

16. SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

Company overview

Infosys Technologies Limited (“Infosys” or the “company”), a world leader in consulting and information technology (“IT”) services partners with Global 2000 companies to provide business consulting, systems integration, application development and product engineering services. Through these services, Infosys enables its clients to fully exploit technology for business transformation. Clients leverage Infosys’ Global Delivery Model to achieve higher quality, rapid time-to-market and cost-effective solutions.

16.1 Significant accounting policies

16.1.1 Basis of preparation of financial statements

The financial statements are prepared under the historical cost convention, in accordance with Indian Generally Accepted Accounting Principles (“GAAP”) on the accrual basis. GAAP comprises mandatory accounting standards issued by the Institute of Chartered Accountants of India (“ICAI”) and the provisions of the Companies Act, 1956. These accounting policies have been consistently applied, except for certain recently issued accounting standards made mandatory by the ICAI effective the current fiscal year and adopted by the company, as described below. All amounts are stated in Indian Rupees, except as otherwise specified.

The ICAI issued accounting standards on segment reporting, related party disclosures, leases, earnings per share and accounting for taxes on income that became mandatory effective accounting periods commencing on or after April 1, 2001. The company adopted the accounting standards on segment reporting, related party disclosures and earnings per share from the year ended March 31, 2001. The standards on accounting for leases and income taxes are adopted effective from April 1, 2001.

The accounting standard on consolidated financial statements became effective from April 1, 2001. Although Yantra Corporation, USA, is a subsidiary of Infosys as per the Companies Act, 1956, the financial statements have not been consolidated since the company does not have control as envisaged by the accounting standard on consolidated financial statements issued by the ICAI. The company does not have any investments in associates and accordingly the related accounting standard, mandatory effective April 1, 2002, does not affect these financials statements.

The preparation of the financial statements in conformity with GAAP requires that the management of the company (“Management”) make estimates and assumptions that affect the reported amounts of income and expenses of the period, reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as of the date of the financial statements. Examples of such estimates include expected development costs to complete software contracts, provisions for doubtful debts, future obligations under employee retirement benefit plans and the useful lives of fixed assets. Actual results could differ from those estimates.

16.1.2 Revenue recognition

Revenue from software development on fixed-price contracts is recognized according to the milestones achieved as specified in the contracts on the proportionate-completion method based on the work completed. On time-and-materials contracts, revenue is recognized based on software developed and invoiced as per the terms of specific contracts. Annual Technical Services revenue is recognized proportionately over the period in which services are rendered. Revenue from the sale of user licenses for software applications is recognized on transfer of the title in the user license. Interest is recognized using the time-proportion method, based on rates implicit in the transaction. Dividend income is recognized when the company’s right to receive dividend is established. Revenue from the sale of special import licenses is recognized when the licenses are transferred.

16.1.3 Expenditure

The cost of software user licenses purchased for software development and the rendering of IT services is charged to revenue in the year the software is acquired. Project costs in the nature of salaries, travel and other expenses incurred on fixed price contracts, where milestones are yet to be reached are classified as “Costs in excess of billings” in the balance sheet. Charges relating to non-cancelable long-term operating leases are computed on the basis of the lease rentals payable as per the relevant lease agreements. Provisions are made for all known losses and liabilities, future unforeseeable factors that may affect the profit on fixed-price software development contracts and also towards likely expenses for providing post-sales client support. The leave encashment liability of the company is provided on the basis of an actuarial valuation.

16.1.4 Fixed assets and capital work-in-progress

Fixed assets are stated at cost, after reducing accumulated depreciation until the date of the balance sheet. Direct costs are capitalized until the assets are ready for use and include financing costs relating to any borrowing attributable to acquisition. Capital work-in-progress includes the cost of fixed assets that are not yet ready for their intended use, advances paid to acquire fixed assets and the cost of assets not put to use before the balance sheet date.

16.1.5 Depreciation

Depreciation on fixed assets is determined using the straight-line method based on useful lives of assets as estimated by the company. Depreciation for assets purchased/sold during the period is proportionately charged. Individual assets acquired for less than Rs. 5,000/- are entirely depreciated in the year of acquisition. Management estimates the useful lives for the various fixed assets as follows:

Buildings	15 years
Plant and machinery	5 years
Computer equipment	2-5 years
Furniture and fixtures	5 years
Vehicles	5 years

16.1.6 Retirement benefits to employees

16.1.6a Gratuity

In accordance with the Payment of Gratuity Act, 1972, Infosys provides for gratuity, a defined benefit retirement plan (the "Gratuity Plan") covering eligible employees. The Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment.

Liabilities with regard to the Gratuity Plan are determined by actuarial valuation, based upon which, the company contributes to the Infosys Technologies Limited Employees' Gratuity Fund Trust (the "Trust"). Trustees administer contributions made to the Trust and invest in specific designated securities as mandated by law, which generally comprise central and state government bonds and debt instruments of government-owned corporations.

16.1.6b Superannuation

Apart from being covered under the Gratuity Plan described above, certain employees of Infosys are also participants of a defined contribution plan. The company makes monthly contributions under the superannuation plan (the "Plan") to the Infosys Technologies Limited Employees Superannuation Fund Trust based on a specified percentage of each covered employee's salary. The company has no further obligations to the Plan beyond its monthly contributions.

16.1.6c Provident fund

Eligible employees also receive benefits from a provident fund, which is a defined contribution plan. Both the employee and the company make monthly contributions to this provident fund plan equal to a specified percentage of the covered employee's salary.

Infosys contributes a part of the contributions to the Infosys Technologies Limited Employees Provident Fund Trust. The remainders of the contributions are made to the Government administered provident fund. The company has no further obligations under the provident fund plan beyond its monthly contributions.

16.1.7 Research and development

Revenue expenditure incurred on research and development is charged off as incurred. Capital expenditure incurred on research and development is depreciated over the estimated useful lives of the related assets.

16.1.8 Foreign currency transactions

Revenue from overseas clients and collections deposited in foreign currency bank accounts are recorded at the exchange rate as of the date of the respective transactions. Expenditure in foreign currency is accounted at the exchange rate prevalent when such expenditure is incurred. Disbursements made out of foreign currency bank accounts are reported at a rate that approximates the actual monthly rate. Exchange differences are recorded when the amount actually received on sales or actually paid when expenditure is incurred is converted into Indian Rupees. The exchange differences arising on foreign currency transactions are recognized as income or expense in the period in which they arise.

Fixed assets purchased at overseas offices are recorded at cost, based on the exchange rate as of the date of purchase. The charge for depreciation is determined as per the company's accounting policy.

