



## Infosys Technologies Limited

# 24<sup>th</sup> Annual General Meeting

June 11, 2005

### Narayana Murthy

Well folks, welcome to the 24<sup>th</sup> Annual General Meeting of Infosys. We are all very happy that you have come in such large numbers. As is the tradition at Infosys, we would like to introduce ourselves. In addition to the members of the board and the senior management here, we have Mr. S. D. Shibulal who has joined us from Boston and Mr. Basab Pradhan who has joined us from Fremont, California, and of course we have Mr. Jha who has joined us from Mumbai, and of course there are shareholders out in Mumbai. What we will do is starting with the left we will introduce ourselves, a couple of sentences, and then once this row is finished then we will go to the back rows, and then Mr. Shibulal and Mr. Pradhan will introduce themselves. Please.



### Omkar Goswami

Hi, my name is Omkar Goswami and I am an Independent Director on the board of Infosys.

### Srinath Batni

I am Srinath Batni, I am Co-head Worldwide Delivery.

### Rama Bijapurkar

Rama Bijapurkar, Independent Director.

### Claude Smadja

Claude Smadja, Independent Director.

### Kris Gopalakrishnan

Good afternoon, Kris Gopalakrishnan, Chief Operating Officer.

### Marti Subrahmanyam

Good afternoon, Marti Subrahmanyam, Independent Director.

### Philip Yeo

Good afternoon, Philip Yeo, Independent Director.

### Narayana Murthy

Narayana Murthy, Chairman of the Board.

Nandan Nilekani

Nandan Nilekani, Chief Executive Officer.

Deepak Satwalekar

Deepak Satwalekar, Independent Director.

Dinesh

Dinesh, I handle quality information systems and educational research and also the Chairman of Infosys Australia.

Larry Pressler

Larry Pressler, Independent Director.

Sridar Iyengar

Sridar Iyengar, Independent Director.

Mohandas Pai

Mohandas Pai, CFO.

Balakrishnan

Balakrishnan, Company Secretary and Senior Vice President – Finance.

Girish Vaidya

Girish Vaidya, I head the Finacle Business Unit.

Parameshwar

Parameshwar, Head of Product Engineering.

Captain Sinha

Captain Sinha, Head of Computer and Communication Division.

Ravindra

Ravindra, Head of Education and Research.

Sanjay Purohit

Sanjay Purohit, Head of Corporate planning and Secretary of the management council.

Binod

Binod, Head of commercial and facilities.

M. D. Ranganath

Good afternoon, M. D. Ranganath, Head of Domain Competency Group.

Shivshankar

Good afternoon, my name is Shivshankar, I head information systems.

Pravin Rao

Hello, Pravin Rao, Head of retail and CPG practice.

Chandrashekar Kakal

Hi, I am Chandrashekar Kakal, Head of Enterprise Solutions Group.

Narayana Murthy

Shibu, would you like to go ahead, please.

S. D. Shibulal

Good afternoon, S. D. Shibulal, Head of worldwide customer delivery.

Basab Pradhan

Hello, I am Basab Pradhan, Head of Worldwide Sales.

Chandrakant Jha

Chandrakant Jha, F&A Pune.

Narayana Murthy

Well folks, thanks for that introduction. We have a tradition at Infosys where the chairmanship of the Annual General Meeting is rotated amongst the members of the board. This time I would like to get your consent to propose Mr. Philip Yeo, who is the member of the board to be the chairman for this 24<sup>th</sup> Annual General Meeting. I suppose all of you agree with that, right? Wonderful, thank you.

As you may be aware, Philip is one of the builders of modern Singapore. He is a very very busy man, extraordinarily busy man, and his term is coming to an end, and because of his busy schedule, he has started a new life sciences board, he has decided not to seek re-election and that is item number 7, and because he is going to be chairing the AGM this time, we would want that item to be the last one so that I can handle that item, I suppose that is okay with you people. If that is okay with you people, now I will request Mr. Philip Yeo to chair this meeting and take over from me.

Philip Yeo

Thank you Mr. Murthy for giving me this opportunity to chair the meeting. We have 289 members present in person and 158 persons by proxies to conduct the proceedings of this meeting. The quorum being present, I call this meeting to order. The register of Directors, shareholding is kept open near the registration counter and available for inspection by the members. The register of proxies is available for inspection near the registers counter. With the consent of the members, I take the notice convening the meeting as read. Thank you. May I now request Mr. N. R. Narayana Murthy, Chairman and Chief Mentor of the company to deliver the chairman's address?



### N. R. Narayana Murthy

First of all, I welcome you all to this 24<sup>th</sup> annual general meeting of our company. Your confidence in us has indeed enabled us to perform pretty well. On behalf of all the infocians I thank you for your un-stinted support. Fiscal 2005 has been an important year. Our growth exceeded our initial guidance. Under the Indian GAAP we achieved a revenue growth of 46.9% while our profit after tax and before exceptional items grew by 48.5%. According to the US GAAP, our revenues grew by 49.8% while net income grew by 55.2%. The net income includes an extraordinary income of \$11 million from the sale of our investment in Yantra Corporation.

“You don’t realize the distance you have traveled until you turnaround and realize how far you have come,” this is a very popular saying. In 1981 we started with a vision of building a global professional organization creating wealth legally and ethically. Since then Infosys has grown from a team of 7 people to over 36750 today from an investment of Rs. 10,000 in 1981 to over Rs. 61,000 crores in market capitalization, of course, I am talking about market capitalization as of 31<sup>st</sup> March 2005. Since we listed in 1993, we have witnessed a consistent increase in revenues and net income for the last 48 quarters in a row. Quarter after quarter we have shown growth. We have kept our promises. We have always met or exceeded the guidance that we have given. Our growth comes not only from a strong and resilient business model, but also from our relationships with all our stakeholders, which are built on confidence and trust. This has been sustained by creating a scalable, globally competitive, robust, technology based business model while fostering an open collegial, merit based profession work environment. We have built this institution on the foundation of world-class corporate governance standards and a commitment to our core values of fairness, transparency, and accountability.

Today, the IT industry is operating in a market place where client preferences are changing very rapidly. Globalization, newer faster communication channels, and advances in technology have all made competitive advantage a constantly moving target for corporations. Corporations now recognize the role of offshore development in streamlining and improving a firms core capabilities. As a result, corporations have shifted away from the one’s-eye-fits-all approach to outsourcing. Firms now view global outsourcing as a strategic function, which impacts a corporation value chain, its capabilities, and of course its competitive position. Consequently, our clients have begun to see us as long-term partners working with them to contribute to their business goals. In this environment we are reaping the benefits of the initiatives taken over the last three years. Let me quote Jackson Brown, he said, “opportunity dances with those who are already on the dance floor.” Thus, we are already on the dance floor. We are well prepared and I believe the opportunity will favor us. Our investments in new services and industry verticals have enabled the delivery of effective technology leverage, end-to-end business solutions to our clients. Initiatives such as Infosys Consulting provide our clients with services that offer a combination of technology and management know how. Our robust scalable business model has enabled us to respond quickly to challenging and changing client requirements. The rapid growth of business process management services through Progeon is a testimony to our effectiveness in managing and improving our client’s global operations. Our future success also hinges on our ability to manage rapid growth. Today, we have all the ingredients in place to manage growth, which is best-in-class talent, scalable processes, integrated systems, and state-of-the-art infrastructure.



The restructuring of our organization into integrated business units has indeed created more focused and aligned teams. This has also ensured that the entrepreneurial spirit of a small firm is embedded into our large and growing corporation. We have scaled up our education and leadership development infrastructure. Our global education center at Mysore is a first of its kind and was inaugurated by our Prime Minister, Dr. Manmohan Singh. It is one of the largest corporate training facilities in the world, if not the largest, and it can simultaneously accommodate 4500 trainees. Our intense focus on consolidating and nurturing global client relationships under-prints our performance. Today 8 key client relationships have grown to over 40 million dollars, and 166 clients contribute over a million dollar each year in revenues. Growth across European markets continue to be strong contributing to 22.2% of the total revenues. Asia Pacific, APAC region, contributed to 9.9% of our revenues as compared to 7.3% during the last fiscal. We are scaling up our Chinese operations rapidly. Today Infosys China operates and serves 12 clients across North America, APAC, and China region.

Our liquidity policy has always been dictated by our concern on return on capital employed, ROC, and the return on invested capital norms. Our goal is to earn a ROC that is at least 2 times that of the cost of capital and an ROIC or return on invested capital that is at least three times the cost of capital. Our dividend policy dictates that we limit any dividend payment to not more than 20% of our net income. In keeping with our dividend policy we recommended a final dividend of Rs. 6.50 per share that is 130% of the par value along with the interim dividend of Rs. 5 per share, that is, 100%, the total dividend for fiscal 2005 would work out to be Rs. 11.50 or 230% per share. The dividend including the dividend tax as a percentage of profit after tax is 18.48% as compared to 17.79% in the previous year.

