,050	52,23,483	1,06,44,207
Cost of software packages					
for own use	4,42,89,192	1,91,84,159	13,71,43,852	12,17,18,189	14,86,91,737
for domestic software development	15,50,489	20,09,803	56,15,548	60,26,671	1,78,19,890
Provision for post-sales client support	22,79,710	34,55,084	1,98,75,864	2,26,64,868	2,19,18,587
Computer maintenance	1,46,47,267	55,75,358	2,47,25,626	2,41,96,902	3,29,08,467
Communication expenses	3,94,21,621	2,16,80,859	13,41,81,710	6,95,79,151	9,59,08,515
Consultancy charges	58,12,786	1,11,01,095	1,98,99,290	3,32,22,984	4,55,97,342
	117,78,46,621	66,46,78,959	320,04,95,341	188,21,71,058	261,51,74,052
ADMINISTRATION AND OTHER EXPENSES					
Rent	2,94,91,308	1,84,64,043	7,37,30,739	5,40,88,667	7,44,54,587
Legal and professional charges	2,12,23,219	1,16,19,478	5,07,17,048	3,51,57,262	5,37,56,388
Travelling and conveyance	2,12,19,985	98,22,877	4,83,98,364	2,85,48,258	4,15,37,200
Telephone charges	1,34,11,165	1,22,44,813	3,80,10,382	3,89,60,752	5,15,34,846
Power and fuel	1,24,49,207	63,42,281	3,25,57,317	1,81,49,488	2,73,37,769
Provision for bad and doubtful debts	25,07,614	(44,14,374)	2,15,50,851	-	(13,06,919)
Office maintenance	1,50,73,562	56,80,833	3,32,62,319	2,02,62,136	2,95,44,190
Printing and stationery	59,54,552	28,85,245	2,13,46,379	1,11,92,404	1,76,34,923
Donations	80,00,000	69,86,000	2,21,86,367	1,10,07,335	1,49,82,357
Sundry marketing expenses	99,89,474	56,59,255	2,30,42,736	1,20,37,107	1,92,56,725
Other miscellaneous expenses	26,60,338	53,16,363	1,54,47,750	1,56,13,109	1,80,79,939
Advertisements	(1,69,062)	31,98,633	1,10,67,865	58,88,486	76,84,502
Brand Building	47,97,411	-	47,97,411	-	-
Insurance charges	87,73,960	33,01,187	1,78,04,591	90,48,428	1,28,78,968
Postage and courier	33,70,815	18,39,321	95,70,551	54,37,428	79,15,959
Rates and taxes	19,31,644	11,28,444	76,75,290	79,13,000	1,16,79,290
Repairs to plant and machinery	21,39,787	25,27,848	62,89,049	67,37,563	86,47,678
Repairs to building	17,62,336	36,11,585	57,67,172	81,40,482	1,08,24,460
Commission Charges	15,94,215	2,43,713	50,79,015	7,40,413	7,40,413
Research Grants	37,50,000	2,34,00,000	62,50,000	2,34,00,000	3,09,00,000
Books and periodicals	13,34,638	5,07,660	34,83,388	45,79,373	76,72,725
Bank charges and commission	9,67,665	10,80,817	27,30,597	29,59,631	38,95,031
Auditor's remuneration					
- audit fees	4,46,250	3,50,000	13,38,750	10,50,000	14,35,000
- certification charges	-	-	-	-	2,00,000
- other services	-	-	-	-	8,00,000
- out-of-pocket expenses	50,000	37,500	1,50,000	1,12,500	1,50,000
Bad loans and advances written off	-	-	3,46,577	-	52,94,106
	17,27,30,083	12,18,33,522	46,26,00,508	32,10,23,822	45,75,30,137

Statement of Cash Flows

	<i>in Rs.</i>				
	Quarter ended December 31,		Nine Months ended December 31,		Year ended March 31, 1999
	1999	1998	1999	1998	
CASH FLOWS FROM OPERATIONS					
Profit before tax	83,98,54,793	45,53,20,005	227,80,19,434	106,85,17,296	155,85,53,560
Other Income	(6,30,68,937)	(69,21,567)	(28,23,13,752)	(1,92,78,534)	(3,67,00,927)
Increase (decrease) in provision for contingencies	(1,05,17,012)	-	2,27,82,988	-	6,66,00,000
Increase (decrease) in provision for e-inventing the Company	(2,08,21,326)	-	1,41,78,674	-	-
Provision for investment in subsidiary	-	3,52,95,674	-	7,05,95,674	7,05,95,674
Depreciation, depletion and amortization	14,47,99,080	9,12,45,179	34,52,40,998	21,46,81,271	35,89,30,078
Decrease (increase) in sundry debtors	(4,88,85,406)	(30,91,78,176)	(53,84,06,785)	(50,04,64,149)	(44,63,39,758)
Decrease (increase) in loans and advances	(9,21,43,936)	(4,15,34,593)	(26,95,41,820)	(14,57,43,306)	(15,32,76,222)
Increase (decrease) in current liabilities and provisions	(70,61,317)	29,81,47,641	17,00,06,537	40,50,64,204	33,82,24,214
Income taxes paid	(11,69,30,617)	(1,32,51,866)	(25,53,68,098)	(8,22,91,668)	(16,79,23,184)
Net cash from operations	62,52,25,322	50,91,22,297	148,45,98,176	101,10,80,788	158,86,63,435
CASH FLOWS FROM FINANCING					
Proceeds from issue of American Depository Shares	-	-	-	-	296,86,28,400
Expenses relating to issue of American Depository Shares	(21,00,000)	-	(2,26,30,090)	-	(17,33,14,415)
Dividends paid (including dividend tax)	(11,01,21,102)	(4,40,47,300)	(19,92,57,109)	(10,20,36,824)	(10,20,36,824)
Net cash used for financing	(11,22,21,102)	(4,40,47,300)	(22,18,87,199)	(10,20,36,824)	269,32,77,161
CASH FLOWS FROM INVESTING					
Income from investments	6,87,87,893	69,21,567	18,98,10,230	1,92,78,534	3,67,00,927
Proceeds of sale of investments (net of tax)	-	6,06,20,029	-	6,06,20,029	6,06,20,029
Proceeds of sale of fixed assets	4,06,879	-	9,78,588	2,39,716	2,39,716
Purchase of fixed assets	(46,98,20,540)	(19,75,39,275)	(106,74,37,021)	(52,91,64,859)	(71,67,91,924)
Other long-term investments	-	(75,38,109)	-	(75,38,109)	(75,38,109)
Net cash used for investing	(40,06,25,768)	(13,75,35,788)	(87,66,48,203)	(45,65,64,689)	(62,67,69,361)
Effect of exchange differences on translation of foreign currency deposit maintained abroad	(61,25,835)	-	9,16,32,866	-	-
Total increase (decrease) in cash and cash equivalents during the period	11,23,78,452	32,75,39,209	38,60,62,774	45,24,79,275	365,51,71,235
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	453,80,33,967	63,63,59,775	416,65,90,944	51,14,19,709	51,14,19,709
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	464,42,86,584	96,38,98,984	464,42,86,584	96,38,98,984	416,65,90,944

These are the Cash Flow Statements referred to in our report of even date.

for Bharat S Raut & Co.

