



Infosys

ANNUAL REPORT
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THE MANAGEMENT TEAM

MANAGEMENT COUNCIL

Narayana Murthy N. R.
Chairman, Management Council

Nayak G. R.
*Sr. Vice President (Finance and Administration)
and Secretary, Management Council*

Ashwani Kumar Khurana
Executive Director - Domestic Marketing

Devdutt D. Yellurkar
Vice President (Americas)

Dinesh K.
Head - Planning and Technical Support Services

Hema Ravichandar
*Associate Vice President and
Head - Human Resources Development*

Nandan M. Nilekani
Head - Marketing

Prahlad D. N.
Sr. Vice President and Head - Production II

Raghavan N. S.
Head - Production

Sastry V. A.
Head - Quality

Sharad K. Hegde
Sr. Vice President and Head - Production I

Shrikant S. Pandit
Executive Director and Head - Production III

Viswanathan K. V.
*Associate Vice President and
Head - Education and Research*

BOARD OF DIRECTORS

Narayana Murthy N. R.
Chairman and Managing Director

Raghavan N. S.
Joint Managing Director

Nandan M. Nilekani
Deputy Managing Director

Dinesh K.
Director

Sastry V. A.
Director

V. Viswanathan
Company Secretary

A. M. Bhatkal
*Chartered Accountant
Auditor*

BANKERS

State Bank of Mysore
State Bank of India
HongKong Bank
Bank of Boston

REGISTERED OFFICE

Infosys Technologies Limited,
N-403, Manipal Centre, Dickenson Road,
Bangalore 560 042, India
Tel : 91-80-5589896/5589897/5587024
Fax : 91-80-5588065

YEAR AT A GLANCE

in millions

	March 31, 1994		March 31, 1993	
	Rs.	US \$	Rs.	US \$
For the year				
Total revenue	300.85	9.60	143.35	5.01
Exports	274.89	8.77	121.43	4.24
Profit before tax (PBT)	88.52	2.82	38.41	1.34
Profit after tax (PAT)	80.92	2.58	35.09	1.23
PAT as a percentage of total revenue	26.90%	26.90%	24.48%	24.48%
Earnings per share (in Rs./share and US\$/share)	24.15	0.77	17.76	0.62
Dividend percentage	35.00%	35.00%	30.00%	30.00%
Dividend amount	11.73	0.37	5.93	0.21
Capital investment	71.27	2.27	17.75	0.62
Profit after tax as a percentage of average net worth	39.61%	39.61%	38.19%	38.19%
At the end of the year				
Total assets	287.01	9.16	146.37	5.11
Investment in fixed assets	95.10	3.03	31.97	1.12
Working capital	139.43	4.45	106.86	3.73
Total debt	Nil	Nil	3.99	0.14
Net worth	272.32	8.69	136.24	4.76
Equity	33.51	1.07	19.76	0.69

SUCCEEDING IN THE COMPETITIVE NINETIES

Dear Shareholder,

I am glad to report yet another excellent annual performance of your company. The sales and PAT (profit-after-tax) have both registered more than 100% growth. The sales revenue grew to Rs. 30.08 crores (US \$ 9.60 million) in 1993-94 from Rs. 14.33 crores (US \$ 5.01 million) in 1992-93. PAT was Rs. 8.09 crores (US \$ 2.58 million) in 1993-94 as against Rs. 3.51 crores (US \$ 1.23 million) in 1992-93. This performance is indeed excellent in comparison with the performance of similar companies world over.

The nineties have ushered in an era of fierce global competition. High recession, rising costs and shrinking margins have taken their toll both in the industrialized and the developing nations. The successful companies have understood and operationalised the art of adaptability to changing customer preferences, technology and business practices. In the software industry, the pace of change has been more pronounced than elsewhere.



The ingredients for success in the competitive nineties are global level quality, productivity, customer satisfaction and adaptability through innovation. Companies which do not operate within an acceptable global bandwidth of quality and productivity will be rendered extinct. In this context, I am happy to report the immediate certification of Infosys to ISO

9001/TickIT and the commencement of work towards the Capability Maturity Model of the Software Engineering Institute at Carnegie Mellon University, Pittsburgh, USA. As part of our effort in this area, considerable work is going on in defining appropriate metrics for the entire software life-cycle.

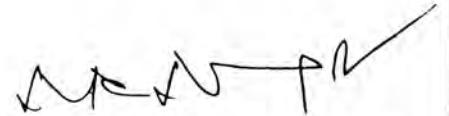
We have entered an era dominated by companies that *perform* rather than *produce*. Thanks to the Japanese, customer satisfaction has become the *astra* of the fast track companies. Your company has installed a system to bring customer's voice in-house and to respond quickly, efficiently and effectively.

Adaptability is a determinant for success in the software industry. The successful companies in this industry have had to effect a paradigm shift from mainframe computing to client/server computing, from proprietary systems to open systems and from selling hardware boxes/software packages to selling solutions. Your company is one such company. For example, contribution of the emerging client/server technology has been raised from a mere 2.5% of the sales turnover in 1992-93 to a commendable 25% in 1993-94.

Place: Bangalore

Date : April 28, 1994

At the end of the day, the success of a software company hinges on its employees. Your company is fortunate in having a high quality, highly productive and committed group of men and women who have made Infosys a great company. On your behalf, and on behalf of the Board of Directors, and the Management Council, I place on record our appreciation and gratitude to these high achievers.



N. R. Narayana Murthy

Chairman and Managing Director



Certificate of Approval

Awarded to

INFOSYS TECHNOLOGIES LIMITED
BANGALORE, INDIA

Bureau Veritas Quality International certify that the Quality Management System of the above supplier has been assessed and found to be in accordance with the requirements of the quality standards and scope of supply detailed below.

QUALITY STANDARDS

EN 29001 - 1987 / ISO 9001 - 1987 / BS 5750: PART 1 - 1987
AND
THE TickIT GUIDE

SCOPE OF SUPPLY

THE PROVISION OF SOFTWARE SERVICES, INCLUDING PROJECT MANAGEMENT, CONSULTANCY, ANALYSIS, DESIGN, BUILD, TEST, USER DOCUMENTATION, INSTALLATION, MAINTENANCE, CUSTOMIZATION, CONVERSION AND RE-ENGINEERING. SUPPLY OF SOFTWARE FOR FINANCIAL, RETAILING/DISTRIBUTION, MANUFACTURING, COMMUNICATIONS, INDUSTRIAL AUTOMATION AND MANAGEMENT INFORMATION APPLICATIONS. THE DESIGN AND DEVELOPMENT OF EMBEDDED SYSTEM HARDWARE AND SOFTWARE, AND OF SIMULATION SOFTWARE, FOR MOTION CONTROL SYSTEMS. THE DISTRIBUTION AND SUPPORT OF THIRD PARTY SHRINK-WRAPPED SOFTWARE PRODUCTS.

Subject to the continued satisfactory operation of the supplier's Quality Management System, this Certificate is valid for a period of three years from:

10 November 1993

For Bureau Veritas Quality International

Date 15 December 1993



Certificate No: 5453

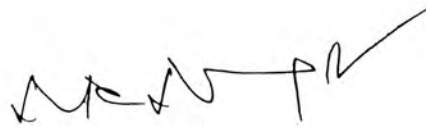
SF06/F/01

The use of the Accreditation Mark indicates accreditation in respect of those activities covered by the accreditation certificate number 008

INFOSYS QUALITY AND PRODUCTIVITY CHARTER

_____ We pledge that _____

- We shall recognize and respect our customers' right to receive quality products and services, on time and within budgeted cost.
- We shall endeavor to exceed our customers' expectations of competence, performance, delivery schedule and value for money, such that they take pride in ownership of Infosys products and Infosys becomes their 'Natural choice' for repeat business.
- We shall strive constantly to improve our standards of quality and productivity.
- We shall achieve this in an atmosphere of fairness, integrity, dignity and courtesy towards customers, suppliers, employees, investors, and competitors.



N. R. Narayana Murthy
Chairman and Managing Director,
Infosys Technologies Limited,
April 28, 1994

THE CHALLENGES OF GROWTH



1993-94 performance

The year 1993-94 represented yet another year of stellar performance for Infosys. The total revenue and export revenue grew from Rs. 14.33 crores (US \$ 5.01 million) and Rs. 12.14 crores (US \$ 4.24 million) in fiscal 1993 to Rs. 30.08 crores (US \$ 9.60 million) and Rs. 27.49 crores (US \$ 8.77 million) in fiscal 1994. PAT registered a growth of over 100% from Rs. 3.51 crores (US \$ 1.23 million) in fiscal 1993 to Rs. 8.09 crores (US \$ 2.58 million) in fiscal 1994. The export growth rate is much higher than India's expected export growth rate of 20% and the Indian software industry's expected growth rate of 60%. The performance of Infosys this year, under zero or negligible devaluation of the rupee, is a true test of the company's preparedness for management of growth.

