INFOSYS TECHNOLOGIES LIMITED

Report for the third quarter ended December 31, 2001

Infosys®

POWERED BY INTELLECT
DRIVEN BY VALUES

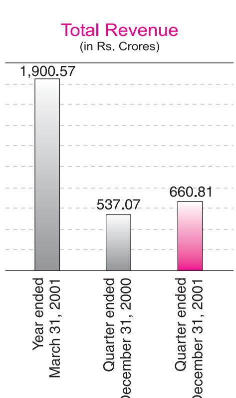
At a glance - Indian GAAP

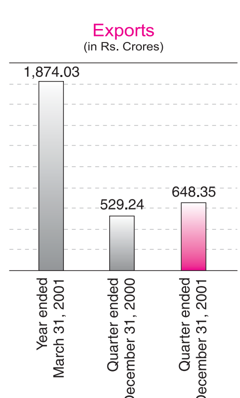
Rs. in crores, except per share data

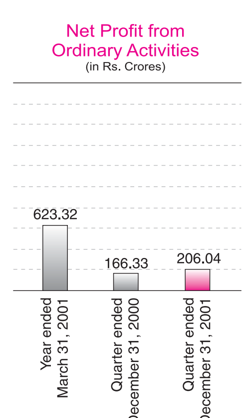
	Quarter ended December 31, 2001	Quarter ended December 31, 2000	Nine months ended December 31, 2001	Nine months ended December 31, 2000	Year ended March 31, 2001
For the period					
Total revenue	660.81	537.07	1,923.46	1,338.69	1,900.57
Export revenue	648.35	529.24	1,882.93	1,321.56	1,874.03
Operating profit (PBIDT)	267.45	217.46	766.88	531.52	764.84
Profit after tax (PAT) from ordinary activities	206.04	166.33	597.63	441.64	623.32
PBIDT as a percentage of total revenue	40.47 %	40.49 %	39.87 %	39.70 %	40.24 %
PAT from ordinary activities as a percentage of total revenue	31.18 %	30.97 %	31.07 %	32.99 %	32.80 %
Earnings per share from ordinary activities* (par value of Rs. 5 each, fully paid)					
Basic	31.14	25.14	90.33	66.76	94.23
Diluted	31.02	24.86	89.86	65.97	93.93
Dividend per share	NA	NA	7.50	2.50	10.00
Dividend amount**	NA	NA	49.62	16.54	66.16
Capital investment	53.05	125.16	284.56	325.01	463.35
At the end of the period					
Total Assets			1,949.93	1,261.09	1,389.64
Fixed assets - net			725.28	457.23	557.66
Cash and cash equivalents			866.35	517.75	577.74
Working capital			1,157.87	767.54	797.86
Total debt			–	–	–
Net worth			1,949.93	1,261.09	1,389.64
Equity			33.08	33.08	33.08
Market capitalization			26,871.66	37,667.93	26,926.35

Note:
Market capitalization is calculated by considering the price at the National Stock Exchange on the shares outstanding at the period / year end.

* EPS figures have been calculated for the period and have not been annualized.
** Excluding dividend tax.







Letter to the shareholders

Dear shareholders,

We are delighted to report on yet another comfortable quarter despite challenging conditions. This quarter was one of the most challenging, both for Infosys and the Indian software industry. According to Indian GAAP, revenues grew by 23.0% over Q3 FY2001 while net profits from ordinary activities witnessed an increase of 23.9%. In fact, we achieved record free cash flows of Rs. 151.5 crore during this quarter. Gross addition in employees stood at 219 for the quarter, including 151 lateral hires – net employee addition for the quarter stood at 109.

Software spending continued to weaken globally and the events of September 11 created a lot of uncertainty in the external environment. Short-term uncertainties continue to remain. Software revenues in US dollar terms grew by 0.2% for the quarter as compared to the previous quarter ended September 30, 2001. Revenue growth comprised volume growth of 3.4% offset by a price decline of 3.2%, as compared to the previous quarter. Thus, though we experienced growth in volumes, our quarterly revenue growth was impacted due to continuing pricing pressures.

We expanded our customer base by adding more mainstream customers. Though the revenue ramp-up from new clients is slow, we believe that the new client addition would be an important asset for Infosys in the future.

We added 33 new clients this quarter as compared to 28 in the previous quarter. Significant wins included SunAmerica Inc., a leading financial services company and part of the American International Group; Aizawa Koatsu Concrete KK, Japan's largest concrete manufacturer; Texas Instruments, the world leader in real-time technologies; Spatial Wireless, a US major that builds switching network elements for packet based wireless networks; Target Corporation, America's fourth largest general merchandise retailer; Cosmos Cooperative Bank, one of India's oldest banks; and ABN Amro – India, one of the leading foreign banks in India.

Infosys increased its presence in the government sector with another engagement with the National Health Service (NHS), UK. In fact, Infosys is the only Indian company to figure in the UK government's single-window Services Catalogue (S-Cat).

There will be significant changes in the senior management setup effective March 31, 2002. The Board of Directors appointed Nandan M. Nilekani as the Chief Executive Officer, President and Managing Director, and S. Gopalakrishnan as the Chief Operating Officer and Deputy Managing Director, effective March 31, 2002. N. R. Narayana Murthy continues to be the Chairman and his designation will be Chairman and Chief Mentor, effective March 31, 2002.

Mr. Ramesh Vangal retired as a director of the company on October 24, 2001. We place on record our deep appreciation of the yeoman service rendered by Mr. Ramesh Vangal during his tenure on the Board.

The Board of Directors co-opted Mr. Claude Smadja, Principal Advisor, World Economic Forum, as an Additional Director of the company with effect from October 25, 2001. Mr. Claude Smadja's appointment as director requires the approval of the members at the ensuing Annual General Meeting.

As in the past, Infoscions continue to work hard and remain highly motivated. On your behalf, we thank our fellow Infoscions for contributing to yet another successful quarter through their unstinting commitment and dedication.

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

N. R. Narayana Murthy
Chairman and Chief Executive Officer

Bangalore
January 10, 2002

Auditors' report to the members of Infosys Technologies Limited

We have audited the attached Balance Sheet of Infosys Technologies Limited (the Company) as at December 31, 2001 and the Profit and Loss Accounts of the Company for the quarter and nine month periods 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 Accounts dealt with by this report are prepared in compliance with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956, to the extent applicable;

(e) 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 December 31, 2001; and

(ii) in the case of the Profit and Loss Accounts, of the profits for the quarter and nine month periods ended on that date.

for Bharat S Raut & Co.
Chartered Accountants

Bangalore
January 10, 2002

S Balasubrahmanyam
Partner

Balance sheet as at

in Rs.

	December 31, 2001	December 31, 2000	March 31, 2001
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	33,08,47,735	33,07,64,335	33,07,92,085
Reserves and surplus	1916,84,14,713	1228,01,09,686	1356,55,99,903
	1949,92,62,448	1261,08,74,021	1389,63,91,988
APPLICATION OF FUNDS			
FIXED ASSETS			
Original cost	849,44,50,085	504,18,02,852	631,14,44,025
Less: Depreciation	350,60,89,223	207,06,98,673	244,13,15,982
Net book value	498,83,60,862	297,11,04,179	387,01,28,043
Add: Capital work-in-progress	226,44,82,864	160,11,55,758	170,65,04,250
	725,28,43,726	457,22,59,937	557,66,32,293
INVESTMENTS	44,44,22,821	36,32,53,429	34,11,54,821
DEFERRED TAX ASSETS	22,33,00,000	–	–
CURRENT ASSETS, LOANS AND ADVANCES			
Sundry debtors	310,53,09,864	303,96,24,611	302,37,02,417
Cash and bank balances	609,55,24,216	365,07,68,672	385,06,10,285
Loans and advances	634,58,66,530	355,39,12,507	430,27,93,623
	1554,67,00,610	1024,43,05,790	1117,71,06,325
Less: Current liabilities	163,55,77,178	148,35,86,795	134,91,81,176
Provisions	233,24,27,531	108,53,58,340	184,93,20,275
NET CURRENT ASSETS	1157,86,95,901	767,53,60,655	797,86,04,874
	1949,92,62,448	1261,08,74,021	1389,63,91,988
SIGNIFICANT EXTRACTS FROM THE ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1		

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

S. Balasubrahmanyam
Partner

N. R. Narayana Murthy
Chairman and Chief Executive Officer

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

Deepak M. Satwalekar
Director

Marti G. Subrahmanyan
Director

Jitendra Vir Singh
Director

Omkar Goswami
Director

Larry Pressler
Director

Rama Bijapurkar
Director

Claude Smadja
Director

S. Gopalakrishnan
Deputy Managing Director

K. Dinesh
Director

S. D. Shibulal
Director

T. V. Mohandas Pai
Director and Chief Financial Officer

Phaneesh Murthy
Director

Srinath Batni
Director

V. Balakrishnan
Company Secretary and Vice President – Finance

Bangalore
January 10, 2002

Profit and loss account for the

in Rs.

	Quarter ended December 31, 2001	Quarter ended December 31, 2000	Nine months ended December 31, 2001	Nine months ended December 31, 2000	Year ended March 31, 2001
INCOME					
Software development services and products					
Overseas	648,35,15,437	529,24,01,389	1882,92,66,922	1321,55,65,725	1874,02,66,421
Domestic	12,45,42,488	7,82,82,900	40,53,05,387	17,13,76,490	26,53,92,386
	660,80,57,925	537,06,84,289	1923,45,72,309	1338,69,42,215	1900,56,58,807
SOFTWARE DEVELOPMENT EXPENSES	309,50,06,743	250,14,38,519	902,01,39,078	625,56,50,627	870,83,23,900
GROSS PROFIT	351,30,51,182	286,92,45,770	1021,44,33,231	713,12,91,588	1029,73,34,907
SELLING AND MARKETING EXPENSES	32,85,36,972	21,55,13,629	93,96,28,938	62,09,20,141	92,06,78,511
GENERAL AND ADMINISTRATION EXPENSES	51,00,42,542	47,91,63,936	160,60,31,362	119,52,17,799	172,82,35,210
	83,85,79,514	69,46,77,565	254,56,60,300	181,61,37,940	264,89,13,721
OPERATING PROFIT (PBIDT)	267,44,71,668	217,45,68,205	766,87,72,931	531,51,53,648	764,84,21,186
Interest	–	–	–	–	–
Depreciation	41,33,27,825	33,01,92,680	115,82,69,242	74,99,31,944	112,89,45,152
OPERATING PROFIT AFTER DEPRECIATION AND INTEREST	226,11,43,843	184,43,75,525	651,05,03,689	456,52,21,704	651,94,76,034
Other income	14,92,53,753	14,47,31,965	43,07,77,367	49,16,27,114	59,37,14,915
Provision for investment	–	13,08,00,000	–	13,08,00,000	15,28,98,608
PROFIT BEFORE TAX AND EXTRAORDINARY ITEM	241,03,97,596	185,83,07,490	694,12,81,056	492,60,48,818	696,02,92,341
Provision for taxation	35,00,00,000	19,50,00,000	96,50,00,000	50,96,00,000	72,71,00,000
PROFIT AFTER TAX BEFORE EXTRAORDINARY ITEM	206,03,97,596	166,33,07,490	597,62,81,056	441,64,48,818	623,31,92,341
Extraordinary item					
Transfer of intellectual property rights (net of tax)	–	–	–	5,49,44,000	5,49,44,000
NET PROFIT AFTER TAX AND EXTRAORDINARY ITEM	206,03,97,596	166,33,07,490	597,62,81,056	447,13,92,818	628,81,36,341
AMOUNT AVAILABLE FOR APPROPRIATION	206,03,97,596	166,33,07,490	597,62,81,056	447,13,92,818	628,81,36,341
DIVIDEND					
Interim	–	–	49,62,05,378	16,53,78,418	16,53,78,418
Final	–	–	–	–	49,61,85,878
Dividend Tax	–	–	5,06,12,949	3,63,83,252	8,69,94,211
Amount transferred - general reserve	–	–	–	–	553,95,77,834
Balance in Profit and Loss Account	206,03,97,596	166,33,07,490	542,94,62,729	426,96,31,148	–
	206,03,97,596	166,33,07,490	597,62,81,056	447,13,92,818	628,81,36,341
EARNINGS PER SHARE					
(equity shares, par value Rs. 5 each)					
Basic	31.14	25.14	90.33	67.59	95.06
Diluted	31.02	24.86	89.86	66.79	94.76
Number of shares used in computing earnings per share					
Basic	6,61,64,388	6,61,51,724	6,61,61,389	6,61,51,377	6,61,52,131
Diluted	6,64,27,919	6,68,95,876	6,65,03,734	6,69,44,332	6,63,58,311
SIGNIFICANT EXTRACTS FROM THE ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1				

The schedules referred to above and the notes form an integral part of the Profit and Loss Account

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

For Bharat S Raut & Co.
Chartered Accountants

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Bangalore
January 10, 2002

Profit and loss account for the

in Rs.

	Quarter ended December 31, 2001	Quarter ended December 31, 2000	Nine months ended December 31, 2001	Nine months ended December 31, 2000	Year ended March 31, 2001
SOFTWARE DEVELOPMENT EXPENSES					
Salaries and bonus including					
overseas staff expenses	252,82,99,726	170,68,74,953	719,81,36,772	427,83,37,885	605,50,65,446
Staff welfare	1,41,59,828	2,11,76,119	4,86,33,476	5,07,24,010	7,62,88,618
Contribution to provident and other funds	6,51,09,403	8,29,87,484	18,99,76,999	23,82,75,466	30,99,68,667
Foreign travel expenses	26,05,22,981	39,58,91,842	82,51,94,124	99,90,03,648	133,66,21,566
Consumables	1,15,55,687	2,11,69,196	2,23,05,800	4,06,76,271	5,86,87,245
Cost of software packages for					
own use	8,99,27,090	8,10,39,921	26,05,35,499	27,89,89,511	31,83,50,293
service delivery to clients	1,52,51,994	2,45,17,799	7,57,07,441	3,78,29,076	5,70,13,753
Provision for post-sales client support	(4,02,052)	1,06,07,014	1,01,06,810	1,86,55,572	1,83,20,669
Computer maintenance	2,01,46,659	1,97,46,312	4,91,77,197	4,66,83,745	7,13,47,686
Communication expenses	7,87,44,937	11,02,30,345	28,60,56,536	20,94,22,226	31,47,34,348
Consultancy charges	1,16,90,490	2,71,97,534	5,43,08,424	5,70,53,217	9,19,25,609
	309,50,06,743	250,14,38,519	902,01,39,078	625,56,50,627	870,83,23,900
SELLING AND MARKETING EXPENSES					
Salaries and bonus including					
overseas staff expenses	14,65,40,566	10,65,60,519	45,16,64,388	31,63,24,458	44,24,50,822
Staff welfare	5,48,116	6,97,772	22,31,928	35,61,746	83,17,692
Contribution to provident and other funds	5,09,250	5,66,033	12,23,732	18,62,117	23,63,480
Foreign travel expenses	5,17,84,315	3,15,48,049	12,66,77,182	7,45,22,498	10,71,57,557
Consumables	23,592	–	1,26,549	–	–
Cost of software packages for own use	2,10,904	92,859	9,63,306	1,28,095	2,31,458
Computer maintenance	5,219	2,56,956	17,126	4,30,811	5,94,392
Communication expenses	17,09,332	(87,211)	26,05,031	2,04,296	5,21,638
Traveling and conveyance	50,58,533	52,88,507	2,87,88,012	1,46,02,177	2,34,94,934
Rent	76,96,846	86,81,745	3,39,50,783	1,96,45,951	2,46,88,860
Telephone charges	83,90,111	50,45,821	2,35,92,648	1,32,68,834	2,34,14,698
Professional charges	1,98,21,529	17,58,184	4,09,27,527	1,36,06,831	4,78,37,412
Printing and stationery	43,48,515	24,90,297	1,17,63,538	42,39,176	95,70,534
Advertisements	9,93,407	1,57,531	13,21,911	45,38,131	72,82,105
Brand building	2,52,95,458	2,47,18,294	10,19,45,833	7,48,95,563	10,52,01,392
Office maintenance	7,51,575	13,51,520	20,37,160	54,67,665	77,28,128
Repairs to plant and machinery	–	–	1,09,365	17,41,984	17,41,984
Power and fuel	1,43,019	1,68,144	4,94,284	5,59,440	7,53,535
Insurance charges	–	77,87,617	–	1,46,60,788	2,33,32,600
Rates and taxes	17,757	(7,64,193)	23,43,176	42,66,323	84,89,250
Bank charges and commission	34,448	2,95,130	1,86,776	3,78,077	5,15,576
Commission charges	4,11,71,575	33,82,901	6,12,55,217	1,24,08,622	1,79,03,784
Marketing expenses	1,19,11,154	98,00,148	3,84,01,106	3,26,51,683	4,26,87,545
Sales promotion expenses	15,29,172	48,36,888	36,94,182	54,48,790	70,16,656
Other miscellaneous expenses	42,579	8,80,118	33,08,178	15,06,085	73,82,479
	32,85,36,972	21,55,13,629	93,96,28,938	62,09,20,141	92,06,78,511

Profit and loss account for the

in Rs.