Chartered Accountants

Ravi Ramu
Partner

N.R.Narayana Murthy
Chairman and
Chief Executive Officer

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

Susim M. Datta
Director

Marti G. Subrahmanyam
Director

N.S. Raghavan
Joint Managing Director

S. Gopalakrishnan
Deputy Managing Director

Place: Bangalore
Date: January 11, 2000

K. Dinesh
Director

S.D. Shibukul
Director

T.V.Mohandas Pai
Sr. Vice-President (F&A)

V.Viswanathan
Company Secretary

Reconciliation of Balance Sheet items with cash flow items

in Rs.

	Quarter ended December 31,		Nine months ended December 31,		Year ended
	1999	1998	1999	1998	March 31, 1999
1. Loans and advances					
As per Balance sheet	178,21,08,869	47,43,24,156	178,21,08,869	47,43,24,156	68,35,96,522
Less: Deposits with financial institutions/body corporate, included in cash equivalents	(69,19,44,497)	-	(69,19,44,497)	-	(11,61,07,945)
Advance income taxes considered separately	(44,42,14,197)	(10,54,48,717)	(44,42,14,197)	(10,54,48,717)	(19,10,80,222)
Balance considered for preparing the cash flow statement	64,59,50,175	36,88,75,439	64,59,50,175	36,88,75,439	37,64,08,355
2. Additions to fixed assets					
As per Balance sheet	32,04,12,874	16,89,29,222	65,39,65,870	45,11,25,251	64,11,69,396
Add: Closing capital work-in-progress	56,23,06,951	15,12,52,880	56,23,06,951	15,12,52,880	14,88,35,800
Less: Opening capital work-in-progress	(41,28,99,285)	(12,26,42,827)	(14,88,35,800)	(7,32,13,272)	(7,32,13,272)
Balance considered for preparing the cash flow statement	46,98,20,540	19,75,39,275	106,74,37,021	52,91,64,859	71,67,91,924
3. Cash and cash equivalents					
As per Balance sheet	395,23,42,087	96,38,98,984	395,23,42,087	96,38,98,984	405,04,82,999
Add: Deposits with financial institutions/body corporate (as per 1 above)	69,19,44,497	-	69,19,44,497	-	11,61,07,945
Balance considered for preparing the cash flow statement	464,42,86,584	96,38,98,984	464,42,86,584	96,38,98,984	416,65,90,944
4. Income taxes paid					
As per Profit and Loss account	10,20,00,000	7,79,00,000	27,70,00,000	17,04,00,000	22,94,00,000
Add: Decrease(increase) in balance in provision for taxes account	(10,14,38,084)	(8,07,00,000)	(27,47,65,877)	(9,76,52,482)	(15,66,52,471)
Increase(decrease) in balance in advance income tax account	11,63,68,701	1,60,51,866	25,31,33,975	95,44,150	9,51,75,655
Balance considered for preparing the cash flow statement	11,69,30,617	1,32,51,866	25,53,68,098	8,22,91,668	16,79,23,184
5. Other income					
As per Profit and Loss account	7,11,00,819	72,25,046	30,48,32,499	2,06,22,369	3,84,71,833
Less: Income from operating activities	(80,31,882)	(3,03,479)	(2,25,18,747)	(13,43,835)	(17,70,906)
Balance considered for preparing the cash flow statement	6,30,68,937	69,21,567	28,23,13,752	1,92,78,534	3,67,00,927
6. Current liabilities and provisions					
As per Balance sheet	124,22,62,447	70,17,68,360	124,22,62,447	70,17,68,360	84,96,64,378
Less: Provision for taxation considered separately	(50,61,23,365)	(17,23,57,487)	(50,61,23,365)	(17,23,57,487)	(23,13,57,488)
Provision for dividend considered separately	-	-	-	-	(8,10,32,734)
Provision for dividend tax considered separately	-	-	-	-	(81,03,273)
Provision for contingencies	(8,93,82,988)	-	(8,93,82,988)	-	(6,66,00,000)
Provision for e-inventing the Company	(1,41,78,674)	-	(1,41,78,674)	-	-
Balance considered for preparing the cash flow statement	63,25,77,420	52,94,10,873	63,25,77,420	52,94,10,873	46,25,70,883

These are the Cash Flow Statements referred to in our report of even date.

for Bharat S Raut & Co.

Chartered Accountants

Ravi Ramu
Partner

N.R.Narayana Murthy
Chairman and
Chief Executive Officer

Nandan M. Nilekani
Managing Director, President
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Joint Managing Director

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Deputy Managing Director

Place: Bangalore

K. Dinesh
Director

S.D. Shibulal
Director

T.V.Mohandas Pai
Sr. Vice-President (F&A)

V.Viswanathan
Company Secretary

Date: January 11, 2000

Significant accounting policies

1 Basis for preparation of financial statements

The financial statements are prepared under the historical cost convention, in accordance with Indian Generally Accepted Accounting Principles (GAAP), the accounting standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956, as adopted consistently by the Company. All income and expenditure having a material bearing on the financial statements are recognized on accrual basis.

The preparation of the financial statements in conformity with GAAP requires that the management makes estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Examples of such estimates include estimates of expected contract costs to be incurred to complete software development, 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.

2 Revenue recognition

Revenue from software development on a time-and-material basis is recognized based on software developed and billed to clients as per the terms of specific contracts. In the case of fixed-price contracts, revenue is recognized based on the milestones achieved as specified in the contracts, on the percentage of completion basis. Revenue from the sale of software products is recognized when the sale has been completed with the passing of title. Revenues from Annual Technical Services (ATS) is recognized on a pro rata basis over the period in which such services are rendered. Interest on deployment of surplus funds is recognized using the time-proportion method, based on interest rates implicit in the transaction. Dividend income is recognized when the right to receive dividend is established. Revenue from the sale of Special Import Licences is recognized when the licences are actually sold.