India as a software exporting nation

India's reputation as a high quality software exporter has become ubiquitous. Fierce global competition and lingering recession have resulted in shrinking profits in the developed nations. Enterprises in these nations have, now, accepted the need for re-engineering of business processes to leverage their core competencies towards improving productivity. The requirement to reduce the cost of software development in such re-engineering efforts is mandatory. Thus, outsourcing such development to Indian software companies, known for providing quality, productivity and value for money, has become a competitive necessity.

Infosys as the company-of-choice

The unprecedented opportunity for software export to the developed nations has resulted in a

goldrush from the Indian software companies. The potential customers have realized the need for outsourcing their software development from sound, long-lasting Indian companies. Today, the selection of the Indian outsourcing partner is a highly skilled activity requiring a deep understanding and analysis of technical competence, managerial effectiveness, vision, strategy and action plans of the vendor. Global vision, sound strategy, competent layer of management, technical excellence, heavy investments in infrastructure, technology, quality, education and research have placed Infosys at the vanguard of customer choices for outsourcing.

Momentum

A determinant for the success of an enterprise is to be in the right industry at the right time with the right strategy and profile. The kernel task of leadership is to enable the enterprise to ride with the momentum of the marketplace by quickly responding with suitable actions to capitalize on emerging opportunities. Infosys is one such enterprise. Today, India is a witness to a historic opportunity in the software area and this will be *taken at the flood*, as William Shakespeare has said, by Infosys.

Expanding business frontiers

The year saw considerable expansion of the nodal points of our business. The high output branch at Boston was augmented by sub-branches at San Francisco and Cincinnati. The European office at Maastricht has started functioning in right earnest. Permission has been received from RBI to open sub-branches in New Jersey and to add staff at the Boston branch. Infosys' stake in Software Sourcing Corporation, our joint venture with Kurt Salmon Associates in USA, has been raised to 50% after receiving approval from the relevant authorities. Our business partners have played

an important role in increasing the volume of business in Switzerland. Increasing the spread of our geographical and customer base is a key element of our strategy to grow with minimal risk. The plan to expand our customer base has been on target.

Paradigm shift in technology

The year saw one of the most fundamental paradigm shifts in the history of computing - the movement away from the *centralized mainframes* of yore to the *decentralized client/server* mode of computing. This revolution has left, in its wake, many casualties - companies which were unable to comprehend this change and, thus, failed to adapt to the new paradigm. Learnability being the core competence of Infosys, Infosys recognized this change quickly and promptly adapted to the new paradigm by mastering the new technology, rapidly enabling the staff and redefining the investment priorities.

The changing product profile

There have been high-impact changes in the markets that the Indian software export industry operates in. The inflation is low in our target countries and relatively higher in India. Retention of profit margins requires that the Indian software companies improve their revenue productivity and move up the value chain. Further, protectionist tendencies in some of the target countries have resulted in tightening of visa regulations, thus, severely restricting on-site activities. The companies that were insensitive to these changes have been badly hit. Changing the revenue profile towards offshore-based, fixed price projects, products, systems integration and business consulting, Infosys has continued to be successful in the new scenario. BANCS 2000, DMAP, GAMANA

and EAGLE have become the vehicles for revenue from products at Infosys.

The emerging Indian market

Historically, Infosys has been a global company with a product focus in niche areas in India. The massive reforms program, set in motion in 1991 and continued to-date, has opened up opportunities for Infosys to leverage the expertise gained from international operations for the benefit of discerning Indian customers. With the opening up of the financial sector and the launching of private sector banks, there is increased competition among banks in India. The demand for BANCS 2000, Infosys solution to the automation needs of a bank branch, has increased. Infosys is committed to upgrading BANCS 2000 for handling changes in business practices and technology.

The future

Infosys is now poised for the next quantum leap in growth. The value system, shared vision, commitment, energy, technical expertise and managerial excellence of Infosys (staff at Infosys) is attracting well-known international customers and competent professionals to the growing fold of Infosys. But for these great Infosysians, Infosys could not have achieved its successes. It is time to say a big "Thank you" to these magnificent men and women.



Place : Bangalore

N. S. Raghavan

Date : April 28, 1994

Joint Managing Director

DIRECTORS' REPORT

To the Members

Your directors have pleasure in presenting their report on the business and operations of the company for the year ended March 31, 1994.

Financial results

Item	Rs. in lakhs*	
	Year ended March 31, 1994	Year ended March 31, 1993
Gross revenue	3008.47	1433.46
Profit before depreciation	966.07	420.34
Depreciation	80.88	36.19
Profit before tax	885.19	384.15
Provision for tax	76.00	33.27
Profit after tax	809.19	350.88
APPROPRIATION		
Interim dividend paid	50.28	-
Dividend recommended - Final	67.04	59.28
Transferred to general reserves	691.87	291.60

* One lakh equals one hundred thousand.

Dividend

An Interim dividend of Rs. 1.50 per share (subject to deduction of tax at source) was paid in December 1993.

Your directors now recommend a final dividend of Rs. 2.00 per share, (subject to deduction of tax at source) making, in all, a total dividend of Rs. 3.50 per share, for the year ended March 31, 1994.

Operations

The performance of the company during the year has been encouraging. The company's sales revenue has grown from Rs. 14.33 crores in 1992-93 to Rs. 30.08 crores this year, registering a growth rate of over 100%. The profit after tax is Rs. 8.09 crores resulting in a growth rate in

excess of 100% over PAT for 1992-93. The PAT exceeded our initial projections of Rs. 4.64 crores, as stated in the prospectus, due to better mix of products and effective cost control.

Exports

The export revenue grew from Rs. 12.14 crores in 1992-93 to Rs. 27.49 crores this year, registering a growth rate of over 100%. The emphasis on offshore software development from India has continued and has yielded rich dividends.

Domestic market

The launching of economic reforms program by the Government has created new opportunities in the area of computerization. The emergence of new private banks, and the keenness for improving customer service by existing banks has created a demand for BANCS 2000, our state-of-the-art solution for branch automation.

After successful automation of the Parliament Street branch of Canara Bank, New Delhi, during the last year, the automation of eleven more branches have been completed. Further, BANCS 2000 has been selected by dynamic, new banks like Global Trust Bank and ICICI Banking Corporation, for total bank automation. The State Bank of Mysore continues to be a valuable customer for BANCS 2000.

Overseas branches

The software export business from USA has expanded considerably. After obtaining permission from RBI, new sub-branches have been opened in San Francisco and Cincinnati. The demands of customers in Europe has resulted in the establishment of a business node in Europe.

Quality

Your directors are pleased to report the immediate certification of Infosys to ISO 9001/TickIT in November '93 by BVQI, a world-famous ISO 9001 auditing and certification company. Your directors wish to place on record the excellent leadership of the Quality department and the commitment by all other departments towards obtaining the ISO 9001/TickIT certificate ahead of schedule. This is a recognition of the high level of quality ubiquitous at Infosys. Quality improvement at Infosys is a continuing program and ISO 9001/TickIT was not an end in itself. This was clearly seen when, within a week of ISO 9001/TickIT certification, work was started towards attaining Level 4 of the Capability Maturity Model of the Software Engineering Institute at Carnegie Mellon University, Pittsburgh, USA.

Project

Construction of the new software factory building at Electronics City is in full swing and the new premises would be ready for occupation during September 1994. Various investments towards technology, infrastructure and human resources have been committed to enhance the productivity of our staff to world-class levels.

Bonus shares

Your directors propose to capitalize a part of the share premium account and issue bonus shares in the ratio of 1:1. The resolution to give effect to this would be placed before the members for due consideration. This would bring the paid up capital closer to the capital employed in the business.

Employees Stock Offer Plan (ESOP)

People are your company's main assets. Today, the challenge for a successful company is to recruit and retain the best and the brightest professionals who have global level skills. In what is a milestone, unprecedented in Indian corporate history, your directors propose to make a preferential allotment of 7,50,000 warrants convertible into shares to an Employee Trust, to form the basis of an Employee Stock Offer Plan. These warrants would be awarded to key employees on a regular basis. The promoter-directors would, however, not be eligible for participation in the ESOP. This scheme would strengthen the bond between the employees and your company. It may be pointed out that it would be in continuation of your company's policy of making employees stakeholders in the business. Being a professional-owned and professionally managed company, such a scheme would ensure greater employee ownership and participation. Your directors strongly solicit your approval for this scheme.

Preferential offer

Your directors have drawn up a capital expenditure program to expand the scale of operations by creating world class facilities. Competitive market conditions demand that state-of-the-art hardware and software be available to face global challenges. A part of the capital required is proposed to be raised by means of a preferential offer to FII's, FI's, mutual funds, offshore funds, institutional funds, etc. This offer would be governed by the current guidelines. Your directors propose to raise funds up to Rs. 25 crores by means of the preferential offer.

Fixed deposits

The company has not accepted any deposits and as such no amount of principal or interest was outstanding on the date of the Balance Sheet.

Directors

In terms of Article 122 of the Articles of Association, Mr. K. Dinesh retires by rotation in the forthcoming Annual General Meeting and is eligible for reappointment. He offers himself for reappointment.

