

Infosys reports a comfortable quarter amidst turbulent conditions

Bangalore, India – October 10, 2001

Highlights

Results for the quarter ended September 30, 2001

- Income from software development services and products was Rs. 650.13 crore for the second quarter ended September 30, 2001, an increase of 45.74% over income from software development services and products of Rs. 446.10 crore for the corresponding quarter in the previous year
- Earnings per share from ordinary activities increased to Rs. 30.47 from Rs. 23.28 for the corresponding quarter in the previous year, an increase of 30.88%
- Interim dividend of Rs. 7.50 per share (150% on an equity share of par value of Rs. 5 each) as compared to Rs. 2.50 (50% on an equity share of par value of Rs. 5 each) for the corresponding quarter in the previous year
- Gross addition in employees at 833 for the quarter, including 92 lateral hires – net addition in employees at 607 for the quarter
- Free cash flows of Rs. 84.33 crore after capital expenditure of Rs. 129.77 crore during the quarter
- 28 new customers added during the quarter, including marquee names such as ING Group, National Health Service, JDS Uniphase, Vivendi Water Systems, Lear Corporation, Visteon, Royal Bank of Canada Financial Group, DGZ DekaBank and Kenya Commercial Bank

Outlook for the quarter ending December 31, 2001

- Income from software development services and products expected to be between Rs. 640 crore and Rs. 656 crore
- Earnings per share expected to be between Rs. 29 and Rs. 31

Outlook for the fiscal year ending March 31, 2002

- Income from software development services and products expected to be between Rs. 2,540 crore and Rs. 2,590 crore
- Earnings per share expected to be between Rs. 120 and Rs. 123

Results for the quarter ended September 30, 2001

The audited financial results, according to Indian GAAP, for the quarter ended September 30, 2001 were taken on record by the Board at its meeting held on October 10, 2001.

The profit and loss account is summarised below: *(in Rs. crore except per share data)*

Particulars	Quarter ended September 30,		Growth %	Quarter ended June 30,		Year ended March 31,
	2001	2000		2001	Growth % in Q2 over Q1 FY 2002	
INCOME						
Software development services and products						
Overseas	638.27	441.26	44.65	596.30	7.04	1874.03
Domestic	11.86	4.84	145.04	16.22	-26.88	26.54
TOTAL INCOME	650.13	446.10	45.74	612.52	6.14	1900.57
SOFTWARE DEVELOPMENT EXPENSES	306.95	204.58	50.04	285.56	7.49	870.84
GROSS PROFIT	343.18	241.52	42.09	326.96	4.96	1029.73
Selling and marketing expenses	33.46	22.54	48.45	27.65	21.01	92.07
General and administration expenses	50.80	42.56	19.36	58.79	-13.59	172.82
OPERATING PROFIT (PBIDT)	258.92	176.42	46.76	240.52	7.65	764.84
Interest	-	-	-	-	-	-
Depreciation	39.02	24.24	60.97	35.48	9.98	112.89
OPERATING PROFIT AFTER DEPRECIATION AND INTEREST	219.90	152.18	44.50	205.04	7.25	651.95
Other income	14.66	19.58	-25.13	13.49	8.67	59.37
Provision for investments	-	-	-	-	-	-15.29
PROFIT BEFORE TAX AND EXTRAORDINARY ITEM	234.56	171.76	36.56	218.53	7.33	696.03
Provision for taxation	33.00	17.75	85.91	28.50	15.79	72.71
PROFIT AFTER TAX BEFORE EXTRAORDINARY ITEM	201.56	154.01	30.87	190.03	6.07	623.32
Extraordinary item – Transfer of intellectual property rights (net of tax)	-	-	-	-	-	5.49
NET PROFIT AFTER TAX AND EXTRAORDINARY ITEM	201.56	154.01	30.87	190.03	6.07	628.81
EARNINGS PER SHARE (par value Rs. 5 each)						
Basic	30.47	23.28	30.88	28.72	6.09	95.06
Diluted	30.39	22.99	32.19	28.59	6.29	94.76
DIVIDEND PER SHARE (par value Rs. 5 each)	7.50	2.50	200.00	-	-	10.00
Dividend declared as a percentage of par value	150.00	50.00	-	-	-	200.00

“We have earned a record post tax profit of Rs. 201.6 crore, the highest in any quarter”, said Nandan M. Nilekani, Managing Director, President and COO. “Our customers recognize the unique value proposition of our services, which is reflected in our performance during this quarter.”

