

INFOSYS TECHNOLOGIES LIMITED

Report for the first quarter ended June 30, 1999



At a glance – Indian GAAP

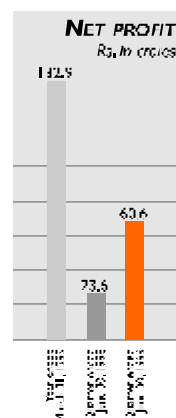
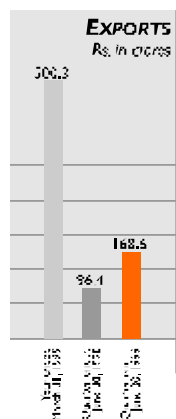
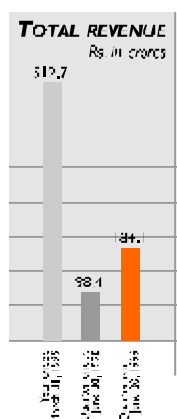
Rs. in crores, except per equity share data

June 30, 1999	Quarter ended		Year ended
	June 30, 1998	March 31, 1999	
For the period			
Total revenue	184.06	98.43	512.74
Export revenue	168.62	96.38	500.25
Operating profit (PBIDT)	77.93	31.61	191.75
Profit after tax (PAT) from ordinary activities	60.61	23.67	132.92
PBIDT as a percentage of total revenue	39.67%	32.11%	37.40%
PAT (from ordinary activities) as a percentage of total revenue	29.83%	24.05%	25.92%
Earnings per share* (from ordinary activities)	63.48	28.63	40.19
Dividend per share	NA	NA	7.50
Dividend amount	NA	NA	12.11
Capital investment	21.21	10.47	71.68
At the end of the period			
Total assets	633.02	196.63	574.43
Fixed assets – net	112.59	70.47	100.72
Cash and equivalents	444.72	54.25	416.66
Working capital	519.68	116.38	472.96
Total debt	–	–	–
Net worth	633.02	196.63	574.43
Equity	33.07	16.02	33.07
Market capitalization	12,040.57	3,560.22	9,672.80

* Annualized

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

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



Letter to the shareholders

Dear Shareholder,

We are delighted to report on your company's performance during the first quarter (April - June 1999) of the financial year 1999-2000.

This quarter has been one of growth. Total income (Revenues) for the quarter was Rs. 184.06 crore (\$39.7 million) compared to Rs. 98.43 crore (\$23.7 million) in the first quarter of the financial year 1998-99, which is a growth of 87% (68%). Export income (Export revenues) grew to Rs. 168.62 crore (\$39.3 million) in the first quarter compared to Rs. 96.38 crore (\$23.4 million) in the corresponding quarter of the previous year, which is a growth of 75% (68%).

Net profit from ordinary activities (Net income) for the quarter was Rs. 60.61 crore (\$13.3 million), as compared to Rs. 23.67 crore (\$4.8 million) in the corresponding quarter of the previous year, an increase of 156% (179%). Operating profit (Operating income) was Rs. 77.93 crore (\$12.3 million) as compared to Rs. 31.61 crore (\$6.0 million) in the corresponding quarter of the previous year, a growth of 147% (103%).

We must point out that "Other income" (Other income, net) of Rs. 13.79 crore (\$3.2 million) for the current quarter includes Rs. 3.52 crore (\$0.8 million) towards interest on deployment of funds raised through issue of American Depositary Shares (ADS) and an amount of Rs. 8.13 crore (\$1.9 million) arising from exchange differences on translation of foreign currency deposits, which may be non-recurring. Excluding such exchange differences and the interest earned on funds raised through the ADS offering, the net profit (net income) was Rs. 48.96 crore (\$10.6 million), an increase of 107% (122%) over the net profit of Rs. 23.67 crore (\$4.8 million) for the quarter ended June 30, 1998.

Your company has reported growth and profits while at the same time reducing revenue from Year 2000 business to just 12% of total revenue in the quarter.

During the quarter, we found that our clients renewed investments in new core business applications and in moving their organizations to the new Internet paradigm. Your company has successfully managed its skill-sets to take advantage of these new opportunities, thereby positioning itself as a strategic partner of choice with both existing and new clients. 19 new clients were added in the quarter, including several leading Internet companies like Amazon.com and Value America. Revenue from e-commerce projects represented 6.4% of revenues in the quarter.

We expect to grow at industry compatible growth rates, and are led to believe that the Indian software industry will grow at a rate of around 30-40% p.a. in dollar terms.