Mr. Shrikant S. Pandit requested that he be relieved from the directorship of the company with effect from March 14, 1994. Your directors accepted his request and wish to place on record their appreciation for the valuable services rendered by him during his tenure as a director. Mr. Shrikant S. Pandit, however, continues his association with the company.

Partners-in-progress

Your directors wish to place on record their deep appreciation of the excellent support received from Kurt Salmon Associates, Atlanta, partners in Software Sourcing Company, your company's joint venture in USA.

Auditor

The auditor, Mr. A. M. Bhatkal, retires at the forthcoming Annual General Meeting and has confirmed his eligibility and willingness to accept the office, if reappointed.

Particulars of employees

As required under the provisions of Section 217(2A) of the Companies Act, 1956, read with

the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of employees are set out in the annexure forming part of this report.

Conservation of energy, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are given in the annexure forming part of this report.

Acknowledgements

Your directors would like to place on record their deep appreciation of the contribution made by the employees at all levels, who, through their competence, hard work, solidarity, co-operation and support, have enabled the company to achieve a phenomenal growth during the year under review.

Your directors wish to place on record their appreciation for the support received from the Government of India, particularly from the Department of Electronics, Ministry of Commerce, RBI, VSNL, the State Government and other Governmental agencies, and look forward to their continued support. Your directors acknowledge the continuing support extended by the auditor, bankers, financial institutions, customers and vendors of the company.

On behalf of the Board of Directors

N. R. Narayana Murthy

Place: Bangalore

Chairman and

Date : 28th April 1994

Managing Director

ANNEXURE TO DIRECTORS' REPORT

A) PARTICULARS PURSUANT TO COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988:

Conservation of energy

The operations of the company involve only low energy consumption. However, adequate measures have been taken to conserve energy consumption.

Technology absorption

Research and Development (R and D)

R and D is very crucial to the success of an enterprise in the world market. Productivity in software development is a key instrument in retaining margins in these days of lingering recession and aggressive competition.

a. Specific areas for R and D at Infosys

The research work on productivity in offshore software development and on employee motivation started during 1992-93 continued well during 1993-94 and has shown encouraging results.

b. Benefits derived as a result of the above R and D

Improvement in productivity leads to cost reduction for customers, better margin for Infosys and better employee morale due to fewer working hours per day. Better employee morale leads to higher retention of employees.

c. Future plan of action

Continuation of research on productivity and employee motivation will be supplemented by work in the areas of multimedia, metrics and requirement specifications.

d. Expenditure on R and D

R and D expenditure is estimated at 5% of the sales revenue during the year.

Technology absorption, adaption and innovation

The SMC project taken up for General Electric involved the use of latest technology in client/server, wide area network, Visual BASIC, TCP/IP, etc.

The use of CASE tools has become very popular with most project teams at Infosys.

Foreign exchange earnings and outgo

Foreign exchange earnings	Rs. 2491.72 lakhs
Foreign exchange outgo (including capital goods and imported software packages)	Rs. 1238.72 lakhs

B) INFORMATION AS PER SECTION 217(2A) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975, AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED MARCH 31, 1994.

SL. NO.	NAME	DESIGNATION	QUALIFICATION	AGE (YEARS)	DATE OF JOINING	EXPERIENCE	GROSS REMUNERATION Rs.	PREVIOUS EMPLOYMENT
1.	*AJAY DUBEY	Senior Project Manager	B.Tech. (IITK)	36	07.06.1993	12	148259.00	ANZ Bank, New Zealand
2.	*ANURADHA B. HEGDE	Senior Manager	M.Sc., M.Tech. (Toulouse)	33	01.01.1986	8	149675.00	Microturbo, France
3.	*ASHWANI KUMAR KHURANA	Executive Director	B.Tech. (IITD)	43	01.02.1994	21	48004.00	Infosys Digital Systems Pvt.Ltd.
4.	DAVID K. CHARLU	Project Manager	B.Sc., B.E. (IISc)	32	10.11.1986	9	150696.00	Micro Advance
5.	DEVDUIT D. YELLURKAR	Vice President (Americas)	B.Sc.	34	04.05.1987	14	149252.00	Kalyani Brakes Ltd.
6.	DINESH K.	Director	M.Sc.	40	01.09.1981	18	288024.00	Patni Computer Systems Pvt.Ltd.
7.	GANESH M. BALIGA	Manager	B.E., M.Tech.(IITM)	34	03.12.1992	9	164632.00	Bhoruka Steel Ltd.
8.	HARSHA H. M.	Project Manager	B.E., I.C.W.A.	30	01.08.1986	7	145747.00	—
9.	HEMA RAVICHANDAR	Associate Vice President - Human Resources Dev.	B.A., PGDM (IIMA)	33	15.05.1992	10	227103.00	Motor Industries Company Ltd.
10.	KANTHIMATHINATHAN S.	Associate Vice President - Financial Systems	B.Tech., (IITM) PGDM (IIMB)	41	18.05.1990	17	190716.00	PSI Data Systems Ltd.
11.	KRISHNAMOORTHY A. S.	Senior Project Manager	M.Sc., B.Tech. (IITM) M.S., (Queen's)	32	10.01.1986	8	170344.00	—
12.	*MALLYA P. D.	Associate Vice President	M.Tech. (IITK)	39	01.02.1994	17	28260.00	Infosys Digital Systems Pvt.Ltd.
13.	NANDAN M. NILEKANI	Deputy Managing Director	B.Tech. (IITB)	39	01.09.1981	16	288024.00	Patni Computer Systems Pvt.Ltd.
14.	NARAYANA MURTHY N. R.	Chairman & Managing Director	M.Tech. (IITK)	48	01.04.1982	25	288024.00	Patni Computer Systems Pvt.Ltd.
15.	NARAYANA Y. S. S.	Marketing Manager	B.Tech., (IITD) PGDM (IIMB)	32	01.12.1989	7	145274.00	Indian Organic Chemicals Ltd.
16.	NAVAK G. R.	Senior Vice President	B.Com., Dip.in Costing & Personnel Management	57	16.10.1987	38	238284.00	Dubon Project Engg.Pvt.Ltd.
17.	PHANEESH MURTHY	Marketing Manager	B.Tech., (IITM), PGDM (IIMA)	30	08.10.1992	7	152621.00	Indian Organic Chemicals Ltd.
18.	PRAHLAD D. N.	Senior Vice President	B.E., (IISc)	38	01.04.1989	11	243672.00	Datacons Pvt. Ltd.
19.	*PRATHAP C. R.	Senior Training Manager	M.Stat. FIM (IIMC)	41	11.06.1990	12	53826.00	Xavier Labour Relations Institute
20.	PRAVIN RAO U. B.	Project Manager	B.E.	32	04.08.1986	7	160939.00	—

SL. NO.	NAME	DESIGNATION	QUALIFICATION	AGE (YEARS)	DATE OF JOINING	EXPERIENCE	GROSS REMUNERATION Rs.	PREVIOUS EMPLOYMENT
21.	RAGHAVAN N. S.	Joint Managing Director	B.E.	51	01.09.1981	30	288024.00	Patri Computer Systems Pvt. Ltd.
22.	RAGHUPATHI G. BHANDI	Senior Project Manager	B.E., M.Tech. (IITK)	33	07.07.1988	10	189092.00	Wipro Infotech Ltd.
23.	* RAMAN SRIDHAR	Associate Project Manager	B.Sc.	31	06.09.1990	4	12362.00	Software Technical Services (Atlanta)
24.	RAMANATH HEGDE S.	Project Manager	B.E., PGDM (IIMC)	37	16.10.1989	11	183530.00	Tata Sons Ltd.
25.	* SANJEEV JOSHI	Manager	B.E.	32	01.02.1994	9	33883.00	Infosys Digital Systems Pvt. Ltd.
26.	SASTRY V. A.	Director	M.E. (Isc), Ph.D (Waterloo)	52	19.02.1992	23	288024.00	Macmet India Pvt. Ltd.
27.	SHARAD K. HEGDE	Senior Vice President	B.Tech., (IITM) PGDIE (NITIE)	36	01.07.1983	13	243672.00	Patri Computer Systems Pvt. Ltd
28.	* SESHAN P.	Project Manager	B.E.	32	01.06.1993	10	123965.00	Infosys Manufacturing Systems Pvt. Ltd.
29.	* SHRIKANT S. PANDIT	Executive Director	B.Tech. (IITK)	38	01.06.1993	16	240020.00	Infosys Manufacturing Systems Pvt. Ltd.
30.	SRINATH BATNI	Project Manager	M.E. (IISC)	39	15.06.1992	17	166650.00	PSI - BULL Ltd.
31.	SUDHEER K.	Senior Project Manager	B.Tech. (IITM)	33	14.11.1986	9	194365.00	Indian Organic Chemicals Ltd.
32.	SUNEEL K.	Project Manager	B.E.	30	01.05.1988	8	144251.00	COSOFT
33.	* UMESH SINGH SIKKA	Senior Project Manager	B.Tech. (IITM), PGDM (XLRI Jamshedpur)	35	10.11.1993	13	70890.00	UBICS, Bangalore
34.	VIJAYAKUMAR C.	Marketing Manager (Domestic Marketing)	B.E., PGD (Marketing & Sales)	33	03.11.1987	9	184513.00	Own Business
35.	VISWANATHAN K. V.	Associate Vice President - Education & Training	M.M.S., FIM (IMC)	36	01.06.1991	15	227856.00	Indian Institute of Management Calcutta
36.	* WG, CDR. L. N. RAO	Manager	M.Sc., B.E., M.Tech. (IITK)	47	11.02.1993	22	47338.00	MSKIT, Bangalore

NOTE : 1. Gross remuneration includes Salary, Ex-gratia, House Rent Allowance, Medical Reimbursement, Leave Travel Assistance, Provident Fund Superannuation, Gratuity and taxable value of perquisites.