3 Expenditure

Expenses are accounted on accrual basis and provisions are made for all known losses and liabilities. Provisions are made for future unforeseeable factors which may affect the ultimate profit on fixed-price software development contracts. The cost of software purchased for use in software development and services is charged to revenue in the same year. The leave encashment liability of the Company is provided on the basis of actuarial valuation. Provisions are made towards likely expenses on providing post-sales client support for fixed-price contracts.

4 Fixed assets

Fixed assets are stated at the cost of acquisition, less accumulated depreciation. Direct costs are capitalized till the assets are ready to be put to use. These costs include financing costs relating to specific borrowing(s) attributable to fixed assets.

5 Capital work-in-progress

Advances paid towards the acquisition of fixed assets, and the cost of assets not put to use before the period-end, are disclosed under capital work-in-progress.

6 Depreciation

Depreciation on fixed assets is provided using the straight-line method, based on useful lives as estimated by the management. Depreciation is charged on a pro rata basis for assets purchased / sold during the period. Individual assets costing less than Rs. 5,000 are depreciated in full in the year of purchase. The management's estimate of useful lives for the various fixed assets is given below.

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

7 Retirement benefits to employees

7.1 Gratuity

In accordance with Indian law, Company provides for gratuity, a defined benefit retirement plan covering all employees. The plan provides a lump sum payment to vested employees at retirement, death or termination of employment, based on the respective employee's salary, and the years of employment with the Company.

The Company has established the Infosys Technologies Limited Employees' Group Gratuity Fund Trust (the Trust). Liabilities with regard to the gratuity plan are determined by actuarial valuation, based upon which, the Company makes contributions 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 comprises central and state government bonds, and debt instruments of government-owned corporations.

7.2 Superannuation

Apart from being covered under the gratuity plan described above, the senior officers of the Company are also participants of a defined contribution benefit plan. The plan is termed the superannuation 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.

7.3 Provident fund

In addition to the above benefits, all employees receive benefits from a provident fund which is a defined contribution plan. Both the employee and the employer make monthly contributions to the plan equal to 12% of the covered employee's salary. The Company has established a Provident Fund Trust to which a part of the contributions are made each month. The remainder of the contributions are made to the Government's provident fund. The Company has no further obligations under the plan beyond its monthly contributions.

8 Research and development

Capital and revenue expenditure incurred on research and development is charged off to revenue in the same year in which such expenditure is incurred.

9 Foreign currency transactions

Sales made to clients outside India and realizations deposited into foreign currency bank accounts are accounted for on the basis of the exchange rate as on the date of the transaction. Adjustments are made for any variations in the sale proceeds on conversion into Indian currency upon actual receipt. 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. Fixed assets purchased at overseas offices are accounted for on the basis of the actual cost incurred at the exchange rate prevalent at the time of purchase. Depreciation is charged as per Company policy. Exchange differences arising on foreign currency transactions are recognized as income or expense in the period in which they arise.

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 accounted for 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.

10 Investments

Investments are classified into current investments and long-term investments. Current investments are carried at the lower of the cost and the fair value, and provision is made to recognize any decline in the carrying value. Long-term investments are carried at cost, and provision is made to recognize any decline, other than temporary, in the value of such investment. Overseas investments are carried at their original rupee cost less provision as described above.

11 Investment in subsidiary

The investment in the subsidiary is accounted on the cost method, whereby, the Company recognizes only dividends received from the subsidiary as income. In case of losses made by the subsidiary, other than temporary, adequate provision is made to recognize any decline in the value of the investment.

12 Income tax

Provision is made for income tax on an annual basis, under the tax-payable method, based on the tax liability as computed after taking credit for allowances and exemptions. In case of matters under appeal, due to disallowances or otherwise, full provision is made when the said liabilities are accepted by the Company.

Notes on accounts

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

1. Contingent liabilities

- The estimated amount of contracts remaining to be executed on capital account, and not provided for (net of advance) is Rs. 69,54,19,558 as at December 31, 1999. The amount of such contracts as at December 31, 1998 was Rs. 26,76,79,915.
- The company has outstanding counter guarantees of Rs. 1,58,84,263 as at December 31, 1999, to various banks, in respect of guarantees given by the said banks in favour of various government authorities. The counter guarantees outstanding, as at December 31, 1998 was Rs. 2,33,40,263.
- Claims against the company, not acknowledged as debts, amounted to Rs. 17,91,814 as at December 31, 1999. Such claims as at December 31, 1998 was Rs. 17,91,814.
- The Company has issued letters of credit outstanding to various vendors amounting to Rs. Nil as at December 31, 1999. The corresponding figure as at December 31, 1998 was Rs. 6,59,000

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.

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

	<i>in Rs.</i>			
	Three months ended December 31,		Nine months ended December 31,	
	1999	1998	1999	1998
Salary	9,73,800	9,73,800	29,21,400	29,21,400
Contribution to provident and other funds	3,09,780	3,09,780	9,29,340	9,29,340
Perquisites	11,19,870	8,68,811	26,98,239	26,04,316

4. Managerial remuneration paid to non-whole-time directors

	<i>in Rs.</i>			
	Three months ended December 31,		Nine months ended December 31,	
	1999	1998	1999	1998
Sitting fees	34,000	18,000	78,000	48,000
Reimbursement of expenses	4,45,123	2,43,343	9,01,728	6,55,044

5. Imports on CIF basis

	<i>in Rs.</i>			
	Three months ended December 31,		Nine months ended December 31,	
	1999	1998	1999	1998
Capital goods	7,31,57,517	8,14,20,026	22,70,52,455	20,15,86,695
Software packages	20,60,167	-	2,28,66,965	2,62,35,025

6. Expenditure in foreign currency

	<i>in Rs.</i>			
	Three months ended December 31,		Nine months ended December 31,	
	1999	1998	1999	1998
Travel expenses	18,62,06,010	13,76,54,956	49,97,76,870	36,93,49,752
Professional charges	80,48,926	38,07,487	2,01,25,172	1,39,68,407
Other expenditure incurred overseas for software development	62,24,10,619	24,52,71,643	154,40,25,716	74,44,15,529

7. Earnings in foreign exchange

in Rs.

	Three months ended December 31,		Nine months ended December 31,	
	1999	1998	1999	1998
Income from software development charges and products on a receipt basis	216,85,95,849	107,14,80,666	565,67,38,823	302,28,56,794
Interest received on deposits with banks	4,63,87,145	37,32,109	13,19,57,503	1,42,90,010

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

The Company charged depreciation at one hundred percent in respect of assets costing less than Rs. 5,000 each, amounting to Rs. 4,22,62,848 and Rs. 6,49,71,753 for the three months period ended December 31, 1999 and nine months period ended December, 1999 respectively. The corresponding figure for the previous period amounted to Rs. 3,90,98,888 and Rs. 9,15,81,384 respectively.