Our people are indeed our engines of growth, and our performance has been indeed driven by their commitment and their perseverance. On behalf of the board of directors and on your behalf, I salute them on yet another year of sterling achievements. We also place on record our appreciation of our clients, our vendor partners, our investors, and our bankers for unwavering trust and support. We are also grateful to the government of India, particularly the Ministry of communications and information technology, the customs and excise departments, the software technology parks at Bangalore, Chennai, Hyderabad, Mangalore, Mohali, Mysore, Pune, Bhuvaneshwar, Tiruvananthapuram, and New Delhi, the Ministry of Commerce, the Ministry of External Affairs, the Ministry of Finance, the Reserve Bank of India, the State Governments and other government agencies for their support. We are indeed thankful to the trustees of the Infosys Foundation for sparing their valuable time and energy for its activities.

Looking ahead, I believe we are prepared to scale even greater heights. We are on our way to becoming a 2 billion dollar company in fiscal 2006. Your trust, your confidence, and your encouragement will further energize and motivate us in this pursuit. Let me close by invoking the words of the writer Antoine de Saint-Exupery who said, "as for the future, our task is not to foresee it but to enable it." Thank you very much.

#### Philip Yeo

I request Mr. Subhash Dhar, Vice president Communication Services to make a presentation on Business of Communication and State of Markets.

#### Subhash

Good afternoon ladies and gentlemen, and a very early good morning to Shibu and Basab in the US. For the next 10-15 minutes just wanted to take you through the business landscape of the communications industry, popularly called as the telecommunications but we prefer to use the communications and I will tell you in a minute why. The kind of things that we are trying to cover here really is how the communication landscape is changing, the major trends that we are seeing in the global markets in the communications industry, how Infosys fits into this change, and what has been our experience so far in the short span of 2-3 years that we have actively worked in the communication service provider business.

If you look at the change that is going on in the communications industry or communications elements today, what used to be a plain simple two-way interactive realtime conversation between two people over copper wires has been completely changed and enhanced. Today, the conversation doesn't have to be on any wires, the conversation doesn't have to be between two people, it could be one to many, many to many, the internet has been a clear proof of that. It doesn't have to be voice any more, it can be data, it can be video. So from the multiple ways, from multiple dimensions, content, medium, the players that offer the telephony and the communication services have changed.

The phone, I would like to use this analogy, the phone is like a wallet. If you really look at the classic phone which was family's pride and neighbor's envy, used to sit in our living room with the furniture and the phone in a very visible place, and was shared by our neighbors for making calls, that is not how the phone looks like, and that is certainly not the phone we use a whole lot today. The kind of phone we use today is the one we carry with us. We don't leave home without it, we don't like sharing it, it is as I say, the airport security is the great place where you can see two personal assets coming out, one of them is your wallet,

the other is the phone. It really is like a wallet, but I think on a serious note, phone actually wants to be your wallet. If you look at your mobile phone today, its got your business card, its got your phone book, its got your family pictures, it probably also has some of your bills and receipts, it also probably has your discount cards. It really is not real money yet, but it has got lot of elements of mobile banking. There are places in the world where the mobile phone is being used to pay for car fuel, it is being used as a plane ticket, and the uses are limitless. Phone also wants to be a lot of other things, entertainment center, travel agent, shopping assistant, electronic keys, it is proven that the sim card can be used as a personal identifier, I mean, we could have probably done, you know, the technology today exists to do registrations using your mobile phone, and it could be your health monitor for remote health monitoring, it could be certainly a wealth monitor where you can check what your net worth is on your mobile phone. So really, which one will it be? And the answer that the pundits are telling us is that probably most of the above or even all of the above, and they are attributing this to a phenomenon called the "convergence."

Let me take a minute and explain what that means for people who may not have heard this before, but convergence really is coming together of voice, video, and data, all on a single line or a single network, and this is not how voice, video, and data is delivered to you today. These are all independent networks that a service provider, we call CSP, communication service provider, delivers it to you. This all became possible, thanks to the internet technology which was developed lot many years ago but came into the use about 7-8 years ago, and technology development since then have made the carrier grade networks possible today. Why do this convergence? Well, really the CSPs as they call them, the service providers, stand to save billions and billions of dollars if they can make multiple networks and multiple systems into one. This is the biggest part of their capital expenditure, this is also the biggest part of their operational expenditure. We are talking about savings in 100s of billions of dollars over 5-7 years of operations, but to get there these CSPs, as we call them, must make large investments now into transforming their networks and systems, and that is really where a bulk of the opportunity is coming from. Some of the other trends in the market are really wireless, I don't need to talk anything more about it. This is the country where wireless has completely transformed how our people use phones. The other major trend is really the broadband, which has witnessed more in the western markets and other developed markets of the world, which is really driven by the corporations and internet households who are hungry for always on data connectivity. And the third major move that is driving this business and this market is really deregulation. Again, we are seeing very little of that here, but since 1996 in the US and all of North America and most of Europe, we have seen this in all countries where government has mandated that incumbent phone companies should share their legacy copper network with other players. What that has done is, that has made everyone a competitor of a phone company. I already talked about convergence, so let us see what that competition is doing to these incumbents. The incumbents are in trouble. The new entrants, as we call them, they are free to come and ride over the copper network which is not owned by them, it is owned by the incumbent service provider, and these are big guys, you know, cable companies, power companies, satellite companies, even companies who do not even have a phone service, like financial services companies, retail companies, airlines, they can all become phone companies today because of what the deregulation allows them to do. They can come and cherry pick high value customers away from the incumbents, and the incumbents are left competing, at the same time protecting their legacy. But not everything is very pessimistic because convergence also means opportunities for everyone. Just as the cable companies can come and eat the fixed line company's lunch, so can the fixed-line companies come and do offer you TV and Video services. So really everyone, it is level playing field more or less with the convergence, everyone has to protect their home turf, everybody has to invest in the new transformation of network, everyone has challenges, and everyone has opportunities, but I think the less thought about things and less obvious thing that everybody has to do is to really rethink their operating model. If you look at a classic phone company, the way they roll out a new service is they create a new network, they create a new system, all the systems which support that network, and then they create a whole new call center, a new organization for billing, customer care; this is not how it is going to be continuing in the future because the services of the future are not going to have that long a shelf life, they are going to be demanding change every once in a while. There is going to be a lot of competition, people will have different ways of rendering the same service. So really the emphasis will have to be on automation. They will have to drive their customers to self-help, not just call centers. They have to think global, they have to think scale. And some of the smart CSPs that we work with today are thinking that way. They look for domain expertise from us and business rules, understanding their business rules and the emerging technologies. They look to us for flawless execution and large scale management, remember this is billions of dollars of our opportunity, they are not looking for small players, but they are looking

for really fast ramp ups and fast transitions from the existing models to the new models. They are looking at organizations who have invested in flexibility, who have invested in learnability, who have invested in the concept of re-use, these are some of the basic tenets of the model that Infosys is based on today, and really that is how they are coming and embracing the global delivery model.

We have been at this business for a while now, not so long ago, but in October 2003 we reorganized ourselves into industry based vertical organizations, and CSP was one of them, until then our communications business was largely outsourced R&D for equipment manufacturers in this industry and not the service providers as much. In the span of two or three years, CSP has become one of the fastest growing businesses for Infosys with over 5000 people worldwide engaged in this segment. If you look at the numbers, from just the fiscal year 04 to fiscal year 05, we have had a growth of 79% in just the CSP revenues and that has pushed up the total telecom revenues from about 176 million dollars to 295 million dollars, which is a 58% increase. That has also improved the telecom's share in our overall Infy revenues from 16.5 to 18.5%, a 12% jump. And this business is not really coming only in application development and maintenance, which is usually the main stay or most of our work, but all into newer services like enterprise solutions, network design, infrastructure management, process design, process management, service testing, and that kind of services. Four out of the top 10 CSPs of the world are our clients today.

Let me take you through a couple of case studies on what we are doing for them. Here is an example of the top telephone company in the US which runs huge customer service costs on all its call centers. They chose Infosys to build a self-help portal, which is basically for customers to call, they don't have to call a call center, they just have to go online and help themselves. This online help on a per transaction basis is done at 10% of the cost of what it costs them to do with a call center with a human intervention, and that is not the only story. This around same time last year helped that company manage 75% of its customer calls or customer requests because their call centers went on strike. When the whole nationwide strike on call centers happened, 75% of these calls were fielded by the online portal. They are very encouraged with this and they have now decided to go ahead and build a voice portal, which is again a customer calling but talking to a machine and getting themselves a self-help. So the opportunities are limitless here.

One other instances of a leading internet service provider. Now, not a typical phone company, it is not even a phone company, it is an internet service provider. It is the number one internet service provider in the US. They have a problem where their flagship dial-up service is under pressure from the top and from the bottom. The broadband service, which is the premium service, was pushing the customers, the premium customers away from them. The low cost cheap dial-up players were taking away the low-end customers from them. Now, what did they decide? They decided they are going to be defensive about it and they are also going to be offensive about it. They chose Infosys to build a voice over IP telephonic service. That basically made them a telephone company. From an internet company they became a telephone company. Now this is the power of convergence. You don't have to have your own network, you don't even have to have your own services sometimes, but this company chose to build its own service and launched it very successfully in April 2005. This was going to be a whole new revenue service for this ISP, if you can call it that anymore.