2. None of the above employees is related to any director.

* 3. Employed for part of the year.

For and on behalf of the Board of Directors

N. R. Narayana Murthy
Chairman and Managing Director

AUDITOR'S REPORT

I have audited the attached Balance Sheet of Infosys Technologies Limited, Bangalore, as at March 31, 1994 and the Profit and Loss account of the company for the year ended on that date annexed thereto and report that in accordance with the provisions of Section 227 of the Companies Act, 1956.

1. I have obtained all the information and explanations, which to the best of my knowledge and belief, were necessary for the purpose of my audit.
2. In my opinion, proper books of account as required by law have been kept by the company so far as appears from my examination of those books.
3. The said Balance Sheet and Profit and Loss Account are in agreement with the books of account.
4. In my opinion and to the best of my information and according to the explanations given to me, the said accounts read together with the notes thereon give the information as required by the Companies Act, 1956, in the manner so required and give a true and fair view :
 - a) In the case of the Balance Sheet, of the state of affairs of the company as at March 31, 1994, and
 - b) In the case of Profit and Loss Account, of the Profit for the year ended on that date.

As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, issued by the Central Government under Section 227(4A) of the Companies Act, 1956, and in terms of the information and explanations given to me and on the basis of such checks as I considered appropriate, I report as under:

1. The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets. These fixed assets have been physically verified by the management and, in my opinion, the program of verification carried out is reasonable having regard to the size of the company and the nature of its assets and no discrepancies have been noticed on such verification.
2. None of the fixed assets of the company have been revalued during the period.
3. a. During the year, the principal activity of the company has been that of development and production of computer software for its clients. Stocks of computer stationery, ribbons, floppies, magnetic tapes and disks required for this activity have been physically verified by the management at reasonable intervals during the period. Stocks of imported software, a commodity that the company trades in, have also been physically verified by the management at reasonable intervals during the period.
 - b. As explained to me, the procedures for physical verification of the above referred stocks followed by the management are, in my opinion, reasonable and adequate in relation to the size of the company.
 - c. No material discrepancies were noticed on physical verification of stocks as compared to book records and the same have been properly dealt with in the books of account.
 - d. On the basis of my examination of the stock records, I am of the opinion that the valuation of stocks is fair and proper and in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.

4. The company has not accepted any loan from companies, firms or other parties listed in the register maintained under Sections 301 and 370(I-C) of the Companies Act, 1956.
5. The company has given interest free loans to some of its employees. The said employees are repaying the loans regularly.
6. In my opinion and according to the information and explanations given to me, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to the purchase of components, plant and machinery, equipment and other assets.
7. The company has not purchased during the year any stores or components exceeding Rs. 50,000 in value for each type thereof from subsidiaries, firms, or companies or other parties in which the directors are interested as listed in the register maintained under Section 301 of the Companies Act, 1956.
8. As explained to me, there have been no unserviceable and damaged materials during the year.
9. The company has not accepted any deposits from any person and, therefore, the question of compliance with the provisions of Section 58A of the Companies Act, 1956, and the rules framed thereunder does not arise.
10. I have been given to understand that the operations in which the company is engaged do not result in any realizable scrap or by-product.
11. In my opinion, the company's present internal audit system is commensurate with its size and nature of business.
12. The Central Government has not prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, for the products of the company.
13. According to the records of the Company, the Provident Fund and the Employees State Insurance dues, wherever applicable, have been regularly deposited during the period with the appropriate authorities.
14. According to the information and explanations given to me, no undisputed amounts payable in respect of income-tax, wealth-tax, sales-tax, customs duty, and excise duty were outstanding as at March 31, 1994, for a period of more than six months from the date they became payable.
15. According to the information and explanations given to me and on the basis of books and records of the company examined by me, no personal expenses of employees or directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
16. The company does not fall within the purview of Clause(O) of Section 3(1) of the Sick Industrial Companies (Special Provisions) Act, 1985.
17. In respect of the trading activities, there are no damaged goods in the possession of the Company at the end of the year.

Place: Bangalore
Date : April 28, 1994

A. M. Bhatkal
Chartered Accountant

BALANCE SHEET AS AT MARCH 31, 1994

	Schedule	March 31, 1994 Rs.	March 31, 1993 Rs.
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	1	3,35,11,500	1,97,61,000
Share application & allotment money		-	5,51,76,840
Reserves & surplus	2	25,35,00,299	6,74,46,717
LOAN FUNDS			
Secured loans	3	-	37,37,676
Unsecured loans	4	-	2,54,812
		<u>28,70,11,799</u>	<u>14,63,77,045</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
At cost	6	8,27,37,879	4,38,91,782
<i>Less</i> : Depreciation		1,99,05,613	1,19,21,484
Net block		6,28,32,266	3,19,70,298
<i>Add</i> : Capital work-in-progress		3,22,66,323	-
		9,50,98,589	3,19,70,298
INVESTMENTS	5	3,77,85,246	14,00,504
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	7	44,90,836	21,75,548
Accounts receivables	8	4,26,46,870	2,05,31,284
Cash and bank balances	9	3,04,04,710	7,17,92,680
Loans and advances	10	9,35,44,796	3,89,06,187
		17,10,87,212	13,34,05,699
<i>Less</i> : Current liabilities	11	98,02,590	96,43,942
Provisions	12	2,18,50,200	1,68,99,300
Net current assets		13,94,34,422	10,68,62,457
MISCELLANEOUS EXPENDITURE			
(To the extent not written off or adjusted)	13	1,46,93,542	61,43,786
		<u>28,70,11,799</u>	<u>14,63,77,045</u>
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS			
	17		

The Schedules referred to above and the notes thereon form an integral part of the Balance Sheet.

This is the Balance Sheet referred to in my report of even date.

A. M. Bhatkal
Chartered Accountant

N. R. Narayana Murthy
Chairman & Managing Director

N. S. Raghavan
Jt. Managing Director

Nandan M. Nilekani
Dy. Managing Director

Place : Bangalore
Date : April 28, 1994

K. Dinesh **V. A. Sastry**
Director Director

G. R. Nayak
Sr. Vice President (Fin. & Admn.)

V. Viswanathan
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDING MARCH 31, 1994

	Schedule	March 31, 1994 Rs.	March 31, 1993 Rs.
INCOME			
Software development charges			
Overseas		27,41,76,067	11,72,16,377
Domestic		70,01,527	49,42,338
Share of profits from			
Software Sourcing Company		7,21,563	42,09,828
Sale of imported software packages		78,07,671	1,50,26,218
Miscellaneous income	14	1,11,40,628	19,51,479
		<u>30,08,47,456</u>	<u>14,33,46,240</u>
EXPENDITURE			
Software development expenses	15	16,22,97,889	7,91,09,952
Administration & other expenses	16	3,98,42,765	2,12,12,427
Financial expenses		4,64,379	9,77,692
Preliminary & public issue expenses		16,35,411	11,960
Depreciation		80,87,580	36,19,529
		<u>21,23,28,024</u>	<u>10,49,31,560</u>
Profit before tax		8,85,19,432	3,84,14,680
Provision for taxation		76,00,000	33,27,000
Profit after tax		<u>8,09,19,432</u>	<u>3,50,87,680</u>
AMOUNT AVAILABLE FOR APPROPRIATION		<u>8,09,19,432</u>	<u>3,50,87,680</u>
Dividend (subject to deduction of tax)			
Interim		50,28,150	-
Final (proposed)		67,04,200	59,28,300
Transferred to general reserve		<u>6,91,87,082</u>	<u>2,91,59,380</u>
		<u>8,09,19,432</u>	<u>3,50,87,680</u>

**SIGNIFICANT ACCOUNTING POLICIES
AND NOTES ON ACCOUNTS**

17

The Schedules referred to above and the notes thereon form an integral part of the Profit and Loss Account.