9. Depreciation

With effect from October 1, 1998, the Company revised the estimates of useful lives of buildings (software centers and others) from 28 years / 58 years to 15 years. Due to this change, depreciation for the three months period ended December 31, 1999 and nine months period ended December 31, 1999 is higher by Rs. 59,22,474 and Rs. 1,67,99,035. As a result, the profit for the three months period ended December 31, 1999 and nine months period ended December 31, 1999 is lower by Rs. 59,22,474 and Rs. 1,67,99,035 on a comparative basis.

10. Exchange differences

The Company has earned net realized and unrealized exchange gains of Rs. 4.98 crore and Rs. 8.88 crore for the three months period ended December 31, 1999 and December 31, 1998 respectively and Rs. 23.61 crore and Rs. 22.37 crore for the nine months period ended December 31, 1999 and December 31, 1998 respectively. This includes Rs. (0.61) crore (previous period Rs. nil) and Rs. 9.16 crore (previous period Rs. nil) for the three months and nine months period ended December 31, 1999 respectively arising from exchange differences on translation of foreign currency deposits maintained abroad, disclosed separately under "Other income" in the financial statements. The balance of Rs. 5.59 crore and Rs. 8.88 crore, for the three months period ended December 31, 1999 and December 31, 1998 and Rs. 14.45 crore and Rs. 22.37 crore for the nine months period ended December 31, 1999 and December 31, 1998 respectively, and is included under "Income from software development services and products-overseas".

11. Research and development expenditure

Research and development expenses charged to the Profit and Loss Account on both capital and revenue accounts for the three month period ended December 31, 1999 and nine month period ended December 31, 1999 amounted to Rs. 2,27,65,340 and Rs. 6,16,17,330 respectively (previous period – Rs. 4,12,33,470 and Rs. 7,31,28,970 respectively). This includes Rs. nil being the depreciation charged at 100% in respect of R & D assets acquired during three month period ended December 31, 1999 and nine month period ended December 31, 1999 (previous period – Rs. 30,30,000 and Rs. 32,33,250).

12. Investment in subsidiary

During the quarter ended December 31, 1998, the Company made a provision for Rs. 3,52,95,674 on its investment in Yantra Corporation, a subsidiary company. The corresponding figure for the current quarter is nil.

13. Provision for contingencies

The Company had 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 had made a total provision of Rs. 9.99 crore upto the quarter ended June 30, 1999 (including Rs. 3.33 crore for the quarter ended June 30, 1999). The Company had been led to believe that all its telecommunication service providers were Year 2000 ready and therefore did not expect significant disruption of these facilities. During second quarter, 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 quarter, Rs. 1.05 crore was spent towards support during the Year 2000 transition and the same was set-off against the provision made earlier. After such set-off, a balance of Rs. 8.94 crore remains as provision for contingency as on December 31, 1999.

14. Provision for e-inventing the Company

During the quarter ended September 30, 1999, the company had announced that it may be required to incur business restructuring costs for creating knowledge infrastructure, acquiring people with technical skills in the e-commerce area and for e-inventing the company. This was a result of the rapid shift in the business towards e-commerce related work. Accordingly, the company made a provision of Rs. 3.50 crore during the quarter ended September 30, 1999. During this quarter, the company made an appraisal of the restructuring and is of the opinion that the existing provision is adequate for the purpose. Therefore, no further provision has been made.

During the quarter, an amount of Rs. 2.08 crore was incurred towards e-inventing the company and was set-off against the provision made earlier. After this set-off, a balance of Rs. 1.42 crore remains as provision for e-inventing the company as on December 31, 1999.

15. Unearned revenue

Unearned revenue as of December 31, 1999 of Rs. 23,11,41,772 (Previous period Rs. 22,64,60,140) consists primarily of client billings on fixed-price, fixed-time-frame contracts for which related costs are not yet incurred.

16. Dues to Small-Scale Industrial undertakings

As of December 31, 1999, the Company had no outstanding dues to small-scale industrial undertakings.

17. Balance of unutilized money raised by issue of ADSs

During the year ended March 31, 1999, the Company made an Initial Public Offering (IPO) of American Depositary Shares (ADSs) amounting to Rs. 296.86 crore (equivalent to US\$ 70,380,000). The ADSs are listed on the NASDAQ National Market in the United States (US). The unutilized monies out of the issue, after meeting issue expenses, and including interest earned on such monies amounted to Rs. 238.45 crore (equivalent to US\$ 54,828,514) and Rs. 65.62 crore (equivalent to US\$ 15,089,828) is included under "Deposit accounts in foreign currency with Scheduled Banks" and "Deposits accounts in foreign currency with non-Scheduled Banks" in the financial statements respectively.

18. ADS issue expenses

During the nine month period ended December 31, 1999, the company received additional bills for costs incurred during the ADS issue. The details of such expenses are given under:

	<i>in Rs.</i>
Legal and accounting fees	1,49,26,437
Printing charges	77,03,653
TOTAL	2,26,30,090

19. Stock options

The Company currently has two stock option plans. These are summarized below.

1998 Stock Option 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 shareholders in January 1998. The Government of India approved the 1998 Plan, subject to a limit of US\$ 50 million on the aggregate value of equity shares reserved under the 1998 Plan. Accordingly, the number of equity shares reserved under the 1998 Plan may be reduced by the Board of Directors from time to time to comply with this limit of US\$ 50 million. A total of 8,00,000 equity shares corresponding to 16,00,000 ADSs (the Ministry of Finance, Government of India has allowed the Company to issue a maximum of 1.47 million ADSs under the plan) are currently reserved for issuance pursuant to the 1998 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. A committee of the Board of Directors administers the 1998 Plan. Options to acquire an aggregate of 2,13,000 ADSs corresponding to 1,06,500 equity shares were granted to employees concurrent with the Company's IPO in the US at an exercise price equal to the IPO issue price. Of these, options to acquire 3,500 ADSs corresponding to 1,750 equity shares were forfeited and returned to the Option pool due to the separation of the optionees from the Company. Options to acquire 1,16,000 ADSs corresponding to 58,000 equity shares were granted to the employees of the Company at an exercise price of \$179 on November 10, 1999.

1999 Stock Option Plan (the 1999 Plan)

In fiscal 2000, the Company instituted the 1999 Plan. The 1999 Plan was approved by the share holders and the Board of Directors in June 1999. The 1999 Plan provides for the issue of 33,00,000 equity shares to the employees. The 1999 Plan is administered by a Compensation Committee comprising a maximum of seven members, the majority of whom are independent directors on the Board of Directors. Under the 1999 Plan, options will be issued to employees at an exercise price which shall not be less than the Fair Market Value. Fair Market Value means 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 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. As of December 31, 1999, 4,76,600 options have been issued to employees under the 1999 Plan. As of the date of this report, options to acquire 1,100 equity shares were forfeited and returned to the option pool due to the separation of the optionees of the company.