So there are several opportunities and challenges and I will clearly put them into two buckets, one is helping the CSPs meet their cost imperatives, and once again for people who might have lost me on what the CSP means is really the operator, we are talking about the operator. We have to help them meet their cost imperatives. We have to help make them efficient and lean. They are from the monopolistic world, which was before the deregulation and they have a lot of processes and operations. It involves things like unifying and consolidating systems, rejuvenating the legacy systems and that kind of stuff, the challenge really here is to do rapid scaling.

And the next bucket of issues where we help them a lot and we have to help them a lot is to get the new services to the market quicker and smarter, and here we are talking about what we have done for other industries like the financial services industry in the past where we professed shared systems architecture, automation of customer care, consolidation of systems, process, operations, remote management of offshore networks, service support centers, those are the things we have to take to them. The challenge here is to enable ourselves and build our capabilities in new technologies like VOIP, IP television, and that kind of stuff.

In summary, deregulation and convergence has been driving competition in this segment, and this is really for the western markets and the developed markets of the world. The competition is driving the price down for what we know as fixed-line voice. Wireless and broadband are going up. CSPs need to contain cost and use that cost savings to invest in the future, which is the convergent networks, and they need to think differently of how they are going to operate that services in the future. They need partners who can manage scale and who can do that really fast, people who can manage scale, speed, and who are global. And we feel Infosys has the right strategic focus on the segment. In fact we believe that the global delivery model will do to the CSP operations what the convergence is doing to their business model. It is going to be a very very important path of their future. Thank you very much.

#### Philip Yeo

Thank you Mr. Subhash. I request Mr. Akshay Bhargav, Chief Executive Officer and Managing Director Progeon to provide presentation on Progeon.

#### Akshay Bhargav

Good afternoon ladies and gentlemen, my name is Akshay Bhargav, and I am here to talk about Progeon, which is the BPO subsidiary of Infosys. Before I start, the Safe Harbor. Before I go into details about Progeon, I would like to talk a little bit about what is our view of the industry, and that is very important because three years ago when we created Progeon we took a certain view and we said the future of the BPO industry in India would not be dominated by the call centers, which was the case three years ago, and we set out to build a business in the direction that we believed the future would look like. The events in the last three years in many ways have validated our view, but for us to capture it in a diagram it would like something like this. On the left had axis you have exit barrier, on the horizontal axis that is, and to your left you have business with low exit barriers and to the right you have business with high exit barriers. And on the vertical axis as you move to the top you have high impact functions that make a high impact for the customer, and on the bottom you have functions that you make low impact for the customer. The quadrangle represents what we believe is the shape of most of the Indian BPO industry, and the quadrangle which Progeon goal is really where we want our business to be, and the dots that you see are the existing customers that we have today. So as you will notice most of our business is very consistent with the direction that we set out to achieve. Our business centers around six industry segments, these are banking, capital markets, insurance and health care, telecom or communication service providers as Subhash talked about, services which is financial analysis and research, and enterprise services like finance and accounts, HR, procurement and so on. If you look at the numbers, the numbers sort of, you know, tell you that the strategy is working in the market. For the three years we have seen very strong growth, and for the year, we ended last year with 191 crores in revenues and 3966, almost 4000 people. We also ended the year with 13.7% operating margin. So we are demonstrating our ability to grow while maintaining focus on margins.

To summarize the performance, Progeon has grown 144% last year. BPO is a fast growing industry, and if you look at the NASSCOM numbers that were released a week ago, the industry grew at 44%, so our growth rate is nearly three times that of the industry. We added 5 clients and we added 2088 people, which is more than double the head count we started out with. We did our first customer satisfaction survey during the year and we had a baseline score of 5 out of 7, and we have plans to move the score higher. We have seen very good growth and ramp up in existing customers, there is a very strong component of repeat business in Progeon, very much like Infosys, and we have developed many ways of managing risks from a lot of customers who want to set up captives.

We set up a center in the Czech Republic to provide services in European languages. This center services two customers today and provides services in 11 different languages, none of which is in English. We entered into knowledge services, which is the whole area of analysis and financial research. We signed our first customer contract, and we are doing fixed income research and credit analysis for this customer. You know, most BPO companies don't give out numbers, but it is quite likely that Progeon is possibly the single largest independent research house in India today.

On the HR front, we have won three awards. One was the prestigious Optimus award in America. We won a citation from American Society of Training and Development, and HR Award at the APAC Forum.

On the operation side, we have a very strong governance model with our clients, very similar to what Infosys has. On the sales side, we have aligned very closely with the sales team and the business development team from Infosys. We rolled out the role-based organization in our HR, and we really believe that we are probably the only BPO company in the country today with a full role based organization implemented.

On the quality side, we achieved company wide ISO certification, and in the final review we had zero comments from our auditors, so that was very good.

On the finance side, we continue to work on improving our expense optimization, and we established a business transformation group to really focus on continuous improvement in our customer operations during the year.

We have done well in the past, but it is really about the future and we have to focus on how the future is going to look like, so we are really spending a lot of time and energy focusing and building for the future. We have reorganized ourselves to focus on target segments. We have strategic business units that focus on industry segments. They are very closely aligned with Infosys industry, the IBUs, integrated business units. We are focusing on key accounts to build our business with them. We have strengthened our customer-facing group. We are adding people in US and Europe to build our business there. We are investing in business solutions. We have a couple of business solutions already, and these have been very well received by the customers. We have invested a lot in building a planning framework that is robust and will allow us to scale. We are integrating our information systems with those of Infosys to be able to leverage the tremendous learning and expertise that exist there. We are spending a lot of time developing the talent pool and we are really reaching deep within the talent pool to influence the curriculum in graduate school. A couple of months ago we invited a 118 college professors from various parts of Karnataka to come and spend 3 weeks in our campus in Mysore, and we talked to them about BPO and we led a workshop that provided them with concrete ideas on what they could do in the college curriculum so that their graduating classes would be more BPO ready.

There are some areas that we believe we are very different from rest of the industry. And just to summarize some of the things that I said, we are very focused, we work in six segments. We do not take business in segments that we do not understand. In the segments that we are present, we focus on full service, end-to-end process management, and we have multi geography delivery centers that really help a customer give us a complete piece of business. Our approach is getting more and more solution led, we are building custom built solutions in each segment leveraging our expertise that exist within Progeon as well as the expertise that exist within Infosys. We are actively combining technology and operations again to give more end-to-end and complete service to the customer. We are very focused on creating a very predictable outsourcing experience where the customer can think of the work that he does with us as an extension of the client organization and create an environment where there are no surprises. We have very strong people practices which we have inherited from our parent company, and very much like Infosys, Progeon also has the ability to attract the best and brightest managers, also people at the entry level who then engage in well defined career development programs.

Thank you very much, that was the quick update on Progeon and I will pass on mike to the Chairman. Thank you.

[Philip Yeo](#)

Thank you Mr. Akshay Bhargav. I request Mr. Kris Gopalakrishnan to make a presentation on Operational Highlights 2004-05.

[Gopalakrishnan](#)

Thanks Philip. Good afternoon to everyone of you. In the last 12 months if you look at the news items which came, the events which happened, outsourcing has become mainstream, books were written about outsourcing, the latest being the "World is Flat" by Thomas Friedman. It became part of cartoons, lot of debate happened about job loss, debate happened about protectionism.

What it means is offshore outsourcing has become mainstream today. It is the mega trend in front of us today and how is Infosys taking advantage of this, what are they doing, and how have we grown in the last 12 months; I will take you through the following slides. This is the standard Safe Harbor clause. We have invested, we have actually executed on several of the strategies. We have reorganized the business in vertical units, integrated vertical units, and horizontal units. This allowed us to address the clients' requirements on specific industries. This allowed us to create multiple engines of growth, this allowed us to create the next generation of leaders. This allowed us to create multiple 'profit and loss centers', which can be independently managed. This allowed us to create several small companies within a large company, and created the multiple engines of growth. We have introduced several new services and solutions in the last several years. In fact about 38% of our current revenue comes from these new services and solutions. We have created Infosys Consulting, Infosys Australia, Infosys China, each one as subsidiary; of course Progeon is also a subsidiary. We continuously improve our processes, optimizing them, bring in more efficiency, and I will touch upon this in the subsequent slide. Of course we continuously focus on the value we deliver, which is predictability to all stake holders, value to all stake holders. If you look at the outcome, there is a visible change in the client perception, and as I said the mega trend today is offshore outsourcing. We have positioned ourselves as a value player in this market, not a cost player. We have also demonstrated that our global delivery model has the ability to re-architect and transform business. It is the ability to take the benefit which you get if you do an IT implementation using the global delivery model and actually re-invest that and transform your business in making the business more competitive, increasing your revenues, increasing your profitability. The clients see the benefit and that is why they are looking at larger relationships and doing more offshore.