Interim Dividend

The company has declared an interim dividend of Rs. 7.50 per share (150% on an equity share of par value of Rs. 5 each) at the above board meeting. An interim dividend of Rs. 2.50 (50% on an equity share of par value of Rs. 5 each) was declared for the corresponding quarter in the previous year. The record date for payment of dividend will be November 2, 2001.

Results for the half-year ended September 30, 2001

The audited financial results, according to Indian GAAP, for the half-year ended September 30, 2001 were taken on record by the Board at its meeting held on October 10, 2001.

The profit and loss account is summarised below:

(in Rs. crore except per share data)

Particulars	Half-year ended September 30,		Growth %	Year ended March 31,
	2001	2000		2001
INCOME				
Software development services and products				
Overseas	1234.57	792.32	55.82	1874.03
Domestic	28.08	9.30	201.93	26.54
TOTAL INCOME	1262.65	801.62	57.51	1900.57
SOFTWARE DEVELOPMENT EXPENSES	592.51	375.42	57.82	870.84
GROSS PROFIT	670.14	426.20	57.24	1029.73
Selling and marketing expenses	61.11	40.54	50.74	92.07
General and administrative expenses	109.60	71.60	53.07	172.82
OPERATING PROFIT (PBIDT)	499.43	314.06	59.02	764.84
Interest	-	-		-
Depreciation	74.49	41.97	77.48	112.89
OPERATING PROFIT AFTER DEPRECIATION AND INTEREST	424.94	272.09	56.18	651.95
Other income	28.15	34.69	-18.85	59.37
Provision for investment	-	-		-15.29
PROFIT BEFORE TAX AND EXTRAORDINARY ITEM	453.09	306.78	47.69	696.03
Provision for taxation	61.50	31.46	95.49	72.71
PROFIT AFTER TAX BEFORE EXTRAORDINARY ITEM	391.59	275.32	42.23	623.32
Extraordinary item – transfer of intellectual property rights (net of tax)	-	5.49		5.49
NET PROFIT AFTER TAX AND EXTRAORDINARY ITEM	391.59	280.81	39.45	628.81
EARNINGS PER SHARE (par value Rs. 5 each)				
Basic	59.19	42.45	39.43	95.06
Diluted	59.05	41.95	40.76	94.76
DIVIDEND PER SHARE (par value Rs. 5 each)	7.50	2.50	200.00	10.00
Dividend declared as a percentage of par value	150.00	50.00		200.00

Business outlook

“At this point in time, we reiterate our estimates of revenues and earnings per share for the quarter ending December 31, 2001 and the year ending March 31, 2002”, said N. R. Narayana Murthy, Chairman and CEO. **“There may be a business impact due to the extraordinary situation arising out of the escalating tensions in Afghanistan. In such an event, we will, as always, proactively inform our investors and other stakeholders.”**

The company's outlook for the quarter ending December 31, 2001 and the fiscal year ending March 31, 2002, under Indian GAAP and US GAAP, is as follows:

Under Indian GAAP

Quarter ending December 31, 2001

- Income from software development services and products expected to be between Rs. 640 crore and Rs. 656 crore
- Earnings per share expected to be between Rs. 29 and Rs. 31

Fiscal year ending March 31, 2002

- Income from software development services and products expected to be between Rs. 2,540 crore and Rs. 2,590 crore
- Earnings per share expected to be between Rs. 120 and Rs. 123