	Quarter ended December 31, 2001	Quarter ended December 31, 2000	Nine months ended December 31, 2001	Nine months ended December 31, 2000	Year ended March 31, 2001
GENERAL AND ADMINISTRATION EXPENSES					
Salaries and bonus including					
overseas staff expenses	11,39,83,238	7,29,07,688	34,20,64,878	19,18,62,199	26,11,29,018
Contribution to provident and other funds	79,81,605	46,51,373	2,46,73,379	1,74,18,902	2,22,44,161
Foreign travel expenses	99,46,042	1,28,17,160	3,50,31,506	2,78,84,384	2,84,32,532
Traveling and conveyance	4,08,51,386	4,50,45,108	11,53,19,126	11,27,70,902	16,05,69,888
Rent	5,34,37,142	3,61,59,328	14,75,06,043	9,47,32,159	14,47,93,848
Telephone charges	2,27,88,253	3,18,45,485	9,04,29,008	8,87,12,235	11,68,45,665
Professional charges	3,61,07,753	4,87,55,207	10,09,05,743	10,11,14,310	15,61,83,973
Printing and stationery	70,58,667	90,22,861	4,12,67,527	4,33,98,279	5,29,83,672
Advertisements	62,22,692	1,35,61,421	2,03,65,901	3,80,56,360	5,57,95,726
Office maintenance	3,68,48,576	2,79,61,217	10,26,14,363	8,05,66,826	12,07,04,514
Repairs to building	1,28,65,632	1,11,35,584	5,06,90,746	2,52,18,521	3,95,22,458
Repairs to plant and machinery	58,18,703	82,15,361	1,84,06,206	1,38,57,318	2,09,12,187
Power and fuel	4,68,37,943	3,33,45,119	14,04,39,140	7,87,79,829	11,70,91,723
Insurance charges	1,46,54,203	29,33,537	3,96,82,943	86,26,557	2,84,22,698
Rates and taxes	1,40,36,232	15,06,903	3,09,57,149	63,19,386	97,28,274
Donations	84,22,889	1,49,59,500	4,82,72,214	4,77,68,563	7,21,92,883
Auditor's remuneration					
audit fees	5,37,500	4,45,500	16,12,500	13,38,750	17,85,000
certification charges	–	–	–	–	2,00,000
out-of-pocket expenses	50,000	50,000	1,50,000	1,50,000	2,00,000
Bad loans and advances written off	–	11,891	–	11,891	4,141
Bad debts written off	–	–	–	27,70,254	27,70,254
Provision for bad and doubtful debts	2,76,84,253	7,26,85,587	13,23,69,927	12,18,80,048	19,27,45,549
Provision for doubtful loans and advances	–	–	5,71,148	(1,412)	7,10,404
Bank charges and commission	4,24,953	30,30,814	16,05,124	38,72,210	54,23,907
Commission to non-whole time directors	24,00,000	15,00,000	72,00,000	45,00,000	59,22,049
Postage and courier	76,52,114	56,07,009	2,70,16,826	1,52,13,860	2,27,86,459
Books and periodicals	28,51,343	32,48,425	87,09,452	1,21,62,970	1,69,10,978
Research grants	25,00,000	25,00,000	75,00,000	75,00,000	1,00,00,000
Freight charges	17,22,183	21,33,762	38,37,545	43,63,988	55,72,484
Professional membership and					
seminar participation fees	68,26,016	61,63,223	1,58,56,018	1,52,15,381	2,17,10,613
Transaction processing fee and filing fees	1,72,72,533	29,68,134	4,01,64,910	59,32,979	1,52,76,339
Other miscellaneous expenses	22,60,691	39,96,739	1,08,12,040	2,32,20,150	1,86,63,813
	51,00,42,542	47,91,63,936	160,60,31,362	119,52,17,799	172,82,35,210
OTHER INCOME					
Interest received on deposits with					
banks and others	12,36,22,062	10,82,08,984	35,95,66,627	28,02,26,173	38,46,83,890
(Tax deducted at source Rs. 2,16,26,269; Rs. 1,43,43,030; Rs. 5,95,40,347; Rs. 2,54,72,210 and Rs. 4,30,12,428 respectively)					
Exchange differences	2,07,05,674	3,44,48,919	5,89,34,278	20,54,46,320	20,17,12,483
Miscellaneous income	49,26,017	20,74,062	1,22,76,462	59,54,621	73,18,542
	14,92,53,753	14,47,31,965	43,07,77,367	49,16,27,114	59,37,14,915
PROVISION FOR TAXATION					
Current year					
Income taxes	38,69,00,000	19,50,00000	103,30,00,000	49,56,00,000	71,31,00,000
Deferred taxes	(3,69,00,000)	–	(6,80,00,000)	–	–
	35,00,00,000	19,50,00,000	96,50,00,000	49,56,00,000	71,31,00,000
Prior years	–	–	–	1,40,00,000	1,40,00,000
	35,00,00,000	19,50,00,000	96,50,00,000	50,96,00,000	72,71,00,000

1. Extracts of significant accounting policies and notes on accounts

Company overview

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

1.1 Significant accounting policies

Basis of preparation of financial statements

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

The ICAI issued accounting standards on segment reporting, related party disclosures, leases, earnings per share and accounting for taxes on income that became mandatory effective accounting periods commencing on or after April 1, 2001. The company adopted the accounting standards on segment reporting, related party disclosures and earnings per share from the year ended March 31, 2001. The standards on accounting for leases and income taxes are adopted effective from April 1, 2001.

The accounting standard on consolidated financial statements became effective from April 1, 2001. Although Yantra Corporation, USA, is a subsidiary of Infosys as per the Companies Act, 1956, the financial statements have not been consolidated since the company does not have control as envisaged by the accounting standard on consolidated financial statements. The company does not have any investments in associates and accordingly the related accounting standard, mandatory effective April 1, 2002, does not affect these financial statements.

The preparation of the financial statements in conformity with GAAP requires that the management of the company ("Management") make estimates and assumptions that affect the reported amounts of income and expenses of the period, reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as of the date of the financial statements. Examples of such estimates include expected development costs to complete software contracts, provisions for doubtful debts, future obligations under employee retirement benefit plans and the useful lives of fixed assets. Actual results could differ from those estimates.

Management's statement on significant accounting policies contained in the audited financial statements

There are no changes in the accounting policies during the quarter or the nine months ended December 31, 2001. The significant accounting policies of the company relate to revenue recognition, expenditure, fixed assets and capital work-in-progress, depreciation, retirement benefits to employees – principally gratuity, superannuation and provident fund benefits, research and development, income tax, earning per share, foreign currency transactions and investments.

1.2 Notes on accounts

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

1.2.1 Deferred income taxes

Consequent to the standard on accounting for taxes on income becoming mandatory effective April 1, 2001, the company recorded the cumulative net deferred tax credit of Rs 15,53,00,000 until April 1, 2001, as an addition to the general reserves. The deferred tax credit of Rs 3,69,00,000 for the quarter and Rs 6,80,00,000 for the nine months ended December 31, 2001 are included in the provision for taxation for the respective periods.

1.2.2 Investments

There were no investments during the quarter ended December 31, 2001. During the nine months ended December 31, 2001, the company invested Rs 10.33 crore in Workadia, Inc., USA ("Workadia") purchasing 22,00,000 fully paid Series "B" convertible preferred stock, par value of US$ 0.0002, at US$ 1.00 each. Workadia provides companies with comprehensive, customizable business intranets through browser accessed hosted portals and also offer consulting services to help customers select and deploy their intranet applications, content and services.

An amount of Rs 15,28,98,608 was provided for the investments in Alpha Thinx and EC Cubed, Inc., USA, in the latter half of the year ended March 31, 2001, when the investee companies filed for liquidation.

1.2.3 Fixed assets

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

in Rs.

	Quarter ended December 31,		Nine months ended December 31,		Year ended March 31,
	2001	2000	2001	2000	2001
Charged during the period/year	5,18,17,535	11,81,34,465	12,41,67,610	21,85,52,260	34,99,43,502
Profit/loss on disposal of fixed assets					
Profit on sale of fixed assets	3,79,810	8,47,021	60,79,913	9,92,437	11,22,939
Loss on sale of fixed assets	(4,66,055)	(5,804)	(59,63,396)	(2,05,049)	(2,05,049)
Profit/(loss) on sale of fixed assets, net	(86,245)	8,41,217	1,16,517	7,87,388	9,17,890

1.2.4 Capital commitments and contingent liabilities

a. The company has outstanding guarantees and counter guarantees of Rs. 16,03,50,000 as at December 31, 2001, to various banks, in respect of the guarantees given by the banks in favor of various government authorities. The guarantees outstanding as at December 31, 2000 were Rs. 5,24,55,000 and as at March 31, 2001 were Rs. 6,83,05,000.

b. Claims against the company, not acknowledged as debts, amounted to Rs. 3,22,39,754 as at December 31, 2001. The claims as at December 31, 2000 amounted to Rs. 8,75,532, which was also the amount as at March 31, 2001.

c. Outstanding forward contracts amounted to US$ 20,000,000 (approximately Rs 96,28,00,000 at nine months end exchange rates) at December 31, 2001. Such contracts as at December 31, 2000 were Rs. Nil and as at March 31, 2001 were US$ 20,000,000 (approximately Rs. 93,12,00,000 at year end exchange rates).

d. The estimated amount of contracts remaining to be executed on capital account, and not provided for (net of advances) is Rs. 65,36,61,038 as at December 31, 2001. The amount of such contracts as at December 31, 2000 was Rs. 122,65,64,426 and as at March 31, 2001 was Rs. 158,25,35,171.

Obligations on long-term non-cancelable operating leases

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

in Rs.

	Nine months ended December 31,		Year ended March 31,
	2001	2000	2001
Within one year of the balance sheet date	16,64,51,897	10,30,31,617	7,30,43,980
Due in a period between one year and five years	49,90,79,126	36,65,92,325	27,71,79,409
Due after five years	7,67,98,705	4,92,41,188	14,40,05,657
	74,23,29,728	51,88,65,130	49,42,29,046

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

1.2.5 Balance of unutilized money raised by issue of American Depositary Shares (“ADSs”)

During the year ended March 31, 1999, Infosys made an Initial Public Offering of ADS, of US$ 70,380,000, equivalent to Rs. 296,86,00,000. The issue proceeds net of expenses of Rs. 19,68,00,000 are entirely utilized by December 31, 2000.

1.2.6 Stock option plans

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

1994 Stock Option Plan (“the 1994 Plan”)

As of December 31, 2001 options to acquire 3,11,000 shares were outstanding with the Employee Welfare Trust and options to acquire 3,23,000 shares are outstanding with the employees under the 1994 Plan. These options were granted at an exercise price of Rs 50/- (post split) per option. Additionally, 13,05,400 shares earlier issued are subject to lock-in. No options were issued under this plan during the period.

1998 Stock Option Plan (“the 1998 Plan”)

The 1998 Plan provides for the grant of stock options to employees. The 1998 Plan was approved by the board of directors in December 1997 and by the shareholders in January 1998. The Government of India approved 29,40,000

ADSs representing 14,70,000 equity shares for issue under the Plan. The options may be issued at an exercise price that is not less than 90% of the fair market value of the underlying equity share on the date of the grant. The 1998 Plan automatically expires in January 2008, unless terminated earlier. All options under the 1998 Plan are exercisable for ADSs representing equity shares. A compensation committee comprising independent members of the board of directors administers the 1998 Plan.

Number of options granted, exercised and forfeited	Quarter ended December 31, 2001	2000	Nine months ended December 31, 2001	2000	Year ended March 31, 2001
Options granted, beginning of period/year	21,09,816	8,71,466	15,65,506	6,89,500	6,89,500
Granted during the period/year	2,28,150	80,800	8,30,850	3,12,800	9,64,840
Exercised during the period/year	(17,000)	(1,400)	(22,200)	(2,734)	(12,434)
Forfeited during the period/year	(44,580)	(6,200)	(97,770)	(54,900)	(76,400)
Options granted, end of period/year	22,76,386	9,44,666	22,76,386	9,44,666	15,65,506
Weighted average exercise price	US$ 73.68	US$ 86.67	US$ 73.68	US$ 86.67	US$ 90.98
	(Rs. 3,547)	(Rs. 4,046)	(Rs. 3,547)	(Rs. 4,046)	(Rs. 4,236)

1999 Stock Option Plan ("the 1999 Plan")

In fiscal 2000, the company instituted the 1999 Plan. The shareholders and the board of directors approved the plan in June 1999, which provides for the issue of 66,00,000 equity shares to the employees. The compensation committee administers the 1999 Plan. Options will be issued to employees at an exercise price that is not less than the fair market value. Fair market value is the closing price of the company's shares in the stock exchange, where there is the highest trading volume on a given date and if the shares are not traded on that day, the closing price on the next trading day.

Under the 1999 Plan, options may be issued to employees at exercise prices that are less than the fair market value only if specifically approved by the members of the company in a general meeting. No approval has been sought to date in this regard.

Number of options granted, exercised and forfeited	Quarter ended December 31, 2001	2000	Nine months ended December 31, 2001	2000	Year ended March 31, 2001
Options granted, beginning of period/year	41,41,060	18,83,000	27,93,980	10,06,800	10,06,800
Granted during the period/year	5,26,780	1,78,200	19,79,600	11,32,300	19,57,830
Exercised during the period/year	(30)	(500)	(30)	(500)	(1,200)
Forfeited during the period/year	(27,295)	(48,700)	(1,33,035)	(1,26,600)	(1,69,450)
Options granted, end of period/year	46,40,515	20,12,000	46,40,515	20,12,000	27,93,980
Weighted average exercise price	Rs. 4,511	Rs. 5,512	Rs. 4,511	Rs. 5,512	Rs. 5,572

The aggregate options outstanding and considered for dilution as at December 31, 2001 are 57,78,708 (as at December 31, 2000 – 24,84,333 options and as at March 31, 2001 — 35,76,733 options).

1.2.7 Loans and advances

Deposits with financial institutions and a body corporate comprise:

in Rs.

	As at December 31, 2001	As at December 31, 2000	As at March 31, 2001
Deposits with financial institutions:			
Housing Development Finance Corporation Limited	101,10,22,147	51,14,87,343	50,87,03,015
ICICI Limited	54,82,20,744	50,91,88,495	50,87,01,373
IDBI Limited	–	–	40,35,30,424
Deposits with body corporate:			
GE Capital Services India Limited	100,87,12,672	50,60,89,326	50,58,17,345
	256,79,55,563	152,67,65,164	192,67,52,157

The above amounts include interest accrued but not due amounting to Rs. 2,79,55,563 (the nine months ended December 31, 2000 – Rs. 2,67,65,164 and the year ended March 31, 2001 – Rs. 2,67,52,157).

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

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

1.2.8 Pro-forma disclosures relating to the Employee Stock Option Plans ("ESOPs")

The company's 1994 stock option plan was established prior to the SEBI guidelines on stock options.

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

in Rs.

	Quarter ended December 31,		Nine months ended December 31,		Year ended March 31,
	2001	2000	2001	2000	2001
Net profit:					
- As reported	206,03,97,596	166,33,07,490	597,62,81,056	447,13,92,818	628,81,36,341
- Adjusted pro forma	200,11,18,251	160,39,26,704	579,86,31,160	429,74,13,557	605,55,42,584

1.2.9 Aggregate expenses

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

in Rs.

	Quarter ended		Nine months ended		Year ended
	December 31, 2001	December 31, 2000	December 31, 2001	December 31, 2000	March 31, 2001
Salaries and bonus including overseas staff expenses	280,35,31,474	190,82,17,051	804,27,31,442	484,08,10,298	684,32,51,596
Contribution to provident and other funds	7,36,00,258	8,82,04,890	21,58,74,110	25,75,56,485	33,45,76,308
Foreign travel expenses	32,22,53,338	44,02,57,051	98,69,02,812	110,14,10,530	147,22,11,655
Consumables	1,15,79,279	2,11,69,196	2,24,32,349	4,06,76,271	5,86,87,245
Cost of software packages for own use	9,01,37,994	8,11,32,780	26,14,98,805	27,91,17,606	31,85,81,751
Cost of software packages for service delivery to clients	1,52,51,994	2,45,17,799	7,57,07,441	3,78,29,076	5,70,13,753
Computer maintenance	2,01,51,878	2,00,03,268	4,91,94,323	4,71,14,556	7,19,42,078
Communication expenses	8,04,54,269	11,01,43,134	28,86,61,567	20,96,26,522	31,52,55,986
Consultancy charges	1,16,90,490	2,71,97,534	5,43,08,424	5,70,53,217	9,19,25,609
Provision for post-sales client support	(4,02,052)	1,06,07,014	1,01,06,810	1,86,55,572	1,83,20,669
Traveling and conveyance	4,59,09,919	5,03,33,615	14,41,07,138	12,73,73,079	18,40,64,822
Rent	6,11,33,988	4,48,41,073	18,14,56,826	11,43,78,110	16,94,82,708
Telephone charges	3,11,78,364	3,68,91,306	11,40,21,656	10,19,81,069	14,02,60,363
Professional charges	5,59,29,282	5,05,13,391	14,18,33,270	11,47,21,141	20,40,21,385
Printing and stationery	1,14,07,182	1,15,13,158	5,30,31,065	4,76,37,455	6,25,54,206
Advertisements	72,16,099	1,37,18,952	2,16,87,812	4,25,94,491	6,30,77,831
Office maintenance	3,76,00,151	2,93,12,737	10,46,51,523	8,60,34,491	12,84,32,642
Repairs to building	1,28,65,632	1,11,35,584	5,06,90,746	2,52,18,521	3,95,22,458
Repairs to plant and machinery	58,18,703	82,15,361	1,85,15,571	1,55,99,302	2,26,54,171
Power and fuel	4,69,80,962	3,35,13,263	14,09,33,424	7,93,39,269	11,78,45,258
Brand building	2,52,95,458	2,47,18,294	10,19,45,833	7,48,95,563	10,52,01,392
Insurance charges	1,46,54,203	1,07,21,154	3,96,82,943	2,32,87,345	5,17,55,298
Rates and taxes	1,40,53,989	7,42,710	3,33,00,325	1,05,85,709	1,82,17,524
Commission charges	4,11,71,575	33,82,901	6,12,55,217	1,24,08,622	1,79,03,784
Donations	84,22,889	1,49,59,500	4,82,72,214	4,77,68,563	7,21,92,883
Auditor's remuneration					
– audit fees	5,37,500	4,45,500	16,12,500	13,38,750	17,85,000
– certification charges	–	–	–	–	2,00,000
– out-of-pocket expenses	50,000	50,000	1,50,000	1,50,000	2,00,000
Bad loans and advances written off	–	11,891	–	11,891	4,141
Bad debts written off	–	–	–	27,70,254	27,70,254
Provision for bad and doubtful debts	2,76,84,253	7,26,85,587	13,23,69,927	12,18,80,048	19,27,45,549
Provision for doubtful loans and advances	–	–	5,71,148	(1,412)	7,10,404
Bank charges and commission	4,59,401	33,25,944	17,91,900	42,50,287	59,39,483
Commission to non-whole time directors	24,00,000	15,00,000	72,00,000	45,00,000	59,22,049
Postage and courier	76,52,114	56,07,009	2,70,16,826	1,52,13,860	2,27,86,459
Books and periodicals	28,51,343	32,48,425	87,09,452	1,21,62,970	1,69,10,978
Research grants	25,00,000	25,00,000	75,00,000	75,00,000	1,00,00,000
Freight charges	17,22,183	21,33,762	38,37,545	43,63,988	55,72,484
Professional membership and seminar participation fees	68,26,016	61,63,223	1,58,56,018	1,52,15,381	2,17,10,613
Marketing expenses	1,19,11,154	98,00,148	3,84,01,106	3,26,51,683	4,26,87,545
Sales promotion expenses	15,29,172	48,36,888	36,94,182	54,48,790	70,16,656
Transaction processing fee and filing fees	1,72,72,533	29,68,134	4,01,64,910	59,32,979	1,52,76,339
Other miscellaneous expenses	23,03,270	48,76,857	1,41,20,218	2,47,26,235	2,60,46,292
	393,35,86,257	319,61,16,084	1156,57,99,378	807,17,88,567	1135,72,37,621

1.2.10 Segment reporting

The company's operations predominantly relate to providing Information Technology ("IT") services to customers operating in various industry segments. Accordingly, IT service revenues represented along industry classes comprise the primary basis of segmental information set out below. The secondary segmental is geographical, determined based on the location of the customer who is invoiced or in relation to which the revenue is otherwise recognized.

Fixed assets used in the company's business or liabilities contracted have not been identified to any of the reportable segments, as the fixed assets and services are used interchangeably between segments. The company believes that it is currently not practical to provide segment disclosures relating to total assets and liabilities since a meaningful segregation of the available data is onerous.

in Rs.

