

## Infosys Technologies Limited

# 23<sup>rd</sup> Annual General Meeting

### June 12, 2004

Narayana Murthy:

Folks, it is a great pleasure to welcome all of you to this 23<sup>rd</sup> Annual General Meeting. I would first like to request my colleagues on the dais to give a very short introduction: just give your name and the responsibility that you handle in the company. We will start from the left, and once it is finished then we will move forward.



Sridar Iyengar:

My name is Sridar Iyengar, I am one of the Independent Directors of Infosys and I sit on the audit and the compensation committee.

Rama Bijapurkar:

I am Rama Bijapurkar, Independent Director, I am on the Investor Business committee and the Audit committee.

Srinath Batni:

My name is Srinath Batni, I handle the business in Asia-Pacific region and energy sector in the US.

Claude Smadja:

I am Claude Samdja, I am the Chairman of the nomination committee and also I sit on the sales grievance committee.

K. Dinesh:

I am K. Dinesh, I handle human resources, information systems, quality and communication design group. I am also the Chairman of Infosys Australia.

Deepak Satwalekar:

I am Deepak Satwalekar, I am the lead Independent Director and Chairman of the Audit committee.

Nandan Nilekani:

My name is Nandan Nilekani, I am the Chief Executive Officer.

Narayana Murthy:

Narayana Murthy, Chairman of the Board.

Mohandas Pai:

Mohandas Pai, CFO.

Marti Subrahmanyam:

Marti Subrahmanyam, Chairman compensation committee and member of the audit committee, Independent Member of the Board.

S. Gopalakrishnan:

S. Gopalakrishnan, Chief Operating Officer.

S. D. Shibulal:

S. D. Shibulal, Head of worldwide customer delivery. Thank you.

Omkar Goswami:

Omkar Goswami, Independent Director and member of the audit committee, the nomination committee, and the investor grievance committee.

Balakrishnan:

I am Balakrishnan, Senior Vice President Finance and Company Secretary.

Ramdas Kamat:	Ramdas Kamat, Vice President Accounts and Administration.
Ramesh Kamat:	Ramesh Kamat, Progeon Finance.
B. G. Srinivas:	B. G. Srinivas, Head of Enterprise Solutions.
Girish Vaidya:	I am Girish Vaidya, Head of Banking Business Unit.
M. D. Ranganath:	M. D. Ranganath, Head of Domain Competency Group.
Dr. Prabhu:	Dr. Prabhu, Head of Auto and Aero Verticals.
Y. Parameshwar:	Y. Parameshwar, Head of Product engineering.
Captain Sinha:	Captain Deepak Sinha, I am Head of computer and communication division.
Sanjay Purohit:	Sanjay Purohit, I am the Head of Corporate Planning and the Secretary to the Management Council.
Hema Ravichandar:	Hema Ravichandar, Senior Vice President and Group Head of Human Resources Development.
P. Balasubramanian:	P. Balasubramanian, Director Infosys Leadership Institute.
Chandrashekar:	Chandrashekar Kakal, Part of Enterprise Solutions Group, and Head of Hyderabad Center.
Arun Ramu:	Arun Ramu, Head of Independent Validation Services.
Akshay Bhargav:	My name is Akshay Bhargav, I am the CEO of Progeon.
Narayana Murthy:	May I now request Basab Pradhan and Paul Cole from Fremont, California to introduce themselves.
Basab:	Thank you Mr. Murthy. My name is Basab Pradhan, I am Senior Vice President and Head of worldwide sales.
Paul:	Good afternoon, I am Paul Cole, Managing Director of Infosys Consulting.
Narayana Murthy:	Now, may I request Mr. Gary Ebeyan, from Infosys Australia to please introduce himself.
Gary:	Good afternoon, I am Gary Ebeyan, Chief Executive Officer of Infosys Australia.
Narayana Murthy:	Thank you Gary. May I now request Mr. Chandrakant Jha from Bombay to introduce himself.
Chandrakant:	Yeah, Finance and Administration Pune-Bombay. Thank you
Narayana Murthy:	As you people know, we have a tradition whereby the chairmanship of the Annual General Meeting is rotated amongst the members of the board. This time it is my privilege and honor to request my colleague Sri. Mohandas Pai, to chair this 23 <sup>rd</sup> Annual Meeting. Well of course with your permission, I hope that is okay with you guys.
Mohandas Pai:	Thank you Mr. Murthy, this is indeed a great honor. We now have 480 members present in person and

300 persons by proxies to conduct the proceedings of this meeting. The quorum being present, I call this meeting to order. The register of director's shareholding is kept open, and is available for inspection by the members near the registration counter. The register of proxies is available for inspection near the registration counter 2. With the consent of the members, I would take the notice conveying the meeting as read. Thank you for this. May I now request Mr. N. R. Narayana Murthy, Chairman and Chief Mentor of the company, to deliver the chairman's address.

Mr. Narayana Murthy:

Friends, it looked like I was limping, yes, indeed I was limping. Nothing very serious, it is just that I had a minor fall when I was in Moscow a couple of weeks ago, and I am almost back in action. In fact, I removed my braces yesterday.

A very warm welcome to every one of you to this 23rd Annual General Meeting of your company. Your trust and support serve as great motivators for us at Infosys to work harder and smarter. On behalf of all Infoscions, I thank you for your encouragement. Fiscal 2004 has been a historic year for your company. Your company became the first listed Indian software company to cross the magical billion-dollar mark in its revenue. It is also the fastest in reaching this milestone revenue mark. What is equally satisfying is the fact that your company continues to be the largest, in revenue of course, and the most profitable listed software company in India. Under Indian GAAP, our revenues grew by 31.0% over fiscal 2003, while our profit after tax from ordinary activities grew by 30.0%. According to the US GAAP, the revenues grew by 41.0% over fiscal 2003, while net income grew by 38.7%. This exceeded our initial estimates for the year. In fact, during the year, as you people know, we increased our guidance for revenues and Earnings Per Share (EPS) for fiscal 2004. As I stand here, my mind goes back to that wintry day in December 1992 when we took the decision to have our Initial Public Offering (IPO) in India. As is our norm, we debated the underlying philosophy that would motivate us in this initiative. I am happy to say that the unanimous decision was that we would maximize shareholder value on a sustainable basis, while ensuring fairness to every one of our stakeholders, that is you, the investors or shareholders, the customers, the employees, the vendor-partners, the Government of the land, and the community. This, as you know, is the fundamental principle of corporate governance. We further resolved to assure our investors of our consistent commitment to fairness, transparency and accountability. At Infosys, we use simple yet powerful expressions to remind us of our values. Let me repeat some of these expressions. The first one is: The softest pillow is a clear conscience, and an equally satisfying one is, when in doubt, disclose. I am glad that we have followed these precepts over the last ten and odd years that we have been listed. Last year, as you know, was a tumultuous year. The jobless recovery in the US, slow growth in Europe, and the outcry against outsourcing were all part of the landscape. Amidst all of these, we witnessed several interesting global phenomena last year. While most companies in the global marketplace shrank in revenue, we sustained a healthy growth. While reduced margins were accepted as inevitable, we protected our margins. While companies were retrenching employees on a mass scale, we hired aggressively. These happy events were not due to serendipity but due to the customer focus, dedication, commitment, hard work and creativity of every Infoscion. These men and women showed that Infosys can and will succeed despite any challenge that confronts us. As an organization ever watchful of the marketplace, we helped our customers define a new game with a new set of rules. The battle is now being fought on our terms. Infosys and offshore companies have become leaders, and the global incumbents have become the followers. Offshore development is now a mandatory component of any offering in our marketplace. The global delivery model invented and refined by Infosys has become the mainstream model for every player in the marketplace. In fact, your company is now taking the power and benefits of the global delivery model to activities like consulting. These activities were, hitherto, not considered amenable to offshore.



Having tasted the success of the Infosys experience, the customers now want every player to demonstrate precept to practice. Thus, there is now an even greater focus on walking the talk. Business value creation with measurable EVA has become the mantra among Infoscions. The creation of Integrated Business Units and the strengthening of our research activities in business areas are aimed at better value creation for our customers. Our customers want tangible demonstration of the benefits that accrue to them from our expertise and skills. Thus, at Infosys, every project, whether it is for the customer or for internal consumption, has to be justified using quantifiable models for return on investment. I have articulated our strategy for acquisition several times in the past. Let me recount it once again. The company that we acquire must bring scalable complementary revenue streams, skills and expertise. It should have industry-respected senior management, and it must have an enduring value system similar to Infosys. Finally, it should be possible to bring the net income margin over a reasonable period to the level of Infosys, your company. Obviously, these are very stringent conditions. I am glad that we could find such a suitable candidate in Expert Information Services, Australia. Infosys - Australia, the result of amalgamation of Expert Information Services - Australia and our own Australian operations, gives us greater depth in market access in Australia. Since our search for a top-quality consulting firm in the United States did not yield success, we decided to build our own with a team of top-notch consultants from the industry. That is how Infosys Consulting was born in April. We believe that Infosys Consulting will position us as a premier, one-stop, board-room-to-boiler-room company, delivering robust and effective technology-leverage, end-to-end business solutions to our customers. China will play an important role in the future of any multinational corporation. Hence, it is important for Infosys to have a presence in China. Keeping this in mind, your company has started a subsidiary in Shanghai and we believe this will be a very important initiative.

Our liquidity policy is dictated by Return on Capital Employed and Return on Invested Capital. Your company's target is to earn an ROCE which is at least twice the cost of capital, and an ROIC which is at least three times the cost of capital. Our dividend policy dictates that we limit our dividend payment to 20% of the net income generated by the company during the year. In keeping with our dividend policy, your directors recommend a final dividend of Rs. 15 per share (300%), making it a total dividend of Rs. 29 per share (590%) for the year. Personally, I am averse to huge dividend payments since I believe in the adage: The real happiness in a company is cash in the bank. However, I have received hundreds of letters from you expressing your opinion that there is excess liquidity in your company. Our board listened to your request, ensured that our ROCE and ROIC requirements were met, and decided to recommend a *one-time* dividend of Rs. 100 per share (2000%). This year, being the "Billion-Dollar-Revenue" year, was perhaps the most fitting year for such a special dividend. After making a detailed analysis of the business parameters of Infosys, the board also felt that this was the right time to accede to your other constant request, that is the issue of bonus shares. The board has recommended a bonus share issue of 3 bonus shares for every subscribed share. I have often said that the market capitalization of your company is zero at 5.15 pm when our employees leave for their homes. Our employees are our soul, in addition to being our engines of growth. In the words of J. Stanford, let me repeat that, he says, "*We get our power from the people we lead.*" Any decision that does not uplift our employees is not a welcome decision at Infosys. The board felt that the employees who have helped us make these positive decisions for you should also be rewarded on this historic occasion. Consequently, the board decided to distribute Rs. 100 crores as a special bonus for our employees. I am glad to say that this is the only company that has done, taken such an important step. 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 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. We are also grateful to the Government of India, particularly the Ministry of Communication and Information Technology, the Customs and Excise Departments, the

Software Technology Parks - Bangalore, Chennai, Hyderabad, Mangalore, Mohali, Mysore, Pune, Bhubaneswar, Tiruvananthapuram and New Delhi. We are also grateful to the Ministry of Commerce, the Ministry of External Affairs, the Ministry of Finance, the Reserve Bank of India, and 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. Your company has redeemed the promise that it has made to its investors, year after year, for the last ten and odd years. Our desire is to continue to do so. As we do so, we keep in mind the words of our national poet, Rabindranath Tagore, who said: "*Where tireless striving stretches its arms towards perfection.*" Your trust, confidence and encouragement will continue to motivate us in this pursuit. Thank you very much.

Mohandas Pai: Thank you Mr. Murthy. I would now like to request Mr. B. G. Srinivas, Vice President Enterprise Solutions to make a presentation on the Infosys Enterprise Solutions.

B. G. Srinivas: Good afternoon Ladies and Gentlemen. It is a challenge for me to walk through the Enterprise Solutions Journey, which has been through the last five years, to cover that up in the next 12 minutes, but let me do my best on that.



