




Infosys Technologies Limited
22nd Annual General Meeting
June 14, 2003

- Narayana Murthy: Well, dear shareholders, welcome to this 22nd Annual General Meeting of the shareholders. We have a tradition at Infosys where everybody on the dais will introduce himself or herself. This is just to make sure that you are acquainted with us. Generally what we do is we give our names, educational qualification and then the function that we are responsible for or where the external director works, etc. Thank you, we will start from that end, please.
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- Rama Bijapurkar: Rama Bijapurkar, I am an MBA from IIM Ahmedabad, and I am an independent consultant in the area of market strategy.
- Srinath Batni: I am Srinath Batni, I hold a bachelor's degree from Mysore University and postgraduate degree in engineering from Indian Institute of Science. Now I am responsible for business in Asia-Pacific region and greater China.
- Sridar Iyengar: My name is Sridar Iyengar, I have an honors degree from University of Calcutta. I am a fellow of the Institute of Chartered Accountants. I was a partner at KPMG, I am now retired and I am the President of TiE in Silicon Valley.
- Narayana Murthy: Sridar is the new additional director whose appointment will come up today, so let us all give him a big hand.
- K. Dinesh: I am K. Dinesh, I have done my masters in mathematics from Bangalore University. I handle HR, Quality, Information Systems and Communication design.
- Deepak Satwalekar: Deepak Satwalekar. B.Tech from IIT Bombay and an MBA from the American University, Washington. I am an independent director.
- Nandan Nilekani: Nandan Nilekani. I am a B.Tech from IIT Bombay. I am the CEO.
- Marti Subrahmanyam: Marti Subrahmanyam. I have degrees from IIT Madras, IIM Ahmedabad and MIT, I am a professor at the Sterns College, New York University, an independent director of Infosys.
- Narayana Murthy: Narayana Murthy. I have a degree in electrical engineering from University of Mysore and masters in computer science from MIT, Kanpur. I am the Chairman of the board of the Infosys.
- S. Gopalakrishnan: Good afternoon everyone, I am S. Gopalakrishnan. I am the Chief Operating Officer of the company. I have a masters in computer science from IIT, Madras.
- Omkar Goswami: Hi, I am Omkar Goswami. I am a Ph.D. in economics from Oxford, the Chief Economist of the Confederation of Indian Industry, and I serve as an independent director on the board of Infosys.
- Shibulal: I am Shibulal. I have a masters in electronics and another one in computer science. I look after worldwide deliveries for Infosys.
- Claude Smadja: I am Claude Smadja, I have my degrees on political science and social science from the University of Lozanne, Switzerland. I am the President of Smadja & Associates, a firm which works with global corporations and governments, and I have a privilege to serve as an independent director on the board of Infosys.

Mohandas Pai: I am Mohandas Pai, the CFO of Infosys, and I am a fellow of the Institute of Chartered Accountants of India.

Balakrishnan: I am Balakrishnan. I am Vice President - Finance and Company Secretary, I am a Chartered Accountant and also a company secretary.

Group Captain Sinha: Good afternoon, I am Group Captain Sinha. I did my graduation from IIT, Kharagpur. I look after Computers and Communication solution.

Parameshwar: Hi, I am Parameshwar, M.Tech in Communications from IIT, Kanpur, and I head the communication practice at Infosys.

Balasubramanian: Good afternoon, my name is Balasubramanian. I hold engineering and management degrees from IIT, Madras, and a doctorate from Purdue University. I am the head of the Domain Competency Group in Infosys.

Mohan Shekar: Hi, my name is Mohan Shekar. I have a masters in computer science from New Jersey State University and I head delivery for North America at Infosys.

Girish Vaidya: I am Girish Vaidya. I head the Banking Business Unit of Infosys. I have an engineering degree from University of Bombay and an MBA from IIM, Calcutta.

Pravin Rao: Good afternoon, I am Pravin Rao. I have an electrical engineering from Bangalore University. I am heading the retail practice.

Srinath Murthy: Good afternoon, my name is Srinath Murthy. I am an electronics engineer from the University of Bangalore. I am responsible for delivery for the South and the Middle East region of North America.

Ravindra: Good afternoon, I am Ravindra. I am a Ph.D. from Indian Institute of Science. I take care of the education and research activities for Infosys.

Hema Ravichandar: Very good afternoon, I am Hema Ravichandar. I am responsible for human resources development and I hold a postgraduate diploma in management from the Indian Institute of Management, Ahmedabad.

Binod: I am Binod, I head the commercial and facilities function in Infosys. I have an industrial and production engineering degree from Bangalore University.

Sanjay Purohit: Good afternoon, I am Sanjay Purohit. I head corporate planning, and I am the secretary of the management council. I have done my Bachelors of Engineering in mechanical engineering from Regional Engineering College, Srinagar.

Akshaya Bhargava: Good afternoon, my name is Akshaya Bhargava. I have an MBA from IIM, Calcutta, and I am the CEO of Progeon, which is the BPO subsidiary of Infosys.

Ramesh Kamath: Good afternoon, I am Ramesh Kamath. I am a Chartered Accountant and I look after finance at Progeon.

Ramesh Adkoli: Good afternoon, my name is Ramesh Adkoli. I have a masters in computer applications from Regional Engineering College, Tiruchirapalli. I head software delivery for Canada and North East part of North America.

Priti Rao: Good afternoon, I am Priti Rao. I have masters in computer science from Bombay, IIT. I head the Pune Development Center and I am also responsible for delivery to the Europe.

Ramdas Kamath: Good afternoon, Ramdas Kamath, a Chartered Accountant looking after Accounts and Administration.

Narayana Murthy: We have Mr. Basab Pradhan, Head Worldwide sales from Fremont, California. It is rather really early for him. It is about 2:30 a.m. in the morning. Basab, do you want to introduce yourself, please?

Basab Pradhan: Good afternoon ladies and gentlemen, I am Basab Pradhan. I head worldwide sales and Retail in North America. I have degrees from IIT, Kanpur and IIM, Ahmedabad.

Narayana Murthy: Thanks Basab. Friends you know it is always a great pleasure to meet you people once a year and of course sometimes more often. I just want to bring a piece of good news to you people. This company is known for taking best practices from all over the world and in keeping with that tradition, the board of Infosys decided to have a lead independent director for the group of independent directors. I am very happy to inform you people that Nominations committee headed by Mr. Claude Smadja, had elected the lead independent director. I am happy to say that Mr. Deepak Satwalekar has been unanimously elected as a lead independent director. Let us give him a big hand please.

Well all of you know that we have a tradition at Infosys where we want every member of the board to participate in the AGM in a very active manner and that is by becoming the chairman of the proceedings at the AGM and this year if we have the consent from all of you shareholders, I would like to request Professor Marti Subrahmanyam to chair this AGM. Do I have your consent?

(Shareholders give their consent)

Marti Subrahmanyam: Thank you Mr. Murthy for giving me the opportunity to preside over this meeting. We have 290 members present in person and 120 through proxies to conduct the meeting, having registered. The quorum being present, I call this meeting to order.

The register of director shareholding is kept open and is available for inspection for members near the registration counter. The register of proxies is also available for inspection near the same counter.

With the consent of the members I take the notice convening the meeting as read. Thank you.

May I now request Mr. N. R. Narayana Murthy, Chairman and Chief Mentor of the company to deliver the Chairman's address. Mr. Murthy.

Narayana Murthy: First of all once again a warm welcome to this the 22nd Annual General Meeting of Infosys. Your encouragement by being here in such large numbers is very important for Infosys' continued growth. On behalf of all infoscions, I thank you for your trust and support.



Fiscal 2003 has been a year of satisfactory performance for your company. Our performance both in terms of revenue growth and bottom line growth is, as you people know the best amongst all large Indian software companies. Under the Indian GAAP, our revenues grew by **39.1%** over fiscal 2002, while our Profit After Tax from ordinary activities grew by **18.6%**. According to the US GAAP, our revenues grew by **38.3%** over fiscal 2002, while the net income grew by **18.5%**. This exceeded our initial estimates for the year, you all know that, in fact as you all know during the year we increased our guidance for revenues and earnings per share for fiscal 2003.

The measure of a company's longevity is how well the company performs in times of adversity. In what has been a very challenging year for the software industry, Infosys' performance reaffirms the resilience of your company's Global Delivery Model. Fiscal 2004, as has been discussed by all people in the industry, is expected to be a challenging year for the entire industry and obviously for the company too. The twin specters of Iraq war and the SARS epidemic affected travel to India towards the later part of the last fiscal. We believe that, as has been expressed by various pundits, this could have some impact

on the business of the industry in general and on the business of the company in particular during fiscal 2004. The overall economic downturn continues to affect the health of business across the world. A stagnant IT spend has led to increase in competitive pressures in the market. In the context of the increasing forex flows to India, you all know that the Indian rupee continues to appreciate. The organization is built on a foundation of trust and fairness to every one of the stakeholders and you are a very important stakeholder, there is no doubt at all. We believe in following the highest degree of transparency and openness in dealing with you all. Our philosophy towards transparency has always been, "When in doubt, disclose." We believe that it is best to communicate all material news to the investors early on a proactive basis. I also believe that a sound organization is in control of its destiny. The ability to set a target for the top line and the bottom line and to strive hard to achieve or exceed such targets is in my opinion a basic requirement for a sound organization and a competent CEO. You all know that we have an extraordinarily competent CEO. Any CEO who does not set such targets or refuses to divulge this to investors is either not confident of his own people or does not believe in transparency with investors or worse is even afraid of the stock market reactions, this my friends is anathema to every one of the Infosys. Consequently, after closely examining all relevant economic and business indicators, we have made a forecast of **22% to 24%** growth in revenues, and 11.5% to 13% growth in earnings per share according to the Indian GAAP. I believe that it is necessary for a good CEO to create a safe future for the company by performing well in the present. Further, it is very important that he/she makes decent profits and then invests part of that profit in initiatives that yield long-term benefits to the corporation. We will continue to make our decisions and forecasts based on a fair and intelligent assessment of market realities as well as customer expectations and not necessarily based on the expectations of the financial markets.

Outsourcing relationships, as you all know, are becoming increasingly long-term and of strategic importance. For your company, it is important to be prepared for the opportunities that lie ahead. Infosys continues to focus on building strong relationships with large corporations by maintaining an impeccable record in customer satisfaction. This is reflected in our repeat business rate of 92%, perhaps the highest in the industry. Further, we are aggressively pursuing our goal to be an integrated one-stop shop for our clients' business and technology needs. Progeon Limited, our subsidiary, has established presence in the business process management space and it is currently providing services to five clients from various sectors. I am very happy about what Mr. Akshaya Bhargava, the CEO and Mr. Mohandas Pai, the Chairman are doing to make Progeon a better and a stronger company.

As an investment towards the future we have increased our sales and marketing efforts. Further, we have successfully restructured our client facing teams. To propel the company into the next orbit of growth it is important that we continue to build a powerful globally respected brand. In this context, for the second year in succession, we have recognized the creative use of technology in business transformation through the Wharton Infosys Business Transformation Awards.