20 Employee Stock Offer Plan (ESOP)

The Securities and Exchange Board of India (SEBI) recently issued the (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 which is effective for all stock option schemes established after June 19, 1999. In accordance with these guidelines, the excess of the market price of the underlying equity shares as of the date of the grant of the 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.

The Companies 1994 stock offer plan was established prior to the SEBI guidelines on stock options.

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

	Three months ended		Nine months ended	
	December 31,		December 31,	
	1999	1998	1999	1998
Net profit :				
- As reported	73,78,54,793	40,08,74,108	200,10,19,434	92,15,71,399
- Adjusted pro forma	68,17,38,506	33,83,65,192	183,51,84,658	82,06,25,046

in Rs.

21 Provision for taxation

The Company's profits from export activities are deductible from taxable income. Further, most of the Company's operations are conducted through 100% Export Oriented Units, which are entitled to a tax holiday for a period of ten years from the date of commencement of operations. The provision for taxation includes taxes payable in respect of domestic income and that arising on the Company's overseas operations, primarily in the United States, Europe, Far East and South East Asia.

22 Cash and Bank balance

The Company has a deposit of USD 1,854,225 (Rs. 8,06,41,779) in EEFC account as at December 31, 1999. Bank balances in overseas deposit account includes an net amount of USD 69,918,343 (Rs. 304,07,48,715) received on ADS program and maintained abroad as deposit along with the interest earned.

23 Loans and advances

Advances recoverable in cash or kind or for value to be received mainly comprise of prepaid travel and per-diem expenses and advance paid to vendors towards current assets.

Deposits with financial institutions consists of Rs. 25,50,22,081 and Rs. 18,10,98,742 deposited with Housing Development Finance Corporation Limited, and ICICI Limited, respectively. Mr. Deepak M Satwalekar, Director of the company, is also the Managing Director in Housing Development Finance Corporation Limited. Mr. N R Narayana Murthy, Chairman and CEO of the company and Prof. Marti G. Subrahmanyam, Director of the company, are also Directors in ICICI Limited. Except as directors in these financial institutions, they have no direct interest in these transactions. "Deposit with a body corporate" consists of Rs. 25,58,23,674 deposited with GE Capital Services India. All these financial institutions and a body corporate have AAA rating from CRISIL. There is no unpaid interest as on date.

Provision for doubtful loans and advances comprise of provisions made for deposit kept with a Company and for loans and advances given to employees. The Company has filed recovery suit against this company in a court of law and the court has attached the property of this company against the claims of unpaid deposit amount. The adjudication on this issue is pending. However, as matter of abundant precaution, a provision has been made.

24 Current liabilities

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

25 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 agreement. These amounts are disclosed as "Land - leasehold" under "Fixed assets" in the financial statements.

26 Set off of unearned revenues

The Company entered into an agreement with a customer for providing software services in an earlier year. The Company collected a portion of amounts receivable from this customer in respect of work performed for the customer under this agreement. The customer subsequently went into liquidation. In fiscal 1999, the company raised invoices in its books of account for the remainder of the contracted value of the services to be performed under the agreement amounting to Rs. 3,24,52,521 in order to stake its claim in the

liquidation proceedings. The Company subsequently informed the Reserve Bank of India about the claim raised by it on the customer. This amount was treated as “Unearned revenues” in the financial statements for fiscal 1999. The Company has set off the amount receivable from the customer against the amount earlier treated as “Unearned revenue”, in the previous quarter. The Company is actively pursuing liquidation proceedings to recover this amount.

27 **Income Tax demand for stock options**

The Income Tax department raised a tax demand of Rs. 73.52 crore on the Company for payment of tax deductible at source on stock options granted to the Company’s employees during the financial years 1996-97, 1997-98 and 1998-99. The Company has contested this tax demand by filing an appeal before the appellate authority. However, any tax liability on stock option issued under the Employees Stock Offer Plan is adequately covered by indemnities from employees and by the stock exercisable by them under ESOP. Consequently, employees have paid the tax due and the entire tax demand has been discharged in full. Thus, there is no impact on the earnings of the Company on this account.

28 **Stock split**

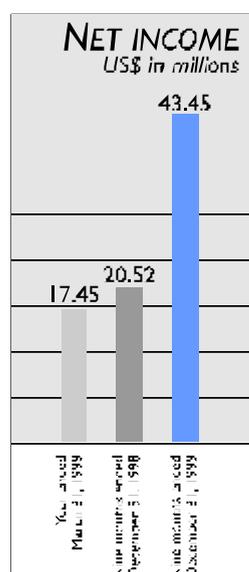
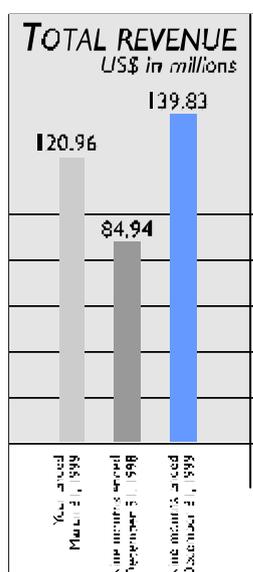
The shareholders of Infosys approved the 2-for-1 split of its equity shares, i.e., a sub-division of every equity share from the current par value of Rs. 10 into 2 equity shares of par value Rs. 5 each, at the Extraordinary General Meeting held on December 29, 1999. The Board of Directors of the company has fixed February 11, 2000 as the Record Date for determining the shareholders/ADSs holders entitled to the split. As the split will be effectuated after the Record Date, the same is not reflected in the financial statements as per Indian GAAP for the quarter and nine-month period ended December 31, 1999.

At a glance - US GAAP

US\$ in millions, except per equity share data

	Quarter ended		Nine months ended		Year ended March 31, 1999
	December 31, 1999	December 31, 1998	December 31, 1999	December 31, 1998	
For the period					
Total revenue	52.16	33.04	139.83	84.94	120.96
Operating income	15.69	10.81	42.61	25.04	22.87
Net income	15.42	9.58	43.45	20.52	17.45
Operating income as a percentage of total revenue	30.08%	32.72%	30.47%	29.48%	18.91%
Net income as a percentage of total revenue	29.56%	29.00%	31.07%	24.16%	14.42%
Basic earnings per share	0.24	0.16	0.66	0.34	0.28
Capital investment	10.87	4.60	23.84	11.59	16.12
At the end of the period					
Total assets			195.18	76.58	153.66
Property, plant and equipment - net			39.76	22.80	23.90
Cash and equivalents			106.79	22.80	98.87
Working capital			131.30	36.05	110.62
Total debt			-	-	-
Shareholders' equity			179.22	63.27	139.61
Common stock			8.59	4.55	8.59
Market capitalization			21,825.80	47,603.12	2,852.24

Note: Market capitalization is calculated by considering the NASDAQ market price for shares outstanding at the period/year end except as of December 31, 1998 where the same has been calculated by considering the Indian market price.