The journey so far: A team of 80 consultants in the year 1999 came together to form this practice, which today is crossing about 2000 employees and has covered 14% of the Infosys revenue. The journey will take you through the service offerings, the value chain, the competition we face today, and our delivery track record.

This slide depicts the total service offering from Infosys. Truly, today, there are very few companies in the world, which are capable of servicing our clients, or the clients in general across the board on a global basis, across the entire width, in terms of the IT solutions, addressing the business problems. Today, enterprise solutions operates in the area of IT consulting, strategy, helping clients determine what the roadmap should be, what packages and business applications they should be looking at, what is the best fit for their business, and help select and deploy these packages for our clients. We also do operate in multiple verticals across different geographies. We do have substantial presence in Hi-Tech Discrete Manufacturing, in the Retail, Banking and Capital Markets, Energy & Utilities, and Auto and Aerospace. In terms of the solutions footprint for our clients, how we have seen increasingly the clients are looking at, addressing their business problems, and today the client environment is searching beyond the enterprise. It on one hand focusses on how do the clients collaborate with their customers, who do they take the partners together with them in their journey to be competitive, and the part of the growth. Today, the business solutions, the packages which really address the space, the transactional ERP system which focuses on multiple initiatives within the clients in terms of addressing different business applications, be it finance, be it HR, be it supply chain management, be it CRM practice. If you look at the kind of applications we service our clients in terms of addressing the business problems, we not only help clients select these packages, we also help clients in addressing best business practices. We definitely have these kind of skills in terms of addressing the best business practices which are prevalent in the market place and help clients become more competitive through this packaged deployment.

The Enterprise Solutions Group is divided into seven practices, building competencies:

1. The SAP practice.
2. The Oracle practice.
3. The PeopleSoft practice, which primarily address the ERP space.
4. We have the CRM practice.

5. The EAI practice.
6. The supply chain, and
7. The business intelligence practice.

Together, these distinct practices build competencies and offer services in the consulting space and helping clients implement and roll out package. The package vendors themselves do come out with version upgrades, and we help clients help develop new versions of these packages and roll it out. We also help clients service their products and support because on an ongoing basis we see customers really struggling to be competitive in terms of addressing the minimum cost of sustenance, and as a company we have leveraged the global delivery model and come out with innovative solutions to really address this need of reducing the total cost of ownership for our clients. We not only do this through the global delivery model, we have methodologies, solutions, tools, mechanisms, which will bring down the total cost, increase productivity, and reduce the total cost of ownership for the clients. We not only help clients deploy this, we do program manage the entire initiative for our clients to help them implement. We have also developed unique solutions within Infosys within the Enterprise Solution Space. These are some of the few which have been listed:

“Benefits One” - this is the solution which addresses the health and benefit schemes which our clients use for their employees. This particular solution helps client roll out benefits on a faster basis, reducing the total time of roll out, and reduces the total time by about 30%.

We have “Package Assurance” which again increases the effectiveness of the ERP development.

We help clients setup their “Integration Competency Centers,” thereby again helping them reuse components thereby improving the productivity.

We have also developed unique solutions for multi-tier marketing, retail, distribution management systems, which help again clients roll out the order management systems, and again help reduce the total time of roll outs.

The “Business Enabled Integration,” which is again a challenge for most of our clients. We have come out with solutions and tools, which again improve their total productivity.

As the Group, we today operate in more than 25 countries across different geographies, the Americas, Europe, Middle East and Africa, and Asia Pacific. Today, over 65% of our business comes from the North America, and all of the services are across these geographies.

Today increasingly we face challenges in terms of global competition, at the same time we have looked at the kind of responses from our competition. You could yourself determine the kind of challenges we are posing for our competition. Initially it was denial that Infosys could really challenge them on their strong wicker, but today it is very well accepted face, as Mr. Murthy mentioned, that the global delivery model has become the mainstay, and it is definitely not different in the Enterprise Solution space. The Big Four consulting firms are adopting our practices and emulating the global delivery model and trying to really challenge us in the same space as we offer the enterprise solution services, and it is a very well accepted fact that the customers are perceiving the differentiators we bring to the table in terms of our effectiveness of delivery track record, our solutions building, our capability to really leverage the global delivery model, and we have been really challenging these big four consulting firms and our ability to win over them.

The numbers speak for itself. If you look at the last five years' performance, it has been an extraordinary commitment by the team members of the Enterprise Solutions to really propel growth for the Enterprise Solutions Group, thereby really propelling growth for Infosys and at the same time you would also see that the growth targets continue to be steep. The group has really taken stretch goals and the ability to commit to these goals and consistently achieve to the satisfaction of our clients has been the hallmark of these numbers.

If we look into the future, we see tremendous potential in the growth. If you look at the consulting and development and integration, which is more or less about 30-35% of the total IT service business, there is a huge potential, a huge upside to really occupy bigger market share, and that is what Enterprise Solutions is thriving to achieve. We also see the package solutions, the smaller and medium companies shooting for packages, which erstwhile they were really worried about the total cost, and today with companies like us coming together to service them by reducing the total cost, there is an increased license revenue outflow to the small and medium businesses.

What do our customers talk about us? We have various customers at very senior levels, who have really appreciated the value Infosys and Enterprise Solutions has delivered. Talks about quality, talks about cost, talks about effort, and also talks about a great work ethic, which we bring to the table.

Enterprise Solutions is also very strategic to Infosys, and in the words of Nandan Nilekani: "It would definitely be one of the fastest growing units, and it will be the growth engine for Infosys in the days ahead." It is also very clear that the global delivery model, which is very much integral to the Enterprise Solutions and also the part of Infosys is going to be the key in our ability to sustain this growth and continue on this journey.

Thank you.

Mohandas Pai:

Thank you Mr. Srinivas. It was a very nice presentation. I would now request Mr. Gary Ebeyan, Chief Executive Officer, Infosys Technologies (Australia) Pvt. Ltd. to make a presentation on "Building Infosys Australia." Mr. Gary is currently in Australia and hence will be making the presentation through videoconference. Gary, all yours.

Gary Ebeyan:

Good afternoon, and thank you for that introduction. I want to take a few minutes to talk about Infosys Australia, what we have achieved so far, and where we are going, and we have a presentation that we will go through. So, just going to the next slide. This one is a point of vision of what we are doing in Infosys Australia, and really here we just saw the Enterprise Solutions presentation, we want to focus on the Enterprise Solutions. We want to drive business driven technology solutions for the enterprise, and we want to become a leader in doing that, that is what we are going as a vision.



As a mission what we wanted to do is articulate our customers that really we want to work with our clients in the spirit of partnership. We wanted to assist them in gaining competitive advantage, achieve future growth and increased profitability. And this symbolization here is the actual spirit of partnership. What we are saying here is that we want to work on a longer term. We want to make sure that we gain the customers respect and we want to make sure we become their partners, and in doing so we want to make sure that we have some measurable benefits and business benefits to our customers and make sure they are successful, which will make sure our success with them.

Next slide. So, especially the first thing I wanted to do is, why Infosys Australia? The whole idea of Infosys Australia was really to make it a forerunner to the next generation of IT services. We wanted to trial the concept of saying how come we incorporate a subsidiary into the Infosys model and get the benefits, the benefits of recruiting and developing local talent, where we can tap into vast pool of the local education system and people being produced. We wanted to make sure we were more responsive to our customers so that we could have a very very skilled and talented pool of IT professionals very close to the customers to respond very quickly to their requirements. We wanted to make sure we had more accountability locally and more flexibility for understanding our customers and actually involve the global delivery model in the subsidiary as well. We wanted to shake off some of the misconceptions of "Global and Offshoring." We wanted to ensure that our customers and the IT community understood that the global model and the offshore model is actually for their benefit rather than seeing as a threat, and threat of job loses, so that they could actually embrace what we were doing. We wanted to differentiate ourselves from our competitors so that we could actually be more responsive and provide better value to our customers. We also wanted to make sure that we engage with the local IT community, and in doing so bring to the Infosys global engine the intellectual property that we could create here with our customers.

Next slide, our Three Year Road mapping Goals. As I said we wanted to become we want to become the number one choice for global sourcing and for the global delivery model in Australia. That's our Three-year goal. We want to make sure that we can grow and become at least 10% of group's revenues, which I believe we can with Australian market. We want to make sure we can become a national organization and service all of our customers in Australia on a national basis, and as I said before, we want to work with them in the spirit of partnership. We want to make sure we give them some results, and in doing so establish sound relationships with the Australian enterprises and hopefully become their strategic partners going forward in the three-year period. We want to make sure we are integral part of the Infosys group of companies so we can participate in all the, leadership of the company taking us through the next five to ten years. We want to make sure that we are an employer of choice for all the Australians in Australia so we can attract the best Australian talent and leverage their capabilities for the benefit of our clients, our employees, and Infosys group as well. We want to make sure that we are working very closely with the IT community to assist its development to be good citizens, India IT community here, and again to make sure that they are seeing us as a partner, as an enabler, rather than as a threat. We want to continue driving our quality accreditation to the highest level as a subsidiary and leveraging the Group's total capability. So, achieving a CMMI level 5 would be one of the hopefully few and first accreditation to look at in our organization.

Next, so what are the challenges that we are facing? It has been about six months since we have merged with Infosys itself and created Infosys Australia, and some of the challenges that we are going through at the moment and I believe doing very well is making sure that we actually integrating the management team, a team which in the past has had different key performance indicators, different reporting lines and ambitions; ensuring that we integrate different company and national cultures, and I believe company culture was very synergetic, but also insuring there is cultural awareness in terms of different national cultures; ensuring that we have integrated processes and systems so we are operating as a very seamless model, because global delivery model dictates that we have a very seamless processes and systems. Also, we wanted to make sure that we could actually enhance our business model here in Australia. We have a very good opportunity where we can make sure we can take everything that the organization has to offer and focus for the Australian market to make sure that we are maximizing our chance of success, so having our own Australian vision and mission which is in line, in tune with what Infosys does for its customers for the Australian market, making sure we are leveraging local capability and had it would bring that into the process model I have a seamless

operation, and making sure again as I said, contributing to the local IT industry so the IT industry embraces us as a partner going forward.

Next slide, So, what have we achieved so far? I think, you know, looking back 6 months, it is incredible achievement for people that have been through integration processes to see how fast and how far we are coming. We already have a very good operational management team where we are operating as one team with a single goal, set of goals with aligned performance indicators where we are all helping each other with a single vision, and I think that is a fantastic achievement to do in six months. We have published a global delivery model that brings the Australian subsidiary into the whole process model and ensures that we are giving the same benefits as a global delivery model to our customers in Australia, we'll led the whole local subsidiary. We are building up a very local brand and credibility by our leadership in engaging with the, with our customers here better, we are engaging with the community better. The respect of Infosys is very high as a leader to the IT community being involved in number of public forums, and I believe that we are being seen as a leader amongst the Indian service providers. We have advanced integration of systems and processes where I think a lot of our projects and lot of our people now are on the Infosys network and Infosys system, so the integration is progressing very very well. All of our facilities and infrastructure have integrated with over 3500 sq.mt. of office space that can accommodate over 500 people, which we have and growing. We have built up a substantial pipeline of opportunities in Australia, not just in Victoria but in the South Wales, in Queensland, and number of states. So, I think the whole focus on the business and business development is coming together very very well, and certainly now lot of customers are starting to engage with us at the early initial stages but as we go in making sure that we are looking at them in a longer term and we can turn them into strategic partners for us.

So these are the sort of achievements we have done in six months, and I think hopefully we can achieve a blue print for Infosys globally to show the benefits of the subsidiary and have we can better service our customers and give them better value and hopefully a much better return for our shareholders going forward.

So, thank you very much, and I hand over back to Mohan.

Mohandas Pai:

Thank you Mr. Gary. Thank you for taking the time to come so late there. We are on two sides of the globe, we have Basab and Paul from Fremont, I think in Fremont it is now about 4:30 in the morning, and then we have Gary, Gary is in Australia, it is about 8:30 or 9 in the evening. Let me now request Mr. Gopalakrishnan, Deputy Managing Director and Chief Operating Officer to make a presentation on the operational highlights 2003-04.