As you are aware, the company's voting control in Yantra declined to approximately 47% during October 1998, due to sale of part of our Convertible Preferred Stock holding. During the current quarter, Yantra received an investment of \$15 million from both existing and new investors in the form of Series 'C' Preferred Stock. With this, our stake in Yantra has come down to 25%. The detailed financial statements of Yantra are therefore not provided with this report.

The construction of Phase I of the software development facility at Pune Infotech Park, Hinjawadi, Pune is progressing well and is expected to be completed on schedule. Another building with a capacity to accommodate 225 employees, and a Food Court were commissioned in *Infosys Park*. Construction of *Infosys Park, Phase II* began on a 14.06 acre plot of land adjacent to the company's headquarters in Electronics City.

The Infosys family has grown to 3,943 at the end of the quarter, including the addition of another 177 employees (net). Investments in people, training and technology continue to be fundamental tenets of our business model.

We thank all Infosysians, who through their hard work, dedication and commitment have made this yet another successful quarter, and look forward to reporting to you the results of the quarter ended September 30, 1999.

Bangalore
July 9, 1999

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

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

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 30 June, 1999 and the Profit and Loss Account of the Company for the 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 Account dealt with by this report are in agreement with the books of account.
 - d. The Balance Sheet and Profit and Loss Account dealt with by this report have been 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 30 June, 1999; and
 - ii. in the case of the Profit and Loss Account, of the profit for the quarter ended on that date.
3. We have also examined the attached Cash Flow Statement of the Company for the quarter ended 30 June, 1999. The Statement has been prepared by the Company in accordance with the requirements of Clause 32 of the listing agreements entered into with the Stock Exchanges.

Bangalore
July 9, 1999

for Bharat S Raut & Co.
Chartered Accountants

Ravi Ramu
Partner

Balance Sheet as at

	<i>in Rs.</i>		
	June 30, 1999	June 30, 1998	March 31, 1999
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	33,06,95,500	16,01,73,500	33,06,95,500
Reserves and surplus	599,94,93,896	180,61,28,371	541,36,15,748
	633,01,89,396	196,63,01,871	574,43,11,248
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross block	190,40,05,553	110,14,70,963	168,92,38,345
Less : Depreciation	92,02,83,178	52,44,09,843	83,09,14,934
Net block	98,37,22,375	57,70,61,120	85,83,23,411
Add : Capital work-in-progress	14,21,61,438	12,76,67,737	14,88,35,800
	112,58,83,813	70,47,28,857	100,71,59,211
INVESTMENTS	75,48,469	9,77,71,960	75,48,469
CURRENT ASSETS, LOANS AND ADVANCES			
Sundry debtors	106,75,75,082	51,76,21,747	84,51,88,425
Cash and bank balances	389,99,38,741	48,92,92,531	405,04,82,999
Loans and advances	123,67,02,392	42,70,26,972	68,35,96,522
	620,42,16,215	143,39,41,250	557,92,67,946
Less : Current liabilities	55,69,78,559	18,64,71,583	42,83,42,481
Provisions	45,04,80,542	8,36,68,613	42,13,21,897
NET CURRENT ASSETS	519,67,57,114	116,38,01,054	472,96,03,568
	633,01,89,396	196,63,01,871	574,43,11,248

This is the Balance Sheet referred to in our report of even date.

for Bharat S Raut & Co.
Chartered Accountants

Ravi Ramu <i>Partner</i>	N. R. Narayana Murthy <i>Chairman and Chief Executive Officer</i>	Nandan M. Nilekani <i>Managing Director, President and Chief Operating Officer</i>	Susim M. Datta <i>Director</i>	Prof. Marti G. Subrahmanyam <i>Director</i>
	N. S. Raghavan <i>Jt. Managing Director</i>	S. Gopalakrishnan <i>Dy. Managing Director</i>	K. Dinesh <i>Director</i>	S. D. Shibulal <i>Director</i>
Bangalore July 9, 1999	T. V. Mohandas Pai <i>Senior Vice President (Finance & Administration)</i>	V. Viswanathan <i>Company Secretary</i>		