We have 8 customers over \$40 million and 166 customers over \$1 million. We had a revenue growth of 46.9% and earnings growth 48.5% in the last 12 months. To take advantage of this opportunity in front of us, we have to create a scalable organization, an organization which can take advantage and scale up rapidly. It is not over investment, it is the right investment, not investing too much ahead of the requirement. It is making sure that the investment is just ahead and take advantage of the market opportunity. We look at markets and how we can scale up in the markets, how we can scale up the sales processes, how we can scale up the client relationships. I talked about the multiple client relationships, each one of them is a future opportunity for us. We have new services and solutions. We have invested in processes and systems, and of course in the last 12 months, we have received more than 1.34 million applications of which we have made offers for 14,500 people and 11,000 people joined us. We have also a deep and scaleable leadership development program and the set of leaders within the organization. We believe that that model benefits our shareholders, you, our clients, our employees, our business partners, and society at large. Now looking at the various slices of the business and the various dimensions of the business; North America has contributed 65.2% of our revenues. We wanted to broaden our geographical distribution and balance it out, so Europe has gone up from 17.7% in fiscal 2003 to 22.7%; rest of the world has gone up from 7.2% to 10.6%, and India has remained around 2%; 70% revenue growth from Europe. Infosys Australia has consolidated its presence in the Australian market. You may remember that we invested in acquiring Expert Systems. Infosys China is servicing 12 clients across North America, A-PAC, and China. We are operating through 32 marketing offices in 16 countries with 33 global development centers, so it's truly a global organization. Finacle, our banking product, is currently being used in 44 countries including developed markets like Australia, UK, Poland, Greece, etc.



When you look at the vertical industry, the financial services industry is the largest vertical industry for us. It contributed 34.6% of our revenues. Telecom as Subhash talked to you about is 18.5%, and the next is manufacturing 14.4%, retail 9.8%. The integrated business unit strengthened our focus on aligning services and solutions to client specific business needs. We are able to go from technology solutions to delivering value through business solutions to become a true business partner for our clients. The Domain Competency Group which is a core central group looking at the requirements of each vertical industry, enabling the employees, training them, creating solutions proactively has 912 employees, and 912 employees have been certified by global industry body, this is enabled by our Domain Competency Group.

In terms of services, maintenance is 29.9% of our revenues, development is 23.2%, one of the fastest growing services has been

packing implementation which has gone from 11% of revenues to 15.2% of revenues, and this is a service which we introduced about four or five years back and today about 50% of the effort is being delivered from India, bringing significant value to our clients. This is one of the services, which the global system integrators have been actually doing very well and today we are able to actually deliver similar services at much better value points to our clients and much larger projects. Some the newer services like testing, infrastructure management, saw a healthy growth and could become future engines of growth. We have 438 clients, 136 clients were added during the year, as I said 166 million dollar relationships, and across each of these classifications you can see that we have had growth, which means that we have been able to grow each of the client relationships. Our de-risking policy is at work here. Top 10 clients contributed 33.6% of revenues. Our repeat business is 95.4% giving us very high predictability. We have invested in our client facing unit, training them. We have a specific program called I-Trac, which looks at how we can manage our key clients better, what kind of leadership we require at the client services side to manage these relationships as these relationships grow larger. We have created a separate group called strategic global sourcing and we have come out with a new framework, a new methodology, and a new point of view called modular global sourcing which allows us to re-look at and redefine the way outsourcing is done. The traditional outsourcing is like you give everything away, but we have a different model where the clients can look at in modules and then look at outsourcing specific modules. We believe that that is going to be the future of outsourcing. All along the company, as I said built a brand for itself, the brand is based on trust. We have today top of the mind recall with leading offshore outsourcing and industry analysts. We are respected today as a top tier, high performing company. Infosys has created a client advisory council, which is created from senior client leaders, basically the CIOs of some of the client organizations and we discuss with them the direction in each of the industry, in each of the businesses, and their advice to us. We have a global sourcing summit which we run every six months, the last was one in Shanghai, and here the best practices among the clients are shared, and we in fact act as a catalyst ensuring these best practices and the client see value in working with Infosys because we are now actually promoting and creating best practices for the industry. Our flagship event, customer event is Milan, and it is growing every year. Today, currently we have these Milan event in three geographies, Asia in Japan, in Europe, and in North America. WIBTA award is given for a best user of technology as well as a best individual who has promoted the use of technology and that also has continued to grow from strength to strength. All in all, basically the company has created certain awareness and a brand within the industry today, the brand builds the trust.

Looking at utilization rates, the utilization rates have held almost steady 80%. Our target range for utilization excluding trainees is between 77% and 83% and it is well within the range, and our onsite-offshore mix is also within the 70:30 range, which we are looking at. We have consolidated 50 key process families into pride, that is why I said we have reinvested in our processes. We have pushed the responsibility of process adherences to the point of use. We have implemented self-service programs in the key transactions across the global processes. Employees can fill up their own forms, fill up their own requests, and things like that, and then through a workflow all the required approvals are done as well as updates to the various databases. We have enhanced our IT applications and we have improved the quality and productivity of our engineering processes.



Currently, the strength as of March 2005 is 36,750 employees; attrition is at 9.7%, lower than last year. We have sustained our focus on recruiting the best and the brightest, as I said we have received about 1.4 million applications and we hired about 15,000 people. We have established a global learning center. We believe this is one of largest corporate universities; simultaneously we can train 4,500 people, which means that in a year, at the entry level, we can train more than 15,000 people through our global center in Mysore. Across the company, on any given day, we can train about 12,000 people. We have enhanced our relationship with academic institutions building for the future where a program called Campus Connect, which has today 50 partners. Our Instep program is one of the most popular internship program across the globe, and currently about 8,000 students from across the world applied and 100 of them are going to take internship this year in Infosys.

We continue to invest in infrastructure and this is one area we have to build ahead of the requirement. Currently we have about 3.2 million square feet under construction for an additional 16,615 seats. We have invested Rs. 626 crores on the physical

infrastructure. We have invested Rs. 170 crores on technology infrastructure and we have a disaster recovery site at Mauritius. These are some of the key awards, which we won in the last several months, last 12 months, and it spans every aspect of the business because we believe that a global company, a best-in-class company, must be best in class in every aspect of the business, in HR, in our finance, in our annual reporting, in our corporate governance, so you can see that the award spanned every aspect of our business. Thank you very much.

#### Philip Yeo

Thank you Mr. Gopalakrishnan. I request Mr. Balakrishnan, Company Secretary and Senior Vice President – Finance, to make the presentation on Infosys Financials

#### Balakrishnan

Good afternoon ladies and gentlemen. In the next few slides let me talk about the financials of Infosys. We always aim for the best. We always aim for the best growth rate in the industry, the best margins. We benchmark our disclosures and corporate governance practices with the best in the world. If you follow the best, the rest will follow. It is clearly visible in the image you are seeing there. I don't want to say who is in the centre. I will leave it to your imagination. This is Safe Harbor. Well, Japan loves India. We are the first company to offer a POWL in Japan, it is public offer without listing in Japan. It was a great success. As you know, we recently concluded the \$1 billion ADR issue. That is one of the largest international equity offering from India by any company, and it is also the first POWL issue from India. We had an issue size of \$1 billion. We got a demand of \$8 billion, \$3 billion came from Japan only. In terms of highlights, we achieved revenues of \$1.59 billion during the year. We had a revenue growth of 50% in dollar terms. We added 136 new clients. We added 11,116 employees, we recommended a final dividend of 130%. We got the S&P credit rating, we got a rating which is higher than the country rating. We got BBB for the local currency and BBB- for foreign currency. We also are among the first few companies globally to file a XBRL report, it is new structured report which we can file with SEC. We are the fourth company in the world to do it and first from India. We got the award for the best annual report for the ninth consecutive year this year.



We have a competitive financial model. We believe efficiency is important and not the size, and this clearly is depicted there.

We got the highest growth rate in the industry. Our growth was 46.9% as per Indian GAAP, the industry average was 34.5%.

Well our global competitors are trying to expand offshore, we believe it is very difficult. They are announcing aggressive growth plans in India by enhancing offshore capabilities. They are restructuring their cost side to be highly competitive, moving some of the G&A expenses to India, but we believe our global delivery model which has evolved over a period of time gives us high competitive edge in the global market, and it will be very difficult for incumbents to match that. We balance our growth, revenue growth with the margins. We focus on margins but we also make sure that we grow faster than the industry. Last year, our revenues grew by 47%, gross profit grew by 45%, operating profit by 46%, and net profit by 48%. So we make sure we have a balanced growth. In terms of percentage, gross profit margin was 47.2%, operating profit of 32.8%, and net profit of 25.9%.

We are constantly moving up the value chain. If you look at this slide, we had introduced a lot of new services in the past few years. All these new services comes at a much higher rate, which helps us to get the higher blended per capita revenue year on year. If you look at the new services, it has grown from 22.8% in 2001 to 37.7% in 2005. We also make sure that per capita revenues go up when we move into lot of new value added services.

Well, if it is IT services, there is no other country to go except India. If you look at the efforts, onsite is 31.5% and offshore is 68.5%. The onsite billed person month has grown by 41% last year while the offshore grew faster. This helps us to maintain the margins. At the same time, we are also very efficient. If you look at the utilization rate, 72.6% including trainees and 79.6% excluding trainees.