During the year, we successfully scaled up our operations to meet increasing demand for our services. Employee addition during this year has been the highest ever for your company with a gross addition of 5,509 professionals including 1,100 lateral hires, leading to 4,618 net employee additions.

Today customers are becoming increasingly focussed on cost and they are demanding more value for the money spent. In this context, your company has focussed on effectively managing cost efficiencies and on increasing productivity. Further, to reinforce a high performance work ethic, your company completed the transition to a role-based organization. Subsequently, the compensation practices have been restructured to include higher variable components that take into consideration the company, the unit, and individual performances.

During the year Professor Jitendra Vir Singh resigned from your company's board of directors. Your company is grateful for his invaluable contributions during his tenure and

we wish him the very best for his future endeavors.

Mr. Phaneesh Murthy, another director, resigned from the company's board of directors and from his role as head – sales, marketing, and communications and product services effective July 23, 2002.

Mr. Sridar Iyengar, President TiE i.e. The Indus entrepreneur, Silicon Valley, and formerly partner in-charge of KPMG's emerging business practice was inducted as an additional director. He is an audit expert and consequently his appointment helps us to comply with the requirements of the Sarbanes-Oxley Act of the United States of America. On your behalf, I welcome him to Infosys.

As in the past our performance this year has been driven by the commitment of our fellow Infoscions. On your behalf and on behalf of the board of the directors, I salute them on yet another year of sterling achievements. We also place on record our appreciation of our clients, vendor partners, investors, and bankers for their unwavering trust and support to Infosys.

We are also grateful to the Government of India, particularly the Ministry of Communications and Information Technology, the Customs and Excise Departments, the Software Technology Parks, Bangalore, Chennai, Hyderabad, Mohali, Mysore, Pune, Bhubaneshwar, and New Delhi, the Ministry of Commerce, the Ministry of Finance, the Reserve Bank of India, the State Governments, and other government agencies for their support.

We are thankful to the trustees of the Infosys Foundation for sparing their valuable time and energy for its activities and making this yet another successful operation in alleviating the pain and the suffering of the poorest of the poor in this country.

Your company has redeemed the promise that it has made to our investors year after year for the last 10 years. We firmly believe that we will continue to do so.

Looking ahead, we are enthusiastic about scaling greater heights; however, as John F. Kennedy once said, "the new frontier of which I speak is not a set of promises, it is a set of challenges." Enthused by the confidence that you repose in us, we will transform these challenges into windows of opportunities. Thank you very much.

Marti Subrahmanyam: Thank you Mr. Murthy for your address. I now request Mr. Basab Pradhan, who is joining us by video-conference from our Fremont Office, to make a presentation on the State of the Markets. Mr. Pradhan.

Basab Pradhan: Thank you Marti. Good afternoon, ladies and gentlemen. The last year or so have been very interesting times in the IT services industry and for your company as well and I hope to be able to take you through and give you some flavor of what has been happening.



This is our safe harbor clause.

What I will be taking you through in the next few minutes is, here is the agenda; first the numbers on overall IT spending and IT services, a little about changing buyer preferences and how that has changed the nature of the market itself. How Infosys, your company, has responded to these changes, what is the comparative landscape look like, and what are the implications for Infosys.

To start - In 2003, IT spending growth. The analysts' estimates may vary but a slow recovery or even growth compared to 2002 is likely. If you look at the numbers, the analysts' numbers, generally are around 5%, which is higher growth than what they had projected for 2002. These are for IT spend, these numbers are for IT spend in the chart. Gartner estimates that IT services during 2003 will grow by 6.9% worldwide.

What are the changes in the way IT buyers are buying. IT buyers are asking for - two

broad themes are coming up in their buying characteristics: they are asking for business alignments and higher value-for-money. Under the theme of business alignment, the key characteristics are:

1. That the IT buyer believes that IT plays an important role in staying competitive, this is no different from earlier years. But it is relieving to understand that IT continues to be central to competitiveness.
2. The IT buyer seeks alignment of IT projects with business needs and believes that IT spending must be justified based on return on investment.

If you look at higher value-for-money umbrella, under that umbrella you have buying characteristics, which go like this:

1. IT budgets are under pressure.
2. The IT buyer looking for significant cost reduction, and to our advantage there is wide acceptance of offshore IT services.

What we expect from service providers based on these buyer characteristics are that because of the business alignment being sought in the market, business solutions innovation is something we expect to see. We also expect to see vendors to demonstrate insights into how to leverage IT for business needs.

The ability to bring industry best practices or benchmarks into client engagements will be important and there has to be a commitment to business outcomes.

On the higher value-for-money side, we expect vendors to offer higher predictability on time lines and budgets. Smaller phased projects. We think the day of the mega system integration project is past, we will now see more chunked up projects where IT buyers will expect business results from the first phase before they commit money to the second phase and so on.

IT buyers will like to save money using a Global Delivery Model and using those savings fund new projects.

Going to the next slide, the buyer characteristics that we spoke about on a previous slide, business alignment and higher value-for-money, are borne out by analysts' surveys as well. This is a study done by Forester, they asked a question for IT buyers, "What are the two most important criteria for your company when hiring a services firm." If you look at the top three criteria, all three of them, the first one is price, which is the most important one which points to the higher value-for-money, and the next two, domain knowledge of project and knowledge of the industry or business, both point to the business alignment that is being sought in the market.

How is your company responding to these changing IT buyer characteristics? Infosys is investing in business solutions and in extending its lead in offshore strategic sourcing solutions. So, we believe our business breaks up into business solutions that address a business problem of a business buyer, and offshore strategic sourcing solutions that address typically a CIOs business problem. On the business solution side, we have been broadening our services available; we have the consulting and system integration portfolio that includes business consulting services, CRM, supply chain, and ERP solutions. We have also been making investments in solution areas, especially joint solutions with alliance partners. We have created vertical practices and initiatives like retail, automotive and aerospace, telecom, and health care. We are investing in building both horizontal and vertical solutions, and we are hiring business process and industry experts across our consulting and system integration practices.

On the sourcing solution side, we continue to broaden out IT services portfolio, we have always been strong on the application development and application outsourcing side. We

have added infrastructure management and infrastructure system integration services recently. We continue to invest in strengthening our strategic sourcing approach while building solution frameworks for outsourcing by continuing our leadership in execution excellence, de-risking the global delivery model, client education, and change management, and looking at new pricing and risk reward models as the market seeks them.

On the business solution side, if you were to drill down a little, we expect that the market now demands that business solutions be executed in a Global Delivery Model. This is a theme that is increasingly clear. The current service providers, IT service providers, in the market, if you map them out on two axes, the Y axis being business solution excellence and the X axis being Global delivery excellence, you will find most of the global system integrators like Accenture and IBM, they have fairly high business solution capabilities but are yet to prove their Global Delivery Model capabilities. On the other hand, there are most Global Delivery Model firms or India-based firms companies that have a largely offshore India kind of business model, they show a high GDM excellence but fairly low on business solution excellence. We think we are definitely ahead of our peers in the Indian industry on our business solution excellence, but still have some catching up to do with the global system integrators. Now, the holy trail of this market really is to get to where business solutions can be delivered offshore and that is where all service providers are racing towards and this creates different imperatives for all companies. For us, it means creating a solution focus to our services and we continue to do that.

On the strategic sourcing side, the market demands will be robust and the deal sizes will be larger. This is a study done by Gartner. In their opinion, in the first few years, 1995 to 2001, we saw on the offshore strategic sourcing side, we saw early adopters of sourcing programming really out of India and these industries were financial services and high tech. The current phase that we are in will see most of the pragmatists. Industries like health care, retail, energy, also move into the offshore arena, and this is good news for us because really the revenue implications are the accumulated revenue from all the companies that have piloted and have successful experiences with offshore, and as we see a large bump in the number of companies who are considering offshore outsourcing. We expect that to have revenue implications for the offshore industry itself. Infosys as a pioneer of offshore strategic sourcing solutions continues to stay at the forefront.

This is a study that Forester did. This was on outsourcing across business process outsourcing applications and infrastructure, and even though our outsourcing is primarily applications today, Infosys actually is the third best known company in outsourcing and this is just a great achievement for us to be able to figure so high on this list. Your company continues to be in the forefront of offshore strategic sourcing solutions.

Taking a look at the competitive landscape, on the business solution side as we mentioned earlier, the major competition is from the global system integrators. Global system integrators like Accenture and IBM have business capabilities and business buyer relationships that exceed ours. However, the market demands that the business solution be delivered using the Global Delivery Model, and global SIs have not yet proven their ability to deliver using a Global Delivery Model.

On the offshore strategic sourcing side, our major competition continues to be Indian companies such as TCS and Wipro. The pricing there is under pressure because of a supply overhang in a low growth IT services market, and the clients are seeking significant cost reductions in IT spends because their businesses are impacted by the economy and there, most CIOs have been asked to cut their IT budgets significantly. On the strategic sourcing side, global SIs are still not credible competition.

What are the implications for Infosys for offshore strategic sourcing solutions? We continue to innovate in GDM. New capabilities to structure and manage large complex deals including new pricing models have to be acquired and related capabilities such as employee transition management. For business solutions, we need to integrate consulting, system integration, and application development services to come up with compelling solutions to business

problems, form alliance partnerships with ISVs with technology that can help build the solutions and then take these solutions jointly with these alliance partners to the market. Train our client-facing group to be able to better sell business solutions. Implications for branding, maintain overall positioning as a leader in offshore strategic sourcing.

(The video link between Fremont and Bangalore, breaks-up)

Marti Subrahmanyam: If we can re-establish the connection, we will go back to Mr. Pradhan. Otherwise, we will continue with Mr. Gopalakrishnan's presentation. We will just give it another few seconds.

I understand that was the last slide, so we will move on. I now request Mr. S. Gopalakrishnan, Chief Operating Officer and Deputy Managing Director of the company to make a presentation on the operational highlights of the past financial year. Mr. Gopalakrishnan.

Gopalakrishnan: Good afternoon everyone. Over the next few minutes, let me take you through the operational highlights for the financial year 2003. Basab talked about the environment in which we are operating, what are the trends we are seeing. He highlighted that we are seeing two clear trends, one on the strategic sourcing side and another one on the business solution side. He talked about convergence happening between the global SI companies as well as the Indian companies, which pioneered the Global Delivery Model.