Shareholder information

- Listing on stock exchanges in India at
 - [Bangalore Stock Exchange Ltd.](#)
Stock Exchange Towers, No. 51, 1st Cross, J.C. Road, Bangalore - 560027.
Tel.: 91-80-299 5234, Fax: 91-80-299 5242
 - [The Stock Exchange, Mumbai](#)
Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001.
Tel.: 91-22-265 5581, Fax: 91-22-265 8121
 - [National Stock Exchange of India Ltd.](#)
Trade World, Senapati Bapat Marg, Lower Parel, Mumbai - 400 013.
Tel.: 91-22-497 2950, Fax: 91-22-491 4275/85
- Listing fees
Paid for all the above stock exchanges for 1999-2000.
- 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
- Registered office
Electronics City, Hosur Road, Bangalore - 561 229, India.
Tel.: 91-80-852 0261, Fax: 91-80-852 0362
Homepage: www.itlinfosys.com
- Stock market data relating to shares listed in India
 - The company's market capitalization is included in the computation of the BSE-30 Sensitive Index (Sensx), the BSE Dollex and S&P CNX NIFTY Index.
 - Monthly high and low quotations as well as the volume of shares traded at Mumbai, National and Bangalore Stock Exchanges during the three-month period ended December 31, 1999 are:

	BSE			NSE			BgSE		
	High	Low	Volume	High	Low	Volume	High	Low	Volume
	Rs.	Rs.	Nos.	Rs.	Rs.	Nos.	Rs.	Rs.	Nos.
October, 1999	8,720	6,832	23,81,639	8,875	6,845	23,23,938	8,550	6,900	4,601
November	9,750	6,590	21,87,553	9,773	6,600	26,66,213	9,750	6,450	2,126
December	14,649	9,001	23,08,042	14,527	9,031	20,80,825	14,600	9,100	1,707
Total			68,77,234			70,70,976			8,434

% of volume traded to total number of shares outstanding #

	21.47%	22.07%	0.03%
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The number of shares outstanding has been taken to be 3,20,34,400. The American Depositary Shares (ADSs) have been excluded for the purpose of this calculation.

- 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.
Tel.: 91-80-662 1184, Fax: 91-80-662 1169
Email: KARVY.BGL@KARVY.sprintrpg.ems.vsnl.net.in
- Share transfer system
The Securities and Exchange Board of India (SEBI) has mandated that investors should compulsorily trade in dematerialized form in the securities of Infosys from January 4, 1999. Investors are required to open an account with a Depository Participant to trade in dematerialized form. A list of Depository Participants is available with the National Securities Depository Limited (NSDL). A booklet entitled "An Investor's Guide to Depositories" is available at www.itlinfosys.com.

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 quarter ended December 31, 1999 were 18,110 (previous year – 1,98,997). 96.69% of transfers (previous year – 75.49%) were completed within 15 days. Shares in dematerialized form were transferred within 10 days, on the average.

Transfer period in days	1999				1998			
	No. of transferees (folios)		No. of shares	%	No. of transferees (folios)		No. of shares	%
	New	Existing			New	Existing		
1-10	29	12	17,400	96.08	48	18	95,400	47.94
11-15	1	1	110	0.61	41	29	54,815	27.55
16 - 20	0	0	0	0.00	34	17	38,320	19.26
*21 and above	1	1	600	3.31	29	24	10,462	5.25

1999				1998			
No. of transferees (folios)				No. of transferees (folios)			
31	14	18,110	100.00	152	88	1,98,997	100.00

* Delays beyond 21 days were due to compliance of legal requirements.

8. Investors' services - Complaints received during the three-month period ended December 31

Nature of complaints	1999		1998	
	Received	Cleared	Received	Cleared
1. Non-receipt of share certificates	0	0	15	15
2. Non-receipt of bonus shares	3	3	0	0
3. Letters from Stock Exchanges, SEBI, etc.	0	0	0	0
4. Non-receipt of dividend warrants	19	19	10	10
	22	22	25	25

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 quarter ended December 31, 1999.

9. Legal proceedings

There are some pending cases relating to disputes over title to shares, in which the company is made a party. These cases are however not material in nature.

10. Distribution of shareholding as on December 31

No. of equity shares held	1999				1998			
	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	12,098	57.17	2,91,072	0.91	1,375	20.92	1,16,092	0.72
101- 200	2,294	10.84	4,31,774	1.35	1,737	26.43	3,16,448	1.98
201- 500	2,800	13.23	10,42,071	3.25	1,935	29.44	7,61,164	4.76
501- 1000	2,071	9.79	15,58,575	4.87	722	10.99	5,05,028	3.15
1001- 5000	1,395	6.59	28,91,911	9.03	511	7.78	6,89,192	4.30
5001- 10000	208	0.98	14,96,681	4.67	94	1.43	3,21,500	2.01
10001 and above	297	1.40	2,40,07,171	74.94	198	3.01	1,33,07,776	83.08
Shares in transit in NSDL	-	-	3,15,145	0.98	-	-	-	-
	21,163	100.00	3,20,34,400	100.00	6,572	100.00	1,60,17,200	100.00
American Depository Shares	1*		10,35,000		-		-	
Total	21,164		3,30,69,400		6,572		1,60,17,200	

* Held by beneficial owners outside India.

11. Categories of shareholders as on December 31

Category	1999			1998		
	No. of shareholders	Voting strength (%)	No. of shares held	No. of shareholders	Voting strength (%)	No. of shares held
Individuals	19,698	25.84	85,46,128	6,141	21.97	35,18,042
Companies	988	1.52	5,01,804	185	7.25	11,61,658
FIIIs	209	24.88	82,27,179	130	25.88	41,44,550
OCBs and NRIs	143	0.72	2,37,832	27	0.25	40,100
Founders and their families	18	29.44	97,35,130	18	30.74	49,23,300
Mutual Funds, Banks, FIs	107	13.52	44,71,182	71	13.91	22,29,550
Shares in transit in NSDL	-	0.95	3,15,145	-	-	-
American Depository Shares	1*	3.13	10,35,000	-	-	-
Total	21,164	100.00	3,30,69,400	6,572	100.00	1,60,17,200

* Held by beneficial owners outside India.