Quarter ended December 31, 2001	Financial services	Manufacturing	Telecom	Retail	Others	Total
Revenues	226,20,45,266	104,75,85,215	100,06,69,011	89,83,62,668	139,93,95,765	660,80,57,925
Identifiable operating expenses	88,69,28,977	45,15,97,293	25,80,69,122	24,41,14,216	44,57,63,049	228,64,72,657
Allocated expenses	57,38,64,655	25,87,01,439	24,71,15,470	22,18,50,892	34,55,81,144	164,71,13,600
Segmental operating income	80,12,51,634	33,72,86,483	49,54,84,419	43,23,97,560	60,80,51,572	267,44,71,668
Unallocable expenses						41,33,27,825
Operating income						226,11,43,843
Other income (expense), net						14,92,53,753
Net profit before taxes						241,03,97,596
Income taxes						35,00,00,000
Net profit after taxes						206,03,97,596

Quarter ended December 31, 2000	Financial services	Manufacturing	Telecom	Retail	Others	Total
Revenues	196,56,70,450	89,69,04,276	95,06,11,119	46,72,49,533	109,02,48,911	537,06,84,289
Identifiable operating expenses	64,95,80,074	36,28,28,425	25,92,61,153	14,73,49,507	33,05,83,802	174,96,02,961
Allocated expenses	54,49,68,088	23,74,73,219	25,16,93,172	12,37,13,593	28,86,65,051	144,65,13,123
Segmental operating income	77,11,22,288	29,66,02,632	43,96,56,794	19,61,86,433	47,10,00,058	217,45,68,205
Unallocable expenses						46,09,92,680
Operating income						171,35,75,525
Other income (expense), net						14,47,31,965
Net profit before taxes						185,83,07,490
Income taxes						19,50,00,000
Net profit after taxes						166,33,07,490

Nine months ended December 31, 2001	Financial services	Manufacturing	Telecom	Retail	Others	Total
Revenues	700,22,62,077	328,99,65,733	301,73,41,639	232,63,11,817	359,86,91,043	1923,45,72,309
Identifiable operating expenses	256,72,86,450	136,78,29,242	78,74,06,362	63,19,60,880	125,02,33,939	660,47,16,873
Allocated expenses	185,48,11,037	83,72,77,894	76,77,10,017	58,95,32,406	91,17,51,151	496,10,82,505
Segmental operating income	258,01,64,590	108,48,58,597	146,22,25,260	110,48,18,531	143,67,05,953	766,87,72,931
Unallocable expenses						115,82,69,242
Operating income						651,05,03,689
Other income (expense), net						43,07,77,367
Net profit before taxes						694,12,81,056
Income taxes						96,50,00,000
Net profit after taxes						597,62,81,056

Nine months ended December 31, 2000	Financial services	Manufacturing	Telecom	Retail	Others	Total
Revenues	452,31,93,381	238,50,76,617	247,37,67,456	110,39,54,549	290,09,50,212	1338,69,42,215
Identifiable operating expenses	160,79,27,274	90,20,80,564	65,71,32,600	40,33,12,389	90,66,43,854	447,70,96,681
Allocated expenses	124,20,47,410	63,23,82,782	65,78,67,058	29,21,57,823	77,02,36,813	359,46,91,886
Segmental operating income	167,32,18,697	85,06,13,271	115,87,67,798	40,84,84,337	122,40,69,545	531,51,53,648
Unallocable expenses						88,07,31,944
Operating income						443,44,21,704
Other income (expense), net						49,16,27,114
Net profit before taxes						492,60,48,818
Income taxes						50,96,00,000
Net profit after taxes						441,64,48,818

Year ended March 31, 2001	Financial services	Manufacturing	Telecom	Retail	Others	Total
Revenues	640,77,55,042	338,84,20,263	350,11,16,331	172,86,39,345	397,97,27,826	1900,56,58,807
Identifiable operating expenses	225,87,90,591	130,66,14,108	88,39,38,378	54,74,24,303	120,92,12,385	620,59,79,765
Allocated expenses	177,68,81,844	90,69,15,538	93,89,68,074	46,30,82,749	106,54,09,651	515,12,57,856
Segmental operating income	237,20,82,607	117,48,90,617	167,82,09,879	71,81,32,293	170,51,05,790	764,84,21,186
Unallocable expenses						128,18,43,760
Operating income						636,65,77,426
Other income (expense), net						59,37,14,915
Net profit before taxes						696,02,92,341
Income taxes						72,71,00,000
Net profit after taxes						623,31,92,341

Geographic segments

in Rs.

Quarter ended December 31, 2001	North America	Europe	India	Rest of the World	Total
Revenues	468,49,88,158	128,38,66,686	12,45,42,488	51,46,60,593	660,80,57,925
Identifiable operating expenses	164,19,13,038	45,18,85,229	468,64,905	14,58,09,485	228,64,72,657
Allocated expenses	117,41,03,279	32,17,49,391	270,93,923	12,41,67,007	164,71,13,600
Segmental operating income	186,89,71,841	51,02,32,066	5,05,83,660	24,46,84,101	267,44,71,668
Unallocable expenses					41,33,27,825
Operating income					226,11,43,843
Other income (expense), net					14,92,53,753
Net profit before taxes					241,03,97,596
Income taxes					35,00,00,000
Net profit after taxes					206,03,97,596

Quarter ended December 31, 2000	North America	Europe	India	Rest of the World	Total
Revenues	395,34,56,605	101,08,71,777	7,82,82,900	32,80,73,007	537,06,84,289
Identifiable operating expenses	125,52,72,510	36,33,39,515	1,76,06,878	11,33,84,058	174,96,02,961
Allocated expenses	105,38,56,826	26,94,63,973	3,01,19,876	9,30,72,448	144,65,13,124
Segmental operating income	164,43,27,269	37,80,68,289	3,05,56,146	12,16,16,501	217,45,68,205
Unallocable expenses					46,09,92,680
Operating income					171,35,75,525
Other income (expense), net					14,47,31,965
Net profit before taxes					185,83,07,490
Income taxes					19,50,00,000
Net profit after taxes					166,33,07,490

Nine months ended December 31, 2001	North America	Europe	India	Rest of the World	Total
Revenues	1373,09,71,866	372,67,15,240	40,53,05,386	137,15,79,817	1923,45,72,309
Identifiable operating expenses	467,32,28,283	134,32,83,275	14,45,63,101	44,36,42,214	660,47,16,873
Allocated expenses	353,31,48,305	95,92,38,451	12,23,57,859	34,63,37,890	496,10,82,505
Segmental operating income	552,45,95,278	142,41,93,514	13,83,84,426	58,15,99,713	766,87,72,931
Unallocable expenses					115,82,69,242
Operating income					651,05,03,689
Other income (expense), net					43,07,77,367
Net profit before taxes					694,12,81,056
Income taxes					96,50,00,000
Net profit after taxes					597,62,81,056

Nine months ended December 31, 2000	North America	Europe	India	Rest of the World	Total
Revenues	994,53,71,891	243,02,61,946	17,13,76,490	83,99,31,888	1338,69,42,215
Identifiable operating expenses	325,39,17,167	88,07,14,953	5,33,72,696	28,90,91,865	447,70,96,681
Allocated expenses	266,16,27,224	65,08,51,462	5,43,48,093	22,78,65,107	359,46,91,886
Segmental operating income	402,98,27,500	89,86,95,531	6,36,55,701	32,29,74,916	531,51,53,648
Unallocable expenses					88,07,31,944
Operating income					443,44,21,704
Other income (expense), net					49,16,27,114
Net profit before taxes					492,60,48,818
Income taxes					50,96,00,000
Net profit after taxes					441,64,48,818

Year ended March 31, 2001	North America	Europe	India	Rest of the World	Total
Revenues	1396,90,84,594	358,05,91,607	26,53,92,386	119,05,90,220	1900,56,58,807
Identifiable operating expenses	443,71,64,129	125,44,88,260	8,95,83,246	42,47,44,130	620,59,79,765
Allocated expenses	377,03,71,740	96,78,27,796	8,59,85,652	32,70,72,668	515,12,57,856
Segmental operating income	576,15,48,725	135,82,75,551	8,98,23,488	43,87,73,422	764,84,21,186
Unallocable expenses					128,18,43,760
Operating income					636,65,77,426
Other income (expense), net					59,37,14,915
Net profit before taxes					696,02,92,341
Income taxes					72,71,00,000
Net profit after taxes					623,31,92,341

1.2.11 Related party transactions

The company entered into related party transactions during the nine months ended December 31, 2001 with Yantra Corporation, USA, the subsidiary of the company, and key management personnel.

The transactions with Yantra Corporation comprise sales of Rs. 4,15,10,478 during the nine months ended December 31, 2001 (the nine months ended December 31, 2000 — Rs. 15,76,72,000 and the year ended March 31, 2001 – Rs. 19,64,85,967). The outstanding dues from the subsidiary as at December 31, 2001 are Rs. 41,68,924 (as at December 31, 2000 – Rs. 1,87,57,679 and as at March 31, 2001 – Rs. 99,80,017).

Key management personnel are non-director officers of the company, who have the authority and responsibility for planning, directing and controlling the activities of the company. The loans and advances receivable from non-director officers as at December 31, 2001 are Rs. 2,24,31,923 (as at December 31, 2000 – Rs. 71,07,809 and as at March 31, 2001 – Rs. 1,05,74,738).

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

	Quarter ended December 31,		Nine months ended December 31,		Year ended March 31,
	2001	2000	2001	2000	2001
Number of shares considered as basic weighted average shares outstanding	6,61,64,388	6,61,51,724	6,61,61,389	6,61,51,377	6,61,52,131
Add: Effect of dilutive issues of shares/stock options	2,63,531	7,44,152	3,42,345	7,92,955	2,06,180
Number of shares considered as weighted average shares and potential shares outstanding	6,64,27,919	6,68,95,876	6,65,03,734	6,69,44,332	6,63,58,311

Statement of cash flows

in Rs.

	Quarter ended December 31, 2001	Quarter ended December 31, 2000	Nine months ended December 31, 2001	Nine months ended December 31, 2000	Year ended March 31, 2001
Cashflows from operating activities					
Profit before tax	241,03,97,596	185,83,07,490	694,12,81,056	492,60,48,818	696,02,92,341
Adjustments to reconcile profit before tax to cash provided By operating activities					
(Profit)/Loss on sale of fixed assets	86,245	(8,41,217)	(1,16,517)	(7,87,388)	(9,17,890)
Depreciation and amortization	41,33,27,825	33,01,92,680	115,82,69,242	74,99,31,944	112,89,45,152
Interest income	(12,36,22,062)	(10,82,08,984)	(35,95,66,627)	(27,26,13,143)	(38,46,83,890)
Effect of Deferred Taxes	(3,69,00,000)	–	(6,80,00,000)	–	–
Provisions on long-term investments	–	13,08,00,000	–	13,08,00,000	15,28,98,608
Income taxes paid during the period/year	(25,29,84,506)	(31,31,33,686)	(104,13,89,285)	(63,56,65,477)	(85,18,05,440)
Exchange differences on translation of foreign currency deposits	(86,92,344)	(3,44,48,919)	(4,69,20,948)	(20,54,46,320)	(20,17,12,483)
Changes in current assets and liabilities					
Sundry debtors	33,06,55,341	(60,90,55,865)	(8,16,07,447)	(167,78,43,358)	(166,19,21,164)
Loans and advances	(12,46,99,173)	(8,27,15,875)	(30,56,82,932)	(21,45,10,572)	(34,72,64,731)
Current liabilities and provisions	(16,23,41,792)	(1,40,20,268)	29,65,02,811	74,39,94,931	60,92,54,409
Net cash generated by operating activities	244,52,27,130	115,68,75,356	649,27,69,353	354,39,09,435	540,30,84,912
Cashflows from financing activities					
Proceeds on exercise of stock options	1,39,68,418	72,13,119	1,81,07,731	82,14,625	2,37,85,906
Dividends paid during the period/year, including Dividend Tax	(54,68,18,327)	(20,17,61,670)	(109,36,15,164)	(42,20,05,883)	(42,20,05,883)
Net cash used in financing activities	(53,28,49,909)	(19,45,48,551)	(107,55,07,433)	(41,37,91,258)	(39,82,19,977)
Cashflows from investing activities					
Purchases of fixed assets and change in capital work-in-progress	(53,05,32,761)	(125,15,71,385)	(284,55,90,479)	(325,00,86,025)	(463,35,45,172)
Proceeds on disposal of fixed assets	9,02,894	18,31,825	1,12,26,321	20,69,586	22,73,671
Long-term investments in securities	-	(3,67,46,692)	(10,32,68,000)	(26,63,64,960)	(26,63,64,960)
Interest income	12,36,22,062	10,82,08,984	35,95,66,627	27,26,13,143	38,46,83,890
Net cash used in investing activities	(40,60,07,805)	(117,82,77,268)	(257,80,65,531)	(324,17,68,256)	(451,29,52,571)
Effect of exchange differences on translation of foreign currency deposits	86,92,344	3,44,48,919	4,69,20,948	20,54,46,320	20,17,12,483
Net (decrease)/increase in cash and cash equivalents during the period/year	151,50,61,760	(18,15,01,544)	288,61,17,337	9,37,96,241	69,36,24,847
Cash and cash equivalents at the beginning of the period/year	714,84,18,019	535,90,35,380	577,73,62,442	508,37,37,595	508,37,37,595
Cash and cash equivalents at the end of the period/year	866,34,79,779	517,75,33,836	866,34,79,779	517,75,33,836	577,73,62,442

AUDITORS' CERTIFICATE TO THE MEMBERS OF INFOSYS TECHNOLOGIES LIMITED

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

for Bharat S Raut & Co.
Chartered Accountants

Bangalore
January 10, 2002

S Balasubrahmanyam
Partner

Statement of cash flows

in Rs.

	Quarter ended December 31, 2001	Quarter ended December 31, 2000	Nine months ended December 31, 2001	Nine months ended December 31, 2000	Year ended March 31, 2001
Income taxes paid during the period/year					
Charge as per the					
Profit and Loss Account	35,00,00,000	19,50,00,000	96,50,00,000	50,96,00,000	72,71,00,000
Add: Tax provided on Intellectual					
property rights transferred	–	–	–	3,43,96,000	3,43,96,000
Increase in advance income taxes	29,21,41,086	17,50,80,939	109,61,86,569	47,71,61,475	69,33,01,439
Less: Increase/(Decrease) in					
income tax provision	(38,91,56,580)	(5,69,47,253)	(101,97,97,284)	(38,54,91,998)	(60,29,91,999)
	25,29,84,506	31,31,33,686	104,13,89,285	63,56,65,477	85,18,05,440
Change in loans and advances during the period/year					
As per the Balance Sheet	634,58,66,530	355,39,12,507	634,58,66,530	355,39,12,507	430,27,93,623
Less: Deposits with financial institutions and body corporate, included in cash and cash equivalents	(256,79,55,563)	(152,67,65,164)	(256,79,55,563)	(152,67,65,164)	(192,67,52,157)
Advance income taxes separately considered	(233,35,84,361)	(102,12,57,828)	(233,35,84,361)	(102,12,57,828)	(123,73,97,792)
	144,43,26,606	100,58,89,515	144,43,26,606	100,58,89,515	113,86,43,674
Less: Opening balance considered	(131,96,27,433)	(92,31,73,640)	(113,86,43,674)	(79,13,78,943)	(79,13,78,943)
	12,46,99,173	8,27,15,875	30,56,82,932	21,45,10,572	34,72,64,731
Change in current liabilities and provisions during the period/year					
As per the Balance Sheet	396,80,04,709	256,89,45,135	396,80,04,709	256,89,45,135	319,85,01,451
Add/Less: Provisions separately considered in the cash flow Statement:					
Income taxes	(224,88,09,025)	(101,15,11,740)	(224,88,09,025)	(101,15,11,740)	(122,90,11,741)
Dividends	–	–	–	–	(49,61,85,878)
Dividend tax	–	–	–	–	(5,06,10,959)
	171,91,95,684	155,74,33,395	171,91,95,684	155,74,33,395	142,26,92,873
Less: Opening balance considered	(188,15,37,476)	(157,14,53,663)	(142,26,92,873)	(81,34,38,464)	(81,34,38,464)
	(16,23,41,792)	(1,40,20,268)	29,65,02,811	74,39,94,931	60,92,54,409
Purchases of fixed assets and change in capital work-in-progress					
As per the Balance Sheet	62,80,70,336	69,62,40,707	228,76,11,865	221,85,33,772	349,66,44,427
Less: Opening Capital work-in-progress	(236,20,20,439)	(104,58,25,080)	(170,65,04,250)	(56,96,03,505)	(56,96,03,505)
Add: Closing Capital work-in-progress	226,44,82,864	160,11,55,758	226,44,82,864	160,11,55,758	170,65,04,250
	53,05,32,761	125,15,71,385	284,55,90,479	325,00,86,025	463,35,45,172
Long-term investments in securities during the period/year					
As per the Balance Sheet	44,44,22,821	36,32,53,429	44,44,22,821	36,32,53,429	34,11,54,821
Add: Provisions on investments	–	13,08,00,000	–	13,08,00,000	15,28,98,608
Less: Non-cash investment (*see note below*)	–	(8,93,40,000)	–	(8,93,40,000)	(8,93,40,000)
	44,44,22,821	40,47,13,429	44,44,22,821	40,47,13,429	40,47,13,429
Less: Opening balance considered	(44,44,22,821)	(36,79,66,737)	(34,11,54,821)	(13,83,48,469)	(13,83,48,469)
	–	3,67,46,692	10,32,68,000	26,63,64,960	26,63,64,960
Cash and cash equivalents at the end of the period/year					
As per the Balance Sheet	609,55,24,216	365,07,68,672	609,55,24,216	365,07,68,672	385,06,10,285
Add: Deposits with financial institutions and body corporate, included herein	256,79,55,563	152,67,65,164	256,79,55,563	152,67,65,164	192,67,52,157
	866,34,79,779	517,75,33,836	866,34,79,779	517,75,33,836	577,73,62,442

NOTES ON THE STATEMENT OF CASH FLOWS

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, financing and investing activities of the company are segregated. Cash flows in foreign currencies are accounted at average monthly exchange rates that approximate the actual rates of exchange prevailing at the dates of the transactions.

The balance of cash and cash equivalents includes Rs 173,05,518 as at December 31, 2001 (as at December 31, 2000 – Rs. 70,05,983 and as at March 31, 2001 – Rs. 48,15,163) set aside for payment of dividends and accordingly is not otherwise available to the company.

During the year ended March 31, 2001, the company transferred intellectual property rights in OnScan – a web-based wireless enabled notification product, to OnMobile Systems, Inc., USA (formerly OnScan, Inc.) – a company incubated by Infosys. The product was transferred for a gross consideration of Rs 8,93,40,000 (approximately US$ 2,000,000) that was received as equity preferred convertible voting and non-voting stock in OnMobile Systems, Inc. Accordingly the transaction being non-cash has not been considered in the statement of cash flows, except for the related income taxes.

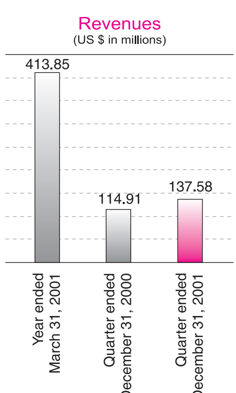
The previous year's/periods' figures have been recast/ restated, wherever necessary, to conform to the current periods' classifications.