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

A. M. Bhatkal
Chartered Accountant

N. R. Narayana Murthy
Chairman & Managing Director

N. S. Raghavan
Jt. Managing Director

Nandan M. Nilekani
Dy. Managing Director

Place : Bangalore
Date : April 28, 1994

K. Dinesh **V. A. Sastry**
Director Director

G. R. Nayak
Sr. Vice President (Fin. & Admn.)

V. Viswanathan
Company Secretary

SCHEDULES TO THE BALANCE SHEET

	March 31, 1994 Rs.	March 31, 1993 Rs.
1. SHARE CAPITAL		
Authorized		
40,00,000 (previous year 40,00,000) equity shares of Rs. 10 each.	4,00,00,000	4,00,00,000
Issued, subscribed and paid-up		
33,52,100 (previous year 19,76,100) equity shares of Rs. 10 each fully paid-up. (of the above, 15,66,500 equity shares of Rs. 10 each fully paid up have been issued by way of bonus shares upon capitalization of general reserve.)	3,35,21,000	1,97,61,000
<i>Less</i> : Calls in arrears - by others	9,500	-
	<u>3,35,11,500</u>	<u>1,97,61,000</u>
2. RESERVES & SURPLUS		
Share premium account	12,55,46,500	86,80,000
Investment allowance reserve (utilized)	25,43,900	25,43,900
<i>Less</i> : Transferred to general reserve	15,88,100	-
	9,55,800	25,43,900
General reserve as per last balance sheet	5,62,22,817	2,70,63,437
<i>Add</i> : Transferred during the year from investment allowance reserve	15,88,100	-
from profit and loss account	6,91,87,082	2,91,59,380
	12,69,97,999	5,62,22,817
	<u>25,35,00,299</u>	<u>6,74,46,717</u>

SCHEDULES TO THE BALANCE SHEET

	March 31, 1994 Rs.	March 31, 1993 Rs.
3. SECURED LOANS		
Karnataka State Industrial Investment & Development Corporation Limited (secured by hypothecation of AS/400 D-10 computer system)	-	24,00,000
Canara Bank - Foreign currency loan (secured by hypothecation of AS/400 C-10 computer system)	-	9,04,898
Canara Bank - Rupee loan (secured by hypothecation of AS/400 C-10 and other computer systems)	-	4,32,778
	<u>-</u>	<u>37,37,676</u>
4. UNSECURED LOANS		
Interest free advance from Motor Industries Company Limited	-	2,00,000
State Bank of India, Bangalore (purchase of EPABX model P3 and push button telephones under DPG scheme)	-	54,812
	<u>-</u>	<u>2,54,812</u>
5. INVESTMENTS - at cost		
Trade (unquoted)		
Software Sourcing Company, Atlanta, USA, a joint venture with Kurt Salmon Associates, USA. (50% of equity amounting to US\$ 2,12,054)	55,03,766	13,90,154
Non-trade (quoted)		
15,40,000 units of Unit Trust of India under Units 1964 scheme at Rs. 15.98 each (market value Rs. 2,77,20,000)	2,46,03,700	-
75,500 units of Morgan Stanley Growth Fund at Rs. 8.70 each (market value Rs. 7,32,350)	6,56,850	-
Non-trade (unquoted)		
1,035 shares of Rs. 10 each fully paid up of the Saraswat Co-operative Bank Limited	10,350	10,350
46,800 NCD's of Kotak Mahindra Finance Limited at Rs. 107.06 each	50,10,580	-
2,00,000 units of Centurian Quantum Growth Fund, 1993 at Rs. 10 each	20,00,000	-
	<u>3,77,85,246</u>	<u>14,00,504</u>

SCHEDULES TO THE BALANCE SHEET

6. FIXED ASSETS

SL. NO.	ASSETS	GROSS BLOCK			DEPRECIATION			NET BLOCK		
		COST AS ON 1.4.93 Rs.	ADDITIONS DURING THE YEAR Rs.	TRANSFER DURING THE YEAR Rs.	COST AS ON 31.3.94 Rs.	AS ON 1.4.93 Rs.	FOR THE YEAR Rs.	TRANSFER DURING THE YEAR Rs.	AS ON 31.3.94 Rs.	AS ON 31.3.93 Rs.
1.	Land	40,00,000	2,00,000	-	42,00,000	-	-	-	42,00,000	40,00,000
2.	Buildings	36,07,059	74,970	-	36,82,029	1,35,949	59,404	-	34,86,676	34,71,110
3.	Plant and machinery	63,43,124	12,10,746	-	75,53,870	5,58,932	9,95,215	-	59,99,723	57,84,192
4.	Computer systems	2,60,95,691	3,53,99,041	-	6,14,94,732	1,08,97,040	66,78,799	-	4,39,18,893	1,51,98,651
5.	Vehicles	2,04,826	13,07,974	1,58,934	13,53,866	52,041	82,350	1,03,451	13,22,926	1,52,785
6.	Furniture & fixtures	36,41,082	8,12,300	-	44,53,382	2,77,522	2,71,812	-	39,04,048	33,63,560
	Total	4,38,91,782	3,90,05,031	1,58,934	8,27,37,879	1,19,21,484	80,87,580	1,03,451	6,28,32,266	3,19,70,298
	Previous year total	3,81,60,766	1,77,52,196	1,20,21,180	4,38,91,782	2,02,84,344	36,19,529	1,19,82,389	3,19,70,298	1,78,76,422

SCHEDULES TO THE BALANCE SHEET

	March 31, 1994 Rs.	March 31, 1993 Rs.
7. INVENTORIES		
(at lower of cost or realisable value, as certified by a director of the company)		
Imported software packages	34,47,179	21,75,548
Stock of components	10,43,657	-
	<u>44,90,836</u>	<u>21,75,548</u>
8. ACCOUNTS RECEIVABLES		
Debts outstanding for a period exceeding six months - unsecured, considered good.	1,03,909	6,40,601
Other debts - unsecured, considered good	4,25,42,961	1,98,90,683
	<u>4,26,46,870</u>	<u>2,05,31,284</u>
9. CASH & BANK BALANCES		
Cash on hand	2,83,841	78,803
Balances with scheduled banks - in current accounts	52,42,757	6,34,15,267
- in fixed deposits	1,98,78,032	28,30,279
Balances with non-scheduled banks		
Bay Bank, Boston	6,31,448	9,08,187
Citibank N.A. U.S.A. - I	-	3,73,146
Citibank N.A. U.S.A. - II	-	41,86,998
Bank of Boston	39,11,211	-
Fifth Third Bank	1,11,581	-
Bank of America	3,45,840	-
Maximum balance held during the year:		
Bay Bank, Boston	Rs. 35,93,841	
(previous year)	Rs. 12,20,171)	
Citibank N.A. U.S.A. - I	Rs. 17,34,476	
(previous year)	Rs. 36,67,335)	
Citibank N.A. U.S.A. - II	Rs. 66,42,442	
(previous year)	Rs. 65,56,523)	
Bank of Boston	Rs. 2,47,23,873	
(previous year)	Rs. Nil)	
Fifth Third Bank	Rs. 1,11,581	
(previous year)	Rs. Nil)	
Bank of America	Rs. 7,21,289	
(previous year)	Rs. Nil)	
	<u>3,04,04,710</u>	<u>7,17,92,680</u>

SCHEDULES TO THE BALANCE SHEET

	March 31, 1994 Rs.	March 31, 1993 Rs.
10. LOANS & ADVANCES		
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	1,33,43,021	2,30,25,773
Advance income tax	1,73,58,305	1,27,02,596
Deposits with companies	5,00,00,000	-
Other deposits	1,28,43,470	31,77,818
	<u>9,35,44,796</u>	<u>3,89,06,187</u>
11. CURRENT LIABILITIES		
Accounts payables	19,90,769	78,80,568
Other creditors	73,41,916	17,63,374
Unclaimed dividend	4,69,905	-
	<u>98,02,590</u>	<u>96,43,942</u>
12. PROVISIONS		
Provision for taxation	1,51,46,000	1,09,71,000
Proposed dividend	67,04,200	59,28,300
	<u>2,18,50,200</u>	<u>1,68,99,300</u>
13. MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
Preliminary expenses	82,480	94,440
Public issue expenses	1,46,11,062	60,49,346
	<u>1,46,93,542</u>	<u>61,43,786</u>

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT

	March 31, 1994 Rs.	March 31, 1993 Rs.
14. MISCELLANEOUS INCOME		
Dividend income	28,60,000	-
(Tax deducted at source Rs. 7,07,135)		
Interest from Investments	71,28,977	-
(Tax deducted at source Rs. 14,19,458)		
Interest received from banks	5,45,397	9,54,013
Profit on sale of assets	83,795	748
Other income	5,22,459	9,96,718
	<u>1,11,40,628</u>	<u>19,51,479</u>
15. SOFTWARE DEVELOPMENT EXPENSES		
Salaries to staff	8,74,15,547	2,14,06,266
Directors remuneration	8,34,470	7,20,000
Staff welfare	63,14,001	24,85,140
Provident fund contribution	15,48,455	9,52,172
Foreign tour & travel	4,17,59,206	3,89,53,560
Foreign exchange conservation tax	-	84,621
Computer centre requirements	18,78,766	4,74,748
Software for own use	51,15,530	17,31,012
Computer maintenance	23,47,920	20,16,201
Cost of imported software packages sold	53,16,732	98,09,376
Communication expenses	48,12,245	4,76,856
Software for the banking project	37,39,853	-
Consumption of components	12,15,164	-
	<u>16,22,97,889</u>	<u>7,91,09,952</u>
16. ADMINISTRATION & OTHER EXPENSES		
Travelling & conveyance	67,68,487	35,66,596
Rent	31,17,444	16,67,861
Telephone & telex	39,90,197	20,23,678
Legal & professional charges	76,77,518	23,41,416
Printing & stationery	25,33,464	16,21,668
Advertisement	22,67,735	17,09,638
Office maintenance	17,56,581	12,12,444
Power & fuel	13,82,365	6,30,828
Insurance charges	7,25,966	3,54,238
Rates, taxes & licences	3,63,833	4,35,393
Vehicle expenses	8,57,556	2,80,453
Donations	50,173	10,100
Audit fees	30,000	20,000
Bad debts written off	67,113	1,21,508
Loss on sale of fixed assets	-	21,222
Bank charges & commission	11,81,975	22,04,470
Miscellaneous expenses	70,72,358	29,90,914
	<u>3,98,42,765</u>	<u>2,12,12,427</u>

SCHEDULE TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**17. SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS****A. Significant accounting policies****1. General**

The accompanying financial statements have been prepared using the accrual method based on the historical cost convention.