The Global Delivery Model is clearly the core of Infosys strategy. That is what makes us unique, that is where we have the leadership position today, and we are not standing still with that. We are innovating, we are investing in it, and we continue to build upon that, and that is the direction in which we are moving clearly. We are trying to integrate solutions and deliver solutions using the Global Delivery Model. Just to give you an idea of what the Global Delivery Model itself is. It is to break up a project into components and execute those projects where it is appropriate to execute those projects. The benefits are of course you can work across time zones, you can leverage resources, which are the right resource for delivering that service across the time zones. We leverage the time differences. We don't use that as a constraint, but leveraging that to deliver the solution faster, and the distance in that sense is an advantage and not a limitation. We have pioneered the Global Delivery Model. It has become a win-win proposition, in the sense that the customer benefits because he gets a solution faster and better because the Global Delivery Model is executed from centers of excellence built with, you know, the technology infrastructure, the physical infrastructure, the whole human resource pool from recruitment to training to continuous education, investment in process systems, knowledge management, and then the whole process for delivering those services, which is assessed at CMM level V in the case of Infosys. So, there is a whole lot of investment, which has gone to make sure that we deliver better solutions to our clients. Now, the clients get the benefit of better solutions as well as lower cost. Infosys benefits because we are still able to make good margins on these services. Our employees benefit because typically these jobs are some of the best jobs in the country today. So, in that sense, it is a win-win proposition for everybody considered. And, today, as Basab has said just now, today the Global Delivery Model is becoming a mainstream model for delivering IT solutions and IT services to our clients. We focus, as I said, on further strengthening on our innovative practices. In these times, what is the environment, you know, Murthy talked about it and Basab also talked about it, outsourcing and offshoring to India is becoming mainstream. Overall economic slowdown continues. There is some improvement in the situation because we see that the war in Iraq is over, the situation regarding SARS is much better now. There is renewed travel happening, client visits are happening, and prospect visits are happening. There is because of the economic slowdown increasing unemployment overseas, especially in the IT and related services side. There is increasing pricing pressure, Basab talked about, because of the slowing down economy and things like that, the clients are asked to reduce their budgets and things like that. They are asked to do more with less, and that is putting pressure on their vendors, that means, you know, companies like Infosys to reduce cost. And there is of course the competition to reach the ultimate model of delivering business solutions using the Global Delivery Model. I will talk about the areas of operations, and

our client relationships, end-to-end services, our brand, the global footprint, operational effectiveness, best in class people, world class infrastructure, and then my colleague Balakrishnan will talk about the financial management in his own style. Probably listening to him is better than actually seeing the presentation.

From the client relationship side, we have further strengthened our relationships. We have added 92 new clients in the last one year. We have two \$40 million clients, three \$30 million dollar clients, 115 clients who do a million dollars worth of business or more with us. We have restructured the client-facing teams to improve the business understanding and reduce time to respond to client needs. We have identified the key and global accounts. By identifying these accounts we hope to deliver better service to these accounts. These are some of the larger, strategic relationships we have, and because of the strategic nature or the size of their accounts, we want to make sure that we deliver an additional set of services to these clients, so that they feel that they are unique and that they are driving more from this relationship. Top 20 clients represent 54.1% of our revenues. There has been 38% increase in million dollar clients, 64% increase in \$5 million clients, and 50% increase in \$20 million clients. Repeat business continues to be high. It shows that our clients still have tremendous confidence in Infosys.

End-to-end solutions is very very important to us, as I said, we have to continue to innovate, we have to maintain our leadership position. We have made significant strides in the enterprise solution and consulting space. In fact today 23% of our revenues come from some of the new services we have started, enterprise solutions itself is 14% of our business, grown from zero to 14 over the last three years.

We have strategic alliances with many companies today, companies like Microsoft, Sun, etc., and through these strategic alliances we want to deliver business solutions. We want to partner with them very closely, leverage their own channels, their own business development teams to deliver some of the services. We have a state-of-the-art network operation center today in our Electronics City facility and through this we are able to deliver infrastructure management services. So, our clients are looking at how can we leverage the relationship we have with Infosys, what else can we do, how else can we do more with Infosys such that their own cost comes down. And infrastructure management service that means maintaining their networks, work stations and desk tops from India is a very very important way in which we can reduce their costs.

We have started an independent validation service, that means testing applications that may have been developed by somebody else or testing applications when you move from platform to platform and things like that. Like I said, there has been a 55% increase in revenue from the enterprise solutions practice, it is one of the fastest growing practice for us, this is package implementation like packages like SAP, Sibel, PeopleSoft etc. Progeon has established presence in the business process management space, added five clients, 539 employees, generated revenues of Rs. 20.85 crores within a very short period and combined with Infosys, we hope that this becomes a very very powerful solution which we can offer to our clients. 62% growth in the Banking Business Unit, and several wins in the banking area.

We have increased our vertical footprint by adding new vertical industries as well as creating focussed units for certain vertical industries like retail, automotive, and aerospace. We have enhanced our specialized support through our Domain Competency Group solutions for Basel II or perishable products in the grocery industry and things like that. Cross-functional teams have been created to develop vertical solutions, cross-functional teams with combined consulting group with Domain Competency Group with our Software Engineering and Technology Labs to bring in the technology perspective, system integration to put all this together etc. There is lot more integration across the company to provide a total solution to our clients. All this results in increased expertise in clients' business domain, sustained growth in all verticals with clients adopting our solutions, and increased business from marquee clients such as Aetna, Amex, Cisco, Fidelity, Goldman Sachs, IKON, Nordstrom, etc.

Our geographical footprint continues to grow. Even in these times, we are increasing our sales and marketing expenditure by opening new sales offices in Dublin and Ohio in the US. We have now a multicultural diverse global workforce, employees from 38 nationalities and this number continues to grow everyday. We have 259 sales employees outside India and 21 in India, so this is one of the strengths of Infosys. From the beginning Infosys has focussed on direct sales. We want to meet the customer, we want to be face-to-face with the customer, we want to own their relationship, and we have always had a direct sales force. We do no subcontracting to other companies, we have 100 seat global development center in Melbourne, and a 50 seat proximity center in Tokyo. So, we continue to expand our presence outside the country.

On the branding side, we continue to invest in creating a unique brand in a unique way. Our Wharton Infosys Business Transformation Award is a recognition that business transformation plays a key role in making sure that the businesses become more productive, they become more competitive, etc., and we recognize the companies which have excellent use of technology. This year's winners have been Imperial Sugar Company in the US, Fujitsu Siemens Computers in Europe, ING Direct Worldwide and Standard Chartered Bank. We also recognize individuals and one of the individual we recognized this year was Dan Bricklin, who invented actually the spread sheet, another product is Dam Bricklin demo, which many people probably would not know, but still widely used actually on developing text based user interface and things like that. We have CXO city chats, which are done across the US and Europe and this is very successful in demonstrating thought leadership. Some of these events are actually run along with our alliance partners like Supply Chaigne etc.

In-Step is a global internship program, which covers students coming from multiple global universities and spending may be one month, two months, or three months at our facilities, and they work on specific projects. These projects are posted ahead and the students offer certain projects, and they complete these projects during their time at Infosys. This increases the relationship with these universities, it creates an awareness with future leaders of these countries about a world class company like Infosys.

FINACLE™ as an umbrella brand for all banking products is clearly now being recognized as one of the best banking products in the world and it has now core banking e-channels, e-corporate, CRM, treasury, so in this year we have added actually to the product suite.

On the operational effective side, the utilization rates have gone up this year to 77.6% from 70.1% when you look at including trainees. Excluding trainees, it has gone up to 82.2%. And the offshore-onsite ratios have shifted little bit to onsite, because the growth has been high and then we have some services like enterprise solutions, which are primarily onsite based.

We are also improving some of the cost functional processes to improve the productivity and enhance the utilization of our own assets and resources. The project management processes have been assessed at CMMI, which is one of the latest versions of the CMM model, further endorsing the high standards of quality and productivity. There is a continuous improvement going on, every year we have certain parts of the organization assessed, so that we can make sure that there is no slippage in the quality practices. We have standard methodologies that have been perfected based on accumulated experience which keeps on increasing year upon year, and so these methodologies continue to evolve. We have deployed our own CRM solution, it is called Cimba, which allows us now to have much better visibility into the sales pipeline, do better forecasting, and we have also strengthened our project budgeting system.

So, total employee as of the end of financial year 2003 has been 15,356. Attrition is one of the lowest, around 6.9%. Our HR processes have been assessed at PCMM level 5, this is the People Capability Maturity Model, which shows that the organization is aware of what are the commitments and what are the requirements of the employees and how we can make sure that they deliver value when they work on projects, they are fully committed to delivering value, delivering a defect free software to our customers. It is a part of the

whole CMM initiative. We have increased our training even in these times of economic slow down and things like that. We have completed the transition to a role-based organization, and we have closely aligned the compensation to performance, performance at the company level, unit level, as well as individual performances. We have facilitated the development of more than 200 Infosys leaders and further rolled out a three tier model for leadership development, tier one being the highest level of leadership to tier three.

We have added to our world class infrastructure, we have now 34,31,350 sq.ft. of space capable of accommodating 16,970 professionals. We have spent Rs. 76.11 crores on developing state-of-the art technological infrastructure. We have planned, and this is in the process of being set up, 27,000 sq.ft. disaster recovery facility in Mauritius. Some of our clients had raised the issue of the necessity to have a disaster recovery facility outside the country and this is the reason why we have set this up at Mauritius, and as I said we have 10 proximity and global development facilities in the US, Europe, and Asia-Pacific.

The company has continued winning awards. We have been ranked number one in terms of our people practices, we have been ranked number one employer in the IT sector as well as the best employer in India. The most admired knowledge and the prized award for Asia and this is the first time an Indian company is winning this award. Global corporate achievement award 2002 by the Economist Intelligent Unit, again this is an award across all companies in Asia, they give three awards, one in Europe, one in US, and one in Asia-Pacific, and Infosys won the award, and this includes companies in Japan also, so we have won this award last year. This year CII EXIM award for Business Excellence, Best Managed Company in India by Asia Money, ranked number one Asia's leading companies by Far Eastern Economic Review, and for the first time an Indian company has been featured in Computer World. Computer World is one of the leading computer magazines in the US, and we have been featured as 100 best places to work in IT, based on the survey of US based companies. So, the first time an Indian company is winning an award in the US for its HR practice and things like that.

So summarizing, extensive experience in Global Delivery Model, lower risk, higher value to our clients, contrary to the global System Integrators, who are getting into the model, this model has been build up ground up in the case of Infosys. Our whole way of selling, delivering, etc., is based upon the Global Delivery Model. You know incentives for performance, incentives for sales commission, is all built into the system ground up, where as the global SI companies have to now reinvent the wheel in these areas.

When a company looks for strategic sourcing they look at a strong partner, Infosys has the strong financials, has the corporate governance, credentials, high cash reserves to make sure that we become a trusted partner for our customers. There is a growing spectrum of services, which allows us to provide end-to-end solutions. Our solutions are continuously evolving and it continues to meet the changing requirements of our clients. There is strong focus on excellence in execution, including high end business consulting and we continue to invest in quality and productivity. There is focus on methodologies and investments including business solutions in building the systems and processes required to deliver the services. There is a Global Delivery Model which has matured over the past 15-20 years and which we continue to invest and there is no short cut to get here actually, and we also continue to focus on being an employer of choice so that we can attract the best and the brightest in the country.

In short, actually we are the leader in the Global Delivery Model, the model of the future in delivering IT services. We believe that lot of hard work has gone into bringing us where we are today, and our commitment to you is that we will continue to work hard, invest, innovate so that that leadership position is maintained. Thank you.