S. Gopalakrishnan:

Good afternoon. Definitely this year we are celebrating our achievement of crossing the billion dollars. For us this is just a milestone on our journey. We are moving forward on our journey. We are happy that the model which we had articulated, the PSPD model, the predictability, sustainability, profitability, and de-risking model, which we had articulated continues to service very well. It allows us to build long term relationships such that we know what is coming, we understand the business trends, we understand where the investment is happening. With the end to end services, we are able to cross sell, we are able to leverage existing relationships. Our quality processes and systems, not just in software but in accounts receivable, in our ability to service the various requirements for a scalable and resilient operation. Our global delivery model, which is underpinning of everything we do, including how we provide support for our internal employees. All these things, including our deep routed value system and our value driven client



relationships have actually helped us in achieve this and we believe will help us in taking this forward in our continuous journey, and I think with your support and with your encouragement, we should be able to achieve many more milestones in the future. The game has clearly changed. Some of the requirements, clients today demand a defined benefit and value for money, they clearly are looking for value for money. Businesses more and more are looking at their key strategic partners to deliver end to end solutions, more importantly end to end solutions that are more cost effective. The traditional outsourcing model of giving the entire IT department or an entire department to someone else to manage is going away because it seems that it is not working. You cannot give away your responsibility to somebody else and expect that person who has a different business to run to run your business very efficiently. The competitors see that the global delivery model is here to stay, that is the model the clients are rooting for, and they are in the process of replicating this model. The ability to scale, the ability to meet the growing demands of the customer is very very important in this environment. The war for acquiring talent is equally important especially on a global scale. The roles which now help, or which we have actually established, helped establish is going to play to our favor actually, the rules the stadium has moved to our favor actually. This value for money is being met by the global delivery model. Every service we delivery today to our clients has global delivery model embedded. We are in fact enhancing this global delivery model taking to other countries like China to make sure that we can continue to replicate this in other areas. We are taking it to new services like consulting, we are coming out with new models for sourcing, for sourcing modular global sourcing where we look at how the client's IT processes can be streamlined and outsourced in modular fashion. We are continuing to as I said enhance our ability to GDMize or embed global delivery model in new services. You saw how we have actually leveraged the package implementation services and how we have added consulting to portfolio of services. We will continue to build and motivate team of best and brightest employees across the world, not just in India.

North America continues to be the largest geography for us, 71.2% of revenue growth comes from North America. Our focus on geographical diversification is working. 53% revenue growth in Europe and from clients who have their base in Europe. We have started Infosys Australia. We have set up a subsidiary in Shanghai in China. We have currently 31 marketing offices in 16 countries. We have 31 global development centers out of which 13 are outside India. The banking business unit continues to do very well outside India as well as of course in India.

We have reorganized along vertical business units and this will allow us to capture the business knowledge and deliver high value solutions to our clients. Our services are quite broad based across the various vertical industry segments. Financial services, Insurance, banking and financial services, constitute about 37% of our revenues. Telecom is about 16.6%, manufacturing is 14.8%, retail 11.6%, transportation 7.1%, energy & utilities 3%, and others are 10%. We have created Enterprise Capability Unit, one of which B.G. Srinivas presented to you, Package Implementation. We have recruited professionals from the industry with the relevant domain expertise and consulting skills and they have been integrated into the various vertical business units, which will further enhance our ability to provide business solutions to our clients.

Our service offerings, again, are broad based. You saw a picture of the service offerings when BG made the presentation. It is clearly end to end. About 25.7% of our revenue comes from development, about 30% from maintenance, and 14.5% from package implementation services. About 35% of our revenues come from services which have been introduced in the last five years. Progeon, our business processing management subsidiary, has grown almost 400% in the last year, has added 9 clients and has currently about 1400 employees. We have formed Infosys Consulting with \$20 million investment. We have introduced the next generation Modular Global Sourcing. So, we continue to actually again

enhance our ability to offer new services and different services to our clients. Our relationships are also broad based and de-risked. We have today 393 clients, of whom 25 clients give us more than \$10 million of revenues, and we have three \$50 million clients. In the last 12 months, top 10 clients represent 36% of revenues, a 33% increase in \$20 million clients over the last 12 months. Our repeat business continues to be very high, which gives us a high predictable business pipeline. We are continuously investing in our client relationships and engagement management in training, in creating further models of relationship management and things like that. Plus, adding new people to the team. We are doing exhaustive analysis on the relationship, both strategic analysis as well as what are the services we can deliver. Strategic in the sense how can we add more value to our clients, how can we be more relevant to our clients, as well as what are the services we can offer, and we create account plans specific to each of our accounts.

There are several innovations, which have been introduced into the business in the last few months, one of it is the Client Advisory Council. Senior CIO, CXO level people from our client organizations meet once in six months and look at what are some of the initiatives we are taking in servicing their requirements and advices whether we are moving in the right direction. Global sourcing is very very important initiative for many of our clients, and we have brought the best practitioners of this together on a workshop, on again a six month basis, and the learning are shared. And these are actually captured and taken to rest of our clients. Our flagship event "Milan" continues to be very very successful, and it is bringing our customers together, more than 200 client representatives came for this year's Milan. Wharton Infosys Business Transformation award continues to grow from strength to strength and now we have awards in Asia Pacific, in Europe, in North America, as well as Latin America. Our InStep program continues to be very very popular amongst students in foreign universities. It has grown by more than 100%, almost 70 interns are expected to participate in this program this year. Infosys has been ranked as one of the "Top Brands With A Conscience," and this for us is very very important, brand with a conscience. This is amongst the only seven companies identified by the Medinge Group. Infosys has been rated #1 in the last 2 successive benchmark surveys of the professional services industry conducted by the Technology Business Research. This is again a global survey.

Our utilization rates continue to be in the range we want it to be, high 70s to low 80s, between about 78 to 82%. And our onsite-offshore ratio continues to be healthy. We proactively moved work offshore, working with our clients and our onsite effort is 33.3%, offshore is 66.7%. Again in the area of operational efficiency we have reworked on our quality system and released a new version called PRidE, "Process Repository @ Infosys for Driving Excellence," which includes now tools, methodologies and things like that including a knowledge base which supports that. We continue to work on 6-sigma and quality initiatives. More importantly, we are now going for certification of our employees accreditation of various kinds, for example BS7799 certification, or certification of employees from project management institute, or CSQA, CSTE, etc., which is a visible way in which we can reassure our clients that our employees continue to again increase their relevance, increase their knowledge, continuing to learn on an ongoing basis.



We have crossed 25,000 employees. Our attrition continues to be the lowest in the industry, 10.5%. In order to make sure that our employees see further value addition in working with us, we continue to invest heavily in training, in education, we have a three-tier model from technology training to management training to leadership training, and we continue to focus on making sure that this program gathers momentum from year to year. We continue to recruit the best and brightest. The sustained focus on recruiting the top 20% from the best schools. We received 907,922 applications in the last 12 months, of which about 18000 were interviewed and about 10000 were hired. We have invested in

Enterprise Solutions University, which is currently headquartered in Hyderabad, which is a new initiative for us. This allows us to recruit people and train them on packages. We have reinforced high performance work ethic by further aligning the various compensation programs with business results at organization, team, and individual levels. We have a balanced score card which is at the corporate level, and which flows down to teams and individual managers.

Our infrastructure investment continues. Today we have a capacity of 40 lakh sq.ft. of space with a capacity to accommodate 22,730 professionals. And additional 22 lakh sq.ft. is nearing completion in various development centers. We are creating a world-class education and research facility in Mysore, which at any point can train 4000 people. This will be a fully residential program. We need to continuously look at ways in which we can look at, you know, increasing the effectiveness of the training, and we felt that by making sure that the resident in the campus continuously interacting amongst the peers, continuously interacting with the educators, the impact will be much much better. Rs.341 crores is spent on developing physical infrastructure. Infosys continues to be one of the few companies which spends heavily on technology, and we have spent 89 crores on state-of-the-art technology infrastructure. We have set up a disaster recovery and business continuity facility in Mauritius, this has been commissioned this year.

There have been several awards which Infosys continued to win on an ongoing basis. Some of which are listed here.

Finally, we continue to look at how we can improve at every aspect of the business, what are the requirements of our clients, where are they going, what model is going to bring in additional value to them, we are looking at how we can enhance shareholder value, we are looking at how we can become the best employer for our employees, you know, provide the best environment, work environment for our employees, and finally how we can actually contribute back to the society. Infosys has strong financials, the best in class corporate governance, very high cash reserves. Our business model is continuously evolving and we have risk management practices within the company to make sure that this business model and this growth is with the least risk. We are meeting client's changing business requirements. We are continuously changing our structure. We are looking at new models of business. We are continuously investing in people, in infrastructure, in technology, in R&D, and we continue to look at how we can be more relevant to all the stake holders. Thank you very much.

Mohandas Pai:

Thank you Mr. Gopalakrishnan. I would now request Mr. V. Balakrishnan, Company Secretary, and Senior Vice President, Finance, to make a presentation on the financial performance.

V. Balakrishnan:

Good afternoon ladies and gentlemen. In the next few minutes, let me take you through the financial performance of Infosys for fiscal 2004.

This is a standard Safe Harbor Clause.

Last year we achieved billion dollars in revenue. We continue to be the largest listed software exporter in India. We achieved a revenue growth of 41% in \$ terms as against our guidance of 27% we gave in April. We added 119 clients. We received close to million applications for jobs, and recruited around 9758 employees net.

It is really a time to disco, the Board proposed 3:1 bonus issue, recommended one-time special dividend of 2000%, that is Rs.100 per share, recommended a final dividend of 300%, Rs.15 per share, I hope all the shareholders approve this resolution. And we also paid a billion dollar bonus to all our employees, which is approximately around \$1000 per employee, adding up to some \$23 million.

If you look at the growth, the income grown by 31% to billion dollars. Export income grew by 32%. Gross profit grew by 25% last year. Operating profit went up by 25%. Profit before tax went up by 27%. Profit after tax went up by 30%.

If you look at the margins, the gross profit was 48%, it is basically due to the billion dollar bonus, and also the appreciation of rupee. Operating profit was 33%. PAT as a percentage to revenue remained same at 26%.

Well when the environment is bad, there is no love and friendship. The per capita revenue came down by 5.1%, onsite came down by 2.9%, and offshore came down by 2.6% during the year.

The rupee also appreciated. The rupee appreciated by something around 8.7% during the year, around 4% during the last two weeks of March. If you look at the average rate for the year, it came down by 5.32%. Any 1% change in rupee-dollar rate will have an impact of something around 50 basis points on our operating margins.

Well, we have not given up. We saw a strong volume growth. The total person months grew by around 48%, especially the offshore went up by something around 52.7%. We are able to maintain utilization rates within a narrow band and this helped us to maintain our margins.



We continue to spend on sales and marketing, this is because we have to protect our future. We spent around 7.0% of our revenue in sales and marketing. We have around 275 employees. We have around 31 sales and marketing offices across the world.

We maintain tight control on general and administration expenditure. Today, it is around 5.72% of the revenue as compared to 6.96% last year. We have around 1337 employees in the general administration area.

We also actively hedged our forex receivables. At the end of the year, we have around \$143 million of forward contract outstanding. But during the year, we booked close to \$759 million of forward contracts as compared to \$324 million in the previous year. This helped us to reduce the impact due to appreciation of rupee.

Well, we kept our promise. We have given guidance for all the four quarters. We exceeded or met the guidance in all the four quarters during the last year.

On the face of it, it will look like some ordinary investment, but you have to lift the veil to see the strategy. In fact, we have totally invested around some Rs.153 crores. The company has immensely benefited because of these investments.

Well, our chairman said, acquisition is like falling in love, we actually fell in love. We acquired a company called Expert Information Services in Australia for a consideration of \$32 million. This will help us to penetrate the Australian market much faster.

During the last year, we formed a wholly owned subsidiary in China. We are investing up to \$5 million. This is basically to tap the local market and also some of the neighboring markets like Korea, Taiwan, and Japan.

Well, we decided to grow our consulting practice organically. We are investing up to \$20 million, we are getting the best brains from the industry to form this practice. It is a new model which gives the benefits of the global delivery model, but gives the same kind of services to the customer.