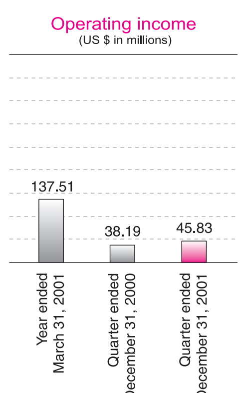
At a glance - US GAAP

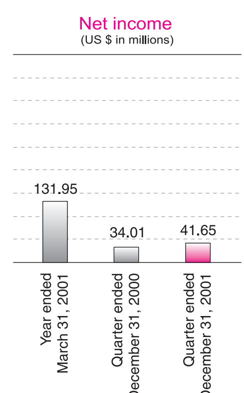
US $ in millions, except as otherwise stated

	Quarter ended December 31, 2001	Quarter ended December 31, 2000	Nine months ended December 31, 2001	Nine months ended December 31, 2000	Year ended March 31, 2001
For the period					
Revenues	137.58	114.91	405.37	293.11	413.85
Operating income	45.83	38.19	133.43	96.79	137.51
Net income	41.65	34.01	122.18	93.62	131.95
Operating income as a percentage of total revenues	33.31 %	33.24 %	32.92 %	33.02 %	33.23 %
Net income as a percentage of total revenues	30.27 %	29.59 %	30.14 %	31.94 %	31.88 %
Basic earnings per share ($)	0.64	0.52	1.86	1.43	2.01
Cash dividend per equity share ($)	NA	NA	0.16	0.05	0.14
Capital investments	14.60	30.26	59.98	71.40	101.24
At the end of the period					
Total assets			439.42	304.50	342.35
Property, plant and equipment - net			150.66	97.93	119.77
Cash and cash equivalents			179.96	110.89	124.08
Working capital			229.70	156.94	176.18
Total debt			–	–	–
Stockholders' equity			403.71	271.14	311.79
Common stock			8.60	8.59	8.59
Market capitalization			5,581.98	8,067.67	5,783.15

Note:
Market capitalization is calculated by considering the Indian market price for the shares outstanding at the period / year end.







United States Securities and Exchange Commission

Washington, DC 20549

FORM 6-K

Report of Foreign Issuer
Pursuant to Rule 13a-16 or 15d-16 of the Securities Exchange Act of 1934
For the quarter ended December 31, 2001

Commission File Number 333-72195

INFOSYS TECHNOLOGIES LIMITED

(Exact name of Registrant as specified in its charter)

Not Applicable
(Translation of Registrant's name into English)

Bangalore, Karnataka, India
(Jurisdiction of incorporation or organization)

Electronics City, Hosur Road, Bangalore, Karnataka, India 561 229. +91-80-852-0261
(Address of principal executive offices)

Indicate by check mark registrant files or will file annual reports under cover Form 20-F or Form 40-F

Form 20-F ....x........... Form 40-F ....

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g 3-2(b) under the Securities Exchange Act of 1934.

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

If "Yes" is marked, indicate below the file number assigned to registrant in connection with Rule 12g 3-2(b).
Not applicable.

Currency of Presentation and Certain Defined Terms

Unless the context otherwise requires, references herein to the "company" or to "Infosys" are to Infosys Technologies Limited, a limited liability company organized under the laws of the Republic of India. References to "U.S." or "United States" are to the United States of America, its territories and its possessions. References to "India" are to the Republic of India. Yantra Corporation, a Delaware Corporation ("Yantra"), in which the company holds a minority interest, is considered a subsidiary of the company for purposes of Indian GAAP. "Infosys" is a registered trademark of the company in India and the United States. All other trademarks or tradenames used in this Quarterly Report on Form 6-K ("Quarterly Report") are the property of their respective owners.

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

Unless otherwise specified herein, financial information has been converted into Dollars at the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank (the "Noon Buying Rate") as of December 31, 2001, which was Rs. 48.27 per $1.00. For the convenience of the reader, this Quarterly Report contains translations of certain Indian rupee amounts into U.S. Dollars which should not be construed as a representation that such Indian Rupee or U.S. Dollar amounts referred to herein could have been, or could be, converted to U.S. Dollars or Indian Rupees, as the case may be, at any particular rate, the rates stated below, or at all. Any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

Forward-looking statements may prove inaccurate

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

Part I – Financial information

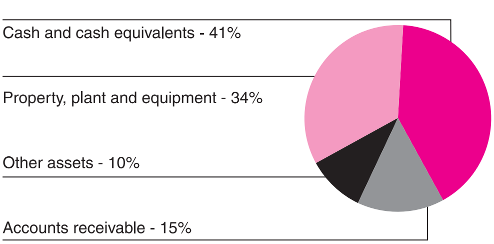
Item 1. Financial statements

Balance Sheets as of

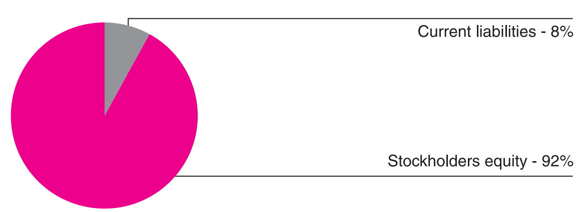
	December 31, 2001 (Unaudited)	December 31, 2000 (Unaudited)	March 31, 2001 (Audited)
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 179,964,266	$ 110,891,708	$ 124,084,245
Trade accounts receivable, net of allowances	64,505,813	65,102,262	64,942,062
Deferred tax assets	2,065,475	–	1,265,142
Prepaid expenses and other current assets	18,875,165	14,306,584	16,452,863
Total current assets	265,410,719	190,300,554	206,744,312
Property, plant and equipment – net	150,661,482	97,928,035	119,773,030
Deferred tax assets	2,574,090	2,766,266	2,070,428
Investments	7,777,393	6,057,693	5,577,393
Advance income taxes	1,869,035	208,740	180,113
Other assets	11,127,466	7,237,419	8,002,543
Total assets	$ 439,420,185	$ 304,498,707	$ 342,347,819
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable	$ 440	$ 353,474	$ 28,082
Client deposits	2,546,959	1,565,962	1,217,737
Other accrued liabilities	27,279,580	20,809,471	21,830,484
Unearned revenue	5,885,436	10,627,986	7,479,815
Total current liabilities	$ 35,712,415	$ 33,356,893	$ 30,556,118
STOCKHOLDERS' EQUITY			
Common stock, $ 0.16 par value; 100,000,000 equity shares authorized, Issued and outstanding – 66,169,247; 66,152,567 and 66,158,117 as of December 31, 2001, December 31, 2000 and March 31, 2001, respectively	8,595,270	8,593,713	8,594,106
Additional paid-in-capital	122,395,526	121,683,464	122,017,518
Accumulated other comprehensive income	(39,992,215)	(29,392,947)	(28,664,972)
Deferred stock compensation	(8,771,464)	(13,776,773)	(12,517,018)
Retained earnings	321,480,653	184,034,357	222,362,067
Total stockholders' equity	403,707,770	271,141,814	311,791,701
Total liabilities and stockholders' equity	$ 439,420,185	$ 304,498,707	$ 342,347,819

See accompanying notes to financial statements

Assets - December 31, 2001



Liabilities and stockholder's equity - December 31, 2001



Statements of income

	Three months ended Dec. 31, 2001 (Unaudited)	Three months ended Dec. 31, 2000 (Unaudited)	Nine months ended Dec. 31, 2001 (Unaudited)	Nine months ended Dec. 31, 2000 (Unaudited)	Year ended March 31, 2001 (Audited)
REVENUES	$ 137,579,820	$114,911,366	$ 405,370,712	$ 293,108,249	$ 413,850,510
Cost of revenues	73,051,526	60,583,336	214,517,882	152,743,812	213,613,744
Gross profit	64,528,294	54,328,030	190,852,830	140,364,437	200,236,766
Operating Expenses:					
Selling and marketing expenses	6,840,680	4,752,598	19,752,095	13,944,138	20,682,776
General and administrative expenses	10,622,444	10,112,440	33,921,600	25,803,921	36,957,609
Amortization of stock compensation expense	1,234,472	1,270,448	3,745,554	3,822,040	5,081,795
Total operating expenses	18,697,596	16,135,486	57,419,249	43,570,099	62,722,180
Operating income	45,830,698	38,192,544	133,433,581	96,794,338	137,514,586
Other income, net	3,106,397	97,184	9,072,796	7,792,422	9,505,343
Income before income taxes	48,937,095	38,289,728	142,506,377	104,586,760	147,019,929
Provision for income taxes	7,288,077	4,282,892	20,323,580	10,966,366	15,071,825
Net income	$ 41,649,018	$ 34,006,836	$ 122,182,797	$ 93,620,394	$ 131,948,104
Earnings per equity share					
Basic	$ 0.64	$ 0.52	$ 1.86	$ 1.43	$ 2.01
Diluted	$ 0.63	$ 0.51	$ 1.85	$ 1.40	$ 1.98
Weighted equity shares used in computing earnings per equity share					
Basic	65,545,160	65,593,767	65,557,265	65,625,556	65,771,256
Diluted	66,114,671	66,410,844	66,205,786	66,877,762	66,714,739

See accompanying notes to the financial statements

Statements of Stockholders' Equity and Comprehensive Income

(Information as of and for the Nine months ended December 31, 2000 and December 31, 2001 is unaudited)

	Common stock Shares	Common stock Par value	Additional paid–in capital	Comprehensive income	Accumulated other comprehensive income	Deferred stock compensation	Retained earnings	Total stockholders' equity
Balance as of March 31, 2000	66,150,700	$ 8,593,510	$ 121,506,726		$ (14,137,933)	$ (17,598,813)	$ 99,773,031	$ 198,136,521
Cash dividends declared	–	–	–		–	–	(9,359,068)	(9,359,068)
Common stock issued	1,867	203	176,738		–	–	–	176,941
Amortization of compensation related to stock option grants	–	–	–		–	3,822,040	–	3,822,040
Comprehensive income								
Net income	–	–	–	93,620,394	–	–	93,620,394	93,620,394
Other comprehensive income								
Translation adjustment	–	–	–	(15,255,014)	(15,255,014)	–	–	(15,255,014)
Comprehensive income				78,365,380				
Balance as of December 31, 2000	66,152,567	8,593,713	121,683,464		(29,392,947)	(13,776,773)	184,034,357	271,141,814
Common stock issued	5,550	393	334,054		–	–	–	334,447
Amortization of compensation related to stock option grants	–	–	–		–	1,259,755	–	1,259,755
Comprehensive income								
Net income	–	–	–	38,327,710	–	–	38,327,710	38,327,710
Other comprehensive income								
Translation adjustment	–	–	–	727,975	727,975	–	–	727,975
Comprehensive income				39,055,685				
Balance as of March 31, 2001	66,158,117	8,594,106	122,017,518		(28,664,972)	(12,517,018)	222,362,067	311,791,701
Common stock issued	11,130	1,164	378,008		–	–	–	379,172
Cash dividends declared	–	–	–		–	–	(23,064,211)	(23,064,211)
Amortization of compensation related to stock option grants	–	–	–		–	3,745,554	–	3,745,554
Comprehensive income								
Net income	–	–	–	122,182,797	–	–	122,182,797	122,182,797
Other comprehensive income								
Translation adjustment	–	–	–	(11,327,243)	(11,327,243)	–	–	(11,327,243)
Comprehensive income				$ 110,855,554				
Balance as of December 31, 2001	66,169,247	$ 8,595,270	$ 122,395,526		$ (39,992,215)	$ (8,771,464)	$ 321,480,653	$ 403,707,770

See accompanying notes to the financial statements

Statement of cash flows

	Nine months ended December 31, 2001 (Unaudited)	2000 (Unaudited)	Year ended March 31,2001 (Audited)
OPERATING ACTIVITIES:			
Net income	$ 122,182,797	$ 93,620,394	$ 131,948,104
Adjustments to reconcile net income to net cash provided by operating activities			
(Gain) / loss on sale of property, plant and equipment	(2,456)	(17,330)	(20,053)
Depreciation	24,402,866	16,381,961	24,527,867
Deferred tax benefit	(1,303,995)	(200,000)	(769,304)
Amortization of deferred stock compensation expense	3,745,554	3,822,040	5,081,795
Provision for investments	–	3,000,000	3,480,300
Changes in assets and liabilities			
Trade accounts receivable	(1,720,224)	(36,859,476)	(36,310,272)
Prepaid expenses and other current assets	(2,273,638)	(2,134,134)	(2,654,466)
Income taxes	(1,729,558)	(2,493,310)	(1,973,114)
Accounts payable	(27,114)	(573,079)	(901,961)
Client deposits	1,389,393	1,198,445	833,215
Unearned revenue	(1,368,788)	7,041,931	3,770,772
Other accrued liabilities	5,993,281	8,671,937	9,651,967
Net cash provided by operating activities	$ 149,288,118	$ 91,459,379	$ 136,664,850
INVESTING ACTIVITIES:			
Expenditure on property, plant and equipment	(59,982,936)	(71,399,078)	(101,235,420)
Proceeds from sale of property, plant and equipment	236,642	45,465	49,676
Loans to employees	(4,169,931)	(2,578,313)	(4,932,703)
Purchase of investments	(2,200,000)	(5,879,755)	(5,879,755)
Net cash used in investing activities	$ (66,116,225)	$ (79,811,681)	$ (111,998,202)
FINANCING ACTIVITIES:			
Proceeds from issuance of common stock	379,172	176,941	511,388
Payment of dividends	(23,064,211)	(9,274,887)	(9,220,142)
Net cash used in financing activities	$ (22,685,039)	$ (9,097,946)	$ (8,708,754)
Effect of exchange rate changes on cash	(4,606,833)	(8,257,530)	(8,473,135)
Net increase/(decrease) in cash and cash equivalents during the period	55,880,021	(5,707,778)	7,484,759
Cash and cash equivalents at the beginning of the period	124,084,245	116,599,486	116,599,486
Cash and cash equivalents at the end of the period	$ 179,964,266	$ 110,891,708	$ 124,084,245
Supplementary information:			
Cash paid towards taxes	$ 22,012,502	$ 13,045,342	$ 16,950,802

See accompanying notes to the financial statements

Notes to unaudited financial statements as of and for the three and nine months ended December 31, 2001

1 Company overview and significant accounting policies

1.1 Company overview

Infosys, a world leader in consulting and information technology services, partners with Global 2000 companies to provide business consulting, systems integration, application development and product engineering services. Through these services, Infosys enables its clients to fully exploit technology for business transformation. Clients leverage Infosys' Global Delivery Model to achieve higher quality, rapid time-to-market and cost-effective solutions.

1.2 Basis of preparation of financial statements

The accompanying financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"). All amounts are stated in U.S. dollars, except as otherwise specified.

1.3 Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the year. Examples of estimates include accounting for contract costs expected to be incurred to complete software development, allowance for uncollectible accounts receivable, future obligations under employee benefit plans and the useful lives of property, plant and equipment. Actual results could differ from those estimates.

1.4 Revenue recognition

The company derives its revenues primarily from software services and also from the licensing of software products. Revenue on time-and-material contracts is recognized as the related costs are incurred. Revenue from fixed-price, fixed-time frame contracts are recognized upon the achievement of specified milestones identified in the related contracts, as per the percentage-of-completion method. Provisions for estimated losses on uncompleted contracts are recorded in the period in which such losses become probable based on the current contract estimates. The company provides its clients with a fixed-period warranty for corrections of errors and telephone support on all its fixed-price, fixed-time frame contracts. Costs associated with the support services are accrued at the time related revenues are recorded.

Revenue from licensing of software products is recognized upon shipment of products and fulfillment of acceptance terms, if any, provided that no significant vendor obligations remain and the collection of the related receivable is probable. When the company receives advances for software development services and products, such amounts are reported as client deposits until all conditions for revenue recognition are met. Maintenance revenue is deferred and recognized ratably over the term of the underlying maintenance agreement, generally 12 months. Revenue from client training, support and other services arising due to the sale of software products is recognized as the services are performed.

1.5 Cash and cash equivalents

The company considers all highly liquid investments with a remaining maturity at the date of purchase/investment of three months or less to be cash equivalents. Cash and cash equivalents comprise cash, cash on deposit with banks, marketable securities and deposits with corporations.

1.6 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. The company depreciates property, plant and equipment over their estimated useful lives using the straight-line method. The estimated useful lives of assets are as follows:

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

The cost of software purchased for use in software development and services is charged to the cost of revenues at the time of acquisition. The amount of third party software expensed in the nine months ended December 31, 2001 and 2000 and in fiscal 2001 was $ 5,507,313, $ 6,127,359 and $ 6,979,492, respectively.

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

1.7 Impairment of long-lived assets

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

1.8 Research and development

Research and development costs are expensed as incurred. Software product development costs are expensed as incurred until technological feasibility is achieved.

1.9 Foreign currency translation

The accompanying financial statements are reported in U.S. dollars. The functional currency of the company is the Indian rupee ("Rs."). The translation of Rs. to U.S. dollars is performed for balance sheet accounts using the exchange rate in effect at the balance sheet date, and for revenue and expense accounts using a monthly average exchange rate for the respective periods. The gains or losses resulting from such translation are reported as *"Other comprehensive income"*, a separate component of stockholders' equity. The method for translating expenses of overseas operations depends upon the funds used. If the payment is made from a rupee denominated bank account, the exchange rate prevailing on the date of the payment would apply. If the payment is made from a foreign currency, i.e., non-rupee denominated account, the translation into rupees is performed at the average monthly exchange rate.

1.10 Earnings per share

In accordance with Statement of Financial Accounting Standards ("SFAS") 128, *Earnings Per Share*, basic earnings per share are computed using the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of common and dilutive common equivalent shares outstanding during the period, using the treasury stock method for options and warrants, except where the result would be anti-dilutive.

1.11 Income taxes

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

1.12 Fair value of financial instruments

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

1.13 Concentration of risk

Financial instruments that potentially subject the company to concentrations of credit risk consist principally of cash equivalents, trade accounts receivable, investment securities and hedging instruments. By their nature, all such financial instruments involve risk including the credit risk of non-performance by counterparties. In management's opinion, as of December 31, 2001 and 2000 and March 31, 2001, there was no significant risk of loss in the event of non-performance of the counterparties to these financial instruments, other than the amounts already provided for in the financial statements. Exposure to credit risk is managed through credit approvals, establishing credit limits and monitoring procedures. The company's cash resources are invested with corporations, financial institutions and banks with high investment grade credit ratings. Limitations are established by the company as to the maximum amount of cash that may be invested with any such single entity.

1.14 Retirement benefits to employees

1.14.1 Gratuity

In accordance with the Payment of Gratuity Act, 1972, Infosys provides for gratuity, a defined benefit retirement plan (the "Gratuity Plan") covering eligible employees. The Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and tenure of employment. Liabilities with regard to the Gratuity Plan are determined by actuarial valuation, based upon which, the company contributes to the Infosys Technologies Limited Employees' Gratuity Fund Trust (the "Trust"). Trustees administer contributions made to the Trust and invest in specific designated securities as mandated by law, which generally comprise central and state government bonds and debt instruments of government-owned corporations.

1.14.2 Superannuation

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

1.14.3 Provident fund

Eligible employees also receive benefits from a provident fund, which is a defined contribution plan. Both the employee and the company make monthly contributions to this provident fund plan equal to a specified percentage of the covered employee's salary. Infosys contributes a part of the contributions to the Infosys Technologies Limited Employees' Provident Fund Trust. The remainders of the contributions are made to the Government administered provident fund. The company has no further obligations under the provident fund plan beyond its monthly contributions.

1.15 Investments

Investments where the company controls between 20% and 50% of the voting interest are accounted for using the equity method. Investment securities in which the company controls less than 20% voting interest are currently classified as "Available-for-sale securities". Non-readily marketable equity securities for which there are no readily determinable fair values are recorded at cost.