Current assets and current liabilities denominated in foreign currency are translated at the exchange rate prevalent at the date of the balance sheet. The resulting difference is also recorded in the profit and loss account. In the case of forward contracts, the difference between the forward rate and the exchange rate on the date of the transaction is recognized as income or expense over the life of the contract.

16.1.9 Income tax

Income taxes are computed using the tax effect accounting method, where taxes are accrued in the same period the related revenue and expenses arise. A provision is made for income tax annually based on the tax liability computed after considering tax allowances and exemptions. Provisions are recorded as considered appropriate for matters under appeal due to disallowances or for other reasons.

The differences that result between the profit offered for income taxes and the profit as per the financial statements are identified and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount being considered. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on prevailing enacted regulations. Deferred tax assets are recognized only if there is reasonable certainty that they will be realized and are reviewed for the appropriateness of their respective carrying values at each balance sheet date.

16.1.10 Earnings per share

In determining earnings per share, the company considers the net profit after tax and includes the post-tax effect of any extra-ordinary items. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the period. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share, and also the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. The diluted potential equity shares have been adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares). The number of shares and potentially dilutive equity shares are adjusted for stock splits and bonus shares, as appropriate.

16.1.11 Investments

Trade investments refer to the investments made with the aim of enhancing the company's business interests in software development and services. Investments are either classified as current or long-term. Current investments are carried at the lower of cost and fair value. Cost for overseas investments comprises the Indian Rupee value of the consideration paid for the investment.

Long-term investments are carried at cost and provisions recorded to recognize any decline, other than temporary, in the carrying value of such investment. Any dividends are recorded as income in the profit and loss account.

16.2 Notes on accounts

The previous period's/year's figures have been regrouped/reclassified, wherever necessary, to conform to the current period's presentation.

16.2.1 Deferred income taxes

Consequent to the standard on accounting for taxes on income becoming mandatory effective April 1, 2001, the company recorded the cumulative net deferred tax credit of Rs 15,53,00,000 until April 1, 2001, as an addition to the general reserves. The deferred tax credit of Rs. 2,05,00,000 for the quarter and Rs. 3,11,00,000 for the half-year ended September 30, 2001 are included in the provision for taxation for the respective periods.

16.2.2 Capital commitments and contingent liabilities

- a. The estimated amount of contracts remaining to be executed on capital account, and not provided for (net of advances) is Rs. 67,46,84,520 at September 30, 2001. The amount of such contracts as at September 30, 2000 was Rs. 121,56,43,540 and as at March 31, 2001 was Rs. 158,25,35,171.
- b. The company has outstanding guarantees and counter guarantees of Rs. 15,67,25,000 as at September 30, 2001, to various banks, in respect of the guarantees given by the banks in favor of various government authorities. The guarantees outstanding as at September 30, 2000 were Rs. 6,51,30,000 and as at March 31, 2001 were Rs. 6,83,05,000.
- c. Claims against the company, not acknowledged as debts, amounted to Rs. 3,22,39,754 as at September 30, 2001. Such claims as at September 30, 2000 were Rs. 8,75,532 and as at March 31, 2001 Rs. 8,75,532.
- d. Outstanding forward contracts amounted to US\$ 26,000,000 (approximately Rs. 124,41,00,000 at half-year end exchange rates) at September 30, 2001. Such contracts as at September 30, 2000 were Rs. Nil and as at March 31, 2001 were US\$ 20,000,000 (approximately Rs. 93,12,00,000 at year end exchange rates).

16.2.3 Aggregate expenses

Following are the aggregate amounts incurred on certain specific expenses that are required to be disclosed under schedule VI to the Companies Act, 1956 :

	Quarter ended		Half-year ended		Year ended
	September 30, 2001	September 30, 2000	September 30, 2001	September 30, 2000	March 31, 2001
Salaries and bonus including overseas staff expenses	270,78,19,249	160,15,84,651	523,91,99,968	293,25,93,247	684,32,51,596
Contribution to provident and other funds	7,20,46,850	7,43,79,574	14,22,73,852	16,93,51,595	33,45,76,308
Foreign travel expenses	34,22,89,431	35,90,06,400	66,46,49,474	66,11,53,479	147,22,11,655
Consumables	69,37,335	1,04,12,879	1,08,53,070	1,95,07,075	5,86,87,245
Cost of software packages for -- own use	9,13,86,128	12,25,78,520	17,13,60,811	19,79,84,826	31,85,81,751
Cost of software packages for – banking products	2,03,97,419	49,60,448	6,04,55,447	1,33,11,277	5,70,13,753
Computer maintenance	1,72,23,262	1,23,01,888	2,90,42,445	2,71,11,288	7,19,42,078
Communication expenses	10,60,00,134	5,24,77,651	20,82,07,298	9,94,83,388	31,52,55,986
Consultancy charges	2,22,45,041	1,85,64,421	4,26,17,934	2,98,55,683	9,19,25,609
Provision for post-sales client support	95,36,022	82,28,718	1,05,08,862	80,48,558	1,83,20,669
Traveling and conveyance	5,60,13,118	4,97,87,265	9,81,97,219	7,70,39,464	18,40,64,822
Rent	5,52,02,947	3,68,42,809	12,03,22,838	6,95,37,037	16,94,82,708
Telephone charges	4,04,00,978	3,59,58,729	8,28,43,292	6,50,89,763	14,02,60,363
Professional charges	4,74,54,646	3,86,42,679	8,59,03,988	6,42,07,750	20,40,21,385
Printing and stationery	1,01,93,207	1,10,57,396	4,16,23,883	3,61,24,297	6,25,54,206
Advertisements	83,61,048	1,75,71,241	1,44,71,713	2,88,75,539	6,30,77,831
Office maintenance	3,35,49,789	2,94,09,238	6,70,51,372	5,67,21,754	12,84,32,642
Repairs to building	1,56,70,880	58,28,166	3,78,25,114	1,40,82,937	3,95,22,458
Repairs to plant and machinery	77,79,382	39,97,679	1,26,96,868	73,83,941	2,26,54,171
Power and fuel	4,76,61,680	2,51,75,524	9,39,52,462	4,58,26,006	11,78,45,258
Brand building	5,80,29,091	3,92,19,123	7,66,50,375	5,01,77,269	10,52,01,392
Insurance charges	1,22,65,954	72,76,793	2,50,28,740	1,25,66,191	5,17,55,298
Rates and taxes	1,02,47,677	62,78,668	1,92,46,336	98,42,999	1,82,17,524
Commission charges	1,49,06,774	67,61,132	2,00,83,642	90,25,721	1,79,03,784
Donations	1,55,98,500	1,70,01,694	3,98,49,325	3,28,09,063	7,21,92,883
Auditor's remuneration – audit fees	5,37,500	4,47,000	10,75,000	8,93,250	17,85,000
– certification charges	-	-	-	-	2,00,000
– out-of-pocket expenses	50,000	50,000	1,00,000	1,00,000	2,00,000
Bad loans and advances written off	-	-	-	-	4,141
Bad debts written off	-	27,70,254	-	27,70,254	27,70,254
Provision for bad and doubtful debts	3,53,20,752	4,51,07,005	10,46,85,674	4,91,94,461	19,27,45,549
Provision for doubtful loans and advances	5,78,808	-	5,71,148	(1,412)	7,10,404
Bank charges and commission	8,52,132	3,94,040	13,32,499	9,24,343	59,39,483
Commission to non-whole time directors	24,00,000	15,00,000	48,00,000	30,00,000	59,22,049
Postage and courier	80,98,007	47,28,893	1,98,00,545	96,06,851	2,27,86,459
Books and periodicals	27,37,088	50,60,324	60,78,845	89,14,545	1,69,10,978
Research grants	25,00,000	25,00,000	50,00,000	50,00,000	1,00,00,000
Freight charges	9,05,451	16,86,320	21,15,362	22,30,226	55,72,484
Professional membership and seminar participation fees	51,41,741	61,60,531	1,04,94,593	90,52,158	2,17,10,613
Marketing expenses	1,11,35,672	1,75,28,494	2,64,89,952	2,28,51,535	4,26,87,545
Sales promotion expenses	10,30,384	4,24,831	21,65,010	6,11,902	70,16,656
Transaction processing fee and filing fees	90,42,978	25,92,220	2,28,92,377	29,64,845	1,52,76,339
Other miscellaneous expenses	26,13,063	1,05,02,070	96,95,788	1,98,49,378	2,60,46,292
	391,21,60,118	269,67,55,268	763,22,13,121	487,56,72,483	1135,72,37,621