Marti Subrahmanyam:

Thank you, Mr. Gopalakrishnan for that thorough review of the past years' operational activities. I will now turn to Mr. Balakrishnan, the company secretary for review of the financial highlights for the past year.

Balakrishnan:

Good afternoon everybody. Let me take you through the financial performance of Infosys for the last fiscal.



This is a standard safe harbor clause.

We achieved a revenue growth of 38% in dollar terms as against our guidance of 18% we gave in April 2002. We added around 92 clients during the year. We added 4,618 net employees during the year. Progeon achieved the break even in the Q4, in the first year of operation. We had a dividend pay out of 20% of the net profits. So, look at the income, it has grown by 39% to Rs. 3,623 crores. Export income has grown by again 39% to Rs. 3,544 crores. Gross profit has gone up by 31%. In terms of operating profit, it has gone up by 23%, Profit Before Tax has gone up by 23%, and Profit After Tax by 19%. In terms of percentages, the gross profit has slightly come down by 300 basis points and the Profit After Tax has come down from 31% to 26%.

It was really a challenging year.

In terms of growth, the price has come down by 5% and it was more than compensated by volume growth of 42.6% and overall, we have seen a revenue growth of 37.6%. Rupee has also become stronger, it has appreciated by around 3% year on year from 48.79 to 47.53. Add to that we had SARS, the Iraq war, and the weak US economic environment, and also increased competition from global players.

We have not run away from the challenges and we faced it.

In terms of utilization, we increased the utilization from 70% to 77.6%, add to that we had a very strong volume growth, which helped us to grow at 38%. We also moved to a higher variable compensation structure. So look at the revenues, it has grown by 39%, but per capita cost, which includes a blend of onsite and offshore, it has gone up by only 21%. We also spent more on sales and marketing expenditure. We cut down on unnecessary costs, but we invested also for the future. We had two new marketing offices, and we increased the employees from 143 to 280. Our overall sales and marketing cost has gone up from 5% to 7.37% during the year. We had tight control on general and administration cost. It has come down from 8.12% to 7.46%, we have also got the leverage of the scalability. We started hedging on the forex receivable. We are net foreign exchange earners, so to the extent of 45-50%. So any change in the rupee-dollar rate to the extent of one percentage will have an impact of around 50 basis points on the Profit Before Tax. We started heavily hedging our receivable in the forward market. We had a position of \$88 million in forward contracts as of March 31, 2003.

Not only in love, but even when you run a business, you have to keep up your promise.

We had given guidance for all the four quarters during the year, both top line and bottom line. We have consistently achieved that or exceeded that in all the four quarters. We had a write off of our provisions of around Rs 23.77 crores towards strategic investments we made in different companies during the year. They were not able to get fresh financing due to the weak economic environment and we had fully provided for those investments. Net-net we had a cumulative investment of around Rs. 79 crores in all these strategic investments, and after write offs and taking into account the revenue we got from all these companies, we had a net benefit of Rs. 151 crores from these investments.

Acquisition. We have done some acquisition.

We had acquired IPRs worth Rs. 42.12 crores during the year. We acquired a treasury management product, a signatory display software for our banking product group which enabled us to increase the functionality of the product, we also bought Autolay product for our engineering services practice, which cost us around Rs. 24.5 crores.

Let us see the revenue segmentation one-by-one.

This year, the revenues from North America has gone up from 71.2% to 73%, where as the Europe has slightly come down from 19.5% to 17.7%. In terms of business segments, the software development is almost same 32 and 32.1, the engineering services and package implementation has slightly gone up year-on-year. In terms of vertical domains, we had seen growth in both banking and financial services and also transportation and logistic services. In terms of segmentation of revenues by fixed price and time and material, fixed price had gone up from 31.6% to 36.7%.

All the global majors are eyeing the Indian offshore model.

As far as the offshore model, we are one of the pioneers in this model. This year the onsite income is slightly gone up from 50.8% to 54.7%, but in terms of the effort, we have still 66% of the efforts being done in India.

We have a de-risked business model. At the end of the year, we had 345 active clients, we added 92 clients during the year. Our top customers was 5.8% of the revenue. We had 115 million-dollar clients, and repeat business was 92% for the overall company.

In terms of cash management - Our Balance Sheet is like a dream girl in the corporate world. She has slightly put on weight, the cash and cash equivalent has gone up from 49% to 58%, but still it is an acceptable beauty in the corporate world, and we continue to be a zero debt company.

Our receivable are under control, more than 90 days has gone up from 0.5 to 1.3%, but as a policy, we provide for all receivable more than 180 days and also look at all the specific receivables and make adequate provisions, so we are in full control of this. Cash and cash equivalents of Rs. 1,638 crores at the end of the year, we added Rs. 611 crores in spite of spending Rs. 219 crores on capex.

Our cash management policy - We have a policy to maintain 25% of revenue in liquid assets, 40% of the total assets to be in liquid assets. We have a target of at least achieving two times the cost of capital as return on capital invested and three times the cost of capital as return on average invested capital, excluding cash. Our current cost of capital is around 17%. All these cash we require because we have 40% of the revenue going to employee salaries, where we cannot take credit, this has to be paid cash, and also we need cash for our ongoing capex requirements and also to meet growth objectives. We maintain sufficient cash in the Balance Sheet, and be highly liquid, to take on any new opportunities. If you look at the benchmark, we had return on capital employed of 46.9% it is still 2.8 times the cost of capital as compared to our target of 2. Return on invested capital is 79.9%, it is still 4.7 times the cost of capital as against our target of 3. In terms of days of sales outstanding or account receivable where the target of 60, our actual AR days is 52. Cash and cash equivalent as a percent of total assets, we have target of 40%, is 57.3%, and cash and cash equivalent to revenue is 45.2% as against our target of 25%.

Let us look at the other parameters.

The return on average net worth as come down from 46.6% to 38.8%. Return on invested capital has come down from 83.1% to 79.9%. EPS, that is earnings per share, has gone up from Rs. 122 to Rs. 145. Cash EPS has gone up from Rs. 146 to Rs. 173. Dividend pay out is almost 20% as against 17% last year. Book value has gone up to Rs. 432. Price earnings multiple is 28, and market price adjusted IPO price, that is after adjusting all the stock split and bonuses, is 68,259%.

We added 1,100 plus lateral employees during the year.

These are people with experience, so the average age remains same at 26.6, but the overall wisdom of the company has gone up. It has shown up in the education index, which has gone to 44,972 as against 31,385. The EVA has gone up to Rs. 538 crores. HR value has gone to Rs. 10,417 crores, and revenue from image enhancing clients is 56%.

Progeon - This baccha has really grown up. It will come to teens next year, I am talking about profits.

It started operations in April 03, break even in Q4, there are 539 employees, 5 customers, revenue of Rs. 20.85 crores, and a projected revenue of Rs. 76 to 85 crores for the next fiscal.

As per the US regulation, both the CEO and CFO have certified the financial statements. If there is any mis-statement it attracts both civil and criminal penalties. I think all the CEOs and CFOs in the world has to memorize this song and keep singing before they certify.

As per US GAAP - The revenues have gone up by 38% under US GAAP. Gross profit by 34%. Operating income by 22%. Operating income excluding stock composition cost has gone up by 22%, net income by 18%, and net income excluding stock composition has gone up by 18%.

We have shareholders in all parts of India. In whichever, language you ask us, our answer is that we love you.

The share transfer in physical form completed within 15 days, investor complaints are addressed within 10 days. We have 99.18% of our stocks held in demat mode and we have 18 cases pending against us, pending due to share litigation. In none of these cases the company is directly involved.

We know that we have to give back something to the society.

We granted Rs.5.53 crores to Infosys foundation, not for profit trust. It supports all the activities for the benefit of the society. We continue to adhere to principles of UN Global Compact program. We donated 1,490 computers to various institutions under computer @ classroom program.

We got the award for the best presented annual reports of fiscal 2002. We got it seventh time in a row. We got the Asia money award for best investor relations in India for 2002, and we also ranked #1 in India by the Asset survey on best corporate governance.

Keep the sweet memories of my presentation, till I meet and present again in the next AGM.

Thank you.

Marti Subrahmanyam: Thank you Mr. Balakrishnan for your presentation in your usual signature style.

Members are advised that we have commenced serving afternoon tea in the refreshment area outside. We move on to the formal part of the proceedings, of the meeting. Before we proceed, it gives me pleasure to bring to your notice that the company has volunteered to transact business as set forth in the notice through a non-mandatory postal ballot. Members may please note that the company is not required to transact items of business as set forth in the notice through a postal ballot either in accordance with the Companies Act of 1956 or any other law for the time being in force. The non-mandatory ballot is not a substitute for the AGM that we now have in session, or an alternative method to exercise its voting rights. This process has been adopted to enable shareholders who are unable to attend the meeting in person to convey their voting preferences to the company. We have received the report from the scrutinizer for the postal ballot, Mr. Parmeshwar Hegde. We will declare the results of the postal ballot at the beginning of each item of business as we move forward. I now request Mr. V. Balakrishnan, Company Secretary and Vice President Finance to read the auditor's report. Mr. Balakrishnan.

Balakrishnan: Auditor's report to the members of Infosys Technologies Limited.

We have audited the attached Balance Sheet of Infosys Technologies Limited (the Company), as at March 31, 2003 and also the Profit and Loss Account for the year ended on that date annexed thereto and the Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government of India 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.

Further to our comments in the Annexure referred to above, we report that:

(i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

(ii) 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 those books;

(iii) the Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;

(iv) in our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;

(v) on the basis of written representations received from the directors, as on March 31, 2003, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2003 from being appointed as a director in terms of Section 274 (1) (g) of the Companies Act, 1956;

(vi) 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 in conformity with the accounting principles generally accepted in India:

a. in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2003;

b. in the case of the Profit and Loss Account, of the profit for the year ended on that date; and

c. in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

for Bharat S. Raut & Co. Mr. S. Balasubrahmanyam, Partner.

Marti Subrahmanyam:

Thank you Mr. Balakrishnan. I also want to take the opportunity to thank Mr. Basab Pradhan, because we could not thank him earlier because video link was severed. Let's give him a round of applause.



We now move on to the formal items of the agenda.

First is adoption of accounts, which is item #1 of the notice that you have in front of you. The Balance Sheet, Profit and Loss account, Director's Report, and Auditor's Report for the year-ended March 31, 2003, are already with you, the members. I now declare the results of non-mandatory postal ballot on item #1.

We have received 81 postal ballot forms that were valid in all respects, aggregating to 5,55,018 equity shares. Holders of 5,55,018 equity shares have voted in favor of the resolution. There are no votes against the resolution.

If any member desires to ask any question pertaining to this item, he or she may do so now. Please restrict your questions only to matters regarding the adoption of accounts. Any other questions of a general nature will be taken up at the end of this meeting. After the management answers the questions, we will proceed. Are there any questions, otherwise I will ask any member to move the resolution for adoption of accounts.

Do I have someone proposing it.

Mr. Deepak proposes.

Seconding it.

Mr. Ravish Kumar seconds resolution.