Profit and Loss Account

	Quarter ended		<i>in Rs.</i>
	June 30, 1999	June 30, 1998	Year ended March 31, 1999
INCOME			
Software development services and products			
Overseas	168,62,11,001	96,37,87,986	500,25,40,418
Domestic	1,64,95,994	1,14,42,086	8,63,71,250
Other income	13,79,13,245	90,25,948	3,84,71,833
	184,06,20,240	98,42,56,020	512,73,83,501
EXPENDITURE			
Software development expenses	89,18,81,292	55,82,56,290	261,51,74,052
Administration and other expenses	13,61,38,961	9,99,06,913	45,75,30,137
Provision for contingencies	3,33,00,000	–	6,66,00,000
Provision for investment in subsidiary	–	1,00,00,000	7,05,95,674
	106,13,20,253	66,81,63,203	320,98,99,863
Operating profit (PBIDT)	77,92,99,987	31,60,92,817	191,74,83,638
Interest	–	–	–
Depreciation	9,32,18,149	4,93,63,865	35,89,30,078
Profit before tax	68,60,81,838	26,67,28,952	155,85,53,560
Provision for tax – earlier period/year	–	–	4,32,00,000
– current period/year	8,00,00,000	3,00,00,000	18,62,00,000
Profit after tax from ordinary activities	60,60,81,838	23,67,28,952	132,91,53,560
Extraordinary income (net of tax)	–	–	2,34,54,103
Net profit	60,60,81,838	23,67,28,952	135,26,07,663
AMOUNT AVAILABLE FOR APPROPRIATION	60,60,81,838	23,67,28,952	135,26,07,663
Dividend			
Interim	–	–	4,00,43,011
Final	–	–	8,10,32,734
Dividend tax	–	–	1,21,07,574
Amount transferred – capital reserve	–	–	2,34,54,103
– general reserve	–	–	119,59,70,241
Balance in Profit and Loss Account	60,60,81,838	23,67,28,952	–
	60,60,81,838	23,67,28,952	135,26,07,663

This is the Profit and Loss Account referred to in our report of even date.

for Bharat S Raut & Co.
Chartered Accountants

Ravi Ramu <i>Partner</i>	N. R. Narayana Murthy <i>Chairman and Chief Executive Officer</i>	Nandan M. Nilekani <i>Managing Director, President and Chief Operating Officer</i>	Susim M. Datta <i>Director</i>	Prof. Marti G. Subrahmanyam <i>Director</i>
	N. S. Raghavan <i>Jt. Managing Director</i>	S. Gopalakrishnan <i>Dy. Managing Director</i>	K. Dinesh <i>Director</i>	S. D. Shibulal <i>Director</i>
Bangalore July 9, 1999	T. V. Mohandas Pai <i>Senior Vice President (Finance & Administration)</i>	V. Viswanathan <i>Company Secretary</i>		

Schedules to the Profit and Loss Account

	Quarter ended		<i>in Rs.</i>
	June 30, 1999	June 30, 1998	Year ended March 31, 1999
OTHER INCOME			
Interest received on deposits with banks and others	5,57,81,765	88,02,241	3,67,00,927
Tax deducted at source Rs. 14,86,424 (Previous period – Rs. 7,97,570; Previous year – Rs. 21,21,726)			
Profit on sale of Assets	47,547	–	–
Miscellaneous income	7,81,555	2,23,707	17,70,906
Exchange differences *	8,13,02,378	–	–
	13,79,13,245	90,25,948	3,84,71,833
* Exchange differences on translation of foreign currency deposit maintained abroad			
SOFTWARE DEVELOPMENT EXPENSES			
Salaries and bonus including			
overseas staff expenses	58,72,39,063	33,33,02,653	151,56,56,923
Staff welfare	96,00,224	62,36,407	3,06,17,200
Contribution to provident and other funds	2,05,62,775	2,85,69,998	11,42,90,209
Foreign tour and travel	17,91,35,095	10,24,33,882	58,11,20,975
Consumables	58,68,491	8,66,329	1,06,44,207
Cost of software packages			
– for own use	3,27,92,026	4,12,07,883	14,86,91,737
– for domestic software development	16,12,057	17,12,241	1,78,19,890
Provision for post-sales client support	66,72,756	14,01,311	2,19,18,587
Computer maintenance	39,33,051	51,97,576	3,29,08,467
Communication expenses	3,83,31,714	2,57,78,715	9,59,08,515
Consultancy charges	61,34,040	1,15,49,295	4,55,97,342
	89,18,81,292	55,82,56,290	261,51,74,052
ADMINISTRATION AND OTHER EXPENSES			
Travelling and conveyance	1,07,78,342	93,06,724	4,15,37,200
Rent	2,05,30,401	1,73,57,439	7,44,54,587
Telephone charges	1,38,05,537	1,10,41,549	5,15,34,846
Legal and professional charges	1,25,27,056	1,22,64,255	5,37,56,388
Printing and stationery	82,91,883	50,34,530	1,76,34,923
Advertisements	43,68,253	15,30,287	76,84,502
Office maintenance	84,08,885	80,92,123	2,95,44,190
Repairs to building	26,16,995	22,03,907	1,08,24,460
Repairs to plant and machinery	14,09,481	17,13,154	86,47,678
Power and fuel	1,00,17,440	56,84,058	2,73,37,769
Insurance charges	40,57,836	32,27,790	1,28,78,968
Rates and taxes	20,18,759	33,63,262	1,16,79,290
Donations	40,00,000	18,01,600	1,49,82,357
Auditor's remuneration	4,25,000	3,50,000	14,35,000
– audit fees			
– certification charges	–	–	2,00,000
– other services	–	–	8,00,000
– out-of-pocket expenses	50,000	37,500	1,50,000
Provision for bad and doubtful debts	1,20,19,784	25,87,427	(13,06,919)
Provision for doubtful loans and advances	–	–	52,94,106
Bank charges and commission	9,54,847	10,11,964	38,95,031
Commission charges	34,84,800	4,96,700	7,40,413
Miscellaneous expenses	1,63,73,662	1,28,02,644	5,29,25,348
Research grants	–	–	3,09,00,000
	13,61,38,961	9,99,06,913	45,75,30,137