16.2.4 Quantitative details

The company is engaged in the development and maintenance of computer software. The production and sale of such software cannot be expressed in any generic unit. Hence, it is not possible to give the quantitative details of sales and certain information as required under paragraphs 3, 4C and 4D of part II of Schedule VI to the Companies Act, 1956.

16.2.5 Imports (valued on the cost, insurance and freight basis)

	Quarter ended		Half-year ended		Year ended
	September 30, 2001	September 30, 2000	September 30, 2001	September 30, 2000	March 31, 2001
Capital goods	12,53,89,132	26,43,63,022	27,19,15,029	43,20,09,442	113,56,33,008
Software packages	90,46,372	30,54,632	2,57,07,767	92,38,916	1,67,88,389

16.2.6 Earnings in foreign exchange (on the receipts basis)

	Quarter ended		Half-year ended		Year ended
	September 30, 2001	September 30, 2000	September 30, 2001	September 30, 2000	March 31, 2001
Income from software development services and products	603,05,53,234	431,24,42,409	1188,80,80,907	735,52,73,359	1708,67,49,891
Interest received on deposits with banks	1,32,38,692	5,19,94,463	2,99,90,351	10,69,20,563	19,55,81,989

Expenditure in foreign currency (on the payments basis)

	Quarter ended		Half-year ended		Year ended
	September 30, 2001	September 30, 2000	September 30, 2001	September 30, 2000	March 31, 2001
Travel expenses	28,76,17,122	27,94,50,302	49,67,10,157	45,64,90,402	107,69,86,908
Professional charges	3,03,68,103	3,08,42,822	6,46,71,793	3,80,49,742	14,63,89,491
Other expenditure incurred overseas for software development	224,55,13,192	116,22,63,533	426,64,38,165	197,01,42,528	489,94,99,776

Net earnings in foreign currency (on the receipts and payments basis)

	Quarter ended		Half-year ended		Year ended
	September 30, 2001	September 30, 2000	September 30, 2001	September 30, 2000	March 31, 2001
Net earnings in foreign exchange	348,02,93,509	289,18,80,215	709,02,51,143	499,75,11,250	1115,94,55,705

16.2.7 Fixed assets

Depreciation charge to the profit and loss account relating to assets costing less than Rs. 5,000/- each

	Quarter ended		Half-year ended		Year ended
	September 30, 2001	September 30, 2000	September 30, 2001	September 30, 2000	March 31, 2001
Charged during the period/year	1,48,25,661	6,63,81,667	7,23,50,075	10,04,17,795	34,99,43,502

Profit/loss on disposal of fixed assets

in Rs.

	Quarter ended		Half-year ended		Year ended
	September 30, 2001	September 30, 2000	September 30, 2001	September 30, 2000	March 31, 2001
Profit on sale of fixed assets	53,11,194	1,03,798	57,00,103	1,45,416	11,22,939
Loss on sale of fixed assets	(54,02,102)	(1,12,518)	(54,97,341)	(1,99,245)	(2,05,049)
Profit/(loss) on sale of fixed assets, net	(90,908)	(8,720)	2,02,762	(53,829)	9,17,890

16.2.8 Obligations on long-term non-cancelable operating leases

The lease rentals charged during the period and maximum obligations on long-term non-cancelable operating leases payable as per the rentals stated in the respective agreements are as follows:

in Rs.

	Quarter ended		Half-year ended		Year ended
	September 30, 2001	September 30, 2000	September 30, 2001	September 30, 2000	March 31, 2001
Lease rentals paid during the period/year	5,52,02,947	3,68,42,809	12,03,22,838	6,95,37,037	16,94,82,708
Lease obligations					
			Half-year ended		Year ended
			September 30, 2001	September 30, 2000	March 31, 2001
Within one year of the balance sheet date			15,89,77,399	5,84,46,825	7,30,43,980
Due in a period between one year and five years			54,71,97,094	19,03,42,680	27,71,79,409
Due after five years			15,08,49,769	5,39,80,450	14,40,05,657
			85,70,24,262	30,27,69,955	49,42,29,046

The operating lease arrangements extend for a maximum of ten years from their respective dates of inception and relate to rented overseas premises.

16.2.9 Managerial remuneration paid to the chairman, managing director and whole-time directors

in Rs.

	Quarter ended		Half-year ended		Year ended
	September 30, 2001	September 30, 2000	September 30, 2001	September 30, 2000	March 31, 2001
Salary	44,43,639	43,77,541	88,82,901	66,42,509	1,54,84,785
Contribution to provident fund and other funds	4,79,325	4,87,061	9,58,650	8,70,466	18,29,116
Perquisites and incentives	16,08,529	10,88,801	83,49,649	18,28,674	89,20,426

16.2.10 Managerial remuneration paid to non-whole-time directors

in Rs.