We have a well-formed strategy to manage the wage inflation. Last year, the wages in India grew by 13% and if you look at the

cost structure, 13.9% of the revenue goes towards paying salaries in India that grew by 13%, and onsite salaries is 32.6%, so the variable salary total is Rs. 375 crores, so in spite of the wages going up in India and outside India, we are able to manage margins because we are very efficient on the cost side. At the same time, we do not compromise on any investment for the future. We have made investments in the sales and marketing. We have spent Rs. 461 crores last year. We had a total of 348 employees in sales and marketing, 32 sales and marketing offices, and we also made a very focused investment in various business areas. We have spent Rs. 41 crores in business plans including banking product development; Infosys China, we invested Rs. 8.39 crores, consulting Rs. 33 crores. We believe all these investments will bear fruits in the future.

Well we go and preach to our customers saying that they have to do more offshore to reduce their costs, but we also do practice that internally. All our G&A expenses are in India. It gives us a high competitive advantage in the market. We have a total of 1985 employees in G&A and if you look at the percentage it is 5.4% for the company.

We proactively hedge our forex risk. As you know, any 1% change in the rupee-dollar rate will have an impact of 50 basis points on the margins. We had a forward cover of \$345 million as of March 31, 2005. During the year, we booked forward contracts of \$777 million. It helped us to reduce the impact on the margins even though the rupee appreciated against the dollar last year.

And the end result, we have beautiful cost structure. If you look at the cost structure, in spite of increase in wages, we are able to manage the margins by using more offshore, by increasing the utilization, by reducing the G&A cost, and if you look at net profit, it is 27% as compared to 26% last year, and also the cost structure is highly variable, so any movement in the revenues will not have much impact on the net profit.

Our subsidiaries are our engines of growth, all of them are million dollar babies. We believe that babies will grow one day and become like the father on the right side, hopefully. If you look at the subsidiary performance, Progeon, Akshay spoke about it. Infosys Australia, they had a revenue of Rs. 303 crores, a net loss of Rs. 1.28 crores, but if you include the offshore we got from Infosys Australia, it is highly profitable. We had 416 employees as of March end. Infosys Shanghai, they had a revenue of Rs. 8.19 crores, a loss of Rs. 8 crores, they are in investment phase. Infosys Consulting, Rs. 21 crores of revenue, Rs. 33 crores of loss; they are again in the investment phase and they will break-even in the next four to five quarters. We have a very strong balance sheet, as strong as an African elephant. We have a lovely balance sheet, and who is most beautiful of them all. I am very clear in my mind, and I hope my Chairman will also agree with me, I am not sure about others, the left hand side is more beautiful. See the shape 30% fixed assets, 25% debtors, 45% other assets, come on, you cannot get it anywhere.

We manage our receivables well. Receivables are 67 days, one of our large customers paid late, the money came in April otherwise it would have been 58 days. Only 8.3% of our receivables is more than 90 days. We control our receivables very tightly.

We have clear policies on returns and dividends. Our policy on return on capital employed is to earn at least two times cost of capital as return on capital employed. Our policy on return on invested capital is to earn three times cost of capital as return on invested capital. Last year, our return on capital employed was 51.4%, it is 3.8 times our cost of capital, and return on invested capital excluding cash was 123.6%, it is 9.1 times cost of capital. Our dividend policy is to pay up to 20% of our net profit; last year we paid 18.5%, so we make sure that we earn high returns. We believe that cash has to be maintained for strategic reasons. We always keep cash for next one year's expenses and if we believe that returns on cash hurts our overall returns, we will look at returning part of it to our shareholders. Last year, we paid \$150 million, a one-time dividend, so we manage both the returns and the cash required for the business for strategic reasons.

While we grow, we also make sure that there is a proper risk governance structure in place. We monitor risk on various facets. We have more than 100 items on which we measure the risk on a daily basis, which is seen by the top management, and if you look at the client concentration, the top client is 5.5%. We had put a cap of 10% of revenue coming from any single customer; it is well within control. Top five clients contribute 21% of revenue. Top ten contributes 33.6% of the revenue. We have 37.9% of revenue coming from million dollar customers, 95% of business coming from repeat customers. We have 166 million-dollar customers and one customer more than \$80 million. We keep the business simple. If you look at the book value, it is Rs. 193.73.

We got a price earning of Rs. 32.59 and dividend per share of Rs. 11.5.

Well these are the photographs taken in late 80s; I don't know how many of you would have backed this group at that point of time. There are some of the founders in this photograph. If you can point out all the founders, probably we can look at a special dividend this year. If you adjust the IPO price to the market price, the returns is 1,52,064 percentage. I think it is one of the largest return earned by any shareholder in any company in India.

The average age of the employees is 26. This year, we had to struggle a bit because some of the people sitting in the dais have reached beyond 50, so we had to recruit three more people to balance the average age. The education index has gone up, HR value is Rs. 28,334 crores, brand value is Rs. 14,153 crores, EVA is positive at Rs. 1,132 crores; attrition is under control at 9.7%. R&D expenditure as a percentage to revenue is 1%.

We consistently meet our guidance or exceed it. We have been listed in India since 1993 and in US since 99. We always give guidance for the immediate quarter and for the full year. We always met or exceeded it.

We are children of two cultures listed both in India and US. US you have to be very careful because both the CEO and CFO certify the financial statements and the song is a reminder to that. In terms of US GAAP, the revenues grew by 50%, gross profit grew by 50% again, operating income 56%, net income by 55%. Gross profit under US GAAP was 43.2%, it is almost same like last year. Operating income has slightly gone up and the net income has gone up to 26.3%. It included a one-time income due to sale of our investment, even otherwise it is more or less similar to last year.

You are always on my mind, thank you and meet you next year.

#### Philip Yeo

Thank you Mr. Balakrishnan. Members may now note that we have commenced serving high tea in the refreshment area. We now come to the formal part of the meeting. Before we proceed, it gives me great pleasure to bring to the notice of the members that the company volunteered to transact the business as set forth in the notice through a non-mandatory postal ballot. Members may please note that the company is not required to transact the items of business as set forth in the notice through a postal ballot either by the Companies Act, 1956, or any other law for the time being in place. The non-mandatory ballot is not a substitute for the AGM, or an alternate method to exercise the voting rights. This process is to enable shareholders who are unable to attend the meeting in person, to convey their voting preferences to the company. We have received the report from the Scrutinizer for the postal ballot, Mr. Parameshwar Hegde. We would declare the results of the postal ballot at the beginning of each item of business. I now request Mr. V. Balakrishnan, Company Secretary and Senior Vice President - Finance to read the auditors report.

#### Balakrishnan

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

We audited and attach the balance sheet of Infosys Technologies Limited as of March 31, 2005,

#### Male Participant

We can take the auditors report as read.

#### Philip Yeo

Thank you. With the consent of members, I take the auditors report as read.

We now come to item #1 of the notice, adoption of accounts, the balance sheet, profit and loss account, director's report and auditor's report for the year ended March 31, 2005, is already with the members. I now declare the results of the non-mandatory

postal ballot on item #1. We have received 266 postal ballot forms that were valid in all respects. Holders of 19,10,031 equity shares have voted in favor of the resolution, and holders of 1,600 equity shares have voted against the resolution. If any member desires to ask any questions pertaining to this item, he/she may do so. Please restrict your questions only to item relating to adoption of accounts. Any other questions of a general nature, will be taken up at the end of this meeting.

#### Mr. Alex J Rebello

Respected socially conscious, successful entrepreneur Chairman, Mr. Narayana Murthy; equally conscious, silently efficient Managing Director, Mr. Nandan Nilakeni; honorable, well experienced, effectively intelligent Director members on board; and fellow crorepati, lakhpati, and hazarpati shareholder friends, I am Mr. Alex J. Rebello, a shareholder, a senior citizen, and an advocate, and a concerned shareholder of this company whose member I became with just 100 shares. You can imagine how many shares I may have now without further investments. Our Chairman and the Board have called us for this 24th Annual General Body Meeting just one year short of the 25th Silver Jubilee year, to place before us the achievements and successes and invite our comments and congratulations. I have gone through the balance sheet and report, and I have no hesitation to congratulate them for the excellent performance and huge profits and a sumptuous dividend. I have no comments to offer except to congratulate for all that they have done and wish them better success next time. As for suggestions, I have nothing to offer as they have done much better than what we have waited and expected from them. So friends, I close as we have all the facts and figures presented to us by the Chairman are on their fingertips, and so I do not want to repeat. With these few words of congratulations and wishes, I close, but not before thanking you for hearing me patiently my few words. Thank you once again.

#### Male participant

I am a shareholder of the company. Of course, I am not a very senior shareholder like my predecessor speaker. I am attending for the second time or third time I think. The company seems to care for the shareholders and the report is very transparent. I have a clarification to ask. Last year, if we go to the balance sheet, share capital was Rs. 33.32 crores last year, and with the addition of three bonus shares, it would come to only Rs. 133crores. I do not know how at all the figures here as Rs. 135.29 crores. I would like to be clarified on this issue.

#### Philip Yeo

Mohan, you want to respond.

#### Mohandas Pai

Please turn to page 35. Financial condition, point #1, called share capital, there is a table there. Opening balance of shares 6,66,41,056, bonus shares is 20,06,04,102 and shares issued in the conversion of options is 33,25,391, you add up everything it comes to the figure in the balance sheet.