Investment securities designated as "available-for-sale" are carried at their fair value. Fair value is based on quoted market prices. Unquoted securities are carried at cost, adjusted for declines in value judged to be other than temporary. Temporary unrealized gains and losses, net of the related tax effect are reported as a separate component of stockholders' equity until realized. Realized gains and losses and declines in value judged to be other than temporary on available-for-sale securities are included in the statements of income. The cost of securities sold is based on the specific identification method. Interest and dividend income is recognized when earned.

1.16 Stock-based compensation

The company applies the intrinsic value-based method of accounting prescribed by Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations including FASB Interpretation No. 44, *Accounting for Certain Transactions involving Stock Compensation (an interpretation of APB Opinion No. 25),* issued in March 2000, to account for its fixed plan stock options. Under this method, compensation expense is recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price. SFAS 123, *Accounting for Stock-Based Compensation,* established accounting and disclosure requirements using a fair value-based method of accounting for stock-based employee compensation plans. As allowed by SFAS 123, the Company has elected to continue to apply the intrinsic value-based method of accounting described above, and has adopted the disclosure requirements of SFAS 123. All stock options issued to date have been accounted as a fixed stock option plan.

1.17 Dividend

Dividends on common stock and the related dividend tax are recorded as a liability on payment.

1.18 Derivative financial instruments

On April 1, 2001, the company adopted SFAS 133, *Accounting for Derivative Instruments and Hedging Activities* as amended, when the rules became effective for companies with a fiscal year-end of March 31. The company enters into forward foreign exchange contracts where the counter party is generally a bank. The company purchases forward foreign exchange contracts to mitigate the risk of changes in foreign exchange rates on accounts receivable and forecasted cash flows denominated in certain foreign currencies. Although these contracts are effective as hedges from an economic perspective, they do not qualify for hedge accounting under SFAS 133, as amended. Any derivative that is either not a designated hedge, or is so designated but is ineffective per SFAS 133, is marked to market and recognized in earnings immediately.

1.19 Recently issued accounting standards

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS 141, *Business Combinations* and SFAS 142, *Goodwill and Other Intangible Assets*. SFAS 141 requires that all business combinations be accounted for under a single method-the purchase method. Use of the pooling-of-interests method is no longer permitted and is effective for business combinations initiated after June 30, 2001. SFAS 142 requires that goodwill no longer be amortized to earnings, but instead be reviewed for impairment and is effective for fiscal years beginning after December 15, 2001, with earlier application permitted for entities with fiscal years beginning after March 31, 2001.

In August 2001, the FASB issued SFAS 143, *Accounting for Asset Retirement Obligations*. SFAS 143 requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity capitalizes a cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss upon settlement. The standard is effective for fiscal years beginning after June 15, 2002, with earlier application encouraged.

In August 2001, the FASB also issued SFAS 144, *Accounting for the Impairment or Disposal of Long-Lived Assets.* SFAS 144 requires that those long-lived assets be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or in discontinued operations. Under this standard, discontinued operations will no longer be measured at net realizable value or include amounts for operating losses that have not yet occurred. The provisions of SFAS 144 are effective for financial statements issued for fiscal years beginning after December 15, 2001 and, generally, are to be applied prospectively. Early application is encouraged.

Both SFAS 141 and 142 are not currently applicable to the operations of the company. The company is evaluating the impact of SFAS 143 and 144 on its operations.

1.20 Notes to the Financial Statements

1.20.1 Cash and cash equivalents

The cost and fair values for cash and cash equivalents as of December 31, 2001 and 2000 and March 31, 2001, respectively are as follows:

	As of December 31, 2001	As of December 31, 2000	As of March 31, 2001
Cost and fair values			
Cash and bank deposits	$ 126,620,777	$ 78,191,662	$ 82,702,111
Deposits with corporations	53,343,489	32,700,046	41,382,134
	$ 179,964,266	$ 110,891,708	$ 124,084,245

Cash and cash equivalents include restricted cash balances in the amount of $ 358,483, $ 150,053 and $103,418 as of December 31, 2001 and 2000 and March 31, 2001, respectively.

1.20.2 Trade accounts receivable

Trade accounts receivable, as of December 31, 2001 and 2000 and March 31, 2001, net of allowance for doubtful accounts of $ 4,025,693, $ 3,084,311 and $ 3,902,996, respectively amounted to $ 64,505,813, $ 65,102,262 and $ 64,942,062, respectively. The age profile of trade accounts receivable, net of allowances is given below.

in %

Period (in days)	As of December 31, 2001	As of December 31, 2000	As of March 31, 2001
0 – 30	68.9	48.3	69.2
31 – 60	26.5	37.1	26.6
61 – 90	4.6	10.2	1.7
More than 90	–	4.4	2.5
	100.0	100.0	100.0

1.20.3 Prepaid expenses and other current assets

Prepaid expenses and other current assets consist of the following:

	As of December 31, 2001	As of December 31, 2000	As of March 31, 2001
Rent deposits	$ 2,071,632	$ 2,226,754	$ 2,484,794
Deposits with government organizations	1,264,146	739,465	945,189
Loans to employees	8,548,006	6,490,374	8,091,866
Prepaid expenses	5,041,519	4,497,879	4,349,913
Unbilled revenues	1,884,239	281,573	503,694
Other current assets	65,623	70,539	77,407
	$ 18,875,165	$ 14,306,584	$ 16,452,863

Other current assets represent advance payments to vendors for the supply of goods and rendering of services. Deposits with government organizations relate principally to leased telephone lines and electricity supplies.

1.20.4 Property, plant and equipment – net

Property, plant and equipment consist of the following:

	As of December 31, 2001	As of December 31, 2000	As of March 31, 2001
Land	$ 9,023,385	$ 7,658,656	$ 7,865,351
Buildings	47,180,823	27,668,822	33,871,448
Furniture and fixtures	29,863,549	15,744,158	21,579,707
Computer equipment	57,407,806	37,155,519	48,098,099
Plant and equipment	32,904,434	19,717,383	24,064,927
Vehicles	73,058	40,103	75,537
Capital work-in-progress	47,039,528	34,293,333	36,651,724
	223,492,583	142,277,974	172,206,793
Accumulated depreciation	(72,831,101)	(44,349,939)	(52,433,763)
	$ 150,661,482	$ 97,928,035	$ 119,773,030

Depreciation expense amounted to $ 24,402,866, $ 16,381,961 and $ 24,527,867, for the nine months ended December 31, 2001 and 2000 and fiscal 2001, respectively.

1.20.5 Investments

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

	Carrying cost	Fair value
As of December 31, 2001		
M–Commerce Ventures Pte Ltd – 70 units, each unit representing 1 Ordinary Share of S$ 1 each at par and 9 Redeemable Preference Shares of S$ 1 each at par, with a premium of S$ 1,110 per Redeemable Preference Share	$ 399,485	$ 399,485
Asia Net Media BVI Limited – 30,000,000 Ordinary Shares at $ 0.05 each, fully paid, par value $ 0.01 each	1,500,000	1,500,000
EC Cubed Inc. – 1,300,108 Series D Convertible Preferred Stock, at $ 2.3075 each, fully paid, par value $ 0.0001 each	–	–
Alpha Thinx Mobile Services AG – 27,790 Bearer Shares, at € 20 each, fully paid, par value €1 each	–	–
CiDRA Corporation – 33,333 Series D Convertible Preferred Stock, at $ 90 each, fully paid, par value $ 0.01 each	2,999,970	2,999,970
Workadia Inc., USA – 2,200,000 Series B Convertible Preferred Stock at $ 1 each, fully paid, par value $ 0.0002 each	2,200,000	2,200,000
JASDIC Park Company – 480 Common Stock, at ¥ 50,000 each, fully paid, par value ¥ 50,000 each	177,576	177,576
Purple Yogi Inc. – 276,243 Series D Convertible Preferred Stock, at $ 1.81 each fully paid, par value $ 0.001 each	500,000	500,000
Others	362	362
	$ 7,777,393	$ 7,777,393
As of December 31, 2000		
M–Commerce Ventures Pte Ltd – 70 units, each unit representing 1 Ordinary Share of S$ 1 each at par and 9 Redeemable Preference Shares of S$ 1 each at par, with a premium of S$ 1,110 per Redeemable Preference Share	$ 399,485	$ 399,485
Asia Net Media BVI Limited – 30,000,000 Ordinary Shares at $ 0.05 each, fully paid, par value $ 0.01 each	1,500,000	1,500,000
Alpha Thinx Mobile Services AG – 27,790 Bearer Shares, at € 20 each, fully paid, par value € 1 each	480,300	480,300
EC Cubed Inc. – 1,300,108 Series D Convertible Preferred Stock, at $ 2.3075 each, fully paid, par value $ 0.0001 each	–	–
CiDRA Corporation – 33,333 Series D Convertible Preferred Stock, at $ 90 each, fully paid, par value $ 0.01 each	2,999,970	2,999,970
Purple Yogi Inc. – 276,243 Series D Convertible Preferred Stock, at $ 1.81 each fully paid, par value $ 0.001 each	500,000	500,000
JASDIC Park Company – 480 Common Stock, at ¥ 50,000 each, fully paid, par value ¥ 50,000 each	177,576	177,576
Others	362	362
	$ 6,057,693	$ 6,057,693
As of March 31, 2001		
M–Commerce Ventures Pte Ltd – 70 units, each unit representing 1 Ordinary Share of S$ 1 each at par and 9 Redeemable Preference Shares of S$ 1 each at par, with a premium of S$ 1,110 per Redeemable Preference Share	$ 399,485	$ 399,485
Asia Net Media BVI Limited – 30,000,000 Ordinary Shares at $ 0.05 each, fully paid, par value $ 0.01 each	1,500,000	1,500,000
EC Cubed Inc. – 1,300,108 Series D Convertible Preferred Stock, at $ 2.3075 each, fully paid, par value $ 0.0001 each	–	–
Alpha Thinx Mobile Services AG – 27,790 Bearer Shares, at € 20 each, fully paid, par value € 1 each	–	–
CiDRA Corporation – 33,333 Series D Convertible Preferred Stock, at $ 90 each, fully paid, par value $ 0.01 each	2,999,970	2,999,970
JASDIC Park Company – 480 Common Stock, at ¥ 50,000 each, fully paid, par value ¥ 50,000 each	177,576	177,576
Purple Yogi Inc. – 276,243 Series D Convertible Preferred Stock, at $ 1.81 each fully paid, par value $ 0.001 each	500,000	500,000
Others	362	362
	$ 5,577,393	$ 5,577,393

1.20.6 Other assets

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

1.20.7 Related parties

The company grants loans to employees for acquiring assets such as property and cars. Such loans are repayable over fixed periods ranging from 1 to 100 months. The annual rates of interest at which the loans have been made to employees vary between 0% through 4%. No loans have been made to employees in connection with equity issues. The loans are generally secured by the assets acquired by the employees. As of December 31, 2001 and 2000 and March 31, 2001, amounts receivable from officers amounting to $ 465,973, $ 152,234 and $ 227,121, respectively are included in prepaid expenses and other current assets, and other assets in the accompanying balance sheets.

The required repayments of loans by employees are as detailed below.

	As of December 31,		As of March 31,
	2001	2000	2001
2001	–	$ 6,490,374	–
2002	$ 8,548,006	2,332,307	$ 8,091,866
2003	3,355,615	1,572,307	2,517,809
2004	2,267,185	929,801	1,718,884
2005	1,367,506	700,522	1,033,107
2006	1,064,996	–	800,198
Thereafter	3,072,164	1,702,482	1,932,545
Total	$ 19,675,472	$ 13,727,793	$ 16,094,409

The estimated fair values of related party receivables amounted to $ 14,837,206, $ 10,566,802 and $ 12,465,374 as of December 31, 2001 and 2000 and March 31, 2001, respectively. These amounts have been determined using available market information and appropriate valuation methodologies. Considerable judgment is required to develop these estimates of fair value. Consequently, these estimates are not necessarily indicative of the amounts that the company could realize in the market.

1.20.8 Other accrued liabilities

Other accrued liabilities comprise the following:

	As of December 31,		As of March 31,
	2001	2000	2001
Accrued compensation to staff	$ 11,560,248	$ 10,600,704	$ 12,332,869
Accrued dividends	359,483	150,053	103,418
Provision for post sales client support	1,736,986	1,581,636	1,578,859
Employee withholding taxes payable	2,092,809	1,221,387	25,000
Provision for expenses	7,468,898	3,665,572	3,768,256
Retention money	3,305,421	2,924,107	2,425,439
Others	755,735	666,012	1,596,643
	$ 27,279,580	$ 20,809,471	$ 21,830,484

1.20.9 Employee post-retirement benefits

1.20.9.1 Superannuation

The company contributed $ 913,808, $ 598,970 and $ 796,739 to the superannuation plan in the nine months ended December 31, 2001 and 2000 and in fiscal 2001, respectively.

1.20.9.2 Provident fund

The company contributed $ 2,337,455, $ 1,641,939 and $ 2,339,794, to the provident fund in the nine months ended December 31, 2001 and 2000 and in fiscal 2001, respectively.

1.20.10 Stockholders' equity

The company has only one class of capital stock referred to as equity shares. All references in these financial statements to number of shares, per share amounts and market prices of the company's equity shares have been retroactively restated to reflect stock splits made by the company.

1.20.11Equity shares

1.20.11.1 Voting

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

1.20.11.2 Dividends

Should the company declare and pay dividends, such dividends will be paid in Indian Rupees. Indian law mandates that any dividend be declared out of distributable profits only after the transfer of a specified percentage of net income computed in accordance with current regulations to a general reserve. Moreover, the remittance of dividends outside India is governed by Indian law on foreign exchange and is subject to applicable taxes.

1.20.11.3 Liquidation

In the event of a liquidation of the company, the holders of common stock shall be entitled to receive any of the remaining assets of the company, after distribution of all preferential amounts. The amounts will be in proportion to the number of equity shares held by the stockholders.

1.20.11.4 Stock options

There are no voting, dividend or liquidation rights to the holders of warrants issued under the company's stock option plan.

1.20.12 Other income, net

Other income, net, consists of the following:

	Nine months ended December 31, 2001	2000	Year ended March 31, 2001
Interest income and others	$ 7,355,707	$ 6,252,196	$ 8,526,635
Income from sale of special import licenses	–	14,800	14,800
Exchange gains	1,235,221	4,525,426	4,444,208
Provision for investments	–	(3,000,000)	(3,480,300)
Others	481,868	–	–
	$ 9, 072,796	$ 7,792,422	$ 9,505,343

1.20.13 Operating leases

The company has various operating leases for office buildings that are renewable on a periodic basis. Rental expense for operating leases in the nine months ended December 31, 2001 and 2000 and in fiscal 2001 were $ 3,824,111, $ 2,505,453 and $ 3,689,822, respectively. The operating leases can be renewed or canceled at the company's option.

The company leases some of its office space under non-cancelable operating leases for periods ranging between three through ten years. The schedule of future minimum rental payments in respect of these leases is set out below.

Year ending December 31,	
2002	$ 3,457,663
2003	3,508,402
2004	3,304,298
2005	2,486,201
2006	1,032,813
Thereafter	1,595,320
	$ 15,384,697

1.20.14 Research and development

General and administrative expenses in the accompanying statements of income include research and development expenses of $ 2,385,215, $ 2,609,759 and $ 3,610,550 for the nine months ended December 31, 2001 and 2000 and fiscal 2001 respectively.

1.20.15 Employees' Stock Offer Plans ("ESOP")

1994 Employees Stock Offer Plan (the "1994 Plan"). In September 1994, the company established the 1994 Plan, which provided for the issuance of 6,000,000 warrants (as adjusted for the stock split effective June 1997, December 1998 and December 1999) to eligible employees. The warrants were issued to an employee welfare trust (the "Trust") at Rs. 0.50 each and were purchased by the Trust using the proceeds of a loan obtained from the company. The Trust holds the warrants and transfers them to eligible employees at Rs. 0.50 each. Each warrant entitles the holder to purchase one of the company's equity shares at a price of Rs. 50 per share. The warrants and the equity shares received upon the exercise of warrants are subject to a five-year aggregate vesting period from the date of issue of warrants to employees. The warrants expire upon the earlier of five years from the date of issue or September 1999. The fair market value of each warrant is the market price of the underlying equity shares on the date of the grant.

In 1997, in anticipation of a share dividend to be declared by the company, the Trust exercised all warrants held by it and converted them into equity shares with the proceeds of a loan obtained from the company. In connection with the warrant exercise and the share dividend, on an adjusted basis, 3,011,200 equity shares were issued to employees of the company who exercised stock purchase rights and 2,988,800 equity shares were issued to the Trust for future issuance to employees pursuant to the 1994 Plan. Following such exercise, there were no longer any rights to purchase equity shares from the company in connection with the 1994 Plan. Only equity shares held by the Trust remained for future issues to employees, subject to vesting provisions. The equity shares acquired upon the exercise of the warrants vest entirely on completion of five years of service. The warrant holders were entitled to exercise early, but the shares received are subject to the five-year vesting period. As of December 31, 2001, the company's outstanding equity shares included 634,000 equity shares held by the Trust of which 323,000 equity shares were allotted to employees, subject to vesting provisions and are not included in the earnings per share calculation. The warrants allotted and the underlying equity shares are not subject to any repurchase obligations by the company.

The 1994 Plan came to an end in fiscal 2000 and no further options will be issued under this plan.

1998 Employees Stock Offer Plan (the "1998 Plan"). The company's 1998 Plan provides for the grant of non-statutory stock options and incentive stock options to employees of the company. The establishment of the 1998 Plan was approved by the board of directors in December 1997 and by the stockholders in January 1998. The Government of India has approved the 1998 Plan, subject to a limit of 1,470,000 equity shares representing 2,940,000 American Depositary Shares ("ADS") to be issued under the 1998 Plan. Unless terminated sooner, the 1998 Plan will terminate automatically in January 2008. All options under the 1998 Plan will be exercisable for equity shares represented by ADSs. The 1998 Plan is administered by a Compensation Committee comprising five members, all of who are independent directors on the Board of Directors. All options under the 1998 Plan are exercisable for equity shares represented by ADSs.

1999 Stock Offer Plan (the "1999 Plan"). In fiscal 2000, the company instituted the 1999 Plan. The stockholders and the Board of Directors approved the 1999 Plan in June 1999. The 1999 Plan provides for the issue of 6,600,000 equity shares to employees. The 1999 Plan is administered by a Compensation Committee comprising five members, all of who are independent directors on the Board of Directors. Under the 1999 Plan, options will be issued to employees at an exercise price, which shall not be less than the Fair Market Value ("FMV"). Under the 1999 Plan, options may also be issued to employees at exercise prices that are less than FMV only if specifically approved by the members of the company in a general meeting.

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

The activity in the warrants/equity shares of the 1994, 1998 and 1999 Employees Stock Offer Plans in the nine months ended December 31, 2001 and 2000 and in fiscal 2001 are set out below.