I request the members who are in favor of the resolution to raise their hands.

Any one opposed?

I declare the resolution as passed with the requisite majority.

We move to the second item, declaration of dividend, item #2 of the notice.

The board has recommended a final dividend of Rs. 14.50 per share, making in all a total dividend of Rs. 27 a share including the interim dividend of Rs. 12.50 per share paid during November 2002 for the financial year 2002-2003.

I now declare results of the non-mandatory postal ballot regarding item #2. We have received 81 postal ballot forms that were valid in all respects aggregating to 5,55,018 equity shares. Holders of 5,55,013 equity shares have voted in favor of the resolution, and holders of 5 equity shares have voted against the resolution.

Are there any questions from members pertaining to this item.

I now request any member present to propose the resolution.

Mr. Gopinath proposes.

Seconding it.

Mr. Krishnan seconds.

I request members in favor of the resolution to raise their hands. Thank you.

All those opposed?

Thank you

Yes, there is one person of course. I should clarify. I believe he is voting on behalf of the proxy holders, right? There are proxies that have been sent and he is voting on their

behalf, in ADR form. He is not voting in his personal capacity. I don't want anyone to take a reaction against him later on.

Male Participant: I am not sure about this. But I would have thought the proxy is not allowed to vote in the show of hands, only in the ballot.

Marti Subrahmanyam: Our legal council will answer that question. Mr. Nityanandan.

Nityanandan: You are right, when you say a proxy cannot vote in a show of hands. However, representative of a corporate can vote in a show of hands. Technically, you know, the ADR holders are, you know, the shareholder is Deutsche Bank Trust Americas. So, Deepak Natraj, who is our officer, is a representative of the corporate Deutsche Bank.

Marti Subrahmanyam: Thank you for the clarifications, Nityanandan. So, the resolution #2 is passed with the requisite majority.

The third resolution is to appoint a Director in place of Mr. Srinath Batni who retires by rotation and being eligible offers himself for re-election. Item 3 of your notice. In terms of article 122 of the Articles of Association, Mr. Srinath Batni retires by rotation and being eligible offers himself for reappointment.

I now declare the results of the non-mandatory postal ballot relating to item #3. We have received 81 postal ballot forms that were valid in all respects aggregating to 5,55,018 equity shares. Holders of 5,47,710 equity shares have voted in favor of the resolution. Holders of 4044 equity shares have voted against the resolution, and holder of 3264 equity shares have abstained from voting on the resolution.

Are there any questions from members regarding this item. If not, I request any member to propose the resolution.

Mr. Shanmukhappa proposes.

Second. Mr. Ravi seconds.

I request all members in favor of the resolution to raise their hands.

All those opposed. We have the same gentleman who is acting on behalf of the ADR holder, a few ADR holders, I should emphasize.

There is one more person who is opposing. I just want to clarify a poll may be demanded by any person who holds shares up to a paid up value of Rs. 50,000.

Male Participant: Exactly. Number of holding is 34,126.

Marti Subrahmanyam: Okay. Well, we have received a demand from so and so for a poll, your name?

Male Participant: Vishal Joshi.

Marti Subrahmanyam: Mr. Vishal Joshi. I request you to provide your folio number and client ID to enable us to ascertain your holding in the company. The poll for the resolution will be taken up immediately after the proceedings of the meeting.

Vishal Joshi: Client ID is 30001133.

Male Participant: I understand that the second page of the notice says holding of Rs. 50,000. I could be wrong on this, but my knowledge of the company law is I could say 10% holding or 10% of the shareholders present. I don't believe this Rs. 50,000 is enshrined in the Companies Act.

Marti Subrahmanyam: Well, I will have to ask for counsel on this from our finance director or from the company

secretary. OK. It is of those holding Rs. 50,000 of paid-up capital.

I think we should move along, and will take any other resolution if it comes up in the same fashion later on.

Okay, the next resolution is to appoint a director in place of Mr. Omkar Goswami who retires by rotation, and being eligible offers himself for re-election. Item 4 of the notice. In terms of article 122 of the Articles of Association, Mr. Omkar Goswami retires by rotation and being eligible offers himself for reappointment. I now declare the results of the non-mandatory postal ballot relating to item #4. We have received 81 postal ballot forms that were valid in all respects aggregating to 5,55,018 equity shares. Holders of 5,47,738 equity shares have voted in favor of the resolution. Holders of 26 equity shares have voted against, and holders of 7,254 equity shares have abstained from voting on this resolution.

Are there any questions from members pertaining to this item? If not, we will proceed with the resolution. I request any member present to propose the resolution.

Mr. Rakesh Agarwal proposes.

Is there a second. Mr. Shyam Sunder seconds.

All those in favor please raise your hands.

All those against. Again we have the representative of the ADR proxy holders.

(Vishal Joshi demands for a poll)

The poll for the resolution will be taken up immediately after the proceedings of the meeting.

Vishal: In fact, I want to demand a poll for item #3, 4, 5, 6, & 8. All the appointments of directors.

Marti Subrahmanyam: All appointments of directors, correct?

Now, Item 5 - The resolution reads, to appoint a director in place of Senator Larry Pressler who retires by rotation being eligible offers himself for reelection, that is item #5 of the notice. In terms of article 122 of the Articles of Association, senator Larry Pressler retires by rotation and being eligible offers himself for reappointment.

I now declare the results of the non-mandatory postal ballot relating to item #5. We received 81 postal ballot forms that were valid in all respects aggregating to 5,55,018 equity shares. Holders of 5,50,966 equity shares have voted in favor of the resolution. Holders of 22 equity shares have voted against, and holder of 4,030 equity shares have abstained from voting on this resolution.

Are there any questions from the members pertaining to this item?

Male Participant: Where is Senator Larry?

Marti Subrahmanyam: May be I will request Mr. Murthy to answer.

Male Participant: Has he agreed?

Narayana Murthy: Well, yes. Senator Larry Pressler has agreed. He is right now in London. He could not make it to this meeting, but he is in London.

Male Participant: Sir, can you quantify Senator Larry's contribution to the company? That is in the terms of revenues?

Narayana Murthy: No, I don't think there have been models produced in the world to quantify the contribution

of independent directors in terms of revenues. I am sure you are much more knowledgeable than I am in this field, but to the best of my little knowledge it is not there. I am willing to accept if you have one. However, having said that, let me say this that he has played a very important role in terms of fiduciary responsibilities in various committees in the company, in terms of connecting the company with prospective clients, in terms of raising the image of the company in the United States because he is a very famous Senator. He was in the House of Representatives. He has spent 18 years in all of these things. So the fact that Senator Larry Pressler who is a great friend of India, I don't know if you know about Pressler Amendment, the fact that he is on our board is indeed a great privilege and honor for us and an honor for India.

Male Participant:

Thank you, sir.

Marti Subrahmanyam: I request any member present to propose.

Mr. Shanmukabagyan.

Seconding it.

Mr. Narshima Shenoy seconds.

All those in favor of the resolution, please put up your hands.

All those against.

(Vishal Joshi demands for a poll)

The poll for the resolution will be taken up immediately after the proceedings of the meeting.

Item #6: To appoint a director in place of Ms. Rama Bijapurkar who retires by rotation and being eligible offers herself for re-election which is item #6 of the notice. In terms of article 122, the Articles of Association, Ms. Rama Bijapurkar retires by rotation and being eligible, offers herself for re-appointment.

I now declare the results of the non-mandatory postal ballot relating to item #6. We have received 81 postal ballot forms that were valid in all respects aggregating to 5,55,018 equity shares. Holders of 5,50,893 equity shares have voted in favor of the resolution, holders of 31 equity shares have voted against, and holders of 4,094 equity shares have abstained from voting on this resolution.

Are there any questions for members pertaining to this item? Any questions? If not, may I request someone to propose this resolution?

The gentleman towards me. Mr. Guruprasad.

Second. Ms. Pushpa.

All those in favor of the resolution, please put up your hands.

All those against.

(Vishal Joshi demands for a poll)

The poll for the resolution will be taken up immediately after the proceedings of the meeting.

Appointment of auditors, that is item #7 of the notice. The auditors M/s Bharat Raut and Company, Chartered Accountants, retire at this meeting and I have confirmed their eligibility and willingness to accept office, if reappointed.

I now declare the results of the non-mandatory postal ballot relating to this item. We have

received 81 postal ballot forms that were valid in all respects aggregating to 5,55,018 equity shares. Holders of 5,55,004 equity shares have voted in favor of the resolution. Holders of 14 equity shares have voted against.

Are there any questions from members regarding this item? If not, may I request a member to propose this resolution.

Mr. Pundalikakshan proposes.

Seconding it.

Mr. Venkatrajan seconds.

May I ask members in favor of the resolution to put their hands.

All those against?

I declare the resolution as passed with the requisite majority.

Male Participant: The retiring directors offer themselves up for reelection. Do we have anybody contesting against them for their position.

Marti Subrahmanyam: Not that we are aware.

Male Participant: Is the ballot in order at all.

Marti Subrahmanyam: That is a matter that we could discuss, I suppose. I don't know. I guess, you are raising that question.

Male Participant: Yeah. I am saying that, I believe that a poll is redundant since it is either yes or an abstinence.

Marti Subrahmanyam: Mohan, should we just take a vote on that. We cannot take a vote on that. We have to go through the ballot.

Male Participant: Have you decided what we are voting on the poll.

Mohandas Pai: But, it is a requirement of law.

Male Participant: Mr. Pai, we would be voting, yes, the directors re-appointed. What if we say, No.

Mohandas Pai: Well, you have to vote on a ballot.

Male Participant: Yeah, do we have an alternative director.

Mohandas Pai: We don't have. The position becomes vacant. The position has been vacated at the end of this meeting, you are voting in a ballot to fill the position. If the ballot goes against the director, the position becomes vacant.



We move now to item #8, which is a special business item on the agenda: approval of the appointment of Mr. Sridar Iyengar as a director liable to retire by rotation, which is item #8. Mr. Sridar Iyengar was co-opted as an Additional Director of the company with effect from April 10, 2003, pursuant to section 260 of the Company' Act of 1956. Mr. Sridar Iyengar, being an Additional Director vacates the office of the Director at the commencement of this Annual General Meeting. The company has received notice in writing from a member along with a deposit of five hundred rupees (Rs. 500/-) proposing the candidature of Mr. Sridar Iyengar for the office of the Director under the provisions of section 257 of the Company's Act of 1956. None of the directors other than Mr. Iyengar are interested in this resolution.

I now declare the results of the non-mandatory postal ballot relating to this item. We have

received 81 postal ballot forms that were valid in all respects aggregating to 5,55,018 equity shares. Holders of 5,47,704 equity shares have voted in favor of the resolution, holders of 19 equity shares have voted against and holders of 7,295 equity shares have abstained from voting on this resolution.

Now I seek the members' approval under section 255(2) of the Company's Act of 1956 to appoint Mr. Iyengar as a Director liable to retire by rotation.

Are there any questions from members regarding this item.

If not may I request a member to propose the resolution.