This is a ketchup song, let us look at the revenue segmenters. In terms of geography, 71% of our revenue came from North America; 19% from Europe, mainly from UK and Belgium; 8% from rest of the world, mainly Australia, France, and Germany; around 1.4% came from India.

In terms of business segments, around 25% came from development, 30% from maintenance, 14.5% from package implementation, package implementation is growing much faster than rest of the business.

In terms of vertical domains, manufacturing is around 14.8%, insurance is 12.9%, banking and financial services, which is one of the largest in the vertical domains, is 23.7%.

In terms of project segmentation, fixed price is around 34.1% as compared to 36.7% last year.

Well, battlefield is shifted to India. If you have to be in the software services, you have to live and die in India. In terms of revenue, 53% of the revenue came from onsite, but in terms of effort 31.6% of the efforts were done onsite. So, basically we are leveraging our global delivery model to give value to our customers.

We have a PSPD model to give more importance to de-risking our business. In terms of client concentration, we have 393 active clients. We added 119 clients during the year. The top client contributes around 5% of the revenue. We have a policy that no client should exceed more than 10% of the revenue. We have only one client who is more than 5%, that is, the top client. We have 131 million-dollar customers, around 3 fifty-million-dollar clients. We have around 93% of the revenue coming from repeat customers.

In terms of cash management, well the prettiest thing about this woman is the cash she holds. We have around 86% of our assets in cash and cash equivalents, that is 2769 crores; around 30% in fixed assets; around 19% in sundry debtors. Our dream is to have only cash and sundry debtors in the balance sheet. We continue to be a zero debt company.

We have one of the best account receivable days in the industry, it is 48 days. More than 90% of our receivables are less than 60 days.

In terms of cash flows, we are seeing strong cash inflows. Operating cash flow is around 1633 crores. Cash and cash equivalents at the end of the year was 2679 crores. We invested around 429 crores in fixed assets during the year.

Our financial policy is to maintain 25% of the revenue in liquid assets, 40% of the total assets in liquid assets. To earn at least two times the cost the capital as return on capital employed, and three times cost of capital as return on invested capital, excluding cash. We also want to maintain sufficient cash in the balance sheet to fund our ongoing capex requirements, to fund operational expenses and also to maintain business continuity.

Cash is something, which is very close to the heart of our chairman, and I still can't believe he gave 666 crores of one-time dividend. We paid a total dividend of something around 862 crores during the year, which is one of the largest payout by any private sector company in India till date.

Narayana Murthy: Well, people say it is the largest by any entity.

V. Balakrishnan: largest, yes. Hopefully, we will repeat it again.

Okay, in terms of benchmark, we had 2 times return on capital employed, it is 3.4 times. Return on invested capital, we had a benchmark of 3, we achieved 9.8. DSO is 48 days. Cash and cash equivalents to total assets is 85%, to revenue it is 58.2%.

Well, let us look at the other performance indicators. Return on net worth - 40.7%. Return on capital employed - 48.1%. Invested capital - 137.5%. EPS 187 as against 144 last year. Cash EPS Rs.222. Dividend payout including one-time dividends 78.2%. Book value - Rs.488. Price Earning (Multiple) - 26.35. And if you take the IPO price, just for all the bonuses, the market price today, it gave a return of 83,170% to the investors.

Well, the average age of employees has come down during the year. It is around 26 as against 26.6 last year. In fact for every person sitting on the dais, we have to recruit three to four freshers to maintain our average rate below 26. The education index is 74,057 as against 44,972 last year. HR value increased to 21,140 crores as against 10,778 crores last year.

Let us look at the consolidated income statement. The overseas income grew by 34%. Gross profit grew by 27%. Operating profit grew by 26%. and Net profit after tax grew by 30%. Today, we have four subsidiaries, one in India and three outside India.

This is the musical version of the certification done by our CEO and CFO to the SEC. In terms of US GAAP our revenue grew by 41%, gross profit grew by 37%, operating income grew by 34% to reach \$293 million. Operating income excluding stock compensation cost grew by 32%. Net income grew by 39%. and Net income excluding stock compensation cost grew by 37%.

Shareholders, don't worry, we are here for you. We have done all the share transfers within 15 days. Investor grievances were addressed within 10 days. Today, 99.53% of the company's shares are held in Demat mode. We have around 17 litigations due to share transfers but none of it the company is actively involved.

We also had taken care of the community services. We granted around 12 crores to Infosys Foundation to support some of its initiatives to benefit the society. We have also donated 729 computers to various institutions across India through the [Computers@Classrooms](#) initiative. We also established the Infosys environment policy during the year.

Well, we won some awards during the year. We got the best presented annual report award for seventh time in succession from Institute of Chartered Accountants of India. We got the Asiamoney award for the best investor relations in India. We are the first public company in India to receive the corporate governance scoreboard rating from Standard & Poor's. We got 8.6 on a scale of 1-10.

Well, Chairman had given me only 10 minutes time, otherwise we can hear some more songs. Anyway, thank you.

Mohandas Pai:

Thank you Bala. That is a good presentation, sends a message as to what we need when we talk. Members may kindly note that we commenced serving high-tea in the refreshment area. We are now coming to the formal part or the proceedings of the meeting. Before we proceed, I am delighted to say

that the company has volunteered to transact the business as set out in the notice through a non-mandatory postal ballot. Members may note that the Company's Act has been amended to say that postal ballot is necessary for some transactions, however, a company is not required to transact the items of business in the notice through the postal ballot, but we have done it just to make sure that people who are outside who cannot come here to vote can express an opinion. We shall read out their opinion to you before the actual voting takes place, so that you could considerate whenever whatever you decide to vote. I know request Mr. V. Balakrishnan, Company Secretary and Senior Vice President Finance to read the auditors report.

V. Balakrishnan:

There are no songs here.

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, 2004, the profit and loss account, and cash flow statement of the company for the year ended on the date annex thereto. 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 accounting standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about the financial statements are free of material misstatement. An audit includes examining on a test basis, the evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles, views and significant estimates made by the 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 company's auditor's report order 2003 issued by the Central Government of India in terms of sub-section 4A of Section 227 of the Company's Act 1956, we enclosed in the annexure a statement on the matter specified in paragraph 4 and 5 of the said order. Further through our comments in the annexure referred to above, we report that:

- A. We have obtained all the information explanation which in the best of our knowledge and belief were necessary for the purposes of our audit.
- B. In our opinion proper books of account as required by law have been kept by the company so far as appears from our examination of these book.
- C. The balance sheet, the profit and loss account, and the cash flow statements dealt by this report are in agreement with the books of account.
- D. In our opinion the balance sheet, the profit and loss account, and the cash flow statement dealt with by this report comply with the accounting standards, referred to in subsection 3C of section 211 of the Company's Act 1956.
- E. On the basis of written representation received from the Directors as on March 31, 2004, and taken on records by the Board the Directors, we report that none of the Directors is disqualified as on March 31, 2004, from being appointed as a Director in terms of section 274 1-G of the Company's Act 1956. Yes, in our opinion and to the best of our information according to the explanation given to us, the said accounts give the information required by the Company's Act 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - 1) In the case of the balance sheet, of the state of affairs of the company, as at March 31, 2004.
  - 2) In the case of profit and loss account, of the profit of the company for the year ended on that date.
  - 3) In the case of cash flow statements, of the cash flows of the company for the year ended on that date.



For **Bharat S. Raut** & company, S. Balasubramanyam, partner. Thank you.

Mohandas Pai:

Thank you Mr. Balakrishnan, we now come to the adoption of accounts, which is item no. 1 of the notice. It is about the balance sheet, profit and loss account, Director's report, and the auditor's report for the year ended March 31, 2004, are already with the members. Before we go to the voting process or the questioning process, I would like to declare the results of the non-mandatory postal ballot on item no. 1. We have received 303 postal ballot forms that are valid in all respects aggregating to 6,95,137 equity shares. Holders of 6,95,032 shares have voted in favor of the resolution, and holders of 45 equity shares have voted against the resolution. If any member desires to ask any question pertaining to the accounts, he or she may do so. I would request that you restrict your questions only to matters relating to the adoption of accounts. If you have any suggestions to make, I would request the Chairman and the CEO to spend some time after the formal meeting is over to listen to you and to answer to you. If there are any questions, please do come up to the stage and ask those questions. Please do state your name and the question that you need to ask. Thank you.

Alex Rebello:

Respected Chairman and the Chief Mentor, every innovative, uniquely successful, entrepreneur, and specially shareholder friendly, great and good man, Mr. Narayana Murthy, and ever efficient administratively successful Managing Director Mr. Nandan Nilakeni, and effectively successfully ever dynamic Directors, Members on Board, young and old, and lakhpathi, crorepathi and the shareholder friends present here. I am Mr. Alex Rebello, a Kalyanpur Rebello a senior citizen and a small shareholder, one among you lakhpathi and crorepathi shareholders, who have taken time and trouble to attend this meeting though we would have got our benefits without attending this 23<sup>rd</sup> historic Annual General Meeting. It is not only historic for the company, for reaching the billion dollar revenue mark but also to us, the shareholders, about 2000 lakhpathi and crorepathi shareholders who have the unique distinction of getting a huge unexpected dividend of Rs.129.50 on a mere equity of just Rs.5 and a huge bonus of three shares, and not one, which call today a sumptuous sum of more than Rs.15000 lump sum. I have no words of praise to congratulate and say thank you to the Chief Mentor, Mr. Narayana Murthy, including the great CEO and Managing Director, Mr. Nandan Nilakeni, and their whole team, and say, Bravo, for all that they have done to us shareholders apart from the huge salaries and perks they have paid to well deserved employees who have done a yeoman service to the company to raise it to the Himalayan heights. I ever remain grateful and thankful to our Chairman because from out of the 100 shares I purchased in 1995 for just a small price of Rs.470, I became a Lakhpathi thereafter with bonus and bonus of another 100 shares in about a year and splits and dividends, etc. To achieve the success and give us these benefits, our Chairman he had to with just Rs.8000 from a garage shop, it needed unique kind of administration and most efficient kind of management which no one else could have done except Mr. Narayana Murthy. Who could imagine that even Ms. Sonia Gandhi would have copied this strategy in a strange way for her congress party by putting Mr. Manmohan Singh in the government gaddi of Prime Minister and she guiding him as a mentor, as a party head and parliamentary leader. Who could assess this excellent kind of administration and use this with advantage except Mr. Narayana Murthy, a master of new game and new rules as this report and balance sheet says. Now coming to the balance sheet and report, I can only say it is grand and beautiful in presentation and content. Thanks to the person who designed it for its beauty, and thanks to the person who made its content, that is Mr. Narayana Murthy and Mr. Nandan Nilakeni, to make it possible to give us a gift of a dividend of 2590% and a lion's share bonus of 3 shares, which costs about Rs.15,000 today as I had said before. It is great, with all these benefits to us, they have built up a reserve of Rs.3220 crores against a capital of just Rs.33 crores, which is just 98 times the capital. What a great feat that can be than this, which does not deserve our congratulations and wishes and a big bravo to them including all the employees who have worked so hard for this. Apart from this it is great that the shareholders have

been given a great and good dividend unlike other companies who still give us the old 60% and 80% dividends. This company of ours has been a model shareholder-friendly company, that is, thanks to our Chairman and mentor Mr. Narayana Murthy and his team. I can still go on, singing the praise till you get bored, which I do not want to, and therefore I close wishing the company and Mr. Narayana Murthy and Mr. Nilakeni success after success year after year to go on giving us dividend after dividend and once in a while bonus too. So, now friends, I think this is enough. I close only after saying a big thank you for hearing me patiently. Thank you again.

Mohandas Pai:

Thank you Mr. Rebello. Mr. Rebello has been insistent over the years that Infosys increase the dividend and give a bonus issue, and like a good corporate citizen the board has listened to the shareholders like Mr. Rebello. I would request the members to keep the talk brief, there are many people who needs to speak, please keep it brief and to the point that you want to ask about the technical matters. If any other matters, we could request you to speak later.

Chawla:

Chairman sir, Board of Directors, fellow shareholders, my name is Chawla.

I will speak in Hindi as most people would be able to understand me then.