12. Shares under lock-in

Details of shares held by employees under the Employee Stock Offer Plan (ESOP) subject to lock-in are given below. These shares are also included in the categories of shareholders given in (11) above.

Period of lock-in	Number of shares subject to lock-in as on December 31			
	1999		1998	
	No. of shares	No. of employees	No. of shares	No. of employees
4-5 years	3,92,300	1,042	-	-
3-4 years	2,50,400	341	1,06,200	156
2-3 years	1,02,000	151	1,32,600	110
1-2 years	1,28,600	105	1,11,100	76
0-1 years	1,06,300	74	-	-

As on December 31, 1999, 581 employees hold rights to 1,72,600 shares which are subject to a lock-in of 4-5 years under the 1994 Stock Offer Plan. Currently, 1,667 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 when such employees leave the services of the company. The ITL Employees Welfare Trust holds, as on December 31, 1999, 80,800 shares. The 1994 Stock Offer Plan has since been terminated.

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 share holders in January 1998. A total of 8,00,000 equity shares corresponding to 16,00,000 ADSs are currently reserved for issuance pursuant to the 1998 Plan. During the quarter ended December 31, 1999, options to acquire 1,16,000 ADSs corresponding to 58,000 equity shares were granted under the 1998 Stock Option Plan to 53 employees. As on December 31, 1999, 87 employees hold options to acquire 3,25,500 ADSs corresponding to 1,62,750 equity shares under the 1998 Stock Option Plan.

In fiscal 2000, the Company instituted the 1999 Stock Option Plan. The 1999 Plan was approved by the Board of Directors and the share holders in June 1999. The Plan provides for the issue of 33,00,000 equity shares to the employees. During the quarter ended December 31, 1999, options to acquire 4,65,300 equity shares were granted to 1,148 employees under the 1999 Stock Option Plan.

13. 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 Depository Limited (NSDL). Consequently, the company's shareholders do not have to pay depository participants the custodial fee charged by the NSDL, on their holding. This payment of a one-time custodial fee extends to the issue of bonus shares too. The company hopes that this initiative will enthruse shareholders to dematerialize their holding in the company. Over 88.50% of the company's shares are now held in electronic form.

A detailed letter explaining the methodology of using a Depository as well as a booklet entitled "An Investor's Guide to Depositories" was sent to all shareholders in November 1998. Copies of this booklet are available to shareholders on request.

The Stock Exchange, Mumbai has permitted trading of your company's share in the 'A' group. This move is expected to increase the liquidity of your company's shares.

14. Financial calendar (tentative and subject to change)

Financial results for the year ending March 31, 2000	April 11, 2000
Annual General Meeting for the year ending March 31, 2000	May 2000

15. Investors' correspondence in India may be addressed to:

Mr. V. Viswanathan,
Company Secretary, Investors' Service Cell,
Infosys Technologies Ltd., Electronics City,
Hosur Road, Bangalore - 561 229, India.
Tel.: 91-80-852 1518, Fax: 91-80-852 0362
(e-mail address: invest@itlinfosys.com)

Any queries relating to the financial statements of the company may be addressed to:

Mr. T. V. Mohandas Pai,
Senior Vice President (F&A),
Infosys Technologies Ltd., Electronics City, Hosur Road,
Bangalore - 561 229, India.
Tel.: 91-80-852 0396, Fax: 91-80-852 0362
(e-mail address: mdpai@itlinfosys.com)

16. Reuters code - INFY.BO (BSE)	Bloomberg code - INFO IN (BSE)	Bridge code - IN;INF (BSE)
INFY.NS (NSE)	NINFO IN (NSE)	IN;INFN (NSE)
INFY.O (NASDAQ)		US;INFY (NASDAQ)

17. Stock market data relating to American Depository 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 Depository 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 NASDAQ National Market for the quarter ended December 31, 1999 are:

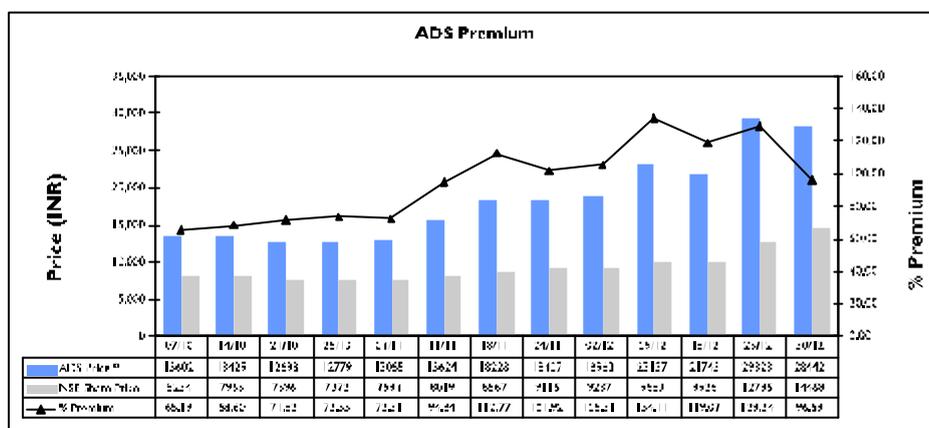
	High		Low		Volume Nos.
	\$	Rs.#	\$	Rs.#	
October, 1999	179.50	15,552	131.00	11,350	17,12,400
November	235.00	20,398	143.00	12,412	13,14,600
December	360.00	31,313	204.13	17,755	14,79,100

Percentage of volume traded to total float 217.69%

US\$ have been converted into Rupees at the monthly closing rates.

2 ADS = 1 equity share

e. American Depository Shares premium to the shares traded on the Indian Stock Exchanges



* 2 ADSs = 1 equity share

(Source: Bloomberg)

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@itlinfosys.com

g. Name and address of the Depository bank

Bankers Trust Company
(Part of the Deutsche Bank Group),
Four, Albany Street
New York, NY 10006, USA.
Tel.: 1-212-250-8500, Fax: 1-212-250-5644.

h. Name and address of the Custodian in India

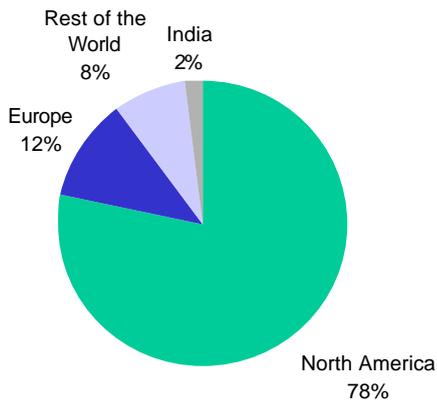
Corporate Trust and Agency Services
Deutsche Bank A.G.
1 st Floor, Kodak House
222, Dr. D. N. Road.
Fort, Mumbai – 400 001
Tel.: 91-22-207 9566, Fax: 91-22-207 9614
ICICI Limited
ICICI Towers,
Bandra-Kurla Complex,
Mumbai - 400 051, India.
Tel.: 91-22-653 1414, Fax: 91-22-653 1165.