	Nine months ended December 31, 2001		Nine months ended December 31, 2000		Year ended March 31, 2001	
	Shares arising out of options	Weighted average exercise price	Shares arising out of options	Weighted average exercise price	Shares arising out of options	Weighted average exercise price
1994 Plan:						
Outstanding at the beginning of the period	330,000		341,400		341,400	
Granted	–		–		–	
Forfeited	(7,000)	$ 1.15	(8,400)	$ 1.15	(10,600)	$ 1.15
Exercised	–	$ 1.15	(800)	$ 1.15	(800)	$ 1.15
Outstanding at the end of the period	323,000		332,200		330,000	
Exercisable at the end of the period	–		–		–	
Weighted-average fair value of grants during the period at less than market		–		–		–
1998 Plan:						
Outstanding at the beginning of the period	782,753		344,750		344,750	
Granted	415,425	$ 73.68	156,400	$ 304.03	482,420	$ 230.88
Forfeited	(48,885)	$ 245.04	(27,450)	$ 132.55	(38,200)	$ 172.58
Exercised	(11,100)	$ 60.04	(1,367)	$ 97.64	(6,217)	$ 53.82
Outstanding at the end of the period	1,138,193		472,333		782,753	
Exercisable at the end of the period	210,130		59,627		55,558	
Weighted-average fair value of grants during the period		$ 73.68		$ 304.03		$ 230.88
1999 Plan:						
Outstanding at the beginning of the period	2,793,980		1,006,800		1,006,800	
Granted	1,979,600	$ 95.05	1,132,300	$ 146.50	1,957,830	$ 136.68
Forfeited	(133,035)	$ 128.69	(126,600)	$ 108.52	(169,450)	$ 110.06
Exercised	(30)	$ 74.29	(500)	$ 93.67	(1,200)	$ 89.98
Outstanding at the end of the period	4,640,515		2,012,000		2,793,980	
Exercisable at the end of the period	363,673		90,120		93,400	
Weighted-average fair value of grants during the period		$ 95.05		$ 146.50		$ 136.68

1.20.16 Income taxes

The provision for income taxes comprises:

	Nine months ended December 31, 2001	Nine months ended December 31, 2000	Year ended March 31, 2001
Current taxes			
Domestic taxes	$ 4,201,904	$ 3,168,478	$ 5,315,961
Foreign taxes	16,865,008	7,997,888	10,525,168
	21,066,912	11,166,366	15,841,129
Deferred taxes	(743,332)	(200,000)	(769,304)
Aggregate taxes	$ 20,323,580	$ 10,966,366	$ 15,071,825

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities and a description of the financial statement items that created these differences are as follows:

	As of December 31, 2001	As of December 31, 2000	As of March 31, 2001
Deferred tax assets:			
Property, plant and equipment	$ 2,274,931	$ 3,400,637	$ 1,519,016
Provision for doubtful debts	1,437,172	1,187,460	1,587,629
Investments	1,442,477	1,155,000	1,598,712
Others	–	–	217,842
	5,154,580	5,743,097	4,923,199
Less: Valuation allowance	(515,015)	(2,976,831)	(1,587,629)
Net deferred tax assets	$ 4,639,565	$ 2,766,266	$ 3,335,570

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the scheduled reversal of the projected future taxable income, and tax planning strategies in making this assessment. Based on the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes that it is more likely than not the company will realize the benefits of those deductible differences, net of the existing valuation differences at December 31, 2001. The amount of the deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carry forward period are reduced.

All deferred tax expenses / (benefits) are allocated to the continuing operations of the company.

A reconciliation of the income tax provision to the amount computed by applying the statutory income tax rate to the income before provision for income taxes is summarized below.

	Nine months ended December 31, 2001	Nine months ended December 31, 2000	Year ended March 31, 2001
Net income before taxes	$ 142,506,377	$ 104,586,760	$ 147,019,929
Enacted tax rates in India	35.70 %	38.50 %	39.55 %
Computed expected tax expense	50,874,777	40,265,903	58,146,382
Less: Tax effect due to non-taxable export income	(49,800,528)	(39,749,830)	(57,334,527)
Others	2,363,510	2,145,637	3,437,865
Effect of tax rate change	20,813	–	(8,077)
Effect of prior period tax adjustments	–	306,768	305,014
Provision for Indian income tax	3,458,572	2,968,478	4,546,657
Effect of tax on foreign income	16,865,008	7,997,888	10,525,168
Aggregate taxes	$ 20,323,580	$ 10,966,366	$ 15,071,825

The provision for foreign taxes is due to income taxes payable overseas, principally in the United States of America. The company benefits from certain significant tax incentives provided to software firms under Indian tax laws. These incentives presently include: (i) an exemption from payment of Indian corporate income taxes for a period of ten consecutive years of operation of software development facilities designated as "Software Technology Parks" (the "STP Tax Holiday"); and (ii) a tax deduction for profits derived from exporting computer software (the "Export Deduction"). All but one of the company's software development facilities are located in a designated Software Technology Park ("STP"). The Government of India has recently amended the tax incentives available to companies set up in designated STPs. The period of the STP Tax Holiday available to such companies is restricted to 10 consecutive years beginning from the financial year when the unit started producing computer software or March 31, 2000, whichever is earlier. Additionally, the Export Deduction will be phased out equally over a period of five years starting from fiscal 2000.

1.20.17 Earnings per share

The following is a reconciliation of the equity shares used in the computation of basic and diluted earnings per equity share:

	Nine months ended December 31, 2001	Nine months ended December 31, 2000	Year ended March 31, 2001
Basic earnings per equity share – weighted average number of common shares outstanding excluding unallocated shares of ESOP	65,557,265	65,625,556	65,771,256
Effect of dilutive common equivalent shares – stock options outstanding	648,521	1,252,206	943,483
Diluted earnings per equity share – weighted average number of common shares and common equivalent shares outstanding	66,205,786	66,877,762	66,714,739

1.20.18 Derivative financial instruments

The Company enters into forward foreign exchange contracts where the counter party is generally a bank. The Company considers the risks of non-performance by the counter party as non-material. Infosys held foreign exchange forward contracts of $ 20,000,000, Nil and $ 20,000,000 as of December 31, 2001 and 2000 and March 31, 2001, respectively. The foreign forward exchange contracts mature between one to six months.

1.20.19 Segment reporting

SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information*, establishes standards for the way that public business enterprises report information about operating segments and related disclosures about products and services, geographic areas, and major customers. The company's operations predominantly relate to providing IT solutions, delivered to customers located globally, across various industry segments. In the year ended March 31, 2000, the company provided segmental disclosures based on the geographical segment. However, from the fiscal year ended March 31, 2001, the Chief Operating Decision Maker evaluates the company's performance and allocates resources based on an analysis of various performance indicators by industry classes and geographic segmentation of customers. Accordingly, revenues represented along industry classes comprise the principal basis of segmental information set out in these financial statements. Secondary segmental reporting is performed on the basis of the geographical location of customers. The accounting principles consistently used in the preparation of the financial statements are consistently applied to record revenue and expenditure in individual segments, and are as set out in the summary of significant accounting policies.

Industry segments for the company are primarily *financial services* comprising enterprises providing banking finance and insurance services, *manufacturing* enterprises, enterprises in the *telecommunications ("telecom")* and *retail* industries, and *others* such as utilities, transportation and logistics companies.

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

Geographic segmentation is driven based on the location of the respective client. *North America* comprises the United States of America, Canada and Mexico; *Europe* includes continental Europe (both the east and the west), Ireland and the United Kingdom; and the *Rest of the World* comprising all other places except those mentioned above and *India*.

Fixed assets used in the company's business are not identified to any of the reportable segments, as these are used interchangeably between segments. Management believes that it is currently not practical to provide segment disclosures relating to total assets and liabilities.

Geographical information on revenue and industry revenue information is collated based on individual customers invoiced or in relation to which the revenue is otherwise recognized.

1.20.19 Segment reporting (continued)

1.20.19.1 Industry segments

Nine months ended December 31, 2001 *in $*

	Financial services	Manufacturing	Telecom	Retail	Others	Total
Revenues	147,615,021	69,386,637	63,617,079	48,997,683	75,754,292	405,370,712
Identifiable operating expenses	54,101,958	28,839,432	16,603,048	13,307,077	26,339,106	139,190,621
Allocated expenses	39,119,169	17,665,432	16,192,692	12,421,760	19,200,455	104,599,508
Segmental operating income	54,393,894	22,881,773	30,821,339	23,268,846	30,214,731	161,580,583
Unallocable expenses						28,147,002
Operating income						133,433,581
Other income (expense), net						9,072,796
Net income before taxes						142,506,377
Taxes						20,323,580
Net income after taxes						122,182,797

Nine months ended December 31, 2000 *in $*

	Financial services	Manufacturing	Telecom	Retail	Others	Total
Revenues	98,854,701	52,300,841	54,187,187	24,174,167	63,591,353	293,108,249
Identifiable operating expenses	35,027,880	19,653,814	14,318,585	8,796,463	19,776,525	97,573,267
Allocated expenses	27,093,541	13,834,686	14,379,300	6,383,205	16,845,911	78,536,643
Segmental operating income	36,733,280	18,812,341	25,489,302	8,994,499	26,968,917	116,998,339
Unallocable expenses						20,204,001
Operating income						96,794,338
Other income (expense), net						7,792,422
Net income before taxes						104,586,760
Taxes						10,966,366
Net income after taxes						93,620,394

Year ended March 31, 2001 *in $*

	Financial services	Manufacturing	Telecom	Retail	Others	Total
Revenues	139,616,739	74,004,867	76,412,722	37,684,446	86,131,736	413,850,510
Identifiable operating expenses	49,021,150	28,363,069	19,219,376	11,893,574	26,233,048	134,730,217
Allocated expenses	38,589,808	19,736,596	20,423,026	10,057,009	23,189,607	111,996,046
Segmental operating income	52,005,781	25,905,202	36,770,320	15,733,863	36,709,081	167,124,247
Unallocable expenses						29,609,661
Operating income						137,514,586
Other income (expense), net						9,505,343
Net income before taxes						147,019,929
Taxes						15,071,825
Net income after taxes						131,948,104

1.20.19.2 Geographic segments

Nine months ended December 31, 2001 *in $*

	North America	Europe	India	Rest of the World	Total
Revenues	289,382,482	78,551,232	8,559,625	28,877,373	405,370,712
Identifiable operating expenses	98,476,100	28,315,359	3,048,190	9,350,972	139,190,621
Allocated expenses	74,490,566	20,226,600	2,587,309	7,295,033	104,599,508
Segmental operating income	116,415,816	30,009,273	2,924,126	12,231,368	161,580,583
Unallocable expenses					28,147,002
Operating income					133,433,581
Other income (expense), net					9,072,796
Net income before taxes					142,506,377
Taxes					20,323,580
Net income after taxes					122,182,797

1.20.19 Segment reporting (continued)

1.20.19.2 Geographic segments (continued)

Nine months ended December 31, 2000 *in $*

	North America	Europe	India	Rest of the World	Total
Revenues	217,779,566	53,168,697	3,756,654	18,403,332	293,108,249
Identifiable operating expenses	70,928,273	19,177,472	1,165,350	6,302,172	97,573,267
Allocated expenses	58,220,480	14,136,994	1,186,170	4,992,999	78,536,643
Segmental operating income	88,630,813	19,854,231	1,405,134	7,108,161	116,998,339
Unallocable expenses					20,204,001
Operating income					96,794,338
Other income (expense), net					7,792,422
Net income before taxes					104,586,760
Taxes					10,966,366
Net income after taxes					93,620,394

Year ended March 31, 2001 *in $*

	North America	Europe	India	Rest of the World	Total
Revenues	304,242,537	77,892,656	5,778,286	25,937,031	413,850,510
Identifiable operating expenses	96,358,758	27,210,316	1,943,571	9,217,572	134,730,217
Allocated expenses	82,053,059	20,951,885	1,866,259	7,124,843	111,996,046
Segmental operating income	125,830,720	29,730,455	1,968,456	9,594,616	167,124,247
Unallocable expenses					29,609,661
Operating income					137,514,586
Other income (expense), net					9,505,343
Net income before taxes					147,019,929
Taxes					15,071,825
Net income after taxes					131,948,104

1.20.19.3 Significant clients

No client individually accounted for more than 10% of the revenues in the nine months ended December 31, 2001 and 2000 and in fiscal 2001.

1.20.20 Commitments and contingencies

The company has outstanding performance guarantees for various statutory purposes totaling $ 3,330,910, $ 1,123,474 and $ 1,126,611 as of December 31, 2001 and 2000 and March 31, 2001, respectively. These guarantees are generally provided to governmental agencies.

1.20.21 Litigation

The company is subject to legal proceedings and claims, which have arisen, in the ordinary course of its business. These actions, when ultimately concluded and determined, will not, in the opinion of management, have a material effect on the results of operations or the financial position of the company.

1.20.22 Non-monetary transaction

During the year ended March 31, 2001, the company transferred certain Intellectual Property Rights ("IPR") that it had developed and owned in a product called OnScan to Onmobile Systems, Inc. (formerly OnScan, Inc). OnScan is a comprehensive web-enabled wireless notification product. In exchange for the transfer, the company received consideration in the form of securities including 100,000 Common Stock, par value $ 0.001 each, 100,000 Series A Voting Convertible Preferred Stock, par value $ 0.001 each and 4,400,000 Series A Non-voting Convertible Preferred Stock, par value $ 0.001 each. Convertible Preferred Stock is convertible into Common Stock automatically upon the closing of an Initial Public Offering by Onmobile Systems Inc. As of December 31, 2001, the company's controlling interest in Onmobile Systems, Inc. was approximately 12%. The transfer was recorded at historic cost and, accordingly, no gain was recognized on this transaction as of the date of transfer of the IPR.

Item 2. Management Discussion and Analysis of Financial Conditions and Results of Operations

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

2.1 Overview

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

The company’s revenues are generated principally from software services provided either on a fixed-price, fixed-time frame or a time-and-materials basis. Revenues from services provided on a time-and-materials basis are recognized as related costs are incurred. Revenues from services provided on a fixed-price, fixed-time frame basis are recognized upon the achievement of specified milestones identified in the related contracts, in accordance with the percentage of completion method. Cost of completion estimates are subject to periodic revisions. The company also develops and markets certain software products, including banking software that is licensed primarily to clients in Asia and Africa. Such software products represented 4.1% of total revenue during the three months ended December 31, 2001. The company derived 70.9% of its total revenue from North America, 19.4% from Europe, 1.9% from India and 7.8% from the rest of the world during the three months ended December 31, 2001.

During the three months ended December 31, 2001 and December 31, 2000, the company derived 23.1% and 28.3% of its total revenue, respectively, from internet and e-commerce projects. Due to shorter time-to-market considerations, e-business projects necessitate higher interaction with clients. This results in a higher proportion of services being performed at client sites. Services performed at a client site typically generate higher per capita revenues, but lower gross margins, than the same quantum of services performed at the company’s own facilities. Consequently, any increase in work at client sites can decrease gross margins of the company.

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

The company assumes full project management responsibility for each project that it undertakes. During the three months ended December 31, 2001, approximately 70% of the work on a project was performed at the company’s facilities in India, and the balance of the work was performed at the client site. The proportion of work performed at company facilities and at client sites varies from quarter to quarter. The company charges higher rates and incurs higher compensation expenses for work performed at a client site. Services performed at a client site typically generate higher revenues per capita, but lower gross margins, than the same quantum of services performed at the company’s facilities in India. As a result, total revenues, cost of revenues and gross profit in absolute terms, and as a percentage of revenues, fluctuate from quarter to quarter based on the proportion of work performed offshore at company facilities and at client sites.

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

Selling and marketing expenses primarily consist of expenses relating to advertising, brand building, sales and marketing office leasing, salaries of marketing personnel and travel. General and administrative expenses consist of expenses relating to communications, finance and administration, legal and professional charges, management, rent, salary and other compensation, travel and miscellaneous administrative costs.

Other income primarily includes interest income and foreign currency exchange gains.

The company also intends to substantially expand its software development infrastructure in India. The company had committed $ 13.6 million towards various capital acquisitions as of December 31, 2001. The company has not yet made contractual commitments for the majority of its budgeted capital expenditure. The company intends to spend an amount of approximately $ 12 million on various capital acquisitions for the rest of fiscal 2002 and intends to use its internal accruals to fund this expansion.

2.2 Results of operations

2.2.1 Three months ended December 31, 2001 compared to three months ended December 31, 2000

Revenue. Total revenues were $ 137.6 million for the three months ended December 31, 2001, representing an increase of 19.8% over total revenues of $ 114.9 million during the same period in the fiscal 2001. Custom software development, re-engineering, maintenance and software development through Offshore Software Development Centers (“OSDC”) formed a majority of the company’s revenues. The increase in revenues was attributable, in part, to a substantial increase in business from certain existing clients and from certain new clients, particularly in the insurance, banking and financial services, retailing and manufacturing industries. Net sales of Finacle™ and other products represented 4.1% of total revenues for the three months ended December 31, 2001 as compared to 2.3% in the corresponding period in fiscal 2001. Revenue from services represented 95.9% of total revenues for the three months ended December 31, 2001 as compared to 97.7% in the corresponding period in fiscal 2001. Revenue from fixed-price, fixed-time frame and time-and-materials contracts represented 35.1% and 64.9%, respectively, of total revenues in the three months ended December 31, 2001 as compared to 29.4% and 70.6%, respectively, in the three months ended December 31, 2000. Revenue from North America and Europe represented 70.9% and 19.4%, respectively, of total revenue for the three months ended December 31, 2001 as compared to 73.6% and 18.8%, respectively, during the same period in fiscal 2001.

Cost of Revenues. Cost of revenues was $ 73.1 million for the three months ended December 31, 2001, representing an increase of 20.6% over the cost of revenues of $ 60.6 million for the same period in fiscal 2001. Cost of revenues represented 53.1% and 52.7% of total revenues for the three months ended December 31, 2001 and December 31, 2000, respectively. This increase in costs as a percentage of revenues was attributable to: (i) an increase in personnel costs from annual salary increments effective April 1, 2001; (ii) an increase in compensation paid to U.S. based employees to comply with new immigration regulations introduced in the U.S. effective July 2001; (iii) increased personnel costs for new hires as well as an increase in depreciation. This increase was offset by a decrease in foreign travel expenses and cost of software purchased for internal use, which represented 2.5% and 1.4% respectively, of revenues for the quarter ended December 31, 2001 as compared to 4.3% and 1.5% respectively, of revenues for the quarter ended December 31, 2000.

Gross Profit. Gross profit was $ 64.5 million for the three months ended December 31, 2001 representing an increase of 18.8% over gross profit of $ 54.3 million for the three months ended December 31, 2000. As a percentage of total revenues, gross profit decreased to 46.9% for the three months ended December 31, 2001 from 47.3% for the corresponding period in fiscal 2001. This decrease in gross profit as a percentage of revenues was attributable to: (i) an increase in personnel costs from annual salary increments effective April 1, 2001; (ii) an increase in compensation paid to U.S. based employees to comply with new immigration regulations introduced in the U.S. effective July 2001; (iii) increased personnel costs for new hires; (iv) an increase in depreciation. This increase was offset by a decrease in foreign travel expenses and cost of software purchased for internal use.

Selling and marketing expenses. Sales and marketing expenses were $ 6.8 million in the three months ended December 31, 2001, an increase of 41.7% over sales and marketing expenses of $ 4.8 million in the three months ended December 31, 2000. Sales and marketing expenses as a percentage of total revenues was 4.9% and 4.2% in each of the three months ended December 31, 2001 and 2000, respectively. The number of sales offices increased to 27 as of December 31, 2001, from 23 as of December 31, 2000. As of December 31, 2001, the number of sales and marketing personnel increased to 144, up from 98 as of December 31, 2000.

General and administrative expenses. General and administrative expenses were $ 10.6 million for the three months ended December 31, 2001, representing an increase of 4.9% over general and administrative expenses of $ 10.1 million for the three months ended December 31, 2000. General and administrative expenses were 7.7% and 8.8% of total revenues for the three months ended December 31, 2001 and 2000, respectively. This decrease in general and administrative expenses as a percentage of revenues was primarily attributable to a decrease in the provision for doubtful debts comprised 0.4% and 1.4% of revenues, during the three-month period ended December 31, 2001 and 2000, respectively.

Amortization of Deferred Stock Compensation Expense. Amortization of deferred stock compensation expense was $ 1.2 million and $ 1.3 million, in the three months ended December 31, 2001 and 2000, respectively. Deferred stock compensation expense reflects the continued amortization of compensation expense from stock purchase rights granted in prior periods.

Operating Income. Operating income was $ 45.8 million for the three months ended December 31, 2001, an increase of 19.9% over the operating income of $ 38.2 million for the corresponding period in fiscal 2001. As a percentage of revenues, operating income was 33.3% and 33.2% in the three months ended December 31, 2001 and 2000, respectively.

Other Income. Other income was $ 3.1 million for the three months ended December 31, 2001 as compared to $ 0.1 million for the corresponding period in fiscal 2001. Other income during the three months ended December 31, 2001 primarily includes $ 0.4 million arising from exchange differences on foreign currency translation and interest income of $ 2.5 million earned on deposits. Other income for the three months ended December 31, 2000 primarily includes $ 0.7 million arising from exchange differences arising on the foreign currency translation and interest income of $ 2.4 million earned on deposits, offset by provision for investments in EC Cubed Inc., one of the companies in which the company had made a strategic investment, in the aggregate of $ 3 million.

Provision for Income Taxes. Provision for income taxes was $ 7.3 million for the three months ended December 31, 2001 as compared to $ 4.3 million for the corresponding period in fiscal 2001. The company's effective tax rate increased to 14.9% for the three months ended December 31, 2001 as compared to 11.2% for the corresponding period in fiscal 2001. The increase in the effective tax rate was primarily attributable to an increase in foreign taxes paid in respect of overseas operations of the company in the three months ended December 31, 2001 as compared to the three months ended December 31, 2000.

Net Income. Net income was $ 41.6 million for the three months ended December 31, 2001, an increase of 22.3% over net income of $ 34.0 million for the corresponding period in fiscal 2001. As a percentage of total revenues, net income increased to 30.2% for the three months ended December 31, 2001 from 29.6% for the corresponding period in fiscal 2001.

2.3 Liquidity and capital resources

The growth of the company has been financed largely from cash generated from operations and, to a lesser extent, from the proceeds of equity issues and borrowings. In 1993, the company raised approximately $ 4.4 million in gross aggregate proceeds from its initial public offering of equity shares on Indian stock exchanges. In 1994, the company raised an additional $ 7.7 million through private placements of its equity shares with foreign institutional investors. In 1999, the company raised $ 66.3 million through the issue of American Depositary Shares (ADSs). As of December 31, 2001, the company had $ 180.0 million in cash and cash equivalents, $ 229.7 million in working capital and no outstanding bank borrowings.

Net cash provided by operating activities was $ 149.3 million and $ 91.5 million in the nine months ended December 31, 2001 and 2000, respectively. Net cash provided by operations consisted primarily of net income offset, in part, by an increase in accounts receivable. Accounts receivable as a percentage of total revenues, represented 12.0% and 16.7% as of December 31, 2001 and 2000, respectively. Further, the average days outstanding of accounts receivable has increased in the 0-30 aging period and decreased in the 31-60, 61-90 and greater than 90 day aging periods as of December 31, 2001 compared to December 31, 2000. The company's policy on accounts receivable includes a periodic review of its accounts receivable, including a review of the age, amount, and quality of each account receivable; the relationship with, size of, and history of the client; the quality of service delivered by the company to the client and the current economic environment, to determine the classification of an account receivable. Should the review so demand, the company will classify the accounts into secured and unsecured accounts, and further subclassified between good or doubtful accounts. The company makes provisions for all accounts receivable classified as unsecured or doubtful and for all accounts receivable that are outstanding more than 180 days. Management continues pursuing the parties for recovery of dues, in part or full. Prepaid expenses and other current assets increased by $ 2.3 million and $ 2.1 million during the nine months ended December 31, 2001 and 2000, respectively. The increases in both periods were primarily due to increases in prepaid expenses and unbilled revenues. Other accrued liabilities increased by $ 6.0 million and $ 8.7 million in the nine months ended December 31, 2001 and 2000, respectively, primarily due to an increase in employee withholding taxes payable and provisions for expenses in both periods.

Unearned revenue as of December 31, 2001 was $ 5.8 million compared to $ 10.6 million as of December 31, 2000 and consists primarily of advance client billings on fixed-price, fixed-time frame contracts for which related costs were not yet incurred. The proportion of fixed-price contracts under which the company was entitled to bill clients in advance decreased as of December 31, 2001 over the prior year.

Net cash used in investing activities was $ 66.1 million and $ 79.8 million in the nine months ended December 31, 2001 and 2000, respectively. Net cash used in investing activities in the nine months ended December 31, 2001 and 2000 consisted primarily of $ 60.0 million and $ 71.4 million, respectively, for property, plant and equipment and $ 4.2 million and $ 2.6 million, respectively, towards loans given to employees. Additionally, the company invested an aggregate amount of $ 2.2 million to purchase the capital stock of Workadia Inc., during the nine months ended December 31, 2001. The company invested $ 5.9 million to purchase stock in M-Commerce Ventures Pte. Limited ($ 0.4 million), Asia Net Media BVI Limited ($ 1.5 million), Alpha Thinx Mobile Services AG ($ 0.5 million), Purple Yogi Inc. ($ 0.5 million) and CiDRA Corporation ($ 3 million) during the nine months ended December 31, 2000.

Publicly-traded Indian companies customarily pay dividends. The company paid cash dividends of $ 23.1 million and $ 9.3 million in the nine months ended December 31, 2001 and 2000, respectively.

As of December 31, 2001, the company had contractual commitments for capital expenditure of $ 13.6 million.

2.4 Reconciliation between U.S. and Indian GAAP

There are material differences between financial statements prepared as per Indian and U.S. GAAP. These differences arise due to accounting for stock-based compensation, and non-recognition of unrealized gains on transfers of intellectual property rights, as required by U.S. GAAP. Indian GAAP requires only a provision for diminution in the value of current investments and permits the recognition of unrealized gains on transfers of intellectual property rights in the financial statements. Prior to April 1, 2001, Indian GAAP did not also require provision for deferred taxes and consolidation of accounts of subsidiaries.

Reconciliation of net income	Three months ended December 31,		Nine months ended December 31,	
	2001	2000	2001	2000
Net profit as per Indian GAAP	$ 42,883,490	$ 35,388,147	$ 125,928,351	$ 97,819,645
Amortization of deferred stock compensation expense	(1,234,472)	(1,270,448)	(3,745,554)	(3,822,040)
Provision for retirement benefits to employees	–	–	–	741,000
Deferred income taxes	–	(110,863)	–	200,000
Provision for contingency / e-inventing the company	–	–	–	(87,387)
Transfer of intellectual property rights	–	–	–	(1,230,824)
Net income as per US GAAP	$ 41,649,018	$ 34,006,836	$ 122,182,797	$ 93,620,394

2.5 Investments

2.5.1 Yantra Corporation

Prior to October 20, 1998, the company owned a majority of the voting stock of Yantra. As a result, all of Yantra's operating losses through October 20, 1998 were recognized in the company's consolidated financial statements. For fiscal 1998 and fiscal 1999, Yantra's losses recognized in the company's financial statements were $ 1.6 million and $ 2.0 million, respectively. On October 20, 1998, the company sold a portion of Yantra's shares held by it, thereby reducing its interest to less than one-half of the voting stock of Yantra. As of October 20, 1998, the company owned all of the outstanding common stock of Yantra, but had no financial obligations or commitments to Yantra and did not intend to extend Yantra with any financial support. Accordingly, Yantra's results after October 20, 1998 were not recognized in the company's financial statements under U.S. GAAP. Yantra's revenues were $ 1.3 million and$ 2.0 million for fiscal 1998 and for the period ended October 20, 1998, respectively, while gross profits were $ 574,000 and $ 546,000, respectively, for these same periods. Yantra's revenues were 1.9% and 2.3% of the company's revenues for fiscal 1998 and for the period ended October 20, 1998, respectively. Its gross profits were 2.0% and 1.4% of the company's gross profits for these same periods. Yantra currently provides e-commerce operations solutions through PureEcommerce™, a scalable web-based solution that facilitates real-time transaction management across the extraprise. In June 1999, Yantra sold Series C Convertible Preferred Stock in the amount of $ 15 million to unrelated existing and new investors, reducing the company's voting control to approximately 25%. In July 2000, Yantra sold Series D Convertible Preferred Stock amounting to $ 49.0 million, to unrelated existing and new investors, further reducing the company's voting control to approximately 16% on a fully diluted basis.

2.5.2 Other investments

During the nine months ended December 31, 2001 the company also invested in Workadia Inc., a Delaware corporation, by purchasing 2,200,000 shares of Series B Convertible Preferred Stock, par value US$ 0.0002 per share, for an aggregate investment of US $2.2 million.

2.6 Principles of currency translation

In the nine months ended December 31, 2001, 95.4% of the company's revenues were generated in U.S. dollars and European currencies. A majority of the company's expenses were incurred in rupees, and the balance was incurred in U.S. dollars and European currencies. The functional currency of the company is the Indian rupee. Revenues generated in foreign currencies are translated into Indian rupees using the exchange rate prevailing on the dates revenues are recognized. Expenses of overseas operations incurred in foreign currencies are translated into Indian rupees at either the monthly average exchange rate or the exchange rate on the date the expense is incurred, depending on the source of payment. Assets and liabilities of foreign branches held in foreign currency are translated into Indian rupees at the end of the applicable reporting period. For U.S. GAAP reporting, the financial statements are translated into U.S. dollars using the average monthly exchange rate for revenues and expenses and the period end rate for assets and liabilities. The gains or losses from such translation are reported as "Other comprehensive income", a separate component of stockholders' equity. The company expects that a majority of its revenues will continue to be generated in U.S. dollars for the foreseeable future and that a significant portion of the company's expenses, including personnel costs as well as capital and operating expenditures, will continue to be denominated in rupees. Consequently, the company's results of operations will be adversely affected to the extent that the rupee appreciates against the U.S. dollar.

2.7 Income tax matters

The company benefits from certain significant tax incentives provided to software firms under Indian tax laws. These incentives presently include: (i) an exemption from payment of Indian corporate income taxes for a period of ten consecutive years of operation of software development facilities designated as "Software Technology Parks" (the "STP Tax Holiday"); and (ii) a tax deduction for profits derived from exporting computer software (the "Export Deduction"). All but one of the company's software development facilities are located in a designated Software Technology Park ("STP"). The Government of India has recently amended the tax incentives available to companies set up in designated STPs. The period of the STP Tax Holiday available to such companies is restricted to 10 consecutive years beginning from the financial year when the unit started producing computer software or March 31, 2000, whichever is earlier. Additionally, the Export Deduction will be phased out over a period of five years starting from fiscal 2000. The benefits of these tax incentive programs have historically resulted in an effective tax rate for the company well below statutory rates. There is no assurance that the Government of India will continue to provide these incentives. The company pays corporate income tax in foreign countries on income derived from operations in those countries.

2.8 Effects of inflation

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

2.9 Accounting pronouncements

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS 141, *Business Combinations* and SFAS 142, *Goodwill and Other Intangible Assets*. SFAS 141 requires that all business combinations be accounted for under a single method-the purchase method. Use of the pooling-of-interests method is no longer permitted and is effective for business combinations initiated after June 30, 2001. SFAS 142 requires that goodwill no longer be amortized to earnings, but instead be reviewed for impairment and is effective for fiscal years beginning after December 15, 2001, with earlier application permitted for entities with fiscal years beginning after March 31, 2001.

In August 2001, the FASB issued SFAS 143, *Accounting for Asset Retirement Obligations*. SFAS 143 requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity capitalizes a cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss upon settlement. The standard is effective for fiscal years beginning after June 15, 2002, with earlier application encouraged.

In August 2001, the FASB also issued SFAS 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. SFAS 144 requires that those long-lived assets be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or in discontinued operations. Under this standard, discontinued operations will no longer be measured at net realizable value or include amounts for operating losses that have not yet occurred. The provisions of SFAS 144 are effective for financial statements issued for fiscal years beginning after December 15, 2001 and, generally, are to be applied prospectively. Early application is encouraged.

Both SFAS 141 and 142 are not currently applicable to the company. The company is evaluating the impact of SFAS 143 and 144 on its operations.

2.10 Risk factors

2.10.1 Management of growth

The company has experienced significant growth in recent periods. As of December 31, 2001, the company employed approximately 9,360 software professionals worldwide with 16 software development facilities in India, six proximity development centers in the United Kingdom and the U.S., and one global development center in Canada, as compared to approximately 7,820 with 17 facilities in India as of December 31, 2000. In fiscal 2001, 2000 and 1999, the company approved major expansions to its existing facilities and the building of new facilities. The company's growth is expected to place significant demands on its management and other resources and will require it to continue to develop and improve its operational, financial and other internal controls, both in India and elsewhere. In particular, continued growth increases the challenges involved in: recruiting and retaining sufficient skilled technical, marketing and management personnel; providing adequate training and supervision to maintain the company's high quality standards; and preserving the company's culture and values and its entrepreneurial environment. The company's inability to manage its growth effectively could have a material adverse effect on the quality of the company's services and projects, its ability to attract clients as well as skilled personnel, its business prospects, and its results of operations and financial condition.

2.10.2 Potential fluctuations in future operating results

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

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

Historically, a significant portion of the company's revenues was derived from the U.S. For example, in the quarter ended December 31, 2001 and 2000, approximately 71% and 74% of the company's revenues were derived from the U.S. Currently there are indications of an economic slowdown in the U.S. Accordingly, the IT services sector in the U.S. may experience some adjustment as a result of the economy. The continued growth of companies in this sector will depend upon their ability to adapt to the changes in the market and justify their customer's investments in new projects that will drive customer retention up and costs down. Consequently, the company's competitors may reduce contract prices to retain customers and win new contracts. This may affect the company's ability to win new clients and retain existing clients as well as the company's ability to sustain its current pricing strategy. An inability to retain current pricing structures, retain clients or win new client contracts may result in lower revenue growth and lowered profit margins for the company. Due to all of the foregoing factors, it is possible that in some future quarter the company's operating results may be below the expectations of public market analysts and investors. In such event, the market price of the equity shares and ADSs are likely to be materially adversely affected.

2.10.4 Exposure to industry segments

The company derives a significant proportion of its revenues from certain industry segments. For example, in the quarter ended December 31, 2001 the company derived 34.2% and 15.1% of its revenues from the insurance, banking and financial services, and telecom industry segments respectively, as compared to 36.6% and 17.7%, respectively in the quarter ended December 31, 2000. There are indications that the possible economic slowdown in the U.S. may impact the growth prospects of companies that operate in the insurance, banking and financial services, and telecom industry segments. Consequently, these companies may reduce or entirely eliminate their IT spending, or postpone decisions regarding new expenditures with respect to IT spending. The company believes that a sustained reduction or elimination in IT spending by these such companies and a longer client engagement time that such companies may adopt, may affect the company's ability to win new clients and retain existing clients as well as the company's ability to sustain its current pricing strategy. An inability to retain current pricing structures, retain clients or win new client contracts may result in lower revenue growth and lowered profit margins for the company. Due to all of the foregoing factors, it is possible that in some future quarter the company's operating results may be below the expectations of public market analysts and investors. In such event, the market price of the equity shares and ADSs are likely to be materially adversely affected.

2.10.5 Exposure to start-ups and venture funded companies

Some of the company's clients are early stage, young companies with little or limited financing. The ability of such early stage companies to raise capital for operations and expansion plans has recently become more difficult as a result of several factors, including the U.S. capital market declines and a slowing U.S. economy. Consequently, these companies may reduce or entirely eliminate their IT spending, or postpone decisions regarding new expenditures with respect to IT spending. The company believes that a sustained reduction or elimination in IT spending by these such companies and a longer client engagement time that such companies may adopt, may affect the company's ability to win new clients and retain existing clients as well as the company's ability to sustain its current pricing strategy. An inability to retain current pricing structures, retain clients or win new client contracts may result in lower revenue growth and lowered profit margins for the company. Additionally, such companies may become greater risks and not be able to adequately pay for past services rendered. Due to all of the foregoing factors, it is possible that in some future quarter the company's operating results may be below the expectations of public market analysts and investors. In such event, the market price of the equity shares and ADSs are likely to be materially adversely affected.

2.10.6 Risks related to investments in Indian securities

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

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

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

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

Exchange rate fluctuations. Market risks relating to the company's operations result primarily from changes in interest rates and changes in foreign exchange rates. The company's functional currency is the Indian Rupee although it transacts a major portion of its business in foreign currencies and accordingly has foreign currency exposure through its sales in the United States and purchases from overseas suppliers in U.S. dollars. In its U.S. operations, the company does not actively hedge against exchange rate fluctuations, although it may elect to do so in the future. Accordingly, changes in exchange rates may have a material adverse affect on the company's sales, cost of services sold, gross margin and net income, any of which alone or in the aggregate may in turn have a material adverse effect on the company's business, operating results and financial condition. The exchange rate between the rupee and the U.S. dollar has changed substantially in recent years and may fluctuate substantially in the future. During the four-year period from March 31, 1997 through March 31, 2001, the value of the rupee against the U.S. dollar declined by approximately 29.8%. For the nine months ended December 31, 2001 and for fiscal 2001 and 2000, the company's U.S. dollar-denominated revenues represented 87.1%, 89.5% and 88.3%, respectively, of total revenues. The company expects that a majority of its revenues will continue to be generated in U.S. dollars for the foreseeable future and that a significant portion of the company's expenses, including personnel costs as well as capital and operating expenditures, will continue to be denominated in rupees. Consequently, the company's results of operations will be adversely affected to the extent the rupee appreciates against the U.S. dollar. The company has in the past sought to reduce the effect of exchange rate fluctuations on operating results by purchasing foreign exchange forward contracts to cover a portion of outstanding accounts receivable on a need basis. These contracts typically mature within three months, must be settled on the day of maturity and may be cancelled subject to the payment of any gains or losses in the difference between the contract exchange rate and the market exchange rate on the date of cancellation. The company uses these instruments only as a hedging mechanism and not for speculative purposes. As of December 31, 2001, the company had outstanding forward contracts in the amount of $ 20,000,000. These contracts typically mature within three months, must be settled on the day of maturity and may be cancelled subject to the payment of any gains or losses in the difference between the contract exchange rate and the market exchange rate on the date of cancellation. The company uses these instruments only as a hedging mechanism and not for speculative purposes. There can be no assurance that the company will purchase contracts adequate to insulate itself from foreign exchange currency risks or that any such contracts will perform adequately as a hedging mechanism. Devaluation of the rupee will result in foreign currency translation losses. For example, for the nine months ended December 31, 2001 and for fiscal 2001 and fiscal 2000, the company's foreign currency translation losses were approximately $ 11.3 million, $ 14.5 million and $ 5.0 million respectively.