	Quarter ended		Half-year ended		Year ended
	September 30, 2001	September 30, 2000	September 30, 2001	September 30, 2000	March 31, 2001
Commission	-	-	-	-	59,22,049
Sitting fees	90,084	25,000	2,20,084	1,37,000	2,57,000
Reimbursement of expenses	8,14,703	2,94,513	16,52,947	4,98,674	9,09,070

16.2.11 Exchange differences

	Quarter ended		Half-year ended		Year ended
	September 30, 2001	September 30, 2000	September 30, 2001	September 30, 2000	March 31, 2001
Gains on the translation of foreign currency deposits	2,56,11,312	6,14,29,421	3,82,28,604	17,09,97,401	20,17,12,483
Net realized and unrealized exchange gains – others	7,79,42,073	13,21,48,664	11,41,62,259	17,31,28,032	19,45,83,779
	10,35,53,385	19,35,78,085	15,23,90,863	34,41,25,433	39,62,96,262

Total realized and unrealized exchange gains comprise, gains on the translation of foreign currency deposits which is classified as “other income” and net realized and unrealized exchange gains, which are classified as “Income from software development services and products -- overseas”.

16.2.12 Research and development expenditure

	Quarter ended		Half-year ended		Year ended
	September 30, 2001	September 30, 2000	September 30, 2001	September 30, 2000	March 31, 2001
Capital	15,36,284	48,26,181	23,07,532	68,28,231	2,14,29,903
Revenue	3,86,69,784	4,00,76,886	7,71,74,805	7,16,59,376	14,97,08,196
	4,02,06,068	4,49,03,067	7,94,82,337	7,84,87,607	17,11,38,099

16.2.13 Unearned revenue

Unearned revenue as at September 30, 2001 amounting to Rs. 32,77,66,649 (as at September 30, 2000 -- Rs 73,48,39,451 and as at March 31, 2001 -- Rs 34,82,60,201) primarily consists of client billings on fixed-price, fixed-time-frame contracts for which the related costs have not yet been incurred.

16.2.14 Dues to small-scale industrial undertakings

As at September 30, 2001, the company had no outstanding dues to small-scale industrial undertakings (as at September 30, 2000 -- Rs Nil and as at March 31, 2001 -- Rs Nil).

16.2.15 Balance of unutilized money raised by issue of American Depositary Shares (“ADSs”)

During the year ended March 31, 1999, Infosys made an Initial Public Offering of ADS, of US\$ 70,380,000, equivalent to Rs 296,86,00,000. The issue proceeds net of expenses of Rs 19,68,00,000 are entirely utilized as of the year ended March 31, 2001. The unutilized ADSs proceeds as at September 30, 2001 are Rs Nil (as at September 30, 2000 -- Rs Nil and as at March 31, 2001 -- Rs Nil).

16.2.16 Stock option plans

The company currently has three stock option plans. These are summarized below.

1994 Stock Option Plan (“the 1994 Plan”)

As of September 30, 2001 the options to acquire 2,98,600 shares were outstanding with the Employee Welfare Trust and options to acquire 3,23,000 shares are outstanding with the employees under the 1994 Plan. These options were granted at an exercise price of Rs 50/- (post split) per option. Additionally, 13,87,000 shares earlier issued are subject to lock-in. No options were issued under this plan during the period.

1998 Stock Option Plan (“the 1998 Plan”)

The 1998 Plan provides for the grant of stock options to employees. The 1998 Plan was approved by the board of directors in December 1997 and by the shareholders in January 1998. The Government of India approved 29,40,000 ADSs representing 14,70,000 equity shares for issue under the Plan. The options may be issued at an exercise price that is not less than 90% of the fair market value of the underlying equity share on the date of the grant. The 1998 Plan automatically expires in January 2008, unless terminated earlier. All options under the 1998 Plan are exercisable for ADSs representing equity shares. A compensation committee comprising independent members of the board of directors administers the 1998 Plan.

Number of options granted, exercised and forfeited	Quarter ended		Half-year ended		Year ended
	September 30, 2001	September 30, 2000	September 30, 2001	September 30, 2000	March 31, 2001
Options granted, beginning of period/year	16,26,486	8,23,366	15,65,506	6,89,500	6,89,500
Granted during the period/year	5,04,900	85,300	6,02,700	2,32,000	9,64,840
Exercised during the period/year	Nil	Nil	(5,200)	(1,334)	(12,434)
Forfeited during the period/year	(21,570)	(37,200)	(53,190)	(48,700)	(76,400)
Options granted, end of period/year	21,09,816	8,71,466	21,09,816	8,71,466	15,65,506
Weighted average exercise price	US\$ 77.13 (Rs. 3,691)	US\$ 83.40 (Rs. 3,837)	US\$ 77.13 (Rs. 3,691)	US\$83.40 (Rs. 3,837)	US\$ 90.98 (Rs. 4,236)

1999 Stock Option Plan ("the 1999 Plan")

In fiscal 2000, the company instituted the 1999 Plan. The shareholders and the board of directors approved the plan in June 1999, which provides for the issue of 66,00,000 equity shares to the employees. The compensation committee administers the 1999 Plan. Options will be issued to employees at an exercise price that is not less than the fair market value.

Fair market value is the closing price of the company's shares in the stock exchange, where there is the highest trading volume on a given date and if the shares are not traded on that day, the closing price on the next trading day.

Under the 1999 Plan, options may be issued to employees at exercise prices that are less than the fair market value only if specifically approved by the members of the company in a general meeting. No approval has been sought to date in this regard.

Number of options granted, exercised and forfeited	Quarter ended		Half-year ended		Year ended
	September 30, 2001	September 30, 2000	September 30, 2001	September 30, 2000	March 31, 2001
Options granted, beginning of period/year	31,67,370	16,41,850	27,93,980	10,06,800	10,06,800
Granted during the period/year	10,37,570	2,95,450	14,52,820	9,54,100	19,57,830
Exercised during the period/year	Nil	Nil	Nil	Nil	(1,200)
Forfeited during the period/year	(63,880)	(54,300)	(1,05,740)	(77,900)	(1,69,450)
Options granted, end of period/year	41,41,060	18,83,000	41,41,060	18,83,000	27,93,980
Weighted average exercise price	Rs. 4,675	Rs. 5,343	Rs. 4,675	Rs. 5,343	Rs. 5,572

The aggregate options outstanding and considered for dilution as at September 30, 2001 are 51,95,968 (as at September 30, 2000 – 23,18,733 options and as at March 31, 2001 -- 35,76,733 options).