[Translated from Hindi]:

Praising Infosys is like telling the sun that you are looking brighter today. You have said a lot today, so I won't say much apart from this anecdote. In 1994, I met a friend who had four kids. I asked him why he was investing in kids instead of investing in shares. Ten years later, when I met him, he had a fifth child of 10 yrs and he told me that I was right and that if he had bought shares in Infosys then, it would have given me more money than my four kids will bring me. This is the position today of Infosys that even a kid does not bring in the kind of money Infosys does. I would like to give a few suggestions. You have listed out the donations on page # 74. last year, 6 crores was given and this year 14 crores has been given. Whereas in the south, there are two entities towards which money flows like an ocean and not a river – the Lord Balaji at Tirupati and Infosys. But 14 crores is too small an amount. I request to the Board of Directors, that instead of spending so much on us share-holders, give some more donations but to the right places and people – if you make good donations, we shall not object. Even if you increase this from 14 crores to 100 crores, it would won't be a problem because I believe that the more you distribute, the more you get. This is the first time I have come to a meeting and I saw name plates set everywhere. The company's name is on the Registration, but I receive 700 Annual General Reports from various companies and I see that on every page of the report, their companies name is written on top but our company's name is not there on a single page of our report. So, my suggestion is that our company's name should be there on every page because these papers often go to the *Raddi wallah* and sometime when two lovers buy groundnuts and go and sit in parks, they are not able to see the company's name on such paper. So, in the future, our company's name should be there on every page. In fact, even on the page having the photos of the members of the Board, the company's name is not to be found. So, for the future people to know which company this Board of Directors belongs to. When we have to fax or send a page, say the financial highlights, to the company, I need to write the name Infosys on it by hand. So, please keep this in mind.

Mohandas Pai:

Chawlaji lets proceed.

Chawla:

One minute sir. This company has been around for 23 years now but it does not have a logo. Every company has some logo, some monograph so why don't you make a logo? In these 23 years you have given a lot to the shareholders, so what are you going to give us in the Silver Jubilee year, which is 2

years later? This is not my question but my son who is in the 7<sup>th</sup> standard and he wants to know what you are going to give. Please tell me. You have given us so much but no shareholder has given you anything – not even a bouquet. We have a lot of words to give you, but nothing else. Since I came from Hyderabad, I thought that your earnings don't come out of a factory or workshop but from a computer. So, I would like to give this small computer that I have made, to Mr. Narayana Murthy if you grant me permission.

Mohandas Pai:

[Translated from Hindi]Yes Yes of course. Please come.



Mohandas Pai:

Thank you very much. Mr Chawla asked us why we make donations only in the south. Our donation policy is such that wherever we have our Development Centers, we invest there. The donations we have made will also benefit Bhubanesher, Pune, Bangalore and Chennai. We have also made donations in Chandigarh. Secondly, about the name of the company not being there on every page, our policy is that if the name of the company is in your heart, we are happy. After so many years, we have no logo because we think that our name is our logo. We thought about this a lot but everyone thought that our name in itself is a logo. The Silver Jubilee will be in another 2 years. We would remind Mr. Murthy and Mr. Nandan about what you would like for the Silver Jubilee to be given to the shareholders and the employees. This is a very nice suggestion. Thank you very much.

Male participant:

Respected Chairman and other shareholders, I am coming from Chennai. I am attending first time the general body meeting. I am really proud of this management. They are very much fulfilling each and every shareholder's aspirations. For this, my earlier speakers also spoke eloquently. I do not want to elaborate again and again thanking, but one word of caution I wanted to inform. When you are enlarging the capital base, the expectation will be continued to be the same, at the time the respect, the same amount of dividend, if the shareholders expect in future, the management has to work hard, not only hard but work your hardest way for that is their abundant caution has been now devolved on them. I, on behalf of the shareholders inform, from 32 crores the share <word inaudible> is now going by drawing pre reserve. So, the dividend also proportionately will be accepted the same way, and the men in the helm has to struggle hard to keep the aspirations of each and every shareholder who are now enjoying the reputation from their management. So, I request the board of directors to keep this in mind also in future, because not I am telling for introspection, think ourselves in future, how you have to act the same, the people may expect the same amount of dividend in year, when the **base** is going up. And with regard to accounts, I want to ask one question, not a question, as a suggestion. On page number 110, the board of directors have given the shareholding pattern. It would be appropriate if earlier years also, the next, immediately next previous year may also be given for shareholders comparison purpose. The entire report has been prepared very excellently, but we are only adding one more suggestion to be added in your future reports, and a comparative data chart for 10 years, equity, pre reserve, and so many parameters you can incorporate in one page for comparative purposes for shareholders who have purchased secondary market. Some shareholders continuing from the very beginning from the inception, they may analyze the company's progress, for the purpose it may be appropriately added in your future report as a chart. Thank you.

Mohandas Pai:

Well thank you very much. We have said our dividend policy is to pay up to 20% of net profits, not exceeding 20% of net profits. So the percentage is not important, but the profits. We earned 1243 crores, we said we will pay up to 20%, we have paid some 17.5%, and we gave a surplus cash of you know 666 crores as a special one-time dividend, and that is why we call it a special one-time dividend so that you do not expect us to pay this one-time dividend year after year. What is the reasonable expectation is to look for dividends up to 20% of the profits that we earn, and we have maintained this

policy over a number of years. As for giving data for the previous year is a good suggestion, and for the 10-year data, we have given the 10-year data. If you look at the annual report, page 28-29, 10-year data has been given, and we have been giving it for the last 10 years.

Male participant:

Is the bonus issue also one-time?

Mohandas Pai:

No, no, bonus share is separate, dividend is separate. This one-time dividend has been given as the chairman said in his speech as a special one-time dividend, the bonus has been given for the reasons that Chairman said again.

Gentleman, if there are no other questions? yes please, please restrict yourself to the question.

S. Narayana:

I have only just two questions. Respected Mr. Narayana Murthy and Board of Directors, I am S. Narayana. The first question is that you have cash and cash equivalents and mutual funds equivalents almost more than 600 million, whereas you have invested only 40 million for mergers and acquisitions. Already you have achieved a global \$1 billion company, and in the process of becoming another biggest company in the IT field in the global area, is it not this investment towards strategic acquisitions and mergers far too low compared to others? The second question is, I observed that the growth of Progeon is quite less compared to others in India, and if you would like to have a model of employment generation specifically in India where we have lot of rather lakhs of graduates, intelligent people available, is it not synergize the field of these unemployed youth into employment and grow your model for the BPO unit.

Mohandas Pai:

Thank you very much. I think the M&A strategy has been elucidated by the Chairman in his speech. If you read the speech, the parameters have been set. We have team which looks at this. We have seen over 130 companies globally to come to a conclusion and we finally fell in love with Gary's company. As far as Progeon is concerned, it has grown from \$4 million to \$17 million in a year, 400%, and this year we have said in our guidance it will be \$30-32 million. It is growing very fast. It is a transaction processing company and not a call center company, and therefore the growth rates we are told is very good compared to everybody else. Yes please.

Narsingh Sinha:

Sir, I am Narsingh Sinha, Dear Chairman and Board of Directors, thank you for the dividend and the bonus. My question is relating to the cash with bank, short term bank deposits of 1300 crores earning around 4.6%, which is a taxable return as against the mutual fund which is tax-free of 4%, and with softening of the interest rates I think the returns maybe far lower. And the second thing is about the volatility of the foreign exchange markets. So, with 84% of the turnover in dollar denominated, how do you propose to tackle this sir? Thank you.

Mohandas Pai:

Thank you very much. We have said that the cash is required for strategic purposes to meet one year's expenses without earning a single rupee of revenue, to make sure that we can reconfigure incase the markets turn volatile, and the best place to keep the cash is the bank. The banks know how to lose money, we don't know. We want to protect your money. Yes, the returns are low, that is why we put some money in money market liquid funds, but because of risk management and because of our risk management policy, we spread the money across many banks based upon rating mechanism. So we think that we are properly configured. We shall of course take your suggestion with most respect. Forex volatility, our forex policy is that we earn in particular currencies, expend whatever needs to be expended in that currency, and then get the money back into India to convert into rupees to meet rupee expenditure and to keep the money here. Our policy is to hedge up to 80% in the normal course. Going forward, this is how we manage our forex. We have a very defensive policy. We don't look at an

offensive policy, and this policy too has been elucidated in our annual report.

Anybody else?

Male participant: Good afternoon ladies and gentleman. This is regarding quality model adopted by the Infosys. I believe that 6-sigma model has been adopted, and I just wanted to know what about the e-sourcing capability model which has been adopted by other BPO industry and other companies. Is there any link to the company Infosys can it adopted, how it can be differentiated among 6-sigma and <word inaudible>.

Mohandas Pai: I think that is a very technical question. If you could, we could ask Mr. Dinesh to talk to you after the meeting. Is it okay?

Male participant: Yeah, sure.

Mohandas Pai: That will be better.

Male participant: Thank you.

Mohandas Pai: Yeah, one more question.

Prashant: Good evening to all the Board of Directors, I am Prashant, coming from Dharwad. Sir, I have one doubt in mind, what are the grants and what are the subsidies given by the government of India to IT sector so that on the eve of formation of a new government, is some of the financial policies which are withdrawn, how it would affect the company's performance since it is in the IT sector, I would like to know that?

Mohandas Pai: We get a tax break, we do not pay tax on exports till 2009, fiscal 2009. we do not pay import duty on any capital goods that we import. We do not pay excise duty on anything that we purchase within India, and in the state of Karnataka and in some states, if you buy some local good, capital goods, there is a sales tax exemption. In some states have registration exemption for land they give to you. If you look at the balance sheet, I think Bala will give a particular page number, the impact on our profitability in case all this is withdrawn is given in a chapter called shareholder information. We have been giving that information for many years. So, if you just look at the chapter shareholder information that impact has been given.

Folks, if you will please hurry up.

Ashok: Yes sir. My name is Ashok. Respected chairman and members of the board, let me keep myself very short. Today, when I came, I saw lot of enjoyment amongst the shareholders because of bonus, one-time hefty dividend etc., but when I look three to four years of the company's performance, I see some dangerous trends. Let me just share my thoughts, what I see is the employee cost is simply increasing beyond proportion. Just to give a rough estimate, on per employee basis generates 20 lakhs revenue, out of which 5 lakhs is the profit, and almost 50%, that is, 10 lakhs goes as employee's salaries. Such a salary maybe 5-6 years back was somewhat justified because there was scarcity of the software professionals. Today, we have lakhs and lakhs of software professionals unemployed and as per company's own statement, nearly 10 lakh people have applied for job, and so I think the company must seriously consider reducing the salary or if the employee wants the same salary let them show at least proportionately better performance instead giving sales revenues of 4000 and odd crores demand that they give a sales revenue of 6000 crores, and at least 2000 crores net profit. In fact my humble request

is please publish that per employee data for the past 10 years, how much profit they have generated, how much revenue they have generated. I think the core concept of corporate governance is being fair to all the stake holders. Today, what I see is the employees are the pampered lots but the shareholders are always at the receiving end. Just to give an example, if the employees get 2000 crores, fairness means shareholders should also get 2000 crores. If you don't give 2000 crores to the shareholders, at least have so much equivalent money in the reserves. And then, this sort of mad rat race amongst the IT sector as such for simply increasing the salaries without any **meritable** performance, I think it is leading to lot of social problems. Today, in the Bangalore wherever these techies are staying, the rentals have simply shot up, the employees from other industries are fighting to find a decent accommodation. I am not against you paying more, but demand the equivalent performance. And then, second point is, sir, your R&D spending is hardly 1%, if I am right, of your revenues. I think something like 40 crores and all, I mean 400 crores, of this 400 crores, 50% of that amount has gone to the banking sector or say the financial sector, what I strongly feel is for the company to be competitive it should invest heavily into the R&D, at least it's spending has to increase to 10% at least because unless you are competitive, you are innovative, I don't think you can face the future. And the third and the last point is, what I see is, despite de-risking model, there is a excess concentration of revenues from the North American market. I think this has to be addressed, still we have not yet penetrated the difficult Japanese and the Chinese market, and even amongst verticals, why is that we have not entered bioinformatics, which is an emerging area. This all I have, if you can. . . .

Mohandas Pai:

Thank you, as regards to employee cost let me share that, that is an eternal debate, employee's ask us we work 14 hours a day, we come on a Saturday and Sunday, investors have only put 33 crores into this company, why do they get 900 crores dividend. The debate goes on. I think the board balances everybody's interest, without these excellent employees there will be no company. We are a company which depends upon people, highly skilled people who can work in any company across the globe. We are grateful to them that they come and work with us. They are attracted to us. Our biggest challenge is how do we continue to attract bright young people to join us. The day we do not attract bright young people, we will not have a business to run, because we compete with the best in the world. Yes, there are lot of unemployed people, but the key thing is the company is known by the quality of its people. You have to attract the best. 907,000 people applied for jobs, we could make only 14000 offers because 14000 people where only fit to join Infosys, and we have to get the best. Let me assure you sir that unless the best people run this company, you will have no company left. And as far employee's wages going up, wages are paid based upon market conditions, whatever the market demands. There is a demand for good people, there will be a demand for good people. We should not grudge them whatever they get, we should applaud them for the work they have done. As regards to sales, the pricing that we get in the global market depends upon competition. Our sales and marketing people work very hard to get the best rates possible. In the entire Indian software industry, we get the highest rates among any company. I think as a testimony to the model that has been built up to the hard work done by people. R&D depends upon how adequate we need, banking is a product which requires higher R&D, we invest there. And, as far your suggestion about North America, it is in the radar screen.. We look at this risk matrix everyday. We had a company in Australia. We are investing in Japan and other companies. We have a company in China. We are aware of this and we shall make sure that this is taken care of. Thank you very much.

One last question. No, please, please later. . . .

Male participant:

Per employee data.

Mohandas Pai:

Per employee data is there. You could just take this figure. It is just a question of giving the . . . .

- Male participant: you have not provided the per employee data.
- Mohandas Pai: No, we gave the number of employees, the number of employees is there, it is just taking the revenue and dividing with number of employees, but it is a good suggestion, we shall look at that, because if you look at per employee data, there are some <word inaudible>I must point out. It depends upon the number of trainees that you hire, whether you hired people at the end of the year or beginning of the year, the bench that you have, onsite-offshore ratio. For example, if you work offshore, you get about \$45,000. You work onsite, \$132,000. Now, what is better? Even the expenses will be higher. If you work onsite the compensation is \$71,000, you work offshore the compensation is different, average compensation. There are too many complexities to reduce this to a simple matrix of per employee income because then it will be totally misleading for it to estimate.
- Narayana Murthy: You know, I want to make one very important point. On the day when the investors have got 2590% of dividend or Rs. 129 of dividend, for a share that they bought at Rs. 95 in 1993. On a day when we gave, when we are all discussing we are all going to pass the bonus share of 3 shares per share, frankly I am not sure we should be even discussing this issue of salary for employees because without them there will be no company, without them you wouldn't have got this whatever dividend, you wouldn't have got shares. So, I think let us acknowledge their contribution, and I am very happy as I made this thing in my speech, Infosys perhaps was one of the very few companies that I know of which said on this occasion when we are giving this huge dividend to our shareholders, etc., we must do something for our employees. I am glad that everybody, every person in the senior management in the company has the awareness of the contribution of our employees. So, let us not grudge them at least.
- Mohandas Pai: Thank you very much. There is a page called ratio analysis on 126, which give you more details. We will have... Yes, there are no more questions. Yes, we will ask one last question, and after that if you want, you can meet us outside after this meeting, and we will answer all your questions. We will be here because there are about 700 people here and I think we should be considerate. Okay, one gentleman on the dais and you can come.
- Raghavendra: Namaskara sir. Raghavendra from Gouribidnur, Kolar district one small zilla. Nothing sir, whenever shareholder's come to the company, security people send us back from the gate. When we are passing Electronic city, see our office, see how nice it is, and want to go inside and have a look, they do not allow us in. Kindly from this year whenever shareholder and family visit the office to have a look, please allow them in.
- Mohandas Pai: You can call our company secretary Balakrishnan, and he will grant you permission. We need security because who comes and when we do not know. So, we need security, so you call up Balakrishnan and he will permit you. Thank you.
- Male participant: My name is Hirenhya, I have got one simple question to ask, of all the revenue models they have shown 74% from North America., we appreciate and congratulate, and we as shareholders feel proud of this and really proud because we all belong to this kind of a family which always think for the welfare of everybody including the driver to the shareholder. Thank you very much for that. And my question is, you have shown 74% revenue from North America and various bifurcations you have given, but your share or contribution to the Indian this thing is 1.4%, why, India has it not matured enough to take on your technology or you are too far a distant star to reach there. Kindly explain?
- Mohandas Pai: I would request our CEO to answer that question.

Nandan Nilekani:

In fact, we have been.. Thanks Mohan. Yeah, it is the question which he said it is better that I handle, you know. No, I think India is a very important market for us. We have been very very active in the banking sector. In fact, 70% of the Indian banks use our Finnacle technology and we believe that we have played a very instrumental role in the modernization of the Indian financial sector. So, I think we have done something here, but just to give you a sense of the market size, the US economy is about \$10 trillion and spends about 8.4% of GDP on technology, which means they spend about \$840 billion on technology, where as total India GDP may be around \$600 billion, only spends about \$4 billion on technology. So, the size of the market comparatively is much smaller. However, we are keeping a very close eye on the Indian market, and we will jump in and get in as soon as we feel there is a good business opportunity for all of us. In the meantime, we will focus on becoming the dominant player in the banking sector. Thank you.



Mohandas Pai:

Sir, please keep it brief, we are running out of time please. I would request that this be the last question. We will answer all your questions after the meeting is over.

G.V. Ramanareddy:

Translated from Kannada: Namaskar to all the shareholders. Good evening Board of Directors and Chairman. G. V. Ramanareddy, ex-employee of Bharat Electronics Ltd. Economic times April 14, 2004, you have given the results, in that other non-allocable expenditure, sorry, appropriate of non-promoter shareholder's percentage of shareholding 73.5%. So, Board of Directors are holding 22.5%. So, others are holding 73.5%. So, I request management they have given very good dividend, they have given very good bonus. This is the first company in fifty years history, Indian history, they have given three shares for one share bonus. So, to keep up the market rate and performance of the company in future, so they have to give Board or Directors, there are State Bank of Mysore, State Bank of India, so many companies, they are giving ordinary shareholders Board of Directors, so if they give one director generally, one director for employee's, one lady director already is there, if they want they can give one generally for one lady, 33% they are telling, so that company will be, performance in future it will be good.

Mohandas Pai:

Thank you for your suggestion sir.

G.V. Ramannareddy:

Sir, one small, in American Securities and Exchange Commission, United States, you have given under page 20, where are the properties, all maximum leased properties are there. So, we are only owned some Hyderabad and some, bought some JP Nagar, and some Bangalore, only three or four properties are owned, remaining all leased, so very good properties are available. Binny Mill, Bangalore is available, Raja Mills, Malleshwaram is available, so please purchase and utilize the money if you surplus so that it will be, another 100 years it will run better way. Don't waste money.

Mohandas Pai:

Mr. Raman are you suggesting that we don't give a dividend and buy properties?

Male participant:

Yes sir.

Mohandas Pai:

Thank you Mr. Ramana. Now, I think...

Male participant:

Last request.. One State Bank of India Chairman is holding 31 companies, previous man 43 companies, like this giving money, like this taking money, so you restrict 9 Directors only, any Director should be only 9 Directors, how it is justifiable? State Bank of Mysore, Chairman is holding 31 Directors, giving money one side....

- Narayana Murthy: You should talk to the Finance Minister, not to us. . . .
- Mohandas Pai: Mr. Ramana Reddy, this is not germane to us, please. Anyway, your suggestion will be looked at by the board, and as per the SEC goes, SEC property matters goes, these are properties given by the Government for our campuses on a lease cum sale basis. There are terms you have to invest, and after certain period of time, it will be transferred to you. As soon as we complete the time, it will be transferred to us. They are owned by the corporation.
- Sir, you are the last shareholder please.
- Male participant: Thank you.
- Mohandas Pai: We have to move forward.
- Nirmal Banerjee: Mr. Chairman, very very briefly, Mr. Chairman, our Chief Mentor, on behalf of the shareholders we again wish to congratulate and felicitate this board on a remarkable, truly remarkable performance in the last fiscal. Mr. Narayana Murthy last year when I met you at this time, by the way my name is Nirmal Banerjee, I asked the Chief Mentor a very simple question, and that is Mr. Narayana Murthy, you had a dream and you have made that dream come true. So, we are absolutely delighted that this concluded fiscal Infosys has recorded one-billion dollars in revenue. Now, Mr. Chairman we need you to dream another and a new dream whereby in the very near future we should see Infosys with a net profit of one-billion dollars.
- Narayana Murthy: Thank you very much. It is a good piece of encouragement. We will all work hard.
- Male participant: Mr. Chairman, I have only one small sort of apprehension, which one feels, that I am sure the Board of Directors are addressing this issue, but in the presentation it was highlighted that the attrition rate has gone up by 50% last year from 6.7% to in excess of 10%, that means that very vital and well expensive resources of the company are being expended to recruit, train, and bring in line employees, but last year, we have lost in excess of 2500 people. Mr. Chairman, we would like to know very specifically what is it, or what is the basic strategy that is being followed by the management to not only to recruit the best but also to retain the very best in our company. And lastly, the final point, Mr. Ramdas if I may, this is possibly relating to you. On page 31 of the annual report, it is a reality, but I would like to just get a clarification from you Mr. Ramdas Pai please, no Mr. Mohandas pai I beg your pardon. In other investments we have seen that the company is not very good at this because effectively it has all been written off. So, something like 54 crores effectively has been written off. So, perhaps it is not a good idea for the company to make other investments. Thank you very much indeed. Thank you.
- Mohandas Pai: Well, as per the attrition, attrition was at a all time high of 12.5% a few years ago, came down to 9%, 6.5%, went up this year. It is perhaps one of the lowest in the software industry in India. It is the reflection of the market conditions. We have a variety of schemes to make sure that we retain our employees. As for investments, these were strategic investments made to get access to technology or to revenues, if you study the report further you will find that last year we had said, the quantum revenues that we got of these investments, but we do take your advice about writing off investments. So, folks thank you very much for this enlightening session of asking questions. We shall now move to adopt the accounts. I request any member to move the resolution for adoption of accounts. Do we have a volunteer here? Yes sir.

Mr. Nirmal Banerjee will move the accounts.

Do you have any member to second?

Mr. Padmanabhan will second.

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

Thank you.

I request the members who are against the resolution to raise their hands.

Is there anybody against?

Who is that? Sam? What are you up to?

Well, Sam is acting as a representative of some ADR holder, it is a law. Thank you very much Sam.

I declare the resolution as passed with requisite majority.

We will come to the declaration of dividends, 970 crores pay out including taxes. So, we have item #2 of the . . . , yes sir, what is that? On the dividends? Sure. Item #2 of the notice on declaration of dividends, but keep it brief please, we do not want a discussion.

Narayana Murthy: We have allocated about 3 minutes for resolution because as you know there are . . .

Male Participant: I will take half a minute sir. When I invested in Infosys, I believed that Infosys would use my money. I continue to believe that. So I would request you to consider the policy of very low or no dividends because having given you the money I think I trust you to look after my money. If I want to walk out I can sell my shares or do a buy back.

Mohandas Pai: That is a very good point, but the point is we are committed to earning superior returns, and if you feel that our ability to earn superior returns on large cash balance is impaired, we just give it back to you so you can earn superior returns in other areas too. It is portfolio . . . . .

Male Participant: You look after my money better than I look after.

Mohandas Pai: Thanks very much for this confidence and honor. Now, this is possibly, like Bala said, the highest pay out ever in Indian corporate history till today. We have received 303 postal ballot forms that are valid for 6,95, 137 shares. Holders of 6,95,104 shares have voted in the favor and holders of 15 equity shares voted against. I request any member to propose this resolution.

Yes, your name sir?

Mr. Sampangirama to propose. Members here.

What is that?

Bharat Jain to second.

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

Thank you very much.

Any member who is against the resolution, one more there, gentleman there, two of them.

So, I declare the resolution as passed with requisite majority.

We come to the third item on the ordinary business, to appoint a director in place of Mr. Deepak Satwalekar who retires by rotation and being eligible offers himself for re-election. Mr. Deepak Satwalekar is a lead independent director, retires by rotation, now as we have received 303 postal ballots, which are valid for 6,95,137 shares, holders of 5,56,019 shares have voted in favor, the holders of 40 equity shares have voted against the resolution. If there are no questions to this item, I would request a member to propose the resolution.

Can we have a lady please?

Yes madam.

Shailaja Anantharamhaiah to propose.

Any member to second.

D. M. Jain to second.

I request the members who are for the resolution to raise your hands.

Thank you very much.

Members who are against the resolution.

Okay Sam, Sam is the lonely lone ranger.

I declare the resolution as passed with requisite majority.

The fourth item on the ordinary business to appoint a director in the place of Prof. Marti Subrahmanyam who retires by rotation and being eligible offers himself for re-election. 303 postal ballots for 6,95,137, holders of 5,56,046 in favor, 19 against. If there are no questions, I would request any member to propose the resolution.

Yes madam, I beg your pardon.

Padma Kumar, Ms. Padma Kumar to propose.

Mr. Praful Chawla to second.

Members in favor, please raise your hands.

Thank you very much.

Members against.

Sam again, okay.

I declare the resolution as passed with requisite majority.

The 5th is to reappoint our COO, Mr. S. Gopalakrishnan, who has probably got the best dress sense amongst the directors who are full time. We have received 6,91,656 equity shares in the postal ballot in favor, 29 against. If there are no questions, I would request a member to propose the resolution.

Yes sir, P. Shanmukappa to propose.

Yes, that side, Ms. Naren Fernandes to second.

Members in favor, Kris is a founder. Thank you very much.

Members against, Sam again. Thank you Sam.

I declare the resolution as passed with requisite majority.

To reappoint a director in place of Mr. Shibulal, one of our founders, who retires by rotation, being eligible offers himself for re-election. Assuming no questions from the members to this resolution, I request a member to propose.

Mr. Sharief to propose.

P. G. Raghavendra to second.

We have received 6,91,624 equity shares in the postal ballot in favor, 60 equity shares have voted against. So, members in favor, please raise your hands.

Thank you very much.

Members against, Sam? No, you put your hand down, thank you.

I declare the resolution as passed with requisite majority.

Now we have come to appointing me, I hope you would be very kind to me, I would give the chair to Mr. Narayana Murthy.

Narayana Murthy: Thank you Mohan, this is re-election of Mr. Mohandas Pai. You know as you can see we have had 303 postal ballots for a yes of 6,91,600 votes and 31 votes are against re-election. If you people do not have any questions, would somebody propose?

P. Shanmugappa proposes, and Ms. Verennaiha seconds.

Now, yeah how many people are in favor of this?

Great.

Yeah against, Sam are you there? Yeah, okay good. He is a very consistent fellow. So, I must say, I also have to be consistent, I must say that Mr. Mohandas Pai has been re-elected with the requisite majority. Now I pass the baton on to Mohan.

Mohandas Pai:

Thank you folks, thank you very much. We come to the appointment of auditors, item #8. The auditors, M/s. Bharatesh Rao, Chartered Accountants, retire at this meeting and have confirmed eligibility and willingness to accept the office. This resolution is for their appointment at a fee to be determined by the board. The resolution is with you, I shall take it as read. We receive 5,58,994 postal ballots in favor, 1,35,609 against. Now, if there are no questions, can I request a member to propose please?

Yes sir, Mr. Ghaneriwala to propose.

Yes sir, Mr. Sampangiraman to second.

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

Thank you very much.

Members against, Sam again.

I declare the resolution as passed with the requisite majority.

Thank you very much for this.

Now, we come to the special business agenda. Delisting of the company's share in the Bangalore Stock Exchange. The last trading took place in 2002, 21,000 shares were traded, 15 crores shares same year in the NSE, 9 crores in the BSE. SEBI norms allows people to delist. It is indeed with a very heavy heart because we are in Bangalore but we must accept the fact that today there are global markets, we have a national market, the NSE and the BSE, and we must go along with the times. So, even though we are very regretful, we have a heavy heart because of sentimental reasons. We think it is in the best interest to delist because it does not serve any purpose.

The resolution is with you. Now I will give you the details of the postal ballot; 6,87,791 equity shares in favor, 4227 against. If you do not have any questions, I shall request a member to propose this special resolution to delist.

Yes please?

Male Participant:

What is the benefit we get by delisting?

Mohandas Pai:

The benefit you get is that we do not have to pay the listing fees, and we do not have to submit to the discipline of Bangalore Stock Exchange and every quarter we do not have to send our every quarter and every time, we do not have to send details to three stock exchanges, we send it to two. Operationally, it becomes very much easier.

Yes, are there any members to propose? Your name sir?

Male Participant:

Sorry, one question I would like to ask.

Mohandas Pai: Yes sir.

Male Participant: you should not delist the share, we are not requesting for delisting.

Mohandas Pai: Sir, I understand your sentiments. We also have the same sentiments.

Male Participant: And I oppose that move itself.

Mohandas Pai: Thank you sir, we shall take your views into consideration, but do you have any members to propose the resolution?

Yes Mr. S. Narayana to propose.

Any member to second?

Manjunath, I will speak to you later sir, Mr. Manjunath to second.

Members favoring the resolution, please raise your hands.

Thank you very much.

Members against? Yes sir, thank you and Sam, and some few people there. We appreciate your sentiments, we understand, we share your sentiments, the deep sense of pain, we support this.

So I declare the resolution as passed with requisite majority.

To consider payment of remuneration to non-executive directors. Section 309 of the Companies Act provides that a director who is neither a whole-time employment nor a Managing Director may be paid remuneration by way of commission, if the company by special resolution so authorizes. We have a very eminent board with directors from all part of the globe, and we think it is in our interest to have this resolution. The resolution is with you, I shall take it as read. In the non-mandatory postal ballots, 6,71,365 equity shares voted in favor, 23,386 in against. I seek your approval by way of special resolution to pay remuneration to our non-executive directors.

Assuming no questions, yes sir, Mr. Ravish Kumar proposes, Praful Chawla seconds.

Members for the resolution? Thank you for being so kind.

Members against the resolution? Sam again, and nobody else. There is one person there and one person there. Thank you very much.

I declare the resolution as passed with the requisite majority.

We come to item #11, to consider revision of the payments of remuneration to Mr. Gopalakrishnan, Mr. Shibulal, Mr. Mohandas Pai, Mr. Srinath Batni, and I think that possibly Mr. Murthy can handle this even though he has not been forewarned.

Narayana Murthy: Well, you know, this is about the remuneration that, yeah basically the company performance based remuneration, and as you people can see it is all there in the details, you know the



salaries that we offer to our full time directors is perhaps one of the lowest in the world, certainly lowest in the industry. So, I do not want to go more in to this, because all the details are there. In the postal ballot, as against 303 postal ballots, we had 6,86,742 people who approved this, and 6873 equity shares have voted against this. Now, if you guys, if you people do not have any questions, then I would say who would like to propose it.

Mr. Shanmugam proposes, and Mr. Shyam Sunder seconds.

And now how many of you are in favor of this please?

Well.

And how many of you are against it? Well, there are a few people.

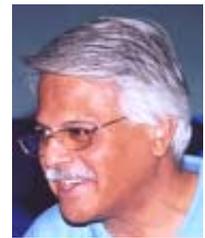
So I would say that this has been passed with the requisite majority.

Mohandas Pai:

Thank you Mr. Murthy. The next resolution is for revision of remuneration to the whole time directors. Since all of us could deem to be interested, I would give the mike to the lead independent director, Mr. Deepak Satwalekar. Mr. Deepak please.

Deepak:

The resolution is before all of you. So, if there are no questions, let me read out the results of the non-mandatory postal ballot. 303 postal ballot forms were received, 6,92,013 equity shares have voted in favor of the resolution, and 1751 equity share holders have voted against the resolution.



If there are no questions, can I have some one to propose the resolution.

Ravi.

Someone to second it?

Shridhar.

All in favor please raise your hands.

Any one against, one, Sam. One more there, okay.

The resolution is passed by the requisite majority. Thank you.

Mohandas Pai:

Thank you Mr. Deepak. Item #13, to consider re-appointment of Mr. Gopalakrishnan as the Deputy Managing Director and COO for the further period of five years. He was appointed for five years, which is to expire on October 17, 2004. As a part of the initiative to create an enduring leadership, the board of directors of your company at the meeting held on April 13, 2004, resolved to re-appoint Mr. Gopalakrishnan as the Deputy Managing Director and COO for a further period of five years on the terms and conditions which are in the resolution. In the postal ballot, 6,90,077 equity shares have voted in favor, 4849 against. Assuming no questions, I seek a member to propose the resolution.

Mr. M. M. Bhat to propose.

Mr. Vijay Nair to second.

Members in favor, please raise your hands.

Thank you very much for this overwhelming response.

Members against? Thank you Sam.

I declare the resolution as passed with requisite majority.

Now a resolution which will cheer your heart, to consider increase in the authorized capital of the company. This is because if you want to issue the bonus shares there should be enough headroom in the authorized capital. It is a technical requirement. If we do not do this, we will not be able to give you bonus shares. And therefore the resolution, I assume, has been read by you. 5,58,122 equity shares have voted in favor in the postal ballot, 1,36,885 against. I am really surprised. But anyway, I seek a member to propose assuming no questions.

Mr. Prashanth to propose.

Mr. Ravish Kumar to second.

Members in favor, please raise your hands. You are all voting for yourself, that is very good. Thank you very much.

Members against, Sam again? All right, one more, well, two of you. Anybody else? Thank you very much.

I declare the resolution as passed with requisite majority.

To consider alteration in the capital, capital clause of the Article of Association of the company. This is to issue the bonus shares because when authorized capital goes up, the Articles have to be amended. In the postal ballot, 1,79,543 shares have voted in favor, 1,36,810 against. Now, assuming no questions in the technical matter, anybody to propose.

Some new name? Mr. Gopinath.

The lady there, Ms. Pushpa to second.

Members in favor, please raise your hands. Thank you very much.

Members against, two of you. Thank you very much sir.

I declare the resolution as passed with requisite majority. We required a 3/4<sup>th</sup> majority of members present and voting. Thank you very much.

To consider bonus issue of shares. So, the board has recommended 3:1 bonus issue and for the ADR holders a 2:1 bonus issue, and a reconsideration of the ratio of ADR equity shares from 2 ADRs to 1 equity share to 1 equity share to 1 ADR. It basically means they get shares in the same ratio. So, let me look at the postal ballot for this; 6,93,905 equity shares in favor, 1202 equity shares against.

Assuming no questions, I request any member to propose.

Mr. Hirannaiah to propose.

Mr. Sudhindra to second.

Members in favor, raise your hands.

Thank you very much.

Members against, both of you. Thank you very much.

I declare the resolution as passed with requisite majority.

To consider the formation of a New Employees' Welfare Trust, I need to explain this. In the company's 13<sup>th</sup> Annual General Meeting in 1994, members had consented to the issue of certain warrants to the Infosys Technologies Limited Employees' Welfare Trust to create a stock option plan called the 1994 Plan. The purpose of the Trust was to take several measures for the welfare of employees and to hold the shares and to give it to employees as part of the stock option plan. The Trust has completed 10 years and its scheme expires in September 2004. As of date, the Trust has in its ownership 3,53,400 shares, which have been returned to the Trust or quite possibly could be returned before September 2004. Now, the proposal is that these shares should be given to a new trust because the purpose of this trust has been served, to hold for the benefit of the employees and either by sale of the shares to create a corpus or to get a yield from the share to be applied for the employees' welfare. And the earlier resolution talks about the employees' welfare in the explanatory statement under section 173(2). So, the resolution having been with you, I declare the postal ballot results; 6,93,733 equity shares in favor, 156 equity shares against. Assuming no questions, I request members proposing this to give their names.