Segment information

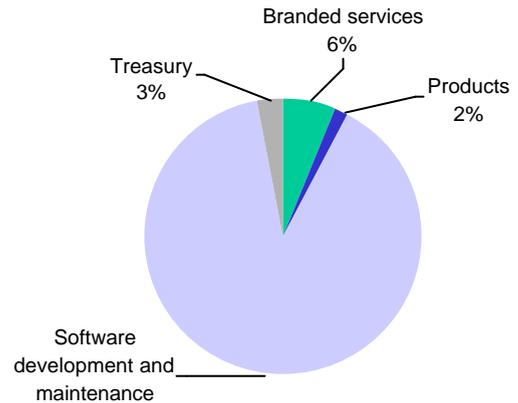
	<i>Rs. in lakhs</i>				
	Quarter ended		Nine months ended		Year ended March 31, 1999
	December 31, 1999	December 31, 1998	December 31, 1999	December 31, 1998	
Geographical segment					
North America	18,273.82	11,460.80	49,356.35	29,348.71	41,739.11
Europe	2,680.14	1,252.83	8,556.73	3,478.55	4,753.03
Rest of the World	1,925.10	1,069.08	3,923.29	2,403.17	3,533.26
India	473.25	234.02	1,710.20	672.46	1,248.43
	23,352.31	14,016.73	63,546.57	35,902.89	51,273.83
Business segment					
Branded services	1,395.24	2,774.60	5,638.42	8,948.57	11,321.57
Products	444.48	210.92	1,576.81	718.86	1,444.89
Software development and maintenance	20,801.59	10,958.96	53,283.03	26,029.24	38,122.66
Treasury	711.00	72.25	3,048.31	206.22	384.71
	23,352.31	14,016.73	63,546.57	35,902.89	51,273.83

* Exchange differences arising on translation of foreign currency deposits kept abroad have been included under Treasury.
By geographical area - quarter ended December 31, 1999 By business segment - quarter ended December 31, 1999

By Geographical Area
- quarter ended December 31, 1999



By Business Segment
- quarter ended December 31, 1999



Ratio analysis

	Quarter ended		Nine months ended		Year ended
	December 31,	December 31,	December 31,	December 31,	March 31,
	1999	1998	1999	1998	1999
Ratios - Financial performance					
Export revenue/Total revenue (%)	95.85	98.33	95.50	98.13	97.50
Domestic revenue/Total revenue (%)	0.86	1.15	1.10	1.30	1.68
Other income/Total revenue (%)	3.30	0.52	3.40	0.57	0.75
Employee costs/Total revenue (%)	36.81	30.60	36.20	32.94	32.39
Administration expenses/Total revenue (%)	7.38	8.69	7.39	8.94	8.92
Operating expenses/Total revenue (%)	57.68	61.01	59.58	64.26	62.60
Depreciation/Total revenue (%)	6.18	6.51	5.51	5.98	7.00
Tax/Total revenue (%)	4.36	5.56	4.42	4.75	4.47
Effective tax rate (Tax/PBT) (%)	12.06	17.11	12.67	15.95	14.72
EBIDTA/Total revenue (%)	42.32	38.99	40.42	35.74	37.40
PAT from ordinary activities/Total revenue (%)	31.78	26.93	30.49	25.02	25.92
PAT from ordinary activities/Average net worth (%)*	39.35	58.17	36.35	50.80	54.16
ROCE (PBIT/Average capital employed) (%)*	44.75	70.17	41.62	60.44	63.51
Return on invested capital (%)*	94.13	83.09	91.62	72.92	86.30
Invested capital output ratio*	3.15	3.12	3.21	2.96	3.39
Ratios - Balance Sheet					
Debt-Equity ratio			-	-	-
Debtors turnover (Days)			63	69	61
Current ratio			5.73	3.33	6.57
Cash and equivalents/Total assets (%)			61.01	36.97	72.51
Cash and equivalents/Total assets (%) (excluding ADR issue proceeds)			38.67	36.97	46.50
Depreciation for the period/Average gross block (%)			22.91	22.42	26.19
Technology investment/Total revenue (%)			6.42	8.58	8.55
Ratios - Growth**					
Export revenue (%)	63	94	70	102	99
Total revenue (%)	67	91	74	98	97
Operating expenses (%)	58	79	62	92	87
Operating profit (%)	81	114	97	112	116
Net profit (from ordinary activities) (%)	97	107	113	118	120
Per share data					
Earnings per share from ordinary activities (Rs.)	22.50	12.12	57.74	27.87	40.19
Cash earnings per share from ordinary activities (Rs.)	26.88	14.88	68.18	34.36	51.05
Book value (Rs.), period end	227.43	78.84	227.43	78.84	174.00
Price/Earning, end of the period	160.75	61.29	187.93	79.98	72.77

* Annualized

** Denotes growth compared with figures of the corresponding period in the previous year.

Note: The ratio calculations are based on Indian GAAP.

All ratios are calculated excluding income from exchange differences on translation of foreign currency deposit kept abroad.

EPS figures have been calculated for the period and has not been annualized.

Invested capital ratios has been calculated by adjusting the average liquid assets against the average net worth and adjusting the revenue earned from liquid assets after taxes against net profits.

US

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Suite 412, Premier Suites
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Fax: 44-1-908-608-279

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4F, Madre Matsuda Building
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Tokyo 102-0094, Japan.
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Fax: 81-2-3239-3300

India

Infosys Technologies Limited
Electronics City, Hosur Road
Bangalore 561 229, India.
Tel: 91-80-8520261
Fax: 91-80-8520362

Bankers

State Bank of Mysore
Hongkong and Shanghai Banking Corporation Ltd.
State Bank of India
ICICI Banking Corporation Limited
Bank of America

Company Secretary

V. Viswanathan

Auditors

Bharat S Raut and Company
Chartered Accountants

Independent auditors - US GAAP

KPMG Peat Marwick

Visit Infosys on the Worldwide Web at www.itlinfosys.com

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Call us at **1-800-ITL INFO**

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