2. Income

Income from software development is recognized based on software developed and billed to the clients as per the terms of specific contracts.

Income from the sale of software products is recognized when the sale has been completed with the passing of the title.

Interest on deployment of surplus funds is recognized using the time proportion method based on interest rates implicit in the transaction.

Dividend income is recognized when the right to receive dividend becomes established.

3. Expenditure

Expenses are accounted on accrual basis and provision made for all known losses and liabilities. Expenses incurred on development of software are charged to revenue in the same year.

4. Depreciation

Depreciation is provided on the straight line method at the rates specified in Schedule XIV to the Companies Act, 1956.

Depreciation is charged on pro-rata basis for assets purchased during the year.

5. Fixed assets

Fixed assets are stated at cost of acquisition less accumulated depreciation.

Assets costing less than Rs. 5,000 are charged off to revenue in the year of purchase.

6. Inventories

Closing stock of purchased software products is valued at lower of historic cost or realizable value. A periodic review is made of slow moving stock and appropriate provision made for anticipated losses if any.

7. Retirement benefits to employees

The company's liability towards retirement benefits - gratuity, provident fund and superannuation - is fully funded and charged to revenue. The company contributes to the employees' provident fund maintained under the Employees Provident Fund Scheme of the Central Government. The company has a gratuity fund maintained by the LIC to which transfers are made every year based upon actuarial valuation. The company also contributes to a superannuation fund maintained by the LIC for its managerial staff.

8. Research and development

Revenue expenditure on research and development is charged off in the year in which it is incurred.

9. Foreign currency transactions

In the case of sale made to clients outside India, income is accounted on the basis of a standard exchange rate. Adjustments are made for any change in the sale proceeds on conversion into Indian currency upon actual receipt.

Expenditure in foreign currency is accounted at the conversion rate prevalent when such expenditure is incurred. In the case of overseas offices such expenditure is translated at the rate prevalent at the end of the month of expenditure.

In the case of current assets and current liabilities of overseas offices, the exchange rate prevalent at the year end is taken for purposes of translation and accounting in the books. Any overall gain or loss upon such conversion is recognized in the same period.

Fixed assets purchased at overseas offices are accounted on the basis of actual cost incurred at the exchange rate prevalent at the time of purchase. Depreciation is charged as per company's policy.

10. Investments

Investments are valued at cost, and are accordingly disclosed. Overseas investment is carried at the original rupee cost. In the case of any diminution in the value of investments, other than temporary, appropriate provision is made to recognize such diminution.

11. Income tax

Provision is made for income tax on yearly basis based on tax liability as computed after taking credit for allowances and exemptions. In case of matters under appeal, due to disallowances or otherwise, full provision is made when the said liabilities are accepted.

B. Notes on accounts

1. Previous year's figures have been rearranged/regrouped wherever necessary.

2. Contingent liabilities

- i. Estimated amount of contracts remaining to be executed on capital account and not provided for - Rs. 2,50,47,027 (previous year Nil)
- ii. The company has given counter guarantees for Rs. 46.51 lakhs to various banks in respect of repatriation and other guarantees given by the said banks in favor of the Reserve Bank of India and other government authorities (previous year Rs. 43.60 lakhs)

3. The company is engaged in the business of development of computer software. The production of software is not capable of being expressed in any generic unit and, hence, it is not possible to give the information as required by certain clauses of paragraphs 3, 4C and 4D of part II of Schedule VI of the Companies Act, 1956.

	March 31, 1994	March 31, 1993
	Rs.	Rs.
4. Managing director's remuneration		
Salary	1,44,000	1,44,000
Contribution to provident fund and other funds (excluding gratuity)	14,400	14,400
Perquisites	1,29,624	74,400
5. Imports on CIF basis		
Raw materials and components	-	-
Components and spare parts	-	-
Capital goods	2,33,83,960	36,53,567
Imported software packages	65,88,363	97,35,760

	March 31, 1994	March 31, 1993
	Rs.	Rs.
6. Expenditure in foreign currency debited to profit and loss account and other heads of account		
Travel (including maintenance allowance)	7,98,57,338	3,38,64,239
Subscriptions to journals	1,16,626	91,364
Others	1,39,25,979	18,34,854
7. Earnings in foreign exchange		
Income from services	24,91,71,555	10,88,32,520
8. Expenditure on employees employed throughout the year and who were in receipt of remuneration which in the aggregate was not less than Rs. 1,44,000 per annum		
Salaries and allowances	48,87,681	24,88,992
Contribution to provident fund and other funds	2,25,648	1,30,692
Number of employees	25	13
9. Expenditure on employees employed for part of the year and who were in receipt of remuneration which in the aggregate was not less than Rs. 12,000 per month		
Salaries and allowances	9,17,008	4,33,894
Contribution to provident fund and other funds	39,474	14,632
Number of employees	11	4
10. Auditor's remuneration		
Audit fees	30,000	20,000
Tax audit fees	25,000	20,000
Reimbursement of out-of-pocket expenses	32,500	21,530
11. Particulars in respect of traded items (Imported software packages)		
	March 31, 1994	March 31, 1993
	Qty Rs.	Qty Rs.
Opening stock	499 21,75,548	530 22,49,164
Closing stock	803 34,47,179	499 21,75,548
Turnover	1176 53,16,732	1759 98,09,376

As per my report
of even date.

Signatories to Schedules 1 to 17

A. M. Bhatkal
Chartered Accountant

N. R. Narayana Murthy
Chairman & Managing Director

N. S. Raghavan
Jt. Managing Director

Nandan M. Nilekani
Dy. Managing Director

Place : Bangalore
Date : April 28, 1994

K. Dinesh **V. A. Sastry**
Director Director

G. R. Nayak
Sr. Vice President (Fin. & Adm.)

V. Viswanathan
Company Secretary

**MANAGEMENT DISCUSSION ON FINANCIAL STATEMENTS
FOR THE YEAR ENDING MARCH 31, 1994**

GENERAL

The accompanying financial statements have been prepared by management in conformity with Indian Accounting Standards, wherever applicable, applying certain estimates and judgements as required. The responsibility for the objectivity and integrity of the financial statements rests with the management. This discussion reflects the views of the management on various items in the financial statement.

1. Share capital

The company has, at present, only one class of shares - equity shares. At the beginning of the year, the company's paid up capital was Rs. 197.61 lakhs consisting of 19,76,100 equity shares of Rs. 10 each. The company invited public participation in its equity during February 1993 offering 13,76,000 equity shares of Rs. 10 par value, at a premium of Rs. 85. The issue was oversubscribed with allotment made during April 1993. Consequent to the allotment, the paid up share capital of the company has gone up to Rs. 335.11 lakhs consisting of 33,52,100 equity shares of Rs. 10 each.

2. Reserves and surplus

The company added Rs. 1168.67 lakhs to the share premium account consequent to the allotment of additional equity during April 1993, being premium on such issue. The revenue reserves of the company also increased by Rs. 691.87 lakhs due to transfer from profits for the year.

These reserves are uncommitted reserves, not set aside for any specific purpose.

3. Secured and unsecured debt

As on March 31, 1994, the company had no long term or short term debt. The debt existing as on April 1, 1993 was paid in full or prepaid out of the internal accruals during the year.

4. Fixed assets

The company added the following fixed assets to its block during the year :

	<u>Rs. in lakhs</u>
a) Land	2.00
b) Building	0.75
c) Computers	353.99
d) Vehicles	13.08
f) Plant & machinery	12.11
g) Furniture & fixtures	8.12
h) Work in progress	322.66
	<u>712.71</u>

The company's new facility at Electronics City, Bangalore is expected to become operational by September 1994. The above fixed assets have been financed primarily by the proceeds of the public issue or internal accruals. Provision has been made for all capital commitments due as on March 31, 1994. The capital expenditure during the current year is estimated at around Rs. 3,200.00 lakhs.