Mr. Dwaraknath proposes.

Seconding it.

Mr. Swaminathan seconds.

All those in favor of the resolution.

All those against. Anyone against?

(Vishal Joshi demands for a poll)

The poll for the resolution will be taken up immediately after the proceedings of the meeting.

We go to the last resolution, which is resolution #9.

The proposal is to delete article 107 of the Articles of Association. Article 107 of the Articles of Association of the company provides that as long as Mr. N. R. Narayana Murthy and/or his relatives hold 5% of the issued shares of the company, Mr. Narayana Murthy shall be the Managing Director of the Company and shall not retire by rotation.

Infosys is committed to the practice of the highest standards of corporate governance, as you are all aware. This is not a matter of mere form but rather of substance. Historically, article 107 has existed in the Articles of Association as set out above. The article has not been effected upon ever since the company issued shares to the public. In fact, Mr. N. R. Narayana Murthy himself offered to retire by rotation in line with those of actions of the other members of the board. In this context, this article has become redundant. Hence, the board recommends the deletion of article 107.

I now declare the results of the non-mandatory postal ballot relating to item #9.

We have received 81 postal ballot forms that were valid in all respects aggregating to 5,55,018 equity shares. Holders of 5,54,878 equity shares have voted in favor of the resolution, holders of 86 equity shares have voted against, and holders of 54 equity shares have abstained from voting on the resolution.

Now, I think the members' approval for the deletion of this item, but before I do so, before I move further, I would like to ask the Chairman of the board, request the Chairman of the board to make a statement regarding this with his usual clarity.

Narayana Murthy:

Thank you Marti. You know, this clause was put in the Memorandum of Articles long time ago. It was in some sense an act of friendship, an act of confidence in me by other founders and other people who were at that point of time shareholders. I must say, I am very very grateful to them for their extraordinary generosity and at that time it was felt that I would be the binding force that was required. However, as we have moved forward, we became wiser, we learnt from the better practices, and we said that look we will not effect this. In keeping with that particular decision, I have retired and I have sought myself a re-election, and you people have been kind enough to vote me back. I also gave up the position of

Managing Director in August 1998, which is five years ago. So, we felt that as we were discussing various issues that it is time perhaps to delete this clause, simply because this clause, though we have actually not at all utilized this, we felt that because we are a global company, we did not want anybody to say, look how is it that you have this clause? So in keeping with our walk, we felt that our talk should also be synonymous.

That is the reason, let me also assure all of you that as long as I am physically fit, mentally fit, and until the time of 60th year, I will continue to serve the company, I will continue to assist the CEO, the COO, the CFO, and other members of the board, and every infoscion in whatever capacity they think I should. In fact let me also say that, I am much much more busy working for the company today in terms of my travel, going outside, etc., than ever before. So let there be no doubt at all in the mind of anybody that this is a clause for me to get off this train, absolutely not.

Marti Subrahmanyam: Thank you Mr. Murthy for clarifying that. Are there any questions regarding this resolution?

Male Participant: Mr. Murthy has been an institution and led his team into making Infosys an institution. As a shareholder, I would oppose the resolution. I would like to have Mr. Murthy on board as an institution itself, which is a sentimental thing.

Narayana Murthy: You know, I am very very grateful to you for your kindness, for your generosity. But lets us all remember, without Infosys none of us exist. The greatest glory is that of Infosys, then all of us come in. This is a clause. Deletion of this clause in my opinion, in fact, I suggested this, is going to raise in some sense the image of Infosys. Because, now we are in limelight with the best of the companies on the NASDAQ. We operate in various countries in most developed countries, etc. So my request to you is this. Kindly help me follow the principle that I have always followed and that is let us put the interest of the community of Infosys ahead of anybody's personal interest, ego, pride etc., and I will be most grateful if you people will kindly help me in passing this resolution. I would be even more grateful if this is done universally here and there is no poll and all of that, but if that poll has to be done, we will have to go through that because I can fully understand that, you know, there are certain things that we have to do correctly. But my request is this that let us make Infosys much stronger by deleting this clause.

Marti Subrahmanyam: Thank you Mr. Murthy. Any other questions from the floor?

Male Participant: Mr. Narayana Murthy has been an institution by himself and he has made Bangalore and world proud. My point is not from a sentimental angle, but from a legal point of view, should this resolution be retrospective from 1998 or from prospective effect. Can I have the legal view of the company?

Marti Subrahmanyam: Nithya, could you comment on that? Prospective I think, but let him clarify.

Nithyanandan: Given that we are taking up the resolution only in this meeting, we can have the resolution effective only after this meeting. Does that help?

Male Participant: My point is, between 1998 and now, there is a violation of Articles looking from a legal point of view. Articles clearly say Mr. Narayana Murthy should be the Managing Director.

Nithyanandan: The technical way to look at it is that Mr. Murthy has not used the privilege available to him under article 107 and he has voluntarily waived it. So there is no violation.

Marti Subrahmanyam: Any other questions? Yes, one more question?

Prof. Buggi Chandrashekar : One thing is not clear whether the presence of this article which has not been used by Mr. Narayana Murthy in any way come in as a kind of a threat to the image of Infosys, which has not been clarified. On the other hand, his presence in Infosys in this form is something a symbolic of a institutional strength or backup which Infosys enjoys.

Narayana Murthy:

Once again, thank you very much for your kind words. But let me say this, today the Managing Director of the company is Mr. Nandan Nilekani, since 1998. The only reason why I suggested to the board and to our CFO that we delete this clause is it makes Infosys look better from the point of view of the finest practices of corporate governance. That is the only reason. As somebody who has espoused the cause of corporate governance in India, I would feel much better if we deleted this clause. As I said, once again, I am 100% committed to the company till my retirement date, which is 20th August, whatever, 2006, or whatever it is. As long as I am physically and mentally alright, I will continue to serve the company.

Marti Subrahmanyam:

Thank you Mr. Murthy. Let us get back to the vote now.

Is there a proposal for this resolution? Mr. Deepak again.

A second?

Dwarkanath.

All those in favor of the resolution.

All those against.

We have a few hands, but I think they are outnumbered by those who are in favor.

Based on this, I declare this resolution passed by the requisite majority.

We have now come to the end of all the resolutions that have to be voted upon, but we still have the other pending business.

We will now take up the poll on the resolutions for which a poll has been demanded. I designate Mr. V. Balakrishan, Vice-President Finance and Company Secretary as one of the scrutinizers of the poll.

I request any member present to volunteer to be a second poll scrutinizer. Is there a volunteer? Mr. Gopinath Prabhu will scrutinize the poll along with Mr. Balakrishan.

The poll slips will be distributed outside the hall. I request members who wish to vote on the poll to step outside and record their votes. The company's officers will describe the voting procedure to the polls and the proxies and request members present to sign, state the number of shares, and so forth. After the poll, we will be able to announce the outcome of the results.

Can proxies be part of the poll?

Marti Subrahmanyam:

Yes, of course.

Nithya:

We will just explain the procedure for the poll. Firstly we have received the demand for poll from Vishal Joshi proxy for BT Fund Management Ltd., AS, who hold the 34,146 shares and 1,085 shares in a different DPID. Also a proxy for Southern Company System holding 3,961 shares, and lastly for EQ Advisors Trust holding 15,365 shares, accumulating to 54,557 shares. So, we have ascertained that the demand for poll is in order and Mr. Vishal Joshi's proxy are in order and duly executed. The scrutinizers appointed are Mr. V. Balakrishan who is Company Secretary and officer of the company and Mr. Gopinath, shareholder. The process for the poll is going to be as follows. We have set two counters outside where you first register your names as members and proxies. We request members after this announcement to go back to those counters. It is only members and proxies who are interested in the poll, it is not mandatory that you are required to do it. If you are interested in voting, you have to go to the counters where we have set up outside, pick up the ballot papers, after registering your name, client ID, and you know, the number of shares, you are to vote on each resolution, either for, against, or abstain, and you can

vote for different shares in different manners if you choose, that is a requirement that we need to tell you. After the ballot, you have to return these forms to the ballot box we have kept outside. The scrutinizers will go through each of the ballots and declare the results of the poll as soon as possible. We request you to give in your ballots latest by 5:30 p.m. so that we are able to close the meeting as soon as possible. Proxies are also allowed to vote after establishing that their proxies are in order. Again for proxies, we request you to go to the same counters, give the name of your shareholder, the number of shares held, DPID, register and take the ballot papers, and if you are interested, vote on the poll. Thank you.

Marti Subrahmanyam: Thank you Mr. Nithyanandan. Our meeting is now adjourned for half an hour, but we will recommence at 5:30 p.m. Please return at 5:30 p.m.

Mohandas Pai: We request all of you to join us for high tea. High tea is served downstairs and those of you who want to go and vote may go to the voting counter, pick up the ballots and vote. We request you to join us for high tea. Barring this poll, rest of the matters in this business has been closed.

(After the counting is over, the poll results are announced)

Marti Subrahmanyam: Thank you for your patience ladies and gentleman. We have the results of the poll. There were three invalid votes cast by two members. Apart from these, I will read out the number of votes in favor, against, abstained or neutral for each one of the resolutions.

For item #3, we have 28,159,550 shares in favor of the resolution, 67,527 against, and 4,597 neutral.

For item #4, we have 28,159,548 in favor, 47,807 against, and 14,597 neutral.

For item #5, we have 28,152,361 in favor, 54,858 against, and 14,580 neutral.

For item #6, we have 28,152,205 in favor, 55,071 against, and 14,580 neutral.

For item #8, we have 28,152,133 in favor, 54,897 against, and 14,793 neutral.

Based upon these poll results, I declare item #3, item #4, item #5, item #6, and item #8 as passed with the requisite majority, and I have already given you the votes in favor and against for each one of these resolutions.

With this the 22nd Annual General Meeting comes to an end. Thank you for your attendance at the meeting and especially thank you for the patience that all of you have displayed. I hereby declare the proceedings as closed.

(Extract of the question and answer session with the members present in Mumbai)

Shobhana Mehta: Hello, this is Bombay. I am Shobhana Mehta speaking.

(Speaks in Hindi)

Mananiya sri chairman saheb, srimati Ramaji our mere director bhaiyo. Sir, Balance Sheet in time mili, best presentation ke liye main hamare company secretary Sri V. Balakrishnanji or unki puri team ko dhanyawad deti hoo. Sir ye saal bahot chahatey huye bhi kisi karanwas main Bangalore nahi aa pai, so yahan video conferences ke through apko dekha, suna. Magar dekho main nahi aa pai to wahan poll demand hoga. Next year aap ye wish kijiye ke, main wahan aawoo. Sir jo gane hai na, kahate hai jo baat tujhme hai teri tasveer may nahi, aapko ruzban milkar jaada kushi hoti agar main wahan hoti. Aur sir, hamari company our aap ko jo prestigious award mila hain usi kushi may congratulations, aap congratulation ke saat aapka phoolo se swagat karati magar jab mai yahan Bombay may hoon, toa itna kahoongi ki sir meri subh kamnayan hamesha aapke saath thi, hai, our sada rahegi. Aap our bhi..., hamari company our desh ka naam roshan karo our har saal aisye kai awards

aapko milay, yehi meri subh kamna hai, well wishes.