#### Male participant

How do you explain the difference of 2 crores and odd?

#### Mohandas Pai

The shares issued as exercise of option by the employee.

#### Male participant

Employee stock option, you mean to say?

Mohandas Pai

Yes.

Male participant

The next point is about the bad debts. It is a zero debt company and I am happy about it of being a shareholder of a zero debt company. Provision for bad and doubtful debts, it has increased to Rs. 23.62 crores from about Rs. 16 crores last year. May I have a clarification on that? Any specific...

Mohandas Pai

Page 37, if you look at the figures and the item #6 called sundry debtors, you will find that the movement in sundry debtors is given here, and the provision for bad and doubtful debts is 0.34% of revenues, almost constant in fiscal 2005 and fiscal 2004.

Male participant

It is not all that constant, it is from Rs. 16 crore it has gone up by about 50% to Rs. 24 crores.

Mohandas Pai

Revenues have also gone up by 50%.

Male participant

Revenues have also gone up side by side, of course I agree with you.

Mohandas Pai

So it is at 0.34% of revenues.

Male participant

Because of the spurt in the revenue, it has gone up you mean to say. Thank you very much for the clarification.

Mohandas Pai

It is proportionate.

Male participant

I offer my compliments to the management for the excellent performance turned out this year. The net profit has gone up by 50% and if you consider the bonus shares which we got free of cost last year, the dividend declared works out to about 920%, which is unbelievable. Thank you very much.

Mohandas Pai

Thank you.

Male participant

Chairman, there are three issues, which I would like to raise here. One is regarding the foreign exchange. We are in a band of around Rs. 43 to Rs. 47, so the company follows a very passive strategy of hedging it, so why don't you utilize this movement of

Rs. 43 to Rs. 45, it is not a trading call, but you are responding to the movements of the market?

**Mohandas Pai**

I think you must choose between having a highly profitable business with a low risk and a highly profitable business with a very high risk.

**Male participant**

Okay sir. The second issue is, I read in one of the newspapers, Kris Gopalakrishnan saying that they are open to having the client assets in the balance sheet; don't you think around Rs. 3000 crores of cash is enough for the company, don't you think that with the kind of response we have got in the secondary ADRs, fresh ADR issue would have been better so that the cash would have been on the higher side in the balance sheet.

**Mohandas Pai**

Our shareholders come and ask us why do you need Rs. 3000 crores in the balance sheet. You see, Mr. Kris made that particular comment if at all, I don't know, in the particular context to say that we are not close to that view, but it is company policy not to take assets.

**Kris Gopalakrishnan**

Currently, our policy is not to take assets. I don't know in what context, it was misquoted probably. We may look at this in the future, but not right now.

**Male participant**

The third one is, the total income within India constitutes just 2%, the country is in a development mode, and the country needs Infosys, their processes, the advantages and other things, and the benefits of Infosys. I hope that as a percentage, total income goes up as far as India concerned.

**Mohandas Pai**

It is proportionate to the share of the Indian GDP to world GDP.

**Male participant**

Last one, this may be out of context, but here I would like to thank Mr. Larry Pressler because after a long time he is here in Bangalore, for all that he has done for our company, I am talking about late 80s and early 90s when India was isolated in US, so I request you all to give him a big hand.

**Philip Yeo**

Shall we take the polling now, and...

One more...

**Male participant (speaks in Kannada language)**

Yella shareholders ko namaskara. Good evening Board of Directors and Chairman. The company is doing excellent and there is

no comment. Everything is printed, so I want to ask, recently we got \$1 billion from the second ADR and we are planning to quote in NASDAQ 100 companies, it is very good, they are doing nicely, but applying secondary ADRs, only 14,600 people only, but shareholders are there 1,58,000, so the proportionate if you take it is only 10%, so 90% of the shareholders, they are not able to apply, I don't know whether information is not proper or we are not able to understand or the time given is short. Even I am also having 95 shares, I am also not able to utilize, 15 days I had gone for some foreign trip, so there is, nearly Rs. 800 difference is there in the share price, most of the shareholders, they are not able to utilize.

#### Mohandas Pai

If you turn to page 115 in the annual report, you will find a very interesting phenomenon, that is, we have about 1,20,000 shareholders who hold less than 50 shares, the offer is 6%, so for a shareholder who holds 50 shares, 6% is 3 shares, so I don't know what is in shareholders mind, because we had people holding about 184 million shares offering the shares. So it is basically the shareholders hold in a very small number of shares, they do not participate because I don't now they probably felt that 6% is too small.



#### Male participant

In Australia you opened office, in China you opened office, it is very nice, but I am requesting the Board of Directors to open in Russia also one office, Russian people helped nearly more than 100 companies, they helped a lot in defense also. Please help Russians. Russian President also visited the company, I am requesting Board of Directors to see that Russia also can benefit from this great company, thank you for giving the opportunity.

#### Philip Yeo

Okay, shall we proceed to poll.

Any member to propose the resolution.

#### Mr. Alex J Rebello

Any member to second the resolution

#### Mr. Umashankar.

I request the members in favour of the resolution to raise their hands, please

I request the members against the resolution to raise their hands, please

I declare the resolution as passed with requisite majority.

We now proceed to item #2 of the notice on declaration of dividend. The board has recommended a final dividend of Rs. 6.50 per share, making in all a total dividend of Rs. 11.50 per share including interim dividend of Rs. 5 per share paid in November 2004. I now declare results of the non-mandatory postal ballot pertaining to item #2. We have received 266 postal ballot forms that were valid in all respects. Holders of 19,09,970 equity shares have voted in favor of the resolution, and holders of 1,661 equity shares have voted against the resolution.

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

I request any member to propose the resolution.

#### Mr. H N Umashankar

I request any member to second the resolution.

Mr. Shanmukhappa

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

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

I declare the resolution as passed with the requisite majority.

The next item on the agenda is to appoint a director in place of Mr. N. R. Narayana Murthy who retires by rotation and being eligible offers himself for re-election, item #3 of the notice.

In terms of article 122 of Article of Association, Mr. N. R. Narayana Murthy retires by rotation and being eligible offers himself for reappointment. I now declare results of the non-mandatory postal ballot related to item #3. We received 266 postal ballot forms that were valid in all respects. Holders of 19,09,432 equity shares have voted in favor of the resolution, holders of 1,748 equity shares have voted against the resolution.

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

I request any member to propose the resolution.

Mr. Shanmukhappa

I request any member to second the resolution.

Mrs. Shantha P N

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

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

I declare the resolution as passed with the requisite majority. Thank you.

The next item on the agenda is to appoint Director in place of Mr. Nandan Nilekani who retires by rotation and being eligible offers himself for the re-election, item #4 of the notice.

In terms of the article 122 of the Articles of Association, Mr. Nandan Nilekani retires by rotation and being eligible offers himself for reappointment. I now declare the results of the non-mandatory postal ballot relating to item #4.

We received 226 postal ballots forms that were valid in all respects. Holders of 19,09,482 equity shares voted in favor of the resolution. Holders of 1,756 equity shares have voted against the resolution.

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

I request any member to propose the resolution.

S E Somashekar

I request any member to second the resolution.

Guruprasad

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

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

I declare the resolution as passed with the requisite majority.

Item #5 of the notice, to appoint Director in place of Mr. K. Dinesh who retires by rotation and being eligible offers himself for re-election.

In terms of the article 122 of the Articles of Association, Mr. K. Dinesh retires by rotation and being eligible offers himself for reappointment.

I now declare the results of the non-mandatory postal ballot relating to item #5. We have received 266 postal ballot forms that were valid in all respects. Holders of 19,09,351 equity shares have voted in favor of the resolution. Holders of 1,761 equity shares have voted against the resolution.

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

I request any member to propose the resolution.

[H N Umashankar](#)

I request any member to second the resolution.

[P Sampath Kumar](#)

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

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

I declare the resolution as passed with the requisite majority.

Item #6: To appoint Director in place of Mr. Claude Smadja who retires by rotation and being eligible offers himself for re-election. Item #6 of the notice.

In terms of the article 122 of the Articles of Association, Mr. Claude Smadja who retires by rotation and being eligible offer himself for reappointment.

I now declare the results of the non-mandatory postal ballot relating to item #6. We have received 266 postal ballot forms that were valid in all respects. Holders of 19,06,939 equity shares have voted in favor of the resolution. Holders of 4,184 equity shares have voted against the resolution.

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

I request any member to propose the resolution.

[L Gangadhara](#)

I request any member to second the resolution.

[G V Ramana Reddy](#)

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

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

I declare the resolution as passed with the requisite majority.

As discussed earlier, item #7 would be taken up as the last time of the agenda.

Next item on the agenda is appointment of auditors, item #8 of the notice. The auditors BSR & Co, chartered accountants,

retires at this meeting and have confirmed their eligibility and willingness to accept the office if reappointed.

Resolved that BSR & Co., Chartered Accountants, be and are hereby appointed as the auditors of the Company for the year ending March 31, 2006, at a fee to be determined by the Board of Directors in Consultation with the Auditors which fee may be paid on a progressive billing basis to be agreed between the Auditors and the Board of Directors.