5. Investments

The company had invested a sum of Rs. 189.72 lakhs towards the purchase of 11,00,000 units of the Units 64 scheme of the Unit Trust of India. The company also subscribed to the rights entitlement of the units at the rate of Rs. 12.80 per unit. The company also made other investments. The market value of investments as on March 31, 1994, is Rs. 284.52 lakhs as against the carrying cost of Rs. 252.61 lakhs.

6. Current assets

The company's stock of inventory consists mainly of software products purchased for sale. The accounts receivables outstanding is at Rs. 426.47 lakhs. These are considered good and realizable. The level of accounts receivables is normal and is in tune with business trends. The age profile is as under.

<u>Period</u>	<u>Rs. in lakhs</u>	<u>Percentage of total</u>
0 - 30 days	156.02	36.59
31 - 60 days	243.96	57.21
60 - 91 days	16.52	3.87
91 - 182 days	8.93	2.09
More than 182 days	1.04	0.24
	<u>426.47</u>	<u>100.00</u>

7. Liquid resources

As on March 31, 1994, the company had substantial liquid resources which are earmarked for meeting anticipated capital expenditure, liquidity requirements and for working capital purposes.

	<u>Rs. in lakhs</u>
1. Investment in units	246.00
2. Debentures and mutual funds	77.00
3. Deposits in public limited companies	500.00
4. Other short term advances	100.00
5. Deposits with banks	199.00
6. Current account balances	102.00
	<u>1,224.00</u>

The company's liquid resources are invested in a manner so as to enhance the yield keeping in view safety of the investments and company's requirement of funds.

8. Share issue expenses

The company incurred a total expenditure of Rs. 162.35 lakhs on raising of capital during its public issue. Of this, a sum of Rs. 16.24 lakhs has been charged to revenue during the year and the balance of Rs. 146.11 lakhs would be charged to revenue in the succeeding years.

9. Prospectus - projections and achievements

- a) The company had, at the time of inviting public participation in its equity during February 1993, disclosed projections about its future profitability. The table below discloses the actual achievements and the projections for the two completed years as given in the prospectus.

Item	Rs. in crores			
	1993		1994	
	Projections	Actual	Projections	Actual
1. Exports	12.00	12.14	20.72	27.49
2. Revenue	14.94	14.33	24.69	30.08
3. PBIDT	5.14	4.30	7.57	9.71
4. PAT	2.78	3.51	4.64	8.09
5. Equity	3.35	1.98	3.35	3.35
6. Reserves	17.63	6.74	21.26	25.35
7. EPS (Rs.)	8.29	17.76	13.83	24.15
8. Book value (Rs.)	62.60	44.08	73.43	81.26

- b) Other significant commitments and achievements are as under:

- i) The company has committed and disbursed a sum of Rs. 7.11 crores for capital expenditure in its new project and the balance is expected to be disbursed and completed by September 1994.

The project cost has increased from Rs. 16.58 crores to Rs. 18.76 crores as per revised estimates.

The enhancement in the project cost is due to inflation and increase in the built-up area. The enhanced cost would be met from internal accruals.

- ii) The company had disclosed a schedule of implementation and progress of its project. The current status is as under:

<u>Item</u>	<u>As per Prospectus</u>	<u>Current estimates</u>
Completion of construction	December 1993	September 1994
Order placement for imported machines	March 1993	Completed at the existing premises
Internal testing of machines	June 1993	- do -
Trial runs	July 1993	- do -
Commercial run	August 1993	- do -

The delay in the implementation is due to increase in the scope of work and delay in completion of the public issue.

10. Indian income tax

The company provides for income tax on an estimate of its liability under the current tax laws. Currently, the company enjoys exemption under Section 80HHE on its export revenue. The company is also advised that it will be eligible for income tax benefits under Section 10A/10B of the Income Tax Act. Provision has also been made for income tax payable, if any, by the foreign branches with appropriate credits taken under double taxation agreements. Indian Accounting Standards do not prescribe any deferred tax provisions at present.

SHAREHOLDERS' INFORMATION

1. Dates of book closure : 10th June 1994 to 25th June 1994
(both days inclusive)
2. Date and venue of the Annual General Meeting : At 3 p.m. on 25th June 1994, at Holiday Inn,
No. 28, Sankey Road, Bangalore 560 052
3. Dividend payment : On or after 26th June, 1994, but within the statutory
time limit.
4. Listing on stock exchanges at : Bangalore and Bombay.
5. High and low quotations of shares at Bangalore and Bombay Stock Exchanges :

Month	Bangalore		Bombay	
	Highest	Lowest	Highest	Lowest
	Rs.	Rs.	Rs.	Rs.
June 1993	162.00	147.00	180.00	145.00
July 1993	220.00	150.00	245.00	145.00
August 1993	245.00	210.00	260.00	215.00
September 1993	253.00	210.00	270.00	220.00
October 1993	336.00	250.00	360.00	260.00
November 1993	410.00	290.00	420.00	300.00
December 1993	425.00	380.00	440.00	400.00
January 1994	450.00	400.00	490.00	400.00
February 1994	670.00	450.00	650.00	450.00
March 1994	585.00	480.00	610.00	525.00

6. Share transfers and other communication regarding change of address, dividends, share certificates, etc., may be addressed to : Karvy Consultants Private Limited
Registrars and Share Transfer Agents
No. 656, 1st Floor, 100 Feet Road,
Indiranagar, Bangalore 560 038.

7. Share transfer system

Share transfers would be normally registered and returned within a period of 20 days from the date of receipt, if the documents are clear in all respects. The Share Transfer Committee meets thrice in a month to approve share transfers.

8. Investors' grievances

Complaints received from April 29, 1993 to March 31, 1994

Nature of complaints	No. of complaints received	No. of complaints cleared	Pending no. of cases
1. Non-receipt of transfer	7	7	-
2. Non-receipt of dividend warrants	7	7	-
3. Non-receipt of share certificates	50	50	-
4. Non-receipt of endorsed share certificates	104	104	-
5. Transfers	2	-	2 *
	<u>170</u>	<u>168</u>	<u>2</u>

* Out of two transfers pending, one is withheld for want of confirmation of the transferor and the other is withheld, as the matter is subjudice, due to dispute between the parties.

- a. The company normally attends to investors' complaints within 15 days from the date of receipt of complaint.
- b. Any investors' complaints / grievances may be addressed to : Mr. V. Viswanathan, Company Secretary, Investors' Grievance Cell, Infosys Technologies Ltd., N-403, Manipal Centre, Dickenson Road, Bangalore - 560 042.

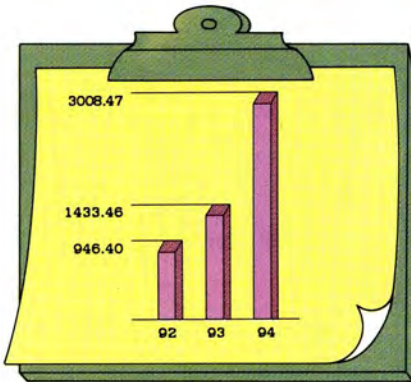
9. Distribution of shareholding (as at March 31, 1994)

Number of equity shares held	Number of shareholders	Percentage
1 - 100	4645	76.99
101 - 200	862	14.29
201 - 500	307	5.09
501 - 1000	92	1.52
1001 - 2000	46	0.76
2001 - 5000	26	0.43
5001 - 10000	10	0.17
10001 and above	45	0.75
	<u>6033</u>	<u>100.00</u>

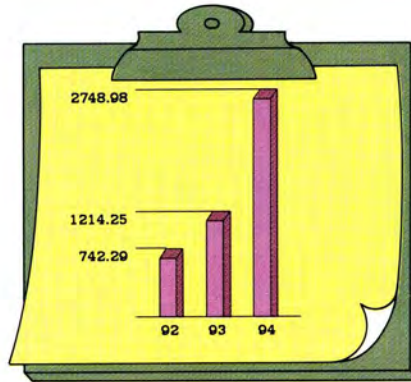
10. Categories of shareholders (as at March 31, 1994)

Category	No. of shareholders	Voting strength (percentage)	No. of shares held
Individuals	5971	76.26	25,56,400
Companies	48	1.68	56,100
FII's/FI's/Mutual funds	14	22.06	7,39,600
	<u>6033</u>	<u>100.00</u>	<u>33,52,100</u>