Sir is saal ke results dekhe, excellent and encouraging performance dekhaye hai, our acche result ko dekhte hooye aapne dividend bhi increase kiya hai. Rs. 27 diya against Rs. 20 last year, so iske liye dhanyawadh. Sir hamare company secretary janab jo financial statement muskahi dikhaya hai, bahot accha laga, keep it up. Sir last year mai jab waha aayi thi Bangalore, tab maine aap se request ki thi kay as per log agar aap meeting AGM Bombay may nahi kar sakte to at least EGM, Extraordinary General Meeting, aap Bombay may rakhiye. Lekin sir abhi aapne recently last EGM bhi Bangalore may rakhi, to main aapse puchana chahati hoon kya aapko Bombay se koyi allergy hai kya?

Sir further expansion, aapne Chennai statements may bataya hai ki Software Technology Park, Bangalore, Chennai, Hyderabad, Mohali, Mysore, Pune, Bhubaneswar, and New Delhi. To sir Mumbai may que nahi. Sir further expansion kay liye aapka koi plan ho to Bombay may ek software technology park jaroor banayiye our aisa hi plan rakhiye jese Bombay kay shareholders our logo ko isase fayida milay.

Sir page #1, general and administrative expenses may, donation Rs. 6.09 Crores, to sir ye donation kahi political party ko to aapne nahi diya, per ho sake to uski details dijiye. Provision debts and doubtful debts, Rs. 73 lakhs, sir main janana chahati hoo ki last year kitna tha, kyonki aapne last year kay figures diye nahi hai jisse hum comparison kar sakay. Our ye sir party fund may hai wo batayiye.

Narayana Murthy: It is Infosys foundation.

Shobhana Mehta: Accha thank you. Sir, the share capital is Rs. 33.1 Crores, aur reserve and surplus Rs. 20,027.53 Crores. Aur next year 100% jada ho jayegi, to sir mai bonus ke bare main aapka kya erada hai wo janana chahati hoo. Aur aap se main ummid rakhati hoo aur ummid rakhatay hooye kahangi, tere hoti shaan hai moula, meri arji maan lay moula, tu hai sab kuch janana wala, main hoo tere maanane wala, mujhko bhi koyi lift karaday.

Narayana Murthy: Thank you, thank you very much, We will think on this.

Shobhana Mehta: Thank you sir, jabki market may aap bhi janatay hoon kay surf kay bhaw kafi daam hooye hai, to aayse main agar aap one to one at least bonus daynge to sir shareholders ki value increase hongy sir.

Narayana Murthy: Thank you. May I now answer? I think you already have given us a lot of questions. I think we have to answer because there are other people too who will have to ask questions. Let us give them opportunity please.

Shobhana Mehta: Yeah, sir lastly 2003 year kay liye subh kamnaye, ki next year aap better performance kay saath better dividend dey paye yahi subh kamnaye, dhanyawadh.

Narayana Murthy: Thank you Ms. Mehta.

Dr. M. G. Joshi: Chairman, other distinguished directors, I am also speaking from Bombay. My name is Dr. M. G. Joshi, I am MA, Ph.D. Economics, but I am 76-year-old. I have forgotten that I am a Ph.D. I am an analyst and I wanted to tell you I am presenting my analysis. I am a 76-year-old man. I am speaking for the first time and the last time because I do not know I will continue to live next year. I have become a new shareholder of Infosys, but I want to assure you that I am not a migratory bird hopping from crop to crop. I will remain stable here. I want to present my analysis in just two to three minutes and not many questions to ask. I have got my plus minus analysis. First of all this is a great company, but we must know how to measure the greatness. Only yesterday I was the first speaker in Hindustan Lever and I gave my parameter how Hindustan Lever is great. I personally want to tell you and your shareholders and our shareholders that if you take their equity, it is just 1.11% and the rest 98.9 are the reserves. It is a debt-free company. If I tell the input and output, that is the capital, total revenue ratio, I find that every 100 rupees you are generating 127 rupees as against 125 rupees. I find that you are increasing the ratio, you have added Rs.

1,010 crore and you have added Rs. 781 crore, to the total capital. I find that every 100 rupees total addition, you are also generating a very good addition to the total revenue.

Sir, only one or two points I want to mention is, your software development expenses. They have gone up as against the total revenue. I find it is 50.7% of the total revenue as against 47% last year. You can give the reasons why it has gone up. Incremental ratios to Rs.1,010 crore. Your addition is Rs. 588 crore and the ratio is only 100 rupees you are generating it forms 58.2%. I want to give some idea about the PBT and PAT ratios. Your gross profits have gone up, and your net profits are also gone up, and your gross assets are also generating very good revenue because I have taken the sales revenue and I find they are on plus side and not minus side. Even plant and machineries are added to equipment because it is better to add equipment also, simply plants and machineries are not important and I find you have added Rs.107 crore to the gross plants and machinery equipment and you are generating 6 times of the capital or the value of plants and machinery equipment.

I can ask one or two questions. Why you keep so much of cash balances at the end of the year. Naturally, because you are a cash-rich company and I find your cash balances ratio to the total revenue is very high, it is 36.9% as against 29.6% last year. I notice that you are keeping nearly Rs. 1,130 crore in deposit accounts, and what is the return that I have yet to calculate. But I find you have given the reasons because you have to pay salaries, but I personally feel that the Infosys company should do better cash management. Lastly sir, I find your sundry debtors have gone up. They form a good percentage of your total revenue. If I want to give the percentage, I find they are 14.1% as against 12.9%. As against the incremental that is Rs.1,010 crore, your sundry debtors have also gone up by Rs. 176 crores, it means that out of Rs. 1,010 crore addition to the total revenue something 0.4% are the sundry debtors, increase in sundry debtors. I personally feel an Infosys Company should try to reduce their sundry debtors as against the sundry creditors also they are not so many high. In Hindustan Lever, it is six times of the sundry debtors. They know how to conduct their business by getting more sundry creditors. I want to have some answers in this regard. I also feel that it is really a great company, I join with the earlier speaker that your bonus content is already very high. But as I am a new shareholder, I have come here to enjoy your harvest of bonus and high dividends. Thank you once again. Thank you for patient listening.

Mohandas Pai:

We will give you some answers right now because I think you have raised some very fundamentally important questions.

As far as the lady is concerned, I think on the EGM, the Chairman will answer. Expansion in Bombay, the Chairman will answer. As far as our contribution to charity is concerned, out of Rs. 6.09 crore we gave Rs. 5.53 crore to the Infosys Foundation. Another Rs. 30 lakhs went to a foundation for setting up a wireless IT platform in a particular rural district in a state. We have not given any contribution to political parties. Provision for bad and doubtful debt is Rs. 0.22 crore as against Rs. 13 crore the previous year. It has come down.

Dr. Doshi raised some very fundamental questions about software development expenses. They have gone up to 50.05%, is on page 47, as against 48.05% and the reason is there is more work onsite. Onsite went up from 50% to 53 and odd percent in revenues, and the prices declined on an overall basis by 5%. Since volumes went up and price came down, the expense of the ratio of revenue also went up.

So much of cash. We have a mechanism for calculating cash. We have a particular model which says, that in a case of a worst-case scenario, or if there is some issue, which prevents us from earning revenue, will we have enough money to keep our staff into reconfigured business. We have a model, as per the model at the year end, we are still short of cash. So we do have this cash, but this cash is very strategic, required to meet any contingency.

As per the deposit is concerned, I think we have given it in our Annual Report. We earn

about 5.86% pretax, is on page 49, under item 6 as against 7.21% and we keep it in the bank because banks are meant to take deposits.

As far as sundry debtors are concerned, yes we had 14.1% of total revenues. The reason is in the previous year, the fourth quarter and the third quarter was almost flat. In this current year the fourth quarter is up to \$213 million of revenue and as you know the last month's revenue will be in the form of accounts receivable, the previous month's revenue will be substantially in the form of accounts receivable, since we are at 52 days, it is a great story to tell. So it has not gone up. And the question about sundry creditors, financing sundry debtors. Well, we do not get credit from anybody because we do not have goods to sell. What we sell is time and I think if anybody finances sundry debtors by sundry creditors, is a wrong financial strategy, because if you are a good company your cost of capital will be less. If somebody else gives you credit it means that you are paying for somebody else's higher cost of capital. So it will be wrong to take money from creditors to finance debtors. Thank you.

Narayana Murthy: You know, I will answer the question of holding EGM in Bombay and then Nandan will answer the question of expanding in Bombay. You know, we discussed and debated a lot about holding the EGM outside Bangalore, but then looking at the logistics involved, looking at all the resources that are needed, we felt that it will be best to hold it in Bangalore. That is what I would like to say, Nandan you want to talk about expansion.

Nandan: Yeah, currently we have development centers in eight cities as you are aware. Ad sometime back we made an announcement that we would look at Kerala. As of now, our focus is on consolidation and expansion of the centers that we have and there are no current plans from the anvil to look at Bombay.



Narayana Murthy: Also as Kris pointed out, our second largest development center is in Pune, which is a very important place in Maharashtra.

Aspi Bhesania: Chairman sir, directors, and fellow shareholders. My name is Aspi Bhesania, from Bombay. Sir, during the year your all ratios have gone adverse, like your operating profit as a percentage of total revenue, PAT as percentage of total revenue, PAT as percentage of average net worth all have gone adverse. So do you think that they will continue at the same ratio or will they go still adverse?

Mohandas Pai: We have explained last year that there was pricing pressure in the market place. When the pricing pressure comes, it hits you directly because you work mostly on a fixed cost basis, the variable cost that you have is very much less because the business has to do with people and people need to get salaries at the end of the month. We had a 5% decline in prices last year and we have said that this year too the pricing is going to be challenging and we have said in our forecast that there will be a small decline in our margins in this year as compared to the fourth quarter and as compared to the previous year. And the guidance has been based on that, and is a very very challenging with this environment. We have taken steps to cut some costs, the benefit of which will come over a period of time though not immediately.

Aspi Bhesania: So we can expect a similar decrease this year also?

Mohandas Pai: I am not committing a similar decrease or similar increase except to say that we have made a forecast. We have given a forecast about the top line and the EPS and the bottom line. I think the forecast captures whatever we want to say.

Aspi Bhesania: Sir, now, if you cannot hold an EGM in Bombay, can you have an unofficial AGM in Bombay. Just look for your AGM, so that at least the Bombay shareholders have a chance to meet their directors.

Narayana Murthy: I think that is a very valid point, but remember then we will have to hold one in every city of the country and then not only the cost go up but we have to handle the logistics also.