Statement of Cash Flows

in Rs.

	Quarter ended		Year ended
	June 30, 1999	June 30, 1998	March 31, 1999
Cash flows from operations			
Profit before tax	68,60,81,838	26,67,28,952	155,85,53,560
Other income	(5,58,29,312)	(88,42,916)	(3,67,00,927)
Provision for contingencies	3,33,00,000	–	6,66,00,000
Provision for investment in subsidiary	–	1,00,00,000	7,05,95,674
Depreciation, depletion and amortization	9,32,18,149	4,93,63,865	35,89,30,078
Decrease (increase) in sundry debtors	(22,23,86,657)	(11,87,73,080)	(44,63,39,758)
Decrease (increase) in loans and advances	(9,43,88,854)	(4,56,72,319)	(15,32,76,222)
Increase (decrease) in current liabilities and provisions	13,53,08,834	7,58,36,040	33,82,24,214
Income taxes paid	(2,92,11,001)	(4,91,16,158)	(16,79,23,184)
Net cash from operations	54,60,92,997	17,95,24,384	158,86,63,435
Cash flows from financing			
Cash received from issuance of share capital (net of issue expenses)	(2,02,03,690)	–	279,53,13,985
Dividends paid (including dividend tax)	(8,91,36,007)	(5,27,17,738)	(10,20,36,824)
Net cash used for financing	(10,93,39,697)	(5,27,17,738)	269,32,77,161
Cash flows from investing			
Income from investments	5,57,81,765	88,42,916	3,67,00,927
Proceeds of sale of investments (net of tax)	–	–	6,06,20,029
Proceeds of sale of fixed assets	1,51,261	1,15,856	2,39,716
Purchase of fixed assets	(21,20,46,465)	(10,46,71,497)	(71,67,91,924)
Other long term investments	–	–	(75,38,109)
Net cash used for investing	(15,61,13,439)	(9,57,12,725)	(62,67,69,361)
Total increase (decrease) in cash and equivalents during the period	28,06,39,861	3,10,93,921	365,51,71,235
Cash and equivalents at the beginning of the period	416,65,90,944	51,14,19,709	51,14,19,709
Cash and equivalents at the end of the period	444,72,30,805	54,25,13,630	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 <i>Partner</i>	N. R. Narayana Murthy <i>Chairman and Chief Executive Officer</i>	Nandan M. Nilekani <i>Managing Director, President and Chief Operating Officer</i>	Susim M. Datta <i>Director</i>	Prof. Marti G. Subrahmanyam <i>Director</i>
	N. S. Raghavan <i>Jt. Managing Director</i>	S. Gopalakrishnan <i>Dy. Managing Director</i>	K. Dinesh <i>Director</i>	S. D. Shibulal <i>Director</i>
Bangalore July 9, 1999	T. V. Mohandas Pai <i>Senior Vice President (Finance & Administration)</i>	V. Viswanathan <i>Company Secretary</i>		