16.2.17 Pro-forma disclosures relating to the Employee Stock Option Plans ("ESOPs")

The Securities and Exchange Board of India (SEBI) issued the Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines in 1999, which is applicable to all stock option schemes established on or after June 19, 1999. In accordance with these guidelines, the excess of the market price of the underlying equity shares as of the date of the grant of the options over the exercise price of the options, including up-front payments, if any, is to be recognized and amortized on a straight-line basis over the vesting period. All options under the 1998 and 1999 stock option plans have been issued at fair market value, hence there are no compensation costs.

The company's 1994 stock option plan was established prior to the SEBI guidelines on stock options.

Had the stock compensation costs for this stock option plan been determined as per the guidelines issued by SEBI, the company's reported net profit would have been reduced to the pro forma amounts indicated below.

in Rs.

Net profit:	Quarter ended		Half-year ended		Year ended
	September 30, 2001	September 30, 2000	September 30, 2001	September 30, 2000	March 31, 2001
- As reported	201,56,13,001	154,01,22,579	391,58,83,460	280,80,85,328	628,81,36,341
- Adjusted pro forma	195,63,50,154	148,20,22,829	379,75,12,909	269,34,93,331	605,55,42,584

16.2.18 Provision for taxation

The company's profits from export activities are partly deductible from taxable income. However, most of Infosys' operations are conducted through 100% Export Oriented Units ("EOU"), which are entitled to a tax holiday for a period of 10 years from the date of commencement of operations. The Government of India amended the tax incentive available to companies operating through EOUs. The tenure of tax exemption available to such companies is restricted to a maximum of 10 consecutive years commencing from the fiscal year in which the unit commences software development and expires on March 31, 2009. Additionally, export related tax deductions apart from the 100% EOU scheme earlier described are being phased out by fiscal 2004. The provision for taxation includes tax liabilities in India on the company's global income as reduced by exempt incomes and any tax liabilities arising overseas on income sourced from those countries.

16.2.19 Cash and bank balances

Details of balances kept with non-scheduled banks as on balance sheet dates and the maximum balances kept with non-schedule banks during the period/year are as follows:

Balances with non-scheduled banks	As at		<i>in Rs.</i>
	September 30, 2001	September 30, 2000	As at March 31, 2001
In deposit account in foreign currency			
HSBC Bank Middle East, Bahrain	-	72,78,38,970	-
	-	72,78,38,970	-
In current accounts			
ABN Amro Bank, Heerlen, Netherlands	-	15,33,759	-
ABN Amro Bank, Brussels, Belgium	1,57,756	14,41,744	8,73,096
Bank of America, Concord, USA	4,95,76,185	1,49,58,076	27,09,344
Bank of America, Hong Kong	11,39,232	-	4,25,885
Bank of America, Los Angeles, USA	-	9,06,842	-
Bank of America, Milpitas, USA	-	2,24,10,018	23,59,820
Bank of America, Palo Alto, USA	29,61,72,956	66,35,52,087	35,70,97,922
Bank of America, Singapore	66,410	-	-
Bank of Boston, Boston, USA	73,24,171	18,63,006	21,30,626
Bank of Melbourne, Melbourne, Australia	18,98,966	4,12,696	17,26,245
Bank of Melbourne, Victoria, Australia	26,96,531	-	5,46,759
Barclays Bank, London, UK	39,68,837	2,58,61,410	38,36,868
Deutsche Bank, Frankfurt, Germany	77,011	20,02,017	20,22,282
Deutsche Bank, Paris, France	5,88,784	-	-
First Chicago Bank, Chicago, USA	-	1,07,797	-
Hong Kong Bank of Canada, Toronto, Canada	4,75,913	30,84,442	5,54,537
HSBC Bank PLC – Croydon, London	6,89,79,562	-	9,76,68,994
Michigan National Bank, Detroit, USA	-	9,33,249	-
Nations Bank, Dallas, USA	50,93,239	1,22,37,226	1,17,15,900
Nations Bank, Georgia, USA	-	12,11,413	-
National Bank of Sharjah, UAE	10,76,262	-	-
Nordbanken, Stockholm, Sweden	10,05,422	10,42,268	15,86,376
Nova Scotia Bank, Toronto, Canada	5,06,51,612	2,95,46,101	5,21,19,103
Seafirst Bank, Seattle, USA	-	23,30,525	-
Sanwa Bank, Tokyo, Japan	2,97,146	14,76,759	12,18,670
Summit Bank, Bridgewater, USA	35,13,906	70,72,342	14,75,012
	49,47,59,901	79,39,83,777	54,00,67,439

in Rs.

Maximum balance held in non-scheduled banks during the period/year	Quarter ended		Half-year ended		Year ended
	September 30, 2001	September 30, 2000	September 30, 2001	September 30, 2000	March 31, 2001
in deposit account in foreign currency					
HSBC Bank Middle East, Bahrain	-	72,78,38,970	-	72,78,38,970	72,78,38,970
in current accounts					
ABN Amro Bank, Heerlen, Netherlands	-	15,95,544	-	15,95,544	15,95,544
ABN Amro Bank, Brussels, Belgium	21,14,947	16,97,352	21,14,947	16,97,352	25,10,415
Bank of America, Concord, USA	7,45,84,117	1,89,84,569	7,45,84,117	1,89,84,569	11,56,12,302
Bank of America, Hong Kong	17,43,099	-	17,43,099	-	11,81,752
Bank of America, Los Angeles, USA	-	13,59,571	-	50,65,143	3,08,58,501
Bank of America, Milpitas, USA	-	5,42,67,620	28,83,464	5,42,67,620	5,89,07,898
Bank of America, Palo Alto, USA	104,17,41,134	66,35,52,087	104,22,27,558	69,60,58,192	92,96,33,056
Bank of America, Singapore	5,36,134	-	5,36,134	-	-
Bank of Boston, Boston, USA	1,10,54,236	41,81,119	1,10,54,236	41,81,119	72,15,459
Bank of Melbourne, Melbourne, Australia	2,97,96,016	-	2,97,96,016	13,42,430	17,26,245
Bank of Melbourne, Victoria, Australia	60,52,827	13,42,430	60,52,827	-	16,34,330
Barclays Bank, London, UK	39,68,837	2,58,61,410	39,68,837	2,58,61,410	3,63,48,726
Deutsche Bank, Frankfurt, Germany	24,54,374	36,94,391	56,90,413	36,94,391	36,94,391
Deutsche Bank, Paris, France	5,88,784	-	5,88,784	-	-
First Chicago Bank, Chicago, USA	-	16,51,157	-	22,07,085	22,07,085
Hong Kong Bank of Canada, Toronto, Canada	5,17,677	38,86,384	5,54,537	1,01,66,688	1,01,66,688
HSBC Bank PLC – Croydon, London	30,21,80,437	-	31,28,50,852	-	16,51,68,657
Michigan National Bank, Detroit, USA	-	13,58,243	-	17,44,660	17,44,660
Nations Bank, Dallas, USA	2,35,75,691	2,17,15,823	2,84,97,409	2,19,16,240	3,36,69,804
Nations Bank, Georgia, USA	-	16,97,156	-	21,33,612	21,33,612
National Bank of Sharjah, UAE	14,39,565	-	14,39,565	-	-
Nordbanken, Stockholm, Sweden	22,57,727	16,97,129	22,57,727	16,97,129	23,20,446
Nova Scotia Bank, Toronto, Canada	6,82,65,025	2,95,46,101	9,66,13,821	2,95,46,101	7,57,18,591
Seafirst Bank, Seattle, USA	-	26,48,764	-	31,46,158	31,46,158
Sanwa Bank, Tokyo, Japan	74,05,830	39,29,640	1,15,86,471	48,69,517	1,40,25,843
Summit Bank, Bridgewater, USA	89,59,534	88,91,861	89,59,534	88,91,861	88,91,861