- Aspi Bhesania: Sir, Bombay is the commercial capital.
- Narayana Murthy: No, but Bangalore is also a very good, you know very important city. Let us remember, you know as I said, we will certainly, when there is an opportunity to do it we will certainly do it. Please do not worry about it. It is just that we have that way, you know, 14,000 shareholders outside India. They would also ask us hold in, you know, in New York, Singapore etc., etc. So, I think, you know, we will have to look at it from an overall prospective.
- Aspi Bhesania: Okay sir, thank you, all the best.
- Narayana Murthy: We will reply to every one of your questions. You have right to ask us questions. We will definitely answer them.
- Aspi Bhesania: All the best, thank you.
- Lincoln Coello: Mr. Chairman sir, members of the board, and my fellow shareholders, my name is Lincoln Coello, I have been a shareholder from the IPO days. Most of us are quite exited about the forthcoming ADS issues, the sponsored ADS issue. If some of you, if the board throw a little light for the benefit of those shareholders who are present in Bangalore and for some of us who are meeting over here in Bombay, it would go a long way in addition to the information already made available in the notice for the meeting. Thank you sir.
- Mohandas Pai: We have said in our communication to our investors through the press that the ADR being done mainly to improve the liquidity in the market place in the US where we are listed. We are going to do an ADR of up to 2 to 3 million shares that is going to be 4 to 6 million ADSs and the procedure that you follow in India is that we need to send the letter of offer to all our shareholders in India. Everybody who gets the letter of offer and the shareholder on a particular date can tender and whoever tenders up to that limit that we wish to place will have a chance to participate as per a plan, as per a particular allocation, which has been specified by the Ministry of Finance. And then we ask the investment bankers to place them abroad, we go on a road show, we place them abroad. And whatever price is being paid is the purchase price by the investor abroad. It will be sold there and the proceeds distributed to all investors who have come forward to submit the shares after paying all the expenses of this issue. That is the modus operandi for this secondary offering. The company will not get any cash. It is an opportunity for our investors to participate in this kind of an offering. As far as the timing is concerned, we have not made any statement about the timing because the timing we have to decide in consultation with the investment bankers. We are in constant touch with them about an appropriate time and you might be aware that, you know, we cannot do an issue, a secondary issue in United States unless the document is filed with the SEC. The document also requires that up-to-date information has to be given and we are at the quarter-end right now. So before June 30, it may not be technically possible and that is what we can say about timings.
- Lincoln Coello: Sir if I may have ask a supplementary, if the person holds 100 shares, is he obliged to submit or surrender all of them for the conversion under the ADR or he can offer a few of them.
- Mohandas Pai: Let me answer that question. He is obliged to offer any number of shares. He can offer any quantum of share that he wants. There is no obligation on you to offer any share at all too and should you wish to participate, if you have 100, you can offer 2, 3, 4, anything of a choosing and after everybody has made an offer, there is a particular algorithm for allotment. The allotment will be in proportion to the holding that you have and the offer made by all the investors in the particular offer.
- Narayana Murthy: And that algorithm has been decided by Government of India.
- Shah: (Speaks in Hindi) Main Ghatkopar suburb se aaya hoon. Mere chairman sahab our tumhare saathi, mere bhartiya parampara ke mutabhik mere guru ka smaran aur vidhya ki devi

saraswati ka ek naam lekay mujhe dou shabdha kahanay ki izazat chahata hoon. Guru Brahma Guru Vishnu Guru Devo Maheshwara, Guru Sakshat Parbrahma, Tasmayeshri Guru ve namah. Juruwagrhe Vasti Nityam, Brahmarupa Saraswati, Saraswati Mahabhagye sarwe kaam krutenam.

Naye saal ke ander, hamne Ghatkopar se yahan laake lay jaane kay liway bandobast kiya tha, ye saal bhi maine aapko sattaish tarikh ko letter likha tha, uska naa koyi jawab aaya hai kay hame yaaha aana, to mujhe yeh iske ander bhi khud ka kharcha karke aapko sayad Mumbai mein malum nahi hoga, ke Ghatkopar se train ya taxi may aana aur jaana kitna musibat ka kaam hai, toa mujhe ye aapko vinanti karni hai kay yahan se paanch pachas lowg hi aathe hain, jahan se aaj mere vizar may firz kigiye aap prabhandh karo toa accha hoga.

Last saal bhi maine kiya tha ki iska bhi hamara Balance Sheet ka kharcha paanch sow ruphahin bataya gaya tha, aapne tab bola tha jawab ke ander kay ek sow pandhrah ruphahin pachas paisa haai, to mai ye saal jaanana chahata hoo, kay ye balance sheet ka kharcha kitna hai. Aur aap jaha par bhi paisa bachane ki baat kahonge who sidha profit mey increase hota hai pur mujhe kahana nahi chahiye. Hamare Dhirubahi Ambaniji India key pioneer industrialist hai unka aap balance sheet dekheye, unke chattis lakh shareholder hai, phir bhi kitna simple sada who balance sheet chapte hai aur har ek key ghar mey pahoonch jata hai. Kya aap ise ye rawaiya nahi hai, duniye key paise ek plastic ko, kya aap paisa bachaoge, ki usliye profit mey jaada hoonga, agar mujhe dusara sawal bhi karna hai, key ek family ke ander ek he address key ander agar paanch shareholder hai to dusari company wale paanch shareholder ko kanoon ke mutabiq paanch balance sheet bhejathe hai, kya aap paanch bhejthe hai yah ek bhejthe hai? Agar ek bhejthe hai to acchi baat hai, paanch bhejthe hai, agar kanoon bhi hai key har ek shareholder ko ek balance sheet bhejna hi chahiye, phir aap kanoon to gadha hai aap samjho key ghar mey ma, beti, baap, beta hai, toa paanch balance sheet jane se who koyi paanch padne wale nahin hai, ek address key upar ek bhi balance sheet bhejhoge to desh ka bhi paisa bacheyga aur tumhara bhi pachas paisa bacheyga, aur satya hoga. Sayad aap ko malum hoonga, key paper banane key liye jungle katney padthe hai, sayad hamare bharath key katey ya phoren key katey, to jungle katney se kya hota hai, nai tar paper mey aap bachat karoge toa har cheez behatar rahegi, yahi mera aapko kahana hai, to yahi chaar jawab chahiye, key yeh saal iska cost kya hai, dusare aap shareholder paanch hotey hai to paanch alag bhejthe ho yah ek hi bhejthe hoo? Dhanyawadh.

Mohandas Pai: Bhai saab mai aap se mafi mangtha hoo ki hamay Hindi mey nahi bol sakta hoon, angrejhi mey bolunga. This year we have spent about Rs. 110 and odd for printing our annual reports. It has come down from about Rs. 135 or so in the previous year. We cannot send one for one family, even if they have six or seven shareholders because we have to comply with the law and we do think that the contents of the Annual Report are extremely important to the shareholders because the content makes all the difference. And I think please do look at our contents and we have tried to make it as informative as possible. We appreciate your concern about forest and we have particularly planted about 2000 trees for every year that we print our annual report to make sure that we do not harm the environment.

Male Speaker: I have confirmed with Karvy consultants, they have said that only one copy for each address they have sent. Only thing I requested them to send another form for another shareholder for which they have sent also. It was very prompt action by Karvy. Okay. I have three accounts, but they have sent only one that is the thing.

Shobhana Mehta: Sir, what about the bonus.

Marti Subrahmanyam: Okay, I will pass it on to the chairman of the company who I think is going to allow for one more question from Bombay because we have to vacate the hall in a few minutes. Thank you.

Narayana Murthy: You know, I think your suggestion on bonus is a good one. The board of directors will look at all aspects of the issue, discuss and debate, and take an appropriate action at the

appropriate time. Thank you.

Mohandas Pai: Any other question from Bombay please.

Shobhana Mehta: No. Thank you and goodnight, and all the best sir. Thank you very much.

Narayana Murthy: Thanks a lot, then we say bye to Bombay. Thank you very much for attending and we are very very grateful to you. Now, we can shift to Bangalore.

Gopinath: Thank you sir. It is very nice to be at this AGM at this place. Just before the start of the proceedings, we had glimpses of Infosys premises at various places. I would be glad to have the next AGM at the campus, so that shareholders can attend the AGM at your campus itself. Has the board has to say anything about it?

Narayana Murthy: I think that is an excellent suggestion. Let us look at that issue. Certainly, I think we will consider that definitely.

Gopinath: Thanks.

Male Participant: The company closed the year with cash of Rs.1,431.81 crores, average Rs.1,332 crore and odd. Return from this was 5.86% taxable, I believe that would translate into something like 3.8 and odd percent nontaxable. Now a large part of this investment is in banks and the other institution where you have invested, with GE Capital, which is AAA. I do not believe that all these banks would be AAA rated where you have invested. Again a lot of these banks in turn would be investing in mutual funds. I have raised this a couple of years ago, requested that you look at the option of investing in AAA rated mutual funds, short term, liquid, which would increase the profitability of the entire company on a post-tax basis.

Male participant: Are you going to do sub-contracting work with large companies in US?

S. Gopalakrishnan: I think it is little more complex and that I think we have a certain business model, which leverages a global delivery effectively, which gives us the ability to service customer at very good price point and be profitable and those companies if they want to transform themselves into company like us will have to disrupt both their delivery people as well as the sales and marketing people. So, I think there are bigger implications then just a sort of a piloting and we believe that our model is more robust and more resilient and in the long term this model is going to be the one that is going to win.

Narayana Murthy: The last question please.

Just one question, last question please.

Male Participant: I just wanted to ask from the point of view of retail investors, see on the day of announcement of the results, while announcing the results, the market value of your shares have fallen about, I do not exactly remember the percentage, may be 40 to 45% in two days, and subsequently it is falling further now. Now, sufficiently it is gaining some strength. You think it is totally reflecting the position of the company that is one thing. Another thing is, I just want to know from you directly, instead of asking the stock exchange, what is maximum, I mean, permissible limit for a fall or rise. Is it 50%? Because some other software companies also have fallen almost 50% or more and your company particularly I just wanted to know what would be the correct reflection of the stock price with reference to the fundamentals of the company.

Narayana Murthy: Yeah, let me answer this. We are not experts in stock markets. We have some competence in running our business. So, my request to you is that why do not you kindly consult experts in stock market for both the questions and they will be the right persons to answer, because whatever we give will not be the correct one, will be prejudiced, and we do not have enough competence. On that note, let us close this thing.

Male Participant: Sir, just one small point sir. We have got full confidence in you and that is why we have put our monies with you. Sir, we just want your opinion on that.

Narayana Murthy: No, no. As a matter of principle, we will not give any opinion because we are not the right people. Let me assure you on the question of hard work, all of us are working 14 to 15 hours a day, everybody, and all of us are traveling, you know, in some cases anywhere from 60 to 80% of the time away from families, you know, staying in hotels, going and attending meetings, meeting prospects, meeting customers, and solving their problems etc. So, let me assure you that in terms of hard work, we will not let you down. We will make sure that we have also controlled cost. We will continue to do that. We will also work very hard, but beyond that is our responsibility. Beyond that what is the right price, you know, all of that I think please talk to the specialists. We should not be the people to answer that.

Thank you very much. I think you know we will have to close it, because there are people who have to leave. I hope you do not mind, please. Thanks a lot.