I now declare the results of the non-mandatory postal ballot relating to item #8. We received 266 postal ballot forms that were valid in all respects. Holders of 19,09,923 equity shares have voted in favor of resolution. Holders of 1,600 equity shares have voted against the resolution.

Are there any questions from members pertaining to this item?

I request any member to propose this resolution.

[Mr. Shanmukhappa](#)

I request any member to second resolution.

[Mr. H N Umashankar](#)

I request members in favor of resolution please raise your hands.

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

I declare the resolution as passed with requisite majority.

We will now come to the special business to the agenda. Consider the reappointment of Mr. Mohandas Pai as director in the whole time employment of the company for further period of five years, item #9 of the notice. Mr. Mohandas Pai was appointed as a whole time director of the company for period of five years, which expires on May 26, 2005. The board of directors of company at the meeting held on 14<sup>th</sup> April 2005, resolved to reappoint Mr. Mohandas Pai as a whole-time director of the company for further period of five years commencing from May 27, 2005. The text of resolution is provided in notice circulated to the members. I now declare the results of the non-mandatory postal ballot relating to item #9. We received 266 postal ballot forms that were valid in all respect. Holders of 19,09,808 equity shares have voted in favor of the resolution. Holders of 1,638 equity shares have voted against the resolution. I now seek members' approval by way ordinary resolution.

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

[Male participant](#)

The remuneration of directors is very less compared to the industry standards. There should be an upward revision to the salaries drawn by the directors.

[Narayana Murthy](#)

Well we are really grateful to you for your extraordinarily kind sentiments. We will certainly take your input into consideration when we look at it the next time, but we are really touched, we are very grateful, and we are very honored.

[Philip Yeo](#)

I request any member to propose the resolution.

[N Anantharamu](#)

I request any member to second the resolution.

T Shanmukhappa

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

Thank you.

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

I declare the resolution has passed with requisite majority.

The next item on the agenda is, consider the reappointment of Mr. Srinath Batni as Director in the whole time employment of the company for further period of 5 years, item #10 of the notice. Mr. Srinath Batni was appointed as a whole time director of the company for period of five years which expires on May 26, 2005. The board of directors of the company at their meeting held on April 14, 2005, resolved to reappoint Mr. Srinath Batni as the whole time director of the company for further period of five years commencing from May 27, 2005. The text of resolution is provided in the notice circulated to the members. I now declare the results of the non-mandatory postal ballot relating to item #10. We have received 266 postal ballot forms that were valid in all respects. Holders of 19,06,353 equity shares have voted in favor of resolution, and holders of 1,834 equity shares have voted against the resolution. Now I seek the members' approval by way of ordinary resolution.

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

I request any member to propose this resolution.

Mr. Doddamani

I request any member to second the resolution. Anybody to second?

Mr. M P Ramamohan

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

Thank you.

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

I declare the resolution as passed with the requisite majority.

The next item on the agenda is the approval to keep register of members, index of members, returns and copies of documents in the Bangalore office of Karvy Computershare Private Limited, the company's registrar and share transfer agents, item #11 of the notice. The text of the resolution is provided in the notice circulated to the members. I now declare results of the non-mandatory postal ballot relating to item #11. We have received 266 postal ballot forms that were valid in all respects. Holders of 19,09,748 equity shares have voted in favor of the resolution. Holders of 1,858 equity shares have voted against the resolution. I now seek members' approval by way of special resolution.

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

I request any member to propose the resolution please.

M C Sadashivaiah

I request any member to second the resolution.

B B Ramesh Babu

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

Thank you.

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

I declare resolution as passed with requisite majority.

Now, let me take up item #7 of the agenda, This being the resolution not to fill the vacancy for the time being in the board, caused due to my retirement, I seek your permission to vacate the chair. With your consent I request our Chairman and Chief Mentor, Mr. N. R. Narayana Murthy to chair the meeting.

I thank you for having appointed me as a Director on the Board from October 1999. I shall always carry pleasant memories of my tenure at Infosys.

#### N. R. Narayana Murthy

Thank you Philip. This resolution is not to fill the vacancy for the time being. The vacancy that is caused by the retirement of Mr. Philip Yeo. As per article 122 of the Article of Association, Philip retires by rotation and has not offered himself for re-election. At this point of time, I would like to place on record our deep sense of appreciation and gratitude to Mr. Philip Yeo. I am sure all of you know that Mr. Philip Yeo is one of the builders of modern Singapore. It was a big honor for Infosys when he agreed to join our board, and I always feel an inch taller when I speak about Philip, whether it is the immigration officers at the Singapore airport or a taxi driver or a cabinet minister, whenever I say that Mr. Philip Yeo is on our board, they all are very very impressed. Now every time any member of the executive board had any business with him, he always had time for us, you know, those of us who have visited his office have found that he is always doing two or three things at a time, and the fourth item, he would do it with a pleasure. And I must say that we are all very very grateful to him, and of course right now he is steering a very very interesting project which is the life sciences board, and his target is to make Singapore a leading, perhaps in the top two or three nations in the world in the area of life sciences. Now on behalf of all of you I would like to express our sense of gratitude and our sense of deep appreciation, and wish that he continues to be as successful as he has been in the past.

Now coming to the formal part of this particular resolution, we have received 266 postal ballots. Out of these 18,78,617 shares have voted in favor of this resolution and holders of 3,558 equity shares have voted against it. Now, if any of you have any questions I will be able to answer, otherwise I would like a member to propose the resolution.

Yeah, name please.

H N Umashankar Okay wonderful.

Somebody to second this resolution please.

Mr. Shanmukhappa, wonderful thank you.

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

Wonderful.

And those who are against the resolution please raise your hands.

I declare the resolution as passed with requisite majority.

I would like all of you to stand and give a standing ovation to my friend Philip. Well with this we come to the end of the formal part of this 24th annual general meeting. Thank you all once again for sparing your precious time and attending this. Your participation, your encouragement will go a long way in making sure that we continue to operate as efficiently, as enthusiastically as we have done in the past. For that we will remain very grateful to you.

#### Male participant

Sir, the next year company will be celebrating the silver jubilee. I request the board to consider go in for a split. By this more and more small shareholders will be able to purchase the company's shares and participate in the next annual general meeting.

#### N. R. Narayana Murthy

Well, you know, that the members of the board of Infosys have their heart in the right place for the less advantaged in the society. Certainly, this is a very very good suggestion you have come out with, but then we will consider it, the board will deliberate on that. Thank you.

What we will do now is, the formal function is over here in Bangalore. We will take questions from our Mumbai shareholders, of course that particular part of the proceedings will not be formal, but we will still answer their questions. Certainly as Philip pointed out earlier, the refreshments are there, those of you who want to go and have refreshments, kindly go ahead, and we will now continue with the Mumbai shareholders. Yes, Chandraketu, lets move forward with Mumbai.

#### Chandraketu

Good afternoon sir. We have a lady and a gentleman here who wish to ask a question.

#### Female participant

Respected chairman, Sri. Narayana Murthy, other very distinguished members on the dias there in Bangalore, and the shareholders in Mumbai and at Bangalore. First of all, I thank you on behalf of myself in Mumbai and all the Mumbai shareholders for arranging this video conferencing so that we can actually witness the entire meeting. I congratulate you again for the excellent work of what is done to. Now, I will come to some of the questions, mainly on the ADR issue. Sir, I too have tendered 50% of my shares in ADRs, I would like to know how much in Indian rupees I will be paid per share? Second question is, sir, LT form should be notarized when we are tendering the share from our demat account as we have to unnecessarily pay Rs. 150 plus to the advocate. Sir in future could you take care at least for us shareholders who tender less than 100 or say less than 500 not to have this procedure. Third question sir, I feel you should take as many shares from small shareholders, that is below 100 or so or 50 and not as what is published in the papers 14 or 15%. I just took an average of less than 100, only the one share is taken 100% whereas the other are only 14, 10, 15. And at the highest, more than 10,000, the ratio is little more, my sort of feeling is you should more benefit to the small shareholders vis-a-vis to the big holders. My fourth question, if the shares that are not accepted through offering will immediately be credited to our demat account and the company should give the benefit of the dividend also, which are not taken back in the ADR, so that we get the benefit of Rs. 6.5. So with this I think, I have many things, but our time is limited, I thank you

#### Mohandas Pai

Let me answer this question. The rate you are getting is Rs. 2,867, it is a premium of 34% gross, less 1.89% expenses, which is one of the least, and the money should be in your bank account shortly. The ratio of the shares offered in ADR was 6%, about 77% of the shareholders made a tender offer. The allotment is fixed as per a formula laid down by the government of India through the Reserve Bank of India. The formula is not determined by us, we have no choice whatsoever. There is a particular formula, and the formula is based upon the rationale that it is pro rata to the holding. So if you have let us say 100 shares, you are entitled to 6%, and if people don't apply, that is spread over everybody, there is no discrimination in favor of anybody or against anybody, is pro rata to your holding, and that is the law as of this date. So you have got as per whatever your legal entitlement is as per the decision of the Reserve Bank of India. As far as your dividend query goes, the shares were put into the account when the issue closed on 19<sup>th</sup> of May, on the 30<sup>th</sup> of May the excess shares were credited back and immediately thereafter the shares were transferred to the depository account. So on



the excess shares which have been credited back you will get your dividend because the book closure date is the 3<sup>rd</sup> of June. I trust I have answered all your questions.