Under US GAAP

Quarter ending December 31, 2001

- Net revenues expected to be in the range of \$ 134 million to \$ 137 million
- Earnings per American Depositary Share expected to be in the range of \$ 0.30 to \$ 0.31

Fiscal year ending March 31, 2002

- Net revenues expected to be in the range of \$ 535 million to \$ 545 million
- Earnings per American Depositary Share expected to be in the range of \$ 1.24 to \$ 1.27

Utilization rates

The utilization rate including trainees was 68.8% in the quarter as compared to 69.5% in the quarter ended June 30, 2001 and 65.4% in the quarter ended September 30, 2000. The utilization rate excluding trainees was 72.7% in the quarter as compared to 73.2% in the quarter ended June 30, 2001 and 80.5% in the quarter ended September 30, 2000.

Billing rates

Software revenues in US dollar terms grew by 5.2% for the quarter as compared to the quarter ended June 30, 2001. Revenue growth comprised volume growth of 2.6% and price growth of 2.6%, as compared to the quarter ended June 30, 2001.

“The market continues to be challenging and pricing pressures continue”, said S. Gopalakrishnan, Deputy Managing Director and Head – Customer Service and Technology.

Expansion of services and significant projects

Infosys acquired 28 clients during the quarter as compared to 26 clients in the previous quarter. The company continued to provide strategic consulting and IT services to *Global 2000* corporations in the US, Europe and Asia Pacific, and helped clients capture business value by executing leading edge technology projects.

Contribution from Infosys' top five customers accounted for 25.3% of revenues as compared to 27.4% for the quarter ended June 30, 2001 and 24.9% for the quarter ended September 30, 2000. Contribution from Infosys' top 10 customers accounted for 39.7% of revenues as compared to 43.7% for the quarter ended June 30, 2001 and 38.0% for the quarter ended September 30, 2000.

“We have added 28 new customers compared to 26 customers in the last quarter”, said Phaneesh Murthy, Director and Head – Sales & Marketing and Communication & Product Services. **“We have performed reasonably well even in these turbulent times.”**

Infosys continued to strengthen its presence in the financial services industry through strategic services such as **post-merger integration** for **UFJ Holdings Inc**, helping the client manage the post-merger integration of The Sanwa Bank, The Tokai Bank, and The Toyo Trust and Banking Company; **straight through processing** - a mission critical application development project for a leading financial institution; and **security consulting** for **Bank Muscat**, one of the largest banks in Oman.

Other prestigious clients added in this sector include **DGZ DekaBank**, the largest investment bank in Germany, **ING Group**, a *Global 1000* financial institution active in the fields of banking, insurance and asset management and **Royal Bank of Canada Financial Group**, the largest and oldest financial institution in Canada.

Infosys won its **first consulting engagement in the government sector** with an assignment for the UK Government's **National Health Service** (“NHS”). NHS is the world's largest Health Maintenance Organization with an annual budget of \$ 70 billion and over one million employees.

Infosys is working with several manufacturing and engineering enterprises, bringing velocity and efficiency to their product processes for manufacturing and engineering enterprises. Infosys is currently working with **Lear Corporation** and **Visteon**, two of the largest automotive suppliers in the world. Developing software drivers for critical devices across platforms, a **European Tier 1 Automotive supplier** being a recent case, Infosys helped clients reduce time-to-market and broad base solutions. Infosys also started work for the Japan-based **JGC Corporation**, a fully integrated engineering procurement construction company.

Envisioning and implementing roadmaps for supply chain initiatives and web-enabling strategic legacy applications contributed to Infosys' growing presence in the retail industry. Infosys has won engagements from a **leading apparel company** and a **large office supplies superstore** in the US in these areas. Other prestigious clients in the sector include **Trader Joe's**, a US-based specialty grocer, **McCain Foods**, a diversified foods major based in Canada and **Pier 1 Imports**, one of the leading retailer of gifts and home furnishings located in the US.

Mission critical supply chain initiatives by Infosys helped clients in the hi-technology industry leverage latest technology. These initiatives enabled global rollout of e-procurement applