



## Chairman's speech

---

### 25<sup>th</sup> Annual General Meeting Infosys Technologies Limited

Dear shareholder:

A warm welcome to all of you to the 25th Annual General Meeting of your company. Your continued trust and confidence in us have enabled our excellent performance. On behalf of all Infoscions, I thank you for your support.

The financial year 2005-2006 has been a landmark year for the company. This year, Infosys surpassed the \$2 billion mark in revenues, and succeeded in delivering strong results in a competitive, challenging environment. Our growth exceeded our initial guidance for the year. Under the Indian GAAP, we achieved revenue growth of 33.5% and earnings growth of 30.9%. Our profit-after-tax before exceptional items grew by 33.2%. Under the US GAAP, we achieved revenue growth of 35.2% and earnings growth of 29.9%. Our profit-after-tax grew by 32.5%.

In 1981, seven of us put together Rs. 10,000 and founded Infosys, to leverage India's competitive advantage to develop software for clients in the G-7 countries. 25 years later, Infosys has expanded into an organization with over 52,000 people, revenues of \$2.15 billion and a market capitalization of \$21 billion.

The Infosys journey of 25 years has been a symphonic marathon. It has been symphonic because every Infoscion, a maestro in his or her own right, subordinated individual interests to work as part of a fine team, and produced exceptional results year after year. It is a marathon since we have a long way to go before we hit the tape.

There have been many happy events during these 25 years. Prominent among them are: enrolling the first customer; arrival of the first employee; signing of the first million dollar contract; opening of the first sales office abroad; installation of our first computer – a DG MV/8000; the inauguration of the Electronics City campus, the Global Education Center and the Infosys Leadership Institute; CMM Level 5 certification; listing in India and on NASDAQ; our first acquisition in Australia; founding of Infosys Foundation, Progeon, Infosys China and Infosys Consulting; and reaching the magical figure of one billion dollars in sales. There have been a few sad moments as well – the departure of valued colleagues, death of a few young Infoscions, and the loss of a few major contracts despite our best efforts.

What has been the contribution of Infosys to India, the main hub of our operations? In my opinion, Infosys is a shining example of the success of the economic reforms introduced in 1991. From the beginning, we set our sights on becoming a globally respected organization, and demonstrated that it is possible to do business legally and ethically in India. Thanks to Infosys, a large number of youngsters have stayed back in India, and millions of youngsters in the country, today, aspire to become entrepreneurs. The first large scale experiment in democratization of wealth using stock options took place at Infosys. Infosys has taken the lead in raising the bar for corporate governance in the country. We have demonstrated that Indian brands can receive attention and respect in G-7 countries. We have adopted global benchmarking in every function of our enterprise. We have embraced discipline, innovation, agility and excellence in execution in every facet of our business.

Today, Infosys' robust, scalable business model helps us to respond faster, better and more cost-effectively in a rapidly changing market. We have continually enhanced our service offerings through investments in new services and verticals to meet the evolving requirements of our clients. We have focused on end-to-end, technology-leveraged business solutions that have not just reduced costs, but have also enabled our clients to streamline and improve their core capabilities, and strengthen their value chains.

Our emphasis on deepening and extending our network of client relationships has underpinned our performance throughout the year. Last year alone, we added 144 new clients. Nine of our clients contributed over \$50 million each in annual revenues.

Our financial strength and resilience have helped us scale up our presence in multiple geographies. Growth across Europe was strong in FY 2006, and contributed to 24.5% of our total revenues, while North America accounted for 64.8% of revenues. This year, we also completed the largest international equity offering from India of over a billion dollars. Our Public Offer Without Listing (POWL) in Japan was a pioneering effort.

Our liquidity policy is based on Return on Capital Employed (ROCE) and Return on Invested Capital (ROIC). Your company's target is to earn an ROCE which is at least twice the cost of capital, and an ROIC which is at least thrice the cost of capital. Our dividend policy dictates that we limit any dividend payout to 20% of the net income generated during the year. In keeping with our investor-friendly policies and to celebrate the company's achievements, your directors have recommended an issue of bonus shares in the ratio of 1:1, a Silver Jubilee dividend of Rs. 30 per share, and a final dividend of Rs. 8.5 per share. This takes the total dividend payout, including the interim and special dividend, to Rs. 45 per share for 2005-06, amounting to a total of Rs. 1,238 crore.

Senator Larry Pressler has been a reassuring presence on the Board with his wise counsel. It has been comforting for me to know that I could lean on Larry's shoulders to get his advice during important moments. Larry will soon complete his 65th year, and has chosen not to seek reelection. On behalf of Infosys, all of you and the Board of Directors, I wish Larry and his family all the best.

We are fortunate that Prof. Jeffrey Lehman is joining our Board. Jeff has had a distinguished career at both the University of Michigan and the Cornell University where he served as President. Additionally, Mr. David Boyles is joining our Board with an extraordinary set of skills and experience in banking and technology. He has been a jury-member on the Wharton-Infosys Business Transformation Award for several years. On behalf of Infosys, all of you and the Board of Directors, I welcome them both. Prof. Lehman's and Mr. Boyle's appointments will come up before you. I have no doubt at all that you will vote enthusiastically to confirm them as directors of Infosys Technologies Ltd.

Mr. Mohandas Pai has been the finest Chief Financial Officer in the country. Infosys was fortunate to have him as her CFO through a critical growth phase, during which he designed and implemented several pioneering initiatives. He has now voluntarily given up the CFO position to take up an exciting and challenging responsibility in Human Resources Development and Education & Research. Mr. V. Balakrishnan has been an illustrious personality right from the day he joined. I am glad that he is stepping into Mohan's shoes. On behalf of Infosys, all of you and the Board of Directors, I thank Mohan and Bala, and welcome them to their new roles.


From day one, the growth of our company has been driven by the talent, commitment and perseverance of our employees. On your behalf and on behalf of the board of directors, I salute them on yet another year of sterling achievements. We also place on record our appreciation of our clients, vendor-partners, investors and bankers for their unwavering trust and support. We are also grateful to the Government of India, particularly, the Ministry of Communications and Information Technology, the Customs and Excise Departments, the Software Technology Parks: Bangalore, Chennai, Hyderabad, Mangalore, Mohali, Mysore, Pune, Bhubaneswar, Thiruvananthapuram 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 thankful to the trustees of the Infosys Foundation for sparing their valuable time and energy for its activities.

Finally, what do I want Infosys to achieve in the next 25 years? It is not enough for us to just achieve our targets in our operational goals, innovation and financial performance. I would like Infosys to be a place where people of different genders, nationalities, races and religious beliefs work together in an environment of intense competition but utmost harmony, courtesy and dignity, to add more and more value to our customers day after day. I want it to be a place that practices Voltaire's much-celebrated statement: *I disapprove of what you say, but I will defend till death your right to say it.* I would like more women leaders to shape the future of Infosys. I would urge Infosys to choose a worthy dream, to go after it confidently, and to play a role that will make all of us proud in the years to come. But always, without fail, she should follow her bliss.

Looking ahead, I believe that the best is yet to come. Let these 25 years be the first step in a long, fruitful journey.

Thank you.

Bangalore  
June 10, 2006



N. R. Narayana Murthy  
Chairman of the Board