The cash and bank balances include interest accrued but not due on fixed deposits amounting to Rs 2,22,40,173 for the half-year ended September 30, 2001 (the half-year ended September 30, 2000 -- Rs 1,44,56,954 and the year ended March 31, 2001 -- Rs 1,94,43,708).

16.2.20 Loans and advances

“Advances” mainly comprises prepaid travel and per-diem expenses and advances to vendors.

Deposits with financial institutions and a body corporate comprise:

in Rs.

	As at		As at
	September 30, 2001	September 30, 2000	March 31, 2001
Deposits with financial institutions:			
Housing Development Finance Corporation Limited	96,11,92,183	10,16,06,063	50,87,03,015
ICICI Limited	60,81,84,306	50,84,73,016	50,87,01,373
IDBI Limited	29,35,26,712	-	40,35,30,424
Deposits with body corporate:			
GE Capital Services India Limited	100,86,64,098	50,60,63,986	50,58,17,345
	287,15,67,299	111,61,43,065	192,67,52,157

The above amounts include interest accrued but not due amounting to Rs. 3,15,35,105 (the half-year ended September 30, 2000 -- Rs 1,61,10,876 and the year ended March 31, 2001 -- Rs 2,67,52,157).

The financial institutions and the body corporate have superior credit ratings from a premier credit rating agency in the country.

Mr. Deepak M Satwalekar, Director, is also Director of HDFC. Mr. N R Narayana Murthy, Chairman and CEO, and Prof. Marti G. Subrahmanyam, Director, are also directors in ICICI Limited. Except as directors in these financial institutions, these persons have no direct interest in these transactions.

16.2.21 Current liabilities

Sundry creditors for other liabilities represent mainly the retention amounts payable to the vendors, and amounts accrued for various other operational expenses and taxes.

16.2.22 Fixed assets

The company has entered into lease-cum-sale agreements to acquire certain properties. In accordance with the terms of these agreements, the company has the option to purchase the properties on expiry of the lease period. The company has already paid 99% of the value of the properties at the time of entering into the lease-cum-sale agreements. These amounts are disclosed as "Land - leasehold" under "Fixed assets" in the financial statements.

16.2.23 Transfer of intellectual property rights

During the year ended March 31, 2001, the company transferred its intellectual property rights in OnScan – a web-focused wireless-enabled notification product, to OnMobile Systems, Inc. (formerly OnScan Inc.) USA, a company incubated by Infosys as part of its ongoing effort to encourage and promote budding entrepreneurs among its employees. The rights were transferred for Rs 8,93,40,000 (US\$ 2 million), received as equity, preferred voting and preferred non-voting securities in OnMobile Systems, Inc. The income of Rs 5,49,44,000 (net of tax) arising on the transfer is disclosed as an extraordinary item in the statement of profit and loss of that year. The transaction was completed in the quarter ended June 30, 2000.

The item has not been considered in the statement of cash flows since it is a non-cash transaction except for the payment of the related income tax.

16.2.24 Investments

The following are the particulars of strategic investments made during the quarters and half years ended September 30, 2001 and September 30, 2000 and year ended March 31, 2001 respectively:

Particulars of investee companies	Quarter ended		Half-year ended		Year ended
	September 30,	September 30,	September 30,	September 30,	March 31,
	2001	2000	2001	2000	2001
Workadia, Inc., USA*	-	-	10,32,68,000	-	-
Alpha Thinx Mobile Phone Services AG, Austria	-	2,20,98,608	-	2,20,98,608	2,20,98,608
Asia Net Media BVI Limited	-	6,84,75,000	-	6,84,75,000	6,84,75,000
M-Commerce Ventures Pte. Limited, Singapore	-	50,36,000	-	50,36,000	1,84,47,700
CiDRA Corporation, USA	-	-	-	13,40,08,660	13,40,08,660
PurpleYogi Inc., USA	-	-	-	-	2,33,34,992
	-	9,56,09,608	10,32,68,000	22,96,18,268	26,63,64,960

* Investments in Workadia, Inc., USA ("Workadia") comprise of 4,40,000 fully paid Series "B" convertible preferred stock, par value of US\$ 0.001, at US\$ 5.00 each. Workadia will provide companies with comprehensive, customizable business intranets through browser accessed hosted portals and also offer consulting services to help customers select and deploy their intranet applications, content and services.

An amount of Rs 15,28,98,608 was provided for the investments in Alpha Thinx and EC Cubed, Inc., USA, in the latter half of the year ended March 31, 2001, when the investee companies filed for liquidation.

16.2.25 Segment reporting

The company's operations predominantly relate to providing IT services, delivered to customers globally operating in various industry segments. Accordingly, IT service revenues represented along industry classes comprise the primary basis of segmental information set out in these financial statements. Secondary segmental reporting is performed on the basis of the geographical location of customers.

The accounting principles consistently used in the preparation of the financial statements are also consistently applied to record income and expenditure in individual segments. These are as set out in the note on significant accounting policies.

Industry segments at the company are primarily -- financial services comprising customers providing banking, finance and insurance services; manufacturing companies; companies in the telecommunications and the retailing industries; and others such as utilities, transportation and logistics companies.