Statement of Cash Flows

	Quarter ended		<i>in Rs.</i>
	June 30, 1999	June 30, 1998	Year ended March 31, 1999
Reconciliation of Balance Sheet items with cash flow items			
1. Loans and advances			
As per Balance sheet	123,67,02,392	42,70,26,972	68,35,96,522
Less : Deposits with financial institutions / body corporate, included in cash equivalents	(54,72,92,064)	(5,32,21,099)	(11,61,07,945)
Advance income taxes considered separately	(21,86,13,119)	(10,50,01,421)	(19,10,80,222)
Balance considered for preparing the cash flow statement	47,07,97,209	26,88,04,452	37,64,08,355
2. Additions to fixed assets			
As per Balance sheet	21,87,20,827	5,02,17,032	64,11,69,396
Add : Closing capital work-in-progress	14,21,61,438	12,76,67,737	14,88,35,800
Less : Opening capital work-in-progress	(14,88,35,800)	(7,32,13,272)	(7,32,13,272)
Balance considered for preparing the cash flow statement	21,20,46,465	10,46,71,497	71,67,91,924
3. Cash and cash equivalents			
As per Balance sheet	389,99,38,741	48,92,92,531	405,04,82,999
Add : Deposits with financial institutions / body corporate (as per 1 above)	54,72,92,064	5,32,21,099	11,61,07,945
Balance considered for preparing the cash flow statement	444,72,30,805	54,25,13,630	416,65,90,944
4. Income taxes paid			
As per profit and loss account	8,00,00,000	3,00,00,000	22,94,00,000
Add : Decrease (increase) in balance in provision for taxes account	(7,83,21,896)	1,00,19,304	(15,66,52,471)
Increase (decrease) in balance in advance income tax account	2,75,32,897	90,96,854	9,51,75,655
Balance considered for preparing the cash flow statement	2,92,11,001	4,91,16,158	16,79,23,184
5. Other Income			
As per profit and loss account	13,79,13,245	90,25,948	3,84,71,833
Less : Income from operating activities	(8,20,83,933)	(1,83,032)	(17,70,906)
Balance considered for preparing the cash flow statement	5,58,29,312	88,42,916	3,67,00,927
6. Current liabilities and provisions			
As per Balance sheet	100,74,59,101	27,01,40,196	84,96,64,378
Less : Provision for taxation considered separately	(30,96,79,384)	(6,99,57,487)	(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	(9,99,00,000)	-	(6,66,00,000)
Balance considered for preparing the cash flow statement	59,78,79,717	20,01,82,709	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 and Chief Operating Officer	Susim M. Datta Director	Prof. Marti Subrahmanyam Director
	N. S. Raghavan Jt. Managing Director	S. Gopalakrishnan Dy. Managing Director	K. Dinesh Director	S. D. Shibulal Director
Bangalore July 9, 1999	T. V. Mohandas Pai Senior Vice President (Finance & Administration)	V. Viswanathan Company Secretary		

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 the accrual basis.

The preparation of the financial statements in conformity with GAAP requires that the management make 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 the 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 the 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 comprise 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

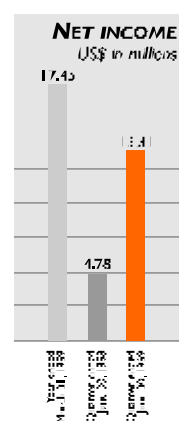
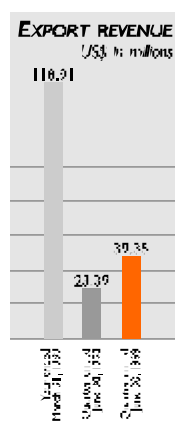
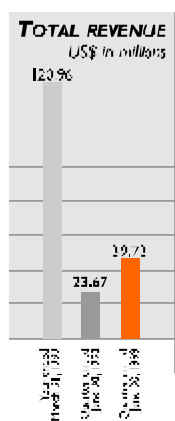
Provision is made for income tax on a yearly basis, under the tax-payable method, based on the tax liability as computed after taking credit for allowances and exemptions. In case of matters under appeal, due to disallowances or otherwise, full provision is made when the said liabilities are accepted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

At a glance – US GAAP

US\$ in millions, except per equity share data

	Quarter ended		Year ended
	June 30, 1999	June 30, 1998	March 31, 1999
For the period			
Total revenue	39.73	23.67	120.96
Export revenue	39.35	23.39	118.91
Operating income	12.31	6.05	22.87
Net income	13.31	4.78	17.45
Operating income as a percentage of total revenue	30.98%	25.56%	18.91%
Net income as a percentage of total revenue	28.73%	20.18%	14.42%
Basic earnings per share	0.35	0.16	0.57
Dividend per share	NA	NA	0.18
Dividend amount	NA	NA	3.15
Capital investment	4.25	1.51	16.12
At the end of the period			
Total assets	165.64	51.31	153.66
Property, plant and equipment – net	25.98	17.01	23.90
Cash and equivalents	102.61	14.32	98.87
Working capital	117.99	26.10	110.62
Total debt	–	–	–
Shareholders' equity	149.75	43.65	139.61
Common stock	8.59	4.55	8.59
Market capitalization	2,778.17	839.68	2,295.40