As far as the notarization goes, please remember the process is that you are appointing a banker on your behalf, we invite you to make the offer. In response to the invitation, you have to appoint a banker and escrow agent which is ICICI Bank. So when you make an offer, you authorize the banker and the escrow agent to sell the shares on your behalf, and the escrow agent acts as a power of attorney holder. And since it is the power of attorney holder, who is acting on your behalf the document needs to be notarized. The notarization comes because the document that you sign, authorizing the power of attorney to deal with the shares on your behalf as per the instructions in the document. It is a legal document, vetted by a lawyer, and required by the law. In this too madam we have no discretion. We have to follow the law. Thank you.

#### Male participant

Narayana Murthy, other distinguished directors and Mr. Jha from Mumbai. I don't ask questions, I will try to present in 2-3 minutes some of the highlights of my ratio analysis First of all, I thank you for your 3:1 bonus. Wipro also gave 2:1 bonus. This year again Wipro is giving 1:1 bonus. Wipro has done far better than you. Anyway, you have capitalised 100 crores from the reserves, but the reserves have gone up by over 1800 crores, that is that best point of your company. Last year your way of using cash balances, 33% of your total income has been set aside, this year it has dropped down to 21%, I hope you will bring down to 10% and then to 5%, and increase the, for your investment. Your investments have gone up to 19%. Your sundry debtors, sir you have not pointed out, your sundry debtors have been doubled based on 13%, you must check the sundry debtors, and I feel that your dividend is outgrowing 20% of your income and 5% of your PAT. Your PAT has gone up. It has gone up from 26% to 34%. I am very happy the way you have done it, but there are also certain minus points, and you will take care of those minus points. I feel that the level of discussion from the shareholders should be raised to a very high level. There should be analysts who will analyze completely your balance sheet as I have done. I am 78 year old, almost a blind man.

#### N. R. Narayana Murthy

Thank you very much. We are very very grateful to you. I think your advise will be taken and we will certainly look at all the negatives that you have talked about. I think the fact that you have come to the place in Mumbai to attend the AGM in spite of your condition, I think we are very very grateful. This is the kind of encouragement that makes us work even harder.

With this I would like Mohan to answer the two questions.

#### Mohandas Pai

You raised a very important question about the content of bonus issue and the total paid up capital and compared two companies. We have had discussion on this and we have a very eminent professor of finance from Stern University who is firmly of the opinion that the bonus issue do not add any greater value, the whole company belongs to shareholders and whether you give it as bits of paper which is more or less, in the long term it does not make a difference, and I think Marti Subrahmanyam is well known for his views on this, but this is what I wanted to point you.

Two, about the cash balance. The investment depends upon our requirement and we invest as much as we need, and we have not shortened the quantum of investment because of the cash balance, so we do not want to make excess investment that does not provide returns, and we also have some return targets.

Sundry debtors have gone up, yes. But if you read the annual report, you will find that we received a payment of 258 crores on the 4<sup>th</sup> of April because one client did not pay us for some time. If you bring it down, it comes back to something like 8.5 - 9%, it is the same as the previous year.

As for the dividend, the policy is very clear. To pay dividend not more than 20% of profit after tax, which Narayana Murthy laid down way back in 1994, and we follow it even today. Thank you.

Male participant

(Conversation in Hindi)

N. R. Narayana Murthy

Thank you very much. You talked about going for reducing, very inexpensive annual report. I think coming as it does from an elder like you, I think it is a very important suggestion. We will look at it, but however remember that you are very very important to us, we cannot in any manner make you would feel neglected so that is why we spend certain of amount of money in making sure that you get our annual report in very good paper.

Mohan having said that, do you want to answer the cost of the postage and all of that and then the second question.

Mohandas Pai

Yeah, the balance sheet cost is approximately about Rs. 155 and odd, and you raised another questions as to, if you have 5 people as shareholders of the same house, how many annual reports you send, I think that the regulation now which has come out that if you have for the household, you can send one annual report instead of many for precisely the reason that you said, that is a regulation, and we try to do it based upon request from shareholders.

N. R. Narayana Murthy

We will take maybe one or two more.

Male participant

Chairman sir, Directors, and shareholders, sir I congratulate the management and all the employees of the Infosys for excellent results and I hope every quarter we meet expectations. Sir, I would like to have some more details like how many subsidiaries meet the company's ROC criteria. I would also like you to give the price at which the stock options were converted. Sir, coming to the recent ADR issue, the issue attracted huge demand. Considering the excess demand, I feel the issue was underpriced, why was the issue underpriced in spite of heavy demand.

N. R. Narayana Murthy

Can we answer now, I think you have asked three questions. Let me answer the last question, and then I will request Mohan to answer the other two. On 25 evening, the Infosys stock closed at 67 dollars and 75 cents. When we sat down for pricing, the Infosys management felt that like in the past, we have to leave at least a small amount of money on the table for the incoming shareholders. Given the fact that there was a 34% premium for the selling share holders, leaving 75 cents on the table, we felt was a very fair thing because at the end of the day based on our previous experience, for example, in 1999 we offered an ADR at 34 dollars. In 2003, we offered at 49 dollars though the stock closed at 51 dollars that evening. So our experience has always been that if you leave a little bit of money for the incoming shareholders, you create goodwill and that actually helps all the existing shareholders. That is the reason why we did that. Mohan, you can answer the other question.

Mohandas Pai

The subsidiaries do not meet the ROIC criteria right now because they are in the investment phase. Our intention is to make sure that they meet the parent company's ROIC and ROC criteria. As for the stock option discount, if you look at page 62 of 20F, which is sent along with the accounts to you, you will find some information about the prices, average prices at which the options have been vented. Remember we have two schemes here, one the 1994 scheme which closed about 3 years ago, where the price at which the option has given us Rs. 100 extremely discounted, that issue is of the past. The 1998 and 1999 option plans were given at the market price as of the date of grant, and details about the pricing are given in some way in page 62, and is being given every year in form 20F of the account which are part of the annual report.

N. R. Narayana Murthy

Yeah, one small question, you are right, I think it was 68.75, but then we said it amounts to approximately 2.5% of discount, you know, the previous time on 51 we had given 2 dollars, which was approximately 4%, and even the first time we priced it slightly lower, and so based on that we said giving a discount of 2.5% was perfectly all right keeping the interest of the existing share holders and creating goodwill.

Male participant

Sir, coming to notarization of the ADS issue, as far as my knowledge goes, ICICI Bank did not do notarization at the time of the ADS issue, can you please confirm on that?

Mohandas Pai

You see, we have been advised by one of the best legal counsels in India from Crawford Bailey, because you are appointing a power of attorney holder, and we have gone by that advise. We have absolutely no capability or second guess, our lawyer is a very eminent lawyer, and we do not want to compare with any other company because our lawyers advised us and we need to follow legal advise to protect your interest..

Male participant

No, but I would like you to reconsider this decision when you go for another ADR issue.

Mohandas Pai

We cannot change our lawyer.

Male participant

Sir, the proxy votes that have been accepted by Infosys for the current AGM, I have been told that they have been accepted without the revenue stamps, can you confirm that?

Mohandas Pai

All proxy forms have been stamped with the relevant revenue stamp as required.

Male participant

Thank you sir. I wish Mr. Philip Yeo all the best for his retired life, thank you and all the best.

N. R. Narayana Murthy

No, no, he is retiring only from Infosys Board, he has a very important responsibility of steering the Life Sciences Board of Singapore, and that is not an easy task.

Male Participant

Chairman of the meeting, Mr. Narayana Murthy, Board of Directors, and my fellow shareholders. My name is Prabhakar. I am attending the meeting first time and I have a very small question. Sir, in your Chairman's speech you have said that, opportunity dances with those already on the dance floor. Now we are in the 24<sup>th</sup> annual general meeting. Next year we have a silver jubilee. Now, I would just like to know how big the dance floor is going to be for the next. . . .

N. R. Narayana Murthy

Well, you know, let me, since the dance floor thing is not a great idea, at least from your perspective, let me change and use, Fortune favors the prepared mind. Well, basically, unfortunately we cannot give you projections for next year, we have already given you the projections for the year 2005-2006, you know, both in terms of the top line and bottom line, you know that, and we would stick by that, and I think on July 11 or 12 whatever it is when we meet to announce the Q1 results, certainly we will update the estimates, we will give you the estimates for Q2, and if there is any need for updating the estimates for the whole year, we will do so.

With that, thank you very much Mumbai guys, I think you have been very kind to come all the way and participate, we are very grateful.

Chandraketu

Thank you. We sign off.

N. R. Narayana Murthy

Well, Thanks Shibu, thanks Basab, you have been up whole night. Those are the perils of globalization. Since the world is flat, probably you have to pay some price for the world being flat, which was idea given by Mr. Nandan Nilekani.