Yes sir, Mr. Anantharamaiah for the resolution to propose.

Yes sir, Mr. S. Raja Raman to second.

Members in favor, please raise your hands. Thank you very much for the confidence in Trust.

Members against, only one now. Sam, you have been isolated, thank you very much.

So, I declare this resolution passed with the requisite majority.

So folks, with the formal part of the 23<sup>rd</sup> Annual General Meeting coming to an end, I thank you very much for attending this, and I declare the proceedings as closed. We have people in Mumbai who have waiting patiently, the meeting is officially closed, I would open the floor to Mumbai for the Chairman and the CEO to answer any questions. With this, the 23<sup>rd</sup> Annual General Meeting is concluded. Please join us for high tea in the floor below this. Thank you very much for being here. Mr. Murthy, will you please have the questions from Bombay, and I would like to thank on your behalf Basab Pradhan and Paul for getting up so early in Fremont and they have been here to answer any questions that you might have. They are probably disappointed no questions have come. Thank you Basab and thank you Paul. And we also had Gary in Australia. Thank you very much Gary. Now on to Mumbai for a Q&A with the Chairman, CEO, and COO. Thank you very much all of you.

- Narayana Murthy: Well folks, welcome to you people at Bombay, we will be happy to answer any questions. As you know this is not a formal session because the formal AGM has come to a close. Please ask any questions, give your name, and then we will answer them.
- Male Participant: Good evening everybody. This is Bombay here. We have three requests, and the lady is there. So, I will request the lady Ms. Mascarenas to come in and ask her question.
- Ms. Mascarenas: Respected Chairman, Shri Narayana Murthy, MD, N. Nilekani, all the distinguished members on the board, and my rich, rich shareholders all over the world. First of all I thank you for giving me an opportunity to speak thanks due to the video conferencing. I would fail in my duty if I would not say again a big thank you for the bonus and the good dividend, and especially a very good and an enjoyable presentation at the beginning in a very filmy style. Keep it up year after year. Again sir, congratulations for all the awards received. I even congratulate on behalf of all the Mumbai shareholders.
- Now, I come just to two questions. My first question is a little earlier while replying to a shareholder you said that the dividend policy of 20% of net profit. Now my question is after the bonus issue of 3:1, the capital will increase three-fold, will you be able to maintain around 20% of net profit pay out of dividend. I know you can do it because you have been always making it and after making some arrangements for the great silver jubilee year. Hoping I could come and present myself personally for the 25<sup>th</sup> Silver Jubilee AGM, wish you personally everybody a big thanks for a patient hearing. Thank you.
- Narayana Murthy: Thank you, you have raised a very important question. Being a hi-tech company, our dividend policy was established, you know, just as we got listed. We believe that our desire is to give up to 20% of the net income as the dividend. We will certainly strive towards it, but then this is a decision which has to be taken by the members of the board at that particular time based on all the parameters. But let me once again reiterate that it is our desire to distribute up to 20% of the net income.
- Male Speaker: I will request Dr. Joshi to come and say something.
- Joshi: Chairman and other distinguished directors including Deepak Satwalekar, that is the right pronunciation, because I am a Maharashtrian, and I know Satwalekar very well. My name, as already mentioned, Dr. P. Joshi, I am non-medical doctor, Ph.D. in economics. Sir, as you have kept us outside after your business is over, I hope your time limit will not be applicable to me for two reasons, one, I am an analyst, I have studied 10 different ways of analyzing balance sheet, and I have described them. If I ask you what is your EVA, I will first calculate it and then ask you whether it tallies with my calculation. So, I want to tell you that I will ask you a question but I will not ask you a question out of ignorance or innocence, because I am neither ignorant nor innocent. My first question is, why Infosys has become so great? And why Infosys after reaching that greatness can shower so many benefits on the shareholders? Why other companies are not reaching that greatness? So how you can find out the value of this balance sheet? I have plus-minus method, 32 ratio analysis, even Warren Buffet's Secretary wrote to me that he is also using this plus-minus method of analyzing. So, I will straight away deal into this analysis. First of all sir, last year I made my presentation in every Tata company or other companies, I had the privilege of presenting my analysis according to my method after the Managing Director makes his presentation and I get a feedback that those in the audience they come to me they say that we liked your presentation because it is objective. Now, after last year in Oberoi, I presented my analysis, there has been handicapped, I now belong to the visually impaired category, what a glorifying name instead of telling you I have become blind. I received your balance sheet only yesterday, and I used my wife's eyes to analyze in this way and I have learned by heart all the figures because I cannot see whatever I have written and whatever ratios I have done. So, please bear with me. My

question is why this company has become great? Why other companies do not become so great? What is the difference? I will take you first of all, the input-output ratio. If you see the total **capital** is 3200. They have added some 392 crores this year. Related to the total revenue of 4800 crores, what is the ratio you get? They are generating a good amount of revenues per Rs. 100 total revenue, Rs. 149 revenue per Rs. 100 total **capital**. Last year, they were raising Rs. 127 per Rs. 100 capital. Sir, I have not analyzed your balance sheet, but I have analyzed Wipro balance sheet, and if you allow me I will just make a passing reference . . . . .

Mohandas Pai: Dr. Joshi, pardon me for this. Dr. Joshi one minute please. Capital output ratio is given on page #126. It was 1.50 in 2002, 1.47 in 2003, 1.56 in 2004, and invested capital output ratio was 2.79 in 2002, 3.18 in 2003, and 5.58 in 2004.

Joshi: I think this is not a popular way of presenting . . . . .

Male Speaker: One small request Dr. Joshi. One minute, one minute kindly Dr. Joshi?

Joshi: . . . . . <phrase inaudible>

Joshi: . . . . . has been added to the total capital.

Narayana Murthy: Dr. Joshi, kindly realize that actually there is no time limit in the AGM because it is the right of every shareholder to ask a question, that time is over. Now our request is if you can kindly send all this wisdom in a letter to us, we will use it, we will learn it, we will become better, and we will also answer every one of your questions. Kindly let us not spend the time of so many people here as well as in Bombay on this. Kindly send it in writing.

Joshi: Give me only 2 or 3 minutes, I will come to that. There are some minus points also. The shareholders also should know. First of all, the bonus that you are giving, I have worked out the bonus content. Last year it was 87% with three bonus issues, you have raised it to 97%, very good percentage. But again Wipro gets the point, because their bonus content is 99%. I must tell you here that there is lot of social growth coming to the shareholders because these two rivals are not competing with each other but they are making great one other each other. If you had not given three bonus shares, Wipro would not have given two bonus shares for one. I know Premji, because I used to analyze their balance sheet also. Now, I will turn to your, you are a debt-free company. Reserves are 99% and equity is 1% that is one reason that they are showering so many benefits. I will not turn to your dividends. I will just turn to another interesting factor. If you take their investments, only this year, last year their investment was 21 crores, this year the investment has gone up to, you have added 991 crores, Mr. Deshpande was telling me, you are investing in your companies, it is a good thing that you are investing. If I turn to other interesting factors, I must tell you the cash balance has gone up. Your cash balance is 1/4<sup>th</sup>, I am sorry 1/3<sup>rd</sup> of your total revenues, 4800 crores is your total revenue, your cash balances are 1200 crores. I personally feel that every company because it gets so much cash from all round, should be more careful in using this cash. I know even Hindustan Lever is putting 350 crores in scheduled banks. When I asked them they said we are not interested in investing in shares, okay. But I personally feel why you should get your 1/3<sup>rd</sup> of the total revenue locked up in cash balances. Your sundry debtors have also gone up. I personally feel I have got incremental ratios to tell you that the company is doing very well because the incremental ratios are far better than the annual ratios I have found. Sir, I am very happy that you are getting 74% of your income from Latin America. Karl Marx in his articles on India said, the bonesurns of cotton weavers are bleaching the plains of India. If modern Karl Marx

comes here, will he rewrite saying that the bonesurns of software American workers would be bleaching the plains of America, whether that stage will come. I personally feel there are three industries in India of which the Americans are very much offering. One is steel, the steel companies started in exporting our steel immediately, therefore 66.13% custom duty on that to help their own steel companies. The second is pharma companies and the third is Infosys company, this is the strength of India. I personally feel you have reached the great heights. You are showering the benefits. You are raising the dividends. I will give you one feedback about your bonus sir, because nobody has given it. Some people think in Bombay that you have given whatever you want to give by giving three bonus shares to one. Why you have not given five shares as Cipla has done, as Dr. Reddy's has done, and perhaps they think that Silver Jubilee you will not be in a position as far as one page article has come in Business Standard, I do not know whether you have seen it, they have also raised this question. I want to assure you with all my incremental ratios which you are not allowing me to present here, I must tell you that the company is in sound progress, this company will do very well, will try to maintain the dividends, and also will give bonus shares in the Silver Jubilee or after the Silver Jubilee.

Mohandas Pai : Dr. Joshi, thank you very much for the excellent analysis and thank you very much, and we would like to ask the next person in Bombay to ask the question please. Thank you very much Dr. Joshi, thanks a great deal for your interesting analysis. Now we will request the last question in Bombay and then we can, you know . . . .

Arvind Shah: My name is Arvind Shah. I am from Ghatkopar. (Participant speaks in Hindi – not transcribed.) I would like to congratulate the Board and in accordance with Indian Traditions <breaks out into Sanskrit Shloka> After one meeting, I had, on the 27<sup>th</sup>, sent a postcard, the Xerox copy of which is with me. Since I have not received a reply to my postcard, I have come here in person to ask a few questions. With my few savings, taking Rabindranath Tagore's name and I give Mahatma Gandhi's name <phrase inaudible>. My first question is – what is the cost of your annual report? How many copies of the annual report did you print? How much was your expense on the Broker's report? <phrase inaudible> in the same house, at the same address, if there are 5 share-holders, they get 5 reports. Instead only one report should be sent which would in turn save the Company thousands of rupees. The voting which happened today via the Electronic method has saved 5400 tonnes of paper and 1,50,000 trees from being felled. So, if you save trees my country will <phrase inaudible>. I would like to tell Narayana Murthy that there can be no stopping of Infosys's progress because it has the name Narayana with it. Thank You.

Male Speaker: Can we take one more question, one more short one?

Mohandas Pai: Yeah, a short technical question.

Male Speaker: Okay fine.

Desania: Chairman, my name is Desania from Bombay. Sir, I have got a few questions. Please give an realistic and grossly underestimated projected sales and EPS for 2004-2005?

Mohandas Pai: No our projection is based upon market condition . . .

Desania: I have been told by software company that is surviving mainly on the rejected work of Infosys, can you comment on this, in view of the utilization rates are 82%? And also inform on what criteria orders are accepted or rejected? And the third question; what is the effect of Sarbanes-Oxley Act on the company? Thank you.

Mohandas Pai: Well, as far as the first question about guidance, our guidance is based upon market conditions on the date of guidance to the best of our ability based upon a model that we have, based upon internal data. And the second question is, the third is about Sarbanes-Oxley, the impact of Sarbanes-Oxley has been a tightening up of internal controls, greater documentation, greater responsibility on the operating officer, and a very heavy burden on the CEO and CFO who have to look behind the back every time and go open cupboards to make sure that everything is disclosed properly. It has cast an onerous burden to make sure that we comply with the requirements of internal controls in the United States. What is the second question please? Yes we accept or reject orders based upon our estimates of the profitability of each order, the strategic importance, and their pricing that we get. We do not know whether any other company takes up any of this rejected work. We work at about 82% efficiency because we think we need to be at fairly high levels. I hope I have answered your questions.

Thank you very much Mumbai. Now this meeting is closed, the Mumbai meeting is closed. Thank you folks in Mumbai for being there. Thank you very much folks who have stayed behind.

Male Speaker: Yeah, we are signing off.

Mohandas Pai: Thank you

Male Speaker: On behalf of shareholders, I thank this audience on the dias to conclude this meeting. One small request I had, on behalf of shareholders I hope a visit to Infosys will be arranged for all our shareholders at any point of time they find convenient.

Mr. Mohandas Pai: We can't arrange it because there are too many people because there are 1,60,000 share-holders.