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



Form 6-K

Pages 13-48

Shareholder information

1. 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
2. Listing fees
Paid for all the above stock exchanges for 1999-2000.
3. 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
4. Registered office
Electronics City, Hosur Road, Bangalore – 561 229, India.
Tel.: 91-80-852 0261, Fax: 91-80-852 0362
Homepage: www.itlinfosys.com

5. Stock market data relating to shares listed in India
 - a. The company's market capitalization is included in the computation of the BSE-30 Sensitive Index (Sensx), the BSE Dollex and S&P CNX NIFTY Index.
 - b. Monthly high and low quotations as well as the volume of shares traded at Mumbai and National Stock Exchanges during the three-month period ended June 30, 1999 are:

	BSE			NSE		
	High Rs.	Low Rs.	Volume Nos.	High Rs.	Low Rs.	Volume Nos.
April, 1999	2,910	2,510	18,14,254	2,910	2,511	21,59,195
May	3,325	2,580	21,08,934	3,319	2,579	20,81,333
June	3,774	3,032	18,95,197	3,770	3,015	17,16,361
Total			58,18,385			59,56,889

% of volume traded to total number of shares outstanding

18.16%#

18.60%#

The number of shares outstanding have been taken to be 3,20,34,400. The ADSs have been excluded for the purpose of this calculation.

Note: There was no trading in the shares of Infosys on the Bangalore Stock Exchange during the period May 1998 to June 1999. The last trade on the Bangalore Stock Exchange was on April 24, 1998. The highest share price in April 1998 was Rs. 2,240, while the lowest was Rs. 1,225 with a volume of 2,100 shares.

6. 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.sprintprg.ems.vsnl.net.in

7. 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. The list of Depository Participants are available with the National Securities Depository Limited (NSDL). A booklet – *An Investor's Guide to Depositories* is available at www.itlinfosys.com.

Shares sent for physical transfer would be 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 June 30, 1999 were 20,900 (previous year - 7,34,877). 92.35% of transfers (previous year - 34.55%) were completed within 15 days. Shares in dematerialized form were transferred within 10 days.

Transfer period in days	1999		%	1998		%		
	No. of transferees (folios) New	No. of Existing		No. of transferees (folios) New	No. of Existing			
1 - 10	16	9	15,600	74.65	59	69	1,82,070	24.78
11 - 15	8	2	3,700	17.70	28	34	71,800	9.77
16 - 20	3	–	1,200	5.74	12	19	1,85,992	25.31
* 21 and above	3	–	400	1.91	114	108	2,95,015	40.14
	30	11	20,900	100.00	213	230	7,34,877	100.00

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

8. Investors' services - Complaints received during the three-month period ended June 30

Nature of complaints	1999		1998	
	Received	Cleared	Received	Cleared
1. Non-receipt of share certificates	3	3	27	27
2. Non-receipt of bonus shares	38	38	7	7
3. Letters from Stock Exchanges, SEBI, etc.	1	1	1	1
4. Non-receipt of dividend warrants	2	2	12	12
	44	44	47	47

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 June 30, 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 June 30

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	5,969	41.02	1,95,973	0.61	1,001	16.09	96,576	0.60
101 - 200	2,124	14.60	4,19,619	1.31	1,743	28.02	3,48,468	2.18
201 - 500	2,516	17.29	9,88,558	3.09	2,255	36.25	8,74,548	5.46
501 - 1000	2,172	14.93	16,68,490	5.21	719	11.56	5,52,520	3.45
1001 - 5000	1,309	9.00	28,75,471	8.98	385	6.19	8,23,292	5.14
5001 - 10000	189	1.30	14,42,466	4.50	58	0.93	4,34,100	2.71
10001 and above	270	1.86	2,44,43,823	76.30	60	0.96	128,87,696	80.46
	14,549	100.00	3,20,34,400	100.00	6,221	100.00	1,60,17,200	100.00
American Depository Shares	1*		10,35,000		–		–	
Total	14,550		3,30,69,400					

* Held by beneficial owners outside India.

11. Categories of shareholders as on June 30

Category	1999			1998		
	No. of shareholders	Voting strength (%)	No. of shares held	No. of shareholders	Voting strength (%)	No. of shares held
Individuals	13,505	26.45	87,47,694	5,886	26.61	42,61,964
Companies	713	2.67	8,84,060	151	1.79	2,87,200
FII's	151	24.00	79,34,839	76	27.19	43,54,500
OCBs and NRIs	76	0.26	85,971	24	0.23	37,000
Founders and their families	18	29.69	98,19,600	18	30.90	49,49,800
Mutual Funds, Banks, FIs	86	13.80	45,62,236	66	13.28	21,26,736
American Depository Shares	1*	3.13	10,35,000	–	–	–
Total	14,550	100.00	3,30,69,400	6,221	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	No. of shares subject to lock-in as on June 30			
	1999		1998	
	No. of shares	No. of employees	No. of shares	No. of employees
4-5 years	4,01,500	1,081	–	–
3-4 years	2,54,800	345	1,10,100	165
2-3 years	1,06,200	156	1,34,000	112
1-2 years	1,31,200	107	1,11,900	77
0-1 years	1,11,100	76	–	–

During the quarter, rights to 15,000 shares were awarded to 14 employees, which are subject to a lock-in of 4-5 years as on June 30, 1999. During the quarter ended March 31, 1999, rights to 1,62,500 shares were awarded to 600 employees, which are subject to a lock-in of 4-5 years as of June 30, 1999. Currently, 1,726 employees are beneficiaries of the ESOP. The ITL Employees Welfare Trust holds, as on June 30, 1999, 50,700 shares for future grants. 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.

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 are exempted from paying to the depository participants, custodial fee charged by the NSDL on their holding. This payment of one-time custodial fee extends to the issue of bonus shares also. The company hopes that this initiative will enthruse shareholders to dematerialize their holding in the company. Over 83% of the company's shares are now held in electronic form.

A detailed letter explaining the methodology of using the Depository as well as a booklet – *An Investor's Guide to Depositories* – was sent by the company to all its shareholders during November 1998. Copies of the booklet will be made available to shareholders on request.

The Stock Exchange, Mumbai has permitted trading of your company's shares 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 reporting for the second quarter ending September 30, 1999	October 8, 1999
Interim dividend payment (if any)	November 1999
Financial reporting for the third quarter ending December 31, 1999	January 11, 2000
Financial results for the year ending March 31, 2000	April 11, 2000
Annual General Meeting for the year ending March 31, 2000	May 2000

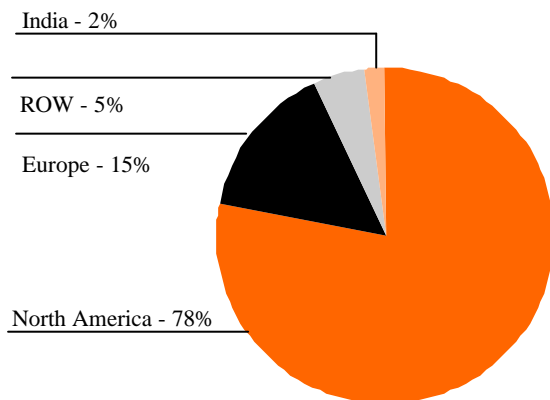
- f. Investor correspondence in the US may be addressed to
- P. R. Ganapathy
Investor Relations Officer
Infosys Technologies Limited
42808 Christy Street, Suite 203
Fremont CA 94538, USA.
Tel.: 1-510-770-3400 Ext. 412, Mobile: 1-510-872-4412,
Fax: 1-510-770-9469, E-mail: prganapathy@itlinfosys.com
- g. Name and address of the Depository Bank
- Bankers Trust Company
Corporate Trust and Agency Services
4 Albany Street
New York, NY 10006, USA.
Tel.: 1-212-250-8500, Fax: 1-212-250-5644.
- Bankers Trust Company
702, Dalamal House
Jamnalal Bajaj Marg, Nariman Point
Mumbai – 400 021, India.
Tel.: 91-22-284 3593, Fax: 91-22-284 3652.
- i. Name and address of the Custodian in India
- ICICI Limited
Mistry Bhavan, 1 Floor
Sir Dinshaw Vacha Road
122, Backbay Reclamation
Mumbai – 400 020, India.
Tel.: 91-22-204 4370, Fax: 91-22-204 4237.

Segment information

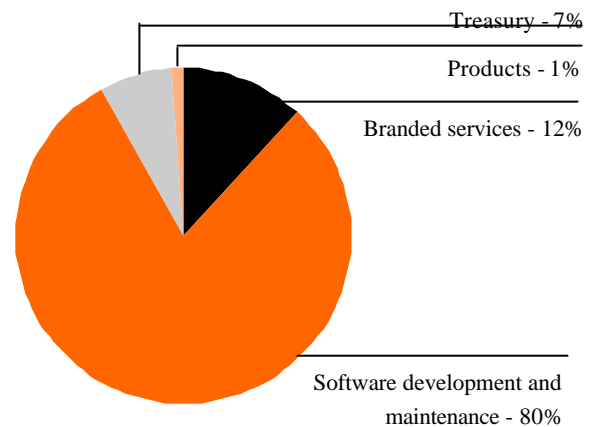
	Quarter ended		Rs. in lakhs
	June 30, 1999	June 30, 1998	Year ended March 31, 1999
Geographical segment			
North America	14,364.42	8,244.66	41,739.11
Europe	2,792.19	807.29	4,753.03
Rest of the World	888.46	585.93	3,533.26
India	361.13	204.68	1,248.43
	18,406.20	9,842.56	51,273.83
Business segment			
Branded services	2,146.27	2,797.73	11,321.57
Products	256.92	140.38	1,444.89
Software development and maintenance	14,623.88	6,814.19	38,122.66
Treasury	1,379.13	90.26	384.71
	18,406.20	9,842.56	51,273.83

* Exchange differences of Rs. 813.02 lakhs arising on translation of foreign currency deposits kept abroad has been included under treasury.

By geographical area - quarter ended June 30, 1999



By business segment - quarter ended June 30, 1999



Ratio analysis

	June 30, 1999	Quarter ended June 30, 1998	Year ended March 31, 1999
Ratios - Financial performance			
Export revenue/Total revenue (%)	95.84	97.92	97.57
Domestic revenue/Total revenue (%)	0.94	1.16	1.68
Other income/Total revenue (%)	3.22	0.92	0.75
Employee costs/Total revenue (%)	35.09	37.40	32.39
Administration expenses/Total revenue (%)	7.74	10.15	8.92
Operating expenses/Total revenue (%)	60.33	67.89	62.60
Depreciation/Total revenue (%)	5.30	5.02	7.00
Tax/Total revenue (%)	4.55	3.05	4.47
Effective tax rate (Tax/PBT) (%)	13.23	11.25	14.72
EBIDTA/Total revenue (%)	39.67	32.11	37.40
PAT from ordinary activities/Total revenue (%)	29.83	24.05	25.92
PAT from ordinary activities/Average net worth (%)*	30.94	42.98	54.16
ROCE (PBIT/Average capital employed) (%)*	35.66	48.43	63.51
Return on invested capital (%)*	112.93	69.94	86.30
Capital output ratio*	4.07	2.98	3.39
Ratios - Balance Sheet			
Debt-Equity ratio	—	—	—
Debtors turnover (Days)	57	48	61
Current ratio	6.16	5.31	6.57
Cash and equivalents/Total assets (%)	71.17	27.59	72.51
Cash and equivalents/Total assets (%) (excluding ADR issue proceeds)	44.76	27.59	46.50
Depreciation for the period/Average gross block (%)	20.75	18.34	26.19
Technology investment/Total revenue (%)	8.02	7.29	8.55
Ratios - Growth**			
Export revenue (%)	75	120	99
Total revenue (%)	79	115	97
Operating expenses (%)	59	108	87
Operating profit (%)	121	130	116
Net profit (from ordinary activities) (%)	122	157	120
Per share data			
Earnings per share from ordinary activities (Rs.)*	63.48	28.63	40.19
Cash earnings per share from ordinary activities (Rs.)*	74.75	34.61	51.05
Book value (Rs.), period end	188.96	59.45	174.00
Price/Earning, end of the period	57.36	37.60	72.77

* Annualised

** 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.

US

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Fax : (908) 497-1770

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Tel : 416-259-9578
Fax : 416-259-1046

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Infosys Technologies Limited
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494 Midsummer Boulevard
Milton Keynes MK9 2EA, UK.
Tel : 44-1-908-608-272
Fax : 44-1-908-608-279

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65760 Eschborn, Frankfurt
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Infosys Technologies Limited
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4-13 Kioi-cho, Chiyoda-ku
Tokyo 102-0094, Japan.
Tel : 81-3-3234-3597
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
Bank of America

Company Secretary

V. Viswanathan

Auditors

Bharat S Raut and Company
Chartered Accountants

Independent auditors - US GAAP

KPMG Peat Marwick

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