Income and direct expenses in relation to segments is categorized based on items that are individually identifiable to that segment, while the remainder of the costs are categorized in relation to the associated turnover of the segment. Certain expenses such as depreciation, which form a significant component of total expenses, are not specifically allocable to specific segments as the underlying services are used interchangeably. The company believes that it is not practical to provide segment disclosures relating to those costs and expenses, and accordingly these expenses are separately disclosed as "unallocated" and directly charged against total income.

Fixed assets used in the company's business or liabilities contracted have not been identified to any of the reportable segments, as the fixed assets and services are used interchangeably between segments. The company believes that it is currently not practicable to provide segment disclosures relating to total assets and liabilities since a meaningful segregation of the available data is onerous.

Customer relationships are driven based on the location of the respective client. North America comprises the United States of America, Canada and Mexico; Europe includes continental Europe (both the east and the west), Ireland and the United Kingdom; and the Rest of the World comprising all other places except, those mentioned above and India.

Geographical revenues are segregated based on the location of the customer who is invoiced or in relation to which the revenue is otherwise recognized.

Industry segments

Quarter ended September 30, 2001

in Rs.

	Financial services	Manufacturing	Telecom	Retail	Others	Total
Revenues	248,44,01,536	111,83,87,688	99,39,08,761	74,75,06,908	115,71,22,142	650,13,27,035
Identifiable operating expenses	89,87,79,498	47,01,41,121	26,99,83,498	20,62,78,106	43,89,00,450	228,40,82,673
Allocated expenses	63,47,52,412	27,65,60,391	24,57,78,632	18,48,47,173	28,61,38,837	162,80,77,445
Segmental operating income	95,08,69,626	37,16,86,176	47,81,46,631	35,63,81,629	43,20,82,855	258,91,66,917
Unallocable expenses						39,01,37,925
Operating income						219,90,28,992
Other income (expense), net						14,65,84,009
Net profit before taxes						234,56,13,001
Income taxes						33,00,00,000
Net profit after taxes						201,56,13,001

Quarter ended September 30, 2000

in Rs.

	Financial services	Manufacturing	Telecom	Retail	Others	Total
Revenues	151,22,64,687	78,06,67,611	86,54,25,809	31,67,28,002	98,58,71,668	446,09,57,777
Identifiable operating expenses	51,26,13,534	28,25,08,460	21,61,18,798	13,55,77,527	29,79,32,026	144,47,50,345
Allocated expenses	42,77,08,527	21,82,32,784	24,19,26,629	8,85,40,158	27,55,96,825	125,20,04,923
Segmental operating income	57,19,42,626	27,99,26,367	40,73,80,382	9,26,10,317	41,23,42,817	176,42,02,509
Unallocable expenses						24,23,67,547
Operating income						152,18,34,962
Other income (expense), net						19,57,87,617
Net profit before taxes						171,76,22,579
Income taxes						17,75,00,000
Net profit after taxes						154,01,22,579

Half-year ended September 30, 2001

in Rs.

	Financial services	Manufacturing	Telecom	Retail	Others	Total
Revenues	474,02,16,811	224,23,80,518	201,66,72,628	142,79,49,149	219,92,95,278	1262,65,14,384
Identifiable operating expenses	168,03,57,473	91,62,31,949	52,93,37,240	38,78,46,664	80,44,70,889	431,82,44,215
Allocated expenses	128,09,46,382	57,85,76,455	52,05,94,547	36,76,81,514	56,61,70,008	331,39,68,906
Segmental operating income	177,89,12,956	74,75,72,114	96,67,40,841	67,24,20,971	82,86,54,381	499,43,01,263
Unallocable expenses						74,49,41,417
Operating income						424,93,59,846
Other income (expense), net						28,15,23,614
Net profit before taxes						453,08,83,460
Income taxes						61,50,00,000
Net profit after taxes						391,58,83,460

Half-year ended September 30, 2000

in Rs.

	Financial services	Manufacturing	Telecom	Retail	Others	Total
Revenues	255,75,22,931	148,81,72,341	152,31,56,337	63,67,05,016	181,07,01,301	801,62,57,926
Identifiable operating expenses	95,83,47,200	53,92,52,139	39,78,71,447	25,59,62,882	57,60,60,052	272,74,93,720
Allocated expenses	69,70,79,322	39,49,09,563	40,61,73,886	16,84,44,230	48,15,71,762	214,81,78,763
Segmental operating income	90,20,96,409	55,40,10,639	71,91,11,004	21,22,97,904	75,30,69,487	314,05,85,443
Unallocable expenses						41,97,39,264
Operating income						272,08,46,179
Other income (expense), net						34,68,95,149
Net profit before taxes						306,77,41,328
Income taxes						31,46,00,000
Net profit after taxes						275,31,41,328

Year ended March 31, 2001

in Rs.

	Financial services	Manufacturing	Telecom	Retail	Others	Total
Revenues	640,77,55,042	338,84,20,263	350,11,16,331	172,86,39,345	397,97,27,826	1900,56,58,807
Identifiable operating expenses	225,87,90,591	130,66,14,108	88,39,38,378	54,74,24,303	120,92,12,385	620,59,79,765
Allocated expenses	177,68,81,844	90,69,15,538	93,89,68,074	46,30,82,749	106,54,09,651	515,12,57,856
Segmental operating income	237,20,82,607	117,48,90,617	167,82,09,879	71,81,32,293	170,51,05,790	764,84,21,186
Unallocable expenses						128,18,43,760
Operating income						636,65,77,426
Other income (expense), net						59,37,14,915
Net profit before taxes						696,02,92,341
Income taxes						72,71,00,000
Net profit after taxes						623,31,92,341

Geographic segments

Quarter ended September 30, 2001

in Rs.

	North America	Europe	India	Rest of the World	Total
Revenues	462,51,22,868	122,87,01,750	11,85,97,036	52,89,05,381	650,13,27,035
Identifiable operating expenses	160,95,46,860	46,10,58,413	4,92,76,258	16,42,01,142	228,40,82,673
Allocated expenses	115,78,39,235	30,75,89,471	3,37,80,802	12,88,67,937	162,80,77,445
Segmental operating income	185,77,36,773	46,00,53,866	3,55,39,976	23,58,36,302	258,91,66,917
Unallocable expenses					39,01,37,925
Operating income					219,90,28,992
Other income (expense), net					14,65,84,009
Net profit before taxes					234,56,13,001
Income taxes					33,00,00,000
Net profit after taxes					201,56,13,001

Quarter ended September 30, 2000

in Rs.