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

2.10.7 Substantial investment in new facilities

As of December 31, 2001, the company had contractual commitments of $ 13.6 million for capital expenditure and has budgeted for significant expansion of infrastructure in the near future. Since such an expansion will significantly increase the company's fixed costs, the company's results of operations will be materially adversely affected if the company is unable to grow its business proportionately. Although the company has successfully developed new facilities in the past, there can be no assurance that the company will not encounter cost overruns or project delays in connection with any or all of the new facilities. Furthermore, there can be no assurance that future financing for additional facilities, whether within India or elsewhere, would be available on attractive terms or at all.

2.10.8 Restrictions on US immigration

The company's professionals who work on-site at client facilities in the United States on temporary and extended assignments are typically required to obtain visas. As of December 31, 2001, substantially all of the company's personnel in the United States were working pursuant to H-1B visas (1,367 persons) or L-1 visas (361 persons). Although there is no limit to new L-1 petitions, there is a limit to the number of new H-1B petitions that the United States Immigration and Naturalization Service ("USINS") may approve in any government fiscal year. In years in which this limit is reached, the company may be unable to obtain the H-1B visas necessary to bring its critical Indian IT professionals to the United States on an extended basis. In response to recent terrorist attacks in the United States, the USINS has increased the level of scrutiny in granting visas to people of South-East Asian origin. As a result, the company may not be able to obtain a sufficient number of H-1B visas for its personnel on time schedules it has in the past, or at all. These restrictions and other changes in existing U.S. immigration laws that make it more difficult for the company to obtain H-1B and L-1 visas could impair the company's ability to compete for and provide services to clients and could have a material adverse effect on the company's results of operations and financial condition.

2.10.9 Risks related to international operations

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

2.10.10 Dependence on skilled personnel; risks of wage inflation

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

2.10.11 Client concentration

The company has derived, and believes that it will continue to derive, a significant portion of its revenues from a limited number of large corporate clients. For the three months ended December 31, 2001 and for fiscal 2001 and 2000, the company's largest client accounted for 5.5%, 7.3% and 7.2% respectively, of the company's total revenues and its five largest clients accounted for 24.1%, 26.0% and 30.2%, respectively, of the company's total revenues. The volume of work performed for specific clients is likely to vary from year to year, particularly since the company is usually not the exclusive outside software service provider for its clients. Thus, a major client in one year may not provide the same level of revenues in a subsequent year. The loss of any large client could have a material adverse effect on the company's results of operations and financial condition. Since many of the contracted projects are critical to the operations of its clients' businesses, any failure to meet client expectations could result in a cancellation or non-renewal of a contract. However, there are a number of factors other than the company's performance that could cause the loss of a client and that may not be predictable. In other circumstances, the company reduced significantly the services provided to its client when the client either changed its outsourcing strategy by moving more work in-house and reducing the number of its vendors, or replaced its existing software with packaged software supported by the licensor. There can be no assurance that the same circumstances may not arise in future.

2.10.12 Fixed-price, fixed-time frame contracts

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

2.10.13 Infrastructure and potential disruption in telecommunications

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

2.10.14 Competition

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

2.10.15 Dependence on key personnel

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

2.10.16 Potential liability to clients; risk of exceeding insurance coverage

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

2.10.17 Risks associated with possible acquisitions

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

2.10.18 Risks associated with strategic investments

The company has made and continues to make strategic investments in early stage technology companies in order to gain experience in niche technologies. The company has invested an aggregate of $ 5.9 million in strategic investments in fiscal 2001 and $ 2.2 million for the nine months ended December 31, 2001. However, there can be no assurance that the company will be successful in its investments and will benefit from such investments. The loss of any of such investments could have a material adverse effect on the company's business, financial condition and results of operations.

2.10.19 Risks associated with incubation

The company incubates employee ideas that it expects to be commercially viable. The company may incur significant expenditures until the successful commercialization of these ideas. The company may also hold equity in these incubation ventures in return for transfers of intellectual property rights related to incubated ideas. However, there can be no assurance that the company will be successful in incubating ideas, will be successful in commercializing such ideas, or will benefit from such incubation ventures. The failure of any of such incubation ventures could have a material adverse effect on the company's reputation, business, financial condition and results of operations.

2.10.20 Risks related to software product sales

The company derived 4.1%, 2.5% and 2.6% of its total revenue from the sale of software products in the three months ended December 31, 2001, fiscal 2001 and fiscal 2000, respectively. The development of the company's software products requires significant investments. The markets for the company's primary software product are competitive and currently located in developing countries, and there can be no assurance that such a product will continue to be commercially successful. In addition, there can be no assurance that any new products developed by the company will be commercially successful or that the costs of developing such new products will be recouped. A decrease in the company's product revenues or margins could adversely affect the company's results of operations and financial condition. Additionally, software product revenues typically occur in periods subsequent to the periods in which the costs are incurred for development of such products. There can be no assurance that such delayed revenues will not cause periodic fluctuations of the company's results of operations and financial condition.

2.10.21 Restrictions on exercise of preemptive rights by ADS holders

Under the Indian Companies Act, 1956 ("Indian Companies Act"), a company incorporated in India must offer its holders of equity shares preemptive rights to subscribe and pay for a proportionate number of shares to maintain their existing ownership percentages prior to the issuance of any new equity shares, unless such preemptive rights have been waived by three-fourths of the company's shareholders. U.S. holders of ADSs may be unable to exercise preemptive rights for equity shares underlying ADSs unless a registration statement under the Securities Act of 1933, as amended (the "Securities Act"), is effective with respect to such rights or an exemption from the registration requirements of the Securities Act is available. The company's decision to file a registration statement will depend on the costs and potential liabilities associated with any such registration statement as well as the perceived benefits of enabling the holders of ADSs to exercise their preemptive rights and any other factors the company considers appropriate at the time. No assurance can be given that the company would file a registration statement under these circumstances. If the company issues any such securities in the future, such securities may be issued to the Depositary, which may sell such securities for the benefit of the holders of the ADSs. There can be no assurance as to the value, if any, the Depositary would receive upon the sale of such securities. To the extent that holders of ADSs are unable to exercise preemptive rights granted in respect of the equity shares represented by their ADSs, their proportional interests in the company would be reduced.

2.10.22 Intellectual property rights

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

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

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

The company's officers and directors, together with members of their immediate families, in the aggregate, beneficially own approximately 29.83% of the company's issued equity shares. As a result, such persons, acting together, will likely still have the ability to exercise significant control over most matters requiring approval by the shareholders of the company, including the election and removal of directors and significant corporate transactions. Such control by the company's officers and directors could delay, defer or prevent a change in control of the company, impede a merger, consolidation, takeover or other business combination involving the company, or discourage a potential acquiror from making a tender offer or otherwise attempting to obtain control of the company.

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

Item 3. Quantitative and Qualitative Disclosure About Market Risk

3.1 Foreign Currency Market Risk

This information is set forth under the caption "Exchange rate fluctuations" under item 2.10.6, Risks related to Investments in Indian securities, above, and is incorporated herein by reference.

Part II – Other Information

Item 1. Legal Proceedings

The company, its directors, senior executive officers and affiliates are not currently a party to any material legal proceedings.

Item 2. Changes in Securities and Use of Proceeds

None

Item 3. Default upon senior securities

None

Item 4. Submission of matters to a vote of security holders

None

Item 5. Other Information

On October 24, 2001, the Board of Directors of the company appointed Mr. Claude Smadja, Principal Adviser of the World Economic Forum and President of Smadja & Associates Strategy Advisory, to the Board of Directors as an Additional Director pursuant to Section 260 of the Companies Act, 1956. Mr. Smadja's appointment took effect from October 25, 2001. He will hold office until the date of the company's next Annual General Meeting, when his appointment as a non-executive director will be submitted to the company's shareholders for approval.

Mr. Smadja was appointed as an Additional Director to fill the vacancy caused by the resignation of Mr. Ramesh Vangal.

Mr. Smadja is President of Smadja & Associates and also holds the position of Strategic Advisory and Principal Adviser of the World Economic Forum. From January 1996 to April 2001, Claude Smadja was the Managing Director of the World Economic Forum. From 1993 to 1996, Mr. Smadja had been Director for the News and Current Affairs Department of the Swiss Broadcasting Corporation in Geneva, and a Senior Adviser to the World Economic Forum. From mid 1987 to January 1993 he was a Director and Member of the Executive Board of the World Economic Forum. During his tenure at the World Economic Forum he created and headed World Link, the Magazine of the World Economic Forum, and the Forum's first Regional Economic Summit – The East Asia Economic Summit.

Mr. Smadja is a regular contributor to international publications on major issues concerning the global economic agenda and the trends shaping the macroeconomic and political environment. He is also on the board of other international corporations and is the Chairman of the International Board of Overseers of the Illinois Institute of Technology.

The Board of Directors appointed Mr. Nandan M. Nilekani as the Chief Executive Officer, President and Managing Director, and Mr. S. Gopalakrishnan as the Chief Operating Officer and Deputy Managing Director, effective March 31, 2002. Mr. N. R. Narayana Murthy continues to be the Chairman of the company and his new designation will be Chairman and Chief Mentor, effective March 31, 2002.

Item 6. Exhibits and Reports

Infosys filed no reports on Form 8-K during the quarter ended December 31, 2001.

EXHIBIT INDEX

Exhibit Number	Description of Document
19.1	Infosys Quarterly report to the shareholders for the quarter ended December 31, 2001.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly organized.

Dated: January 24, 2002 INFOSYS TECHNOLOGIES LIMITED

By: /s/ Narayana N. R. Murthy

Narayana N. R. Murthy,

Chairman and Chief Executive Officer

/s/ Nandan M. Nilekani Nandan M. Nilekani,

Managing Director, President and Chief Operating Officer

Shareholder information

1. Listing on stock exchanges — Bangalore Stock Exchange Ltd. (BgSE)
   The Stock Exchange, Mumbai (BSE)
   National Stock Exchange of India Ltd. (NSE)
   NASDAQ National Market in the United States

2. Registered office — Electronics City, Hosur Road, Bangalore – 561 229, India
   Tel.: +91-80-852 0261, Fax: +91-80-852 0362
   Homepage: www.infy.com

3. Stock market data relating to shares listed in India
   a. The company's market capitalization is included in the computation of the BSE-30 Sensitive Index (Sensex), the BSE Dollex and S&P CNX NIFTY Index.
   b. Monthly high and low quotations as well as the volume of shares traded at Mumbai, National and Bangalore Stock Exchanges for the quarter ended December 31, 2001 are:

	BSE			NSE			BgSE		
	High Rs.	Low Rs.	Volume Nos.	High Rs.	Low Rs.	Volume Nos.	High Rs.	Low Rs.	Volume Nos.
October, 2001	3,100	2,156	95,35,320	3,098	2,158	1,51,74,621	–	–	–
November	4,109	2,802	71,27,238	4,190	2,802	1,31,19,365	–	–	–
December	4,685	3,762	72,01,508	4,675	3,732	1,26,97,481	–	–	–
Total			2,38,64,066			4,09,91,467			
% of volume traded to average shares outstanding			37.20 %*			63.98%*			–*

* The number of shares outstanding is 6,40,70,030. The equity shares underlying the American Depositary Shares (ADSs) have been excluded for the purpose of this calculation.

4. Par value of equity shares — Rs. 5 each fully paid-up

5. Share transfers in physical form and other communication regarding share certificates, dividends, change of address etc., in India may be addressed to — Karvy Consultants Limited
   Registrars and Share Transfer Agents
   T.K.N. Complex, No. 51/2, Vanivilas Road, Opp. National College,
   Basavanagudi, Bangalore – 560 004, India.
   Tel.: +91-80-662 1184/92/93, Fax: +91-80-662 1169
   E-mail: kumars@karvy.com

6. Share transfer system
   Shares sent for physical transfer are generally registered and returned within a period of 10 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 three-month period ended December 31, 2001 was 2,700 (quarter ended December 31, 2000 – 1,500). 100.00% of transfers (quarter ended December 31, 2000 – 100.00%) were completed within 10 days.

7. Investors' services – complaints received during

Nature of complaints	Quarter ended December 31, 2001		2000	
	Received	Attended to	Received	Attended to
1. Non-receipt of share certificates	2	2	–	–
2. Non-receipt of bonus shares / split shares	–	–	1	1
3. Letters from Stock Exchanges, SEBI, etc.	–	–	–	–
4. Non-receipt of dividend	62	62	21	21
	64	64	22	22

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, 2001 except in cases that are constrained by disputes or legal impediments.

8. Legal proceedings
   There are some pending cases relating to disputes over title to shares, in which the company is made a party. However, these cases are not material in nature.

9. Categories of shareholders as on December 31

	2001			2000		
Category	No. of shareholders	Voting strength (%)	No. of shares held	No. of shareholders	Voting strength (%)	No. of shares held
Individuals	81,805	17.46	1,15,50,817	72,100	24.02	1,58,90,841
Companies	2,938	1.02	6,74,037	3,139	2.24	14,80,588
FIIs	370	37.99	2,51,39,687	363	25.45	1,68,33,123
OCBs and NRIs	732	0.67	4,42,285	594	0.73	4,85,473
Founders and their families	23	28.83	1,90,76,960	23	29.23	1,93,32,960
Mutual Funds, Banks, FIs	193	9.59	63,45,407	209	12.68	83,92,143
ITL Employee Welfare Trust	3	1.27	8,40,837	3	1.15	7,58,000
Shares in transit in NSDL	–	–	–	1	1.35	8,95,672
Equity shares underlying American Depositary Shares *	1	3.17	20,99,217	1	3.15	20,83,267
Total	86,065	100.00	6,61,69,247	76,439	100.00	6,61,52,567

*Held by beneficial owners outside India.

10. Financial calendar (tentative and subject to change)

Financial results for the year ending March 31, 2002 — April 10, 2002

Annual General Meeting for the year ending March 31, 2002 — June 2002

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

The Company Secretary,
Investors' Service Cell,
Infosys Technologies Ltd., Electronics City,
Hosur Road, Bangalore – 561 229, India.
Tel.: +91-80-852 0440, Fax: +91-80-852 0362
(E-mail: balakv@infy.com)

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

Mr. T. V. Mohandas Pai,
Director (F&A) and CFO,
Infosys Technologies Ltd., Electronics City,
Hosur Road, Bangalore – 561 229, India.
Tel.: +91-80-852 0396, Fax: +91-80-852 0362
(E-mail: mdpai@infy.com)

12. Reuters code

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

13. Stock market data relating to American Depositary Shares (ADSs)

a. ADS listed at — NASDAQ National Market in the United States

b. Ratio of ADS to equity shares — 2 ADS for one equity share

c. ADS symbol — INFY

d. The American Depositary Shares issued under the ADS program of the company were listed on the NASDAQ National Market in the United States on March 11, 1999. The monthly high and low quotations as well as the volume of ADSs traded at the NASDAQ National Market for the quarter ended December 31, 2001 are:

	High		Low		Volume
	$	Rs.	$	Rs.	Nos.
October, 2001	55.00	2,637	31.69	1,519	37,18,500
November	66.50	3,190	47.00	2,254	26,97,200
December	70.11	3,375	55.66	1,679	20,69,200
Total					84,84,900
% of volume traded to total float					202.09 % *

* 2 ADS = 1 equity share

$ have been converted into Indian rupees at the monthly closing rates

e. Investor correspondence in the US may be addressed to

P. R. Ganapathy
Investor Relations Officer
Infosys Technologies Limited
34760, Campus Drive, Fremont CA 94555, USA.
Tel.: +1-510-742-3030, Mobile: +1-510-872-4412,
Fax: +1-510-742-2930, E-mail: guns@infy.com

Ratio analysis as per Indian GAAP

	Quarter ended December 31, 2001	Quarter ended December 31, 2000	Nine months ended December 31, 2001	Nine months ended December 31, 2000	Year ended March 31, 2001
Ratios-Financial performance					
Export revenue / total revenue (%)	98.12	98.54	97.89	98.72	98.60
Domestic revenue / total revenue (%)	1.88	1.46	2.11	1.28	1.40
Software development expenses / total revenue (%)	46.84	46.58	46.90	46.73	45.82
Gross profit / total revenue (%)	53.16	53.42	53.10	53.27	54.18
Selling and marketing expenses / total revenue (%)	4.97	4.01	4.89	4.64	4.84
General and administration expenses / total revenue (%)	7.72	8.92	8.35	8.93	9.09
Selling, general & administration expenses / total revenue (%)	12.69	12.93	13.23	13.57	13.93
Employee costs / total revenue (%)	43.54	37.17	42.94	38.08	37.77
Operating profit / total revenue (%)	40.47	40.49	39.87	39.70	40.24
Operating profit after depreciation and interest / total revenue (%)	34.22	34.34	33.85	34.10	34.30
Depreciation / total revenue (%)	6.25	6.15	6.02	5.60	5.94
Other income / total revenue (%)	2.26	2.69	2.24	3.67	3.12
Profit before tax / total revenue (%)	36.48	34.60	36.09	36.80	36.62
Tax / total revenue (%)	5.30	3.63	5.02	3.81	3.83
Tax / PBT (%)	14.52	10.49	13.90	10.35	10.45
PAT from ordinary activities / total revenue (%)	31.18	30.97	31.07	32.99	32.80
PAT from ordinary activities / average net worth (%) (LTM)	48.54	52.17	48.54	52.17	56.08
ROCE (PBIT/Average capital employed) (%) (LTM)	55.90	58.39	55.90	58.39	62.62
Return on invested capital (%) (LTM)	82.14	97.22	82.14	97.22	105.67
Capital output ratio (LTM)	1.55	1.60	1.55	1.60	1.71
Invested capital output ratio (LTM)	2.72	3.11	2.72	3.11	3.34
Ratios - Balance sheet					
Debt-equity ratio	–	–	–	–	–
Debtors turnover (Days)*	44	62	44	62	58
Current ratio	3.92	3.99	3.92	3.99	3.49
Cash and equivalents / total assets (%)	44.43	41.06	44.43	41.06	41.57
Cash and equivalents / total revenue (%) (LTM)	34.86	32.04	34.86	32.04	30.40
Depreciation/ average gross block (%) (LTM)	22.71	25.42	22.71	25.42	24.67
Technology investment / total revenue (%) (LTM)	5.47	6.45	5.47	6.45	7.67
Ratios - Year on Year Growth					
Export revenue (%)	23	136	42	121	115
Total revenue (%)	23	137	44	121	115
Operating profit (%)	23	122	44	116	125
Net profit (from ordinary activities) (%)	24	125	35	121	118
EPS (from ordinary activities) growth (%)	24	125	35	121	118
Per - share data (Period End)					
Basic earnings per share from ordinary activities (Rs.)	31.14	25.14	90.33	66.76	94.23
Basic earnings per share (including extraordinary items) (Rs.)	31.14	25.14	90.33	67.59	95.06
Cash earnings per share from ordinary activities (Rs.)	37.39	30.14	107.84	78.10	111.29
Cash earnings per share (including extraordinary items) (Rs.)	37.39	30.14	107.84	78.93	112.12
Book value (Rs.)	294.71	190.64	294.71	190.64	210.05
Price / earning (LTM)	34.48	71.55	34.48	71.55	43.19
Price / cash earnings (LTM)	28.80	60.76	28.80	60.76	36.57
Price / book value	13.78	29.93	13.78	29.93	19.38
PE / EPS Growth (LTM)	1.45	0.57	0.99	0.59	0.37

*Annualized, net of provisions.
LTM-Last twelve months

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Chartered Accountants

Independent auditors (US GAAP)
KPMG

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