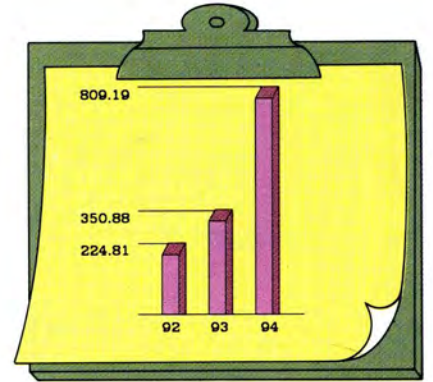
PERFORMANCE HIGHLIGHTS



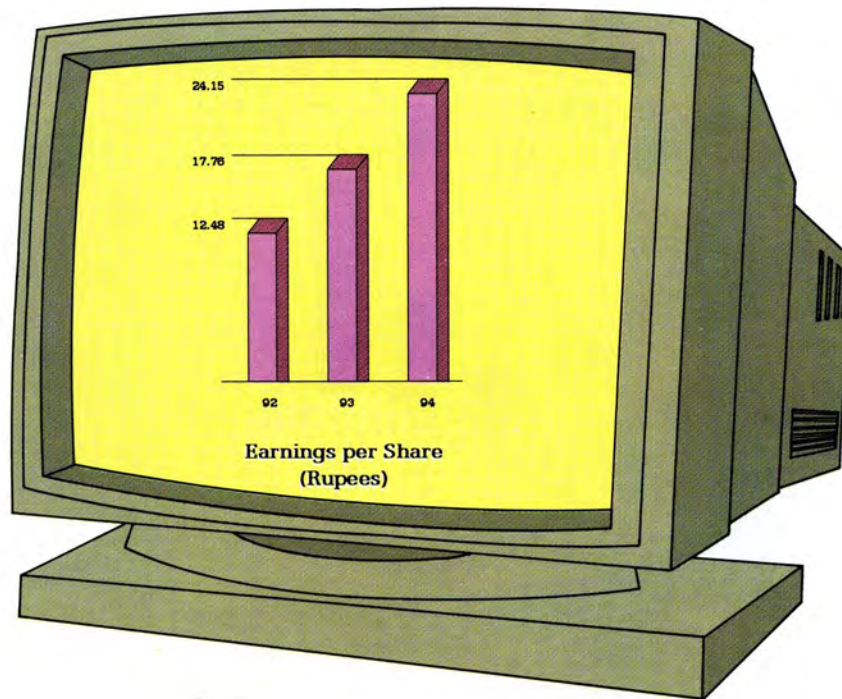
Sales
(Rs. lakhs)



Exports
(Rs. lakhs)

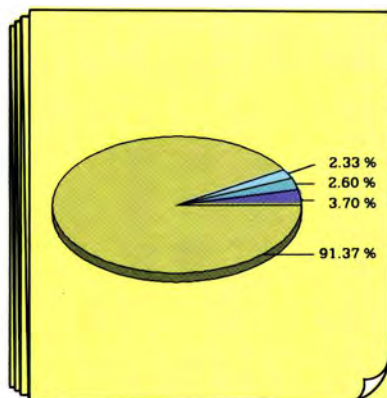


Net Profit
(Rs. lakhs)

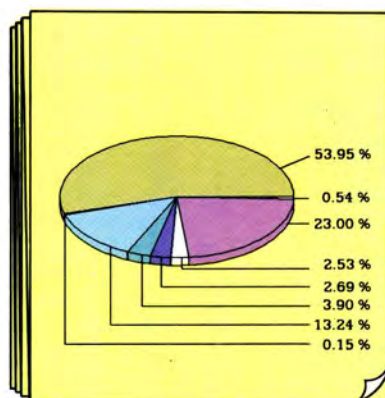


Earnings per Share
(Rupees)

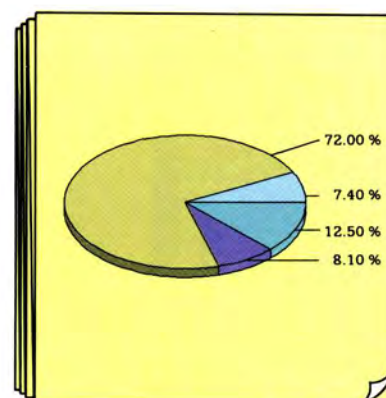
SELECT STATISTICS



How a rupee has been earned in 1993-94



How a rupee has been spent in 1993-94

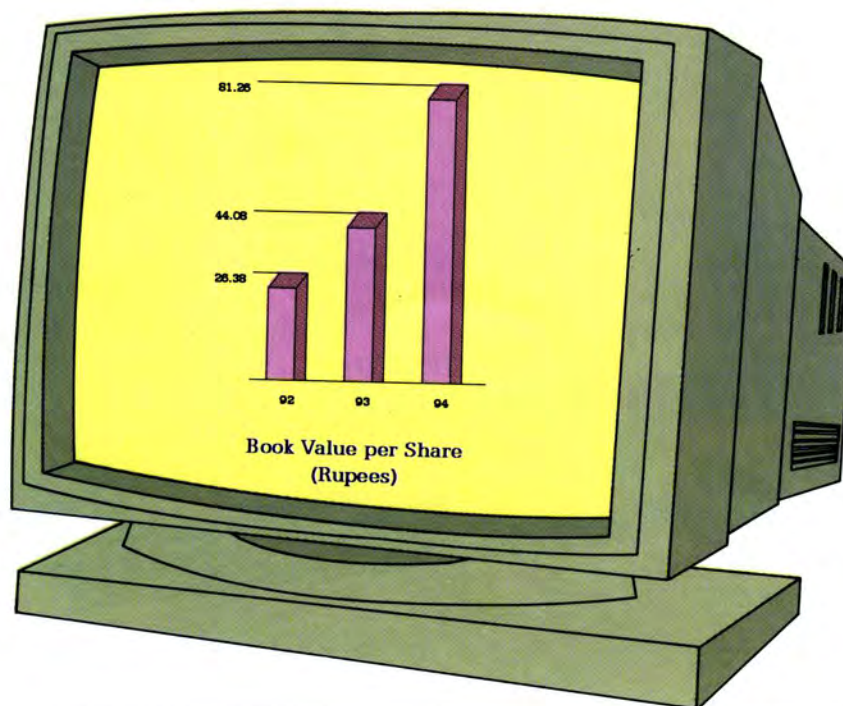


Employee Category

- Miscellaneous income
- Imported software packages
- Domestic income
- Overseas income

- Software development expenses
- Financial expenses
- Administration & other expenses
- Dividend
- Depreciation
- Income Tax
- Retained earnings
- Preliminary & public issue expenses

- Project Managers
- Engineers
- Senior Managers
- Support Staff



FUNDS FLOW STATEMENT

Particulars	Rs. in lakhs			
	1993-94		1992-93	
	Rs.	Rs.	Rs.	Rs.
A. Sources				
1. Fund flow from operations :				
Net profit after tax	809.19		350.88	
<i>Add :</i>				
Depreciation	80.88		36.20	
Preliminary expenses	16.35		0.12	
(Profit)/Loss on sale of assets	(0.83)		0.21	
	905.59		387.41	
2. Issue of equity shares :				
51,100 shares at Rs. 10 each		-	5.11	
1,24,000 shares at Rs. 80 each		-	99.20	
13,76,000 shares at Rs. 95 each	1307.20			
<i>Less : Calls in arrears</i>	(1.03)	1306.17	-	104.31
3. Amount received towards sale of assets		1.39		0.15
4. Term loan received from KSIIDC		-		4.00
		2213.15		495.87
B. Application				
1. Investment in fixed assets		712.71		177.52
2. Increase in working capital		877.49		109.03
3. Repayment of term loan		37.38		14.50
4. Repayment of other loans		2.55		61.15
5. Investment during the year		363.85		13.90
6. Dividend payments		117.32		59.28
7. Public issue expenses		101.85		60.49
		2213.15		495.87

A HISTORICAL PERSPECTIVE

Rs. in lakhs

PARTICULARS	1981-82	1989-90	1990-91	1991-92	1992-93	1993-94
REVENUE ACCOUNT						
Revenue	11.63	414.74	550.51	946.40	1433.46	3008.47
Financial Charges	-	6.83	6.23	4.53	9.78	4.64
Gross profit (PBDT)	3.78	117.30	110.16	275.27	420.34	966.07
Depreciation	-	37.28	18.32	24.67	36.19	80.88
Provision for taxation	-	34.25	16.40	25.79	33.27	76.00
Profit after tax	3.78	45.77	75.44	224.81	350.88	809.19
Return on average net worth	96.88	22.72	30.15	59.54	38.19	39.61
Interest coverage (Times)	-	18	19	62	44	209
CAPITAL ACCOUNT						
Share capital	0.10	40.80	83.20	180.10	197.61	335.11
Reserves & surplus	3.78	180.13	197.33	296.07	674.47	2535.00
Loan funds	-	32.90	22.50	50.88	39.92	-
Gross block	0.02	249.72	306.45	381.61	438.92	827.38
Net current assets	6.27	154.24	163.74	347.12	1068.62	1394.34
Debt : Equity (Ratio)	-	0.15	0.08	0.11	0.05	-
DATA PER SHARE (Rs.)						
Earnings	377.77	11.22	9.07	12.48	17.76	24.15
Dividend (%)	-	20	20	20	30	35
Book value	383.10	54.01	33.66	26.38	44.08	81.26
Number of shareholders	7	21	23	61	925	6033

NOTES:

- 1 Loans do not include working capital loans from banks.
- 2 The book value for the year 1992-93 is calculated on the pre-public issue equity and reserves.

Infosys

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