	North America	Europe	India	Rest of the World	Total
Revenues	334,35,28,870	80,95,62,695	4,83,71,864	25,94,94,348	446,09,57,777
Identifiable operating expenses	104,96,75,376	29,16,71,532	1,88,53,405	8,45,50,032	144,47,50,345
Allocated expenses	94,19,91,165	22,80,82,644	1,18,73,362	7,00,57,752	125,20,04,923
Segmental operating income	135,18,62,329	28,98,08,519	1,76,45,097	10,48,86,564	176,42,02,509
Unallocable expenses					24,23,67,547
Operating income					152,18,34,962
Other income (expense), net					19,57,87,617
Net profit before taxes					171,76,22,579
Income taxes					17,75,00,000
Net profit after taxes					154,01,22,579

Half-year ended September 30, 2001

in Rs.

	North America	Europe	India	Rest of the World	Total
Revenues	904,59,83,708	244,28,48,554	28,07,62,898	85,69,19,224	1262,65,14,384
Identifiable operating expenses	303,13,15,245	89,13,98,046	9,76,98,196	29,78,32,728	431,82,44,215
Allocated expenses	235,90,45,026	63,74,89,060	9,52,63,936	22,21,70,884	331,39,68,906
Segmental operating income	365,56,23,437	91,39,61,448	8,78,00,766	33,69,15,612	499,43,01,263
Unallocable expenses					74,49,41,417
Operating income					424,93,59,846
Other income (expense), net					28,15,23,614
Net profit before taxes					453,08,83,460
Income taxes					61,50,00,000
Net profit after taxes					391,58,83,460

Half-year ended September 30, 2000

in Rs.

	North America	Europe	India	Rest of the World	Total
Revenues	599,19,15,286	141,93,90,169	9,30,93,590	51,18,58,881	801,62,57,926
Identifiable operating expenses	199,86,44,657	51,73,75,438	3,57,65,818	17,57,07,807	272,74,93,720
Allocated expenses	160,77,70,398	38,13,87,489	2,42,28,217	13,47,92,659	214,81,78,763
Segmental operating income	238,55,00,231	52,06,27,242	3,30,99,555	20,13,58,415	314,05,85,443
Unallocable expenses					41,97,39,264
Operating income					272,08,46,179
Other income (expense), net					34,68,95,149
Net profit before taxes					306,77,41,328
Income taxes					31,46,00,000
Net profit after taxes					275,31,41,328

Year ended March 31, 2001

in Rs.

	North America	Europe	India	Rest of the World	Total
Revenues	1396,90,84,594	358,05,91,607	26,53,92,386	119,05,90,220	1900,56,58,807
Identifiable operating expenses	443,71,64,129	125,44,88,260	8,95,83,246	42,47,44,130	620,59,79,765
Allocated expenses	377,03,71,740	96,78,27,796	8,59,85,652	32,70,72,668	515,12,57,856
Segmental operating income	576,15,48,725	135,82,75,551	8,98,23,488	43,87,73,422	764,84,21,186
Unallocable expenses					128,18,43,760
Operating income					636,65,77,426
Other income (expense), net					59,37,14,915
Net profit before taxes					696,02,92,341
Income taxes					72,71,00,000
Net profit after taxes					623,31,92,341

16.2.26 Related party transactions

The company entered into related party transactions during the half-year ended September 30, 2001 with Yantra Corporation, USA, the subsidiary of the company, and key management personnel.

The transactions with Yantra Corporation comprise sales of Rs. 2,95,94,714 during the half-year ended September 30, 2001 (the half-year ended September 30, 2000 -- Rs 10,37,00,336 and the year ended March 31, 2001 -- Rs 19,64,85,967). The outstanding dues from the subsidiary as at September 30, 2001 are Rs 51,93,704 (as at September 30, 2000 – Rs 1,79,19,054 and as at March 31, 2001 – Rs 99,80,017).

Key management personnel are non-director officers of the company, who have the authority and responsibility for planning, directing and controlling the activities of the company. The loans and advances receivable from non-director officers as at September 30, 2001 are Rs 2,26,54,403 (as at September 30, 2000 – Rs 94,19,631 and as at March 31, 2001 – Rs 1,05,74,738).

16.2.27 Provisions for doubtful debts

Periodically, the company evaluates all customer dues to the company for collectibles. The need for provisions is assessed based on various factors including collectibles of specific dues, risk perceptions of the industry in which the customer operates, general economic factors, which could effect the customer's ability to settle. The company normally provides for debtor dues outstanding for 180 days or longer as at the balance sheet date. As at September 30, 2001 the company has provided for doubtful debts of Rs. 8,96,14,772 (as at September 30, 2000 – Rs. 3,64,00,351 and as at March 31, 2001 -- Rs 8,55,48,753) on dues from certain customers although the outstanding amounts were less than 180 days old, since the amounts were considered doubtful of recovery. The company continues pursuing the parties for recovery of the dues, in part or full.

16.2.28 Dividends remitted in foreign currencies

Infosys does not make any direct remittances of dividends in foreign currency. The company remits the equivalent of the dividends payable to the holders of ADS (“ADS holders”) in Indian Rupees to the depository bank, which is the registered shareholder on record for all owners of the company’s ADSs. The depository bank purchases the foreign currencies and remits dividends to the ADS holders.

Particulars of dividends remitted are as follows:

Particulars	Number of shares to which the dividends relate	Quarter ended		Half-year ended		Year ended
		September 30, 2001	September 30, 2000	September 30, 2001	September 30, 2000	March 31, 2001
		<i>in Rs.</i>				
Final dividend for fiscal 2000	2,081,900	-	-	-	62,11,810	62,11,810
Interim dividend for fiscal 2001	2,082,567	-	-	-	-	52,06,417
Final dividend for fiscal 2001	2,088,517	-	-	1,56,63,878	-	-
		-	-	1,56,63,878	62,11,810	1,14,18,227

16.2.29 Reconciliation of basic and diluted shares used in computing earnings per share

	Quarter ended		Half-year ended		Year ended
	September 30, 2001	September 30, 2000	September 30, 2001	September 30, 2000	March 31, 2001
Number of shares considered as basic weighted average shares outstanding	6,61,60,717	6,61,51,036	6,61,59,892	6,61,51,205	6,61,52,131
Add: Effect of dilutive issues of shares/stock options	1,73,889	8,32,224	1,52,840	7,88,929	2,06,180
Number of shares considered as weighted average shares and potential shares outstanding	6,63,34,606	6,69,83,260	6,63,12,732	6,69,40,134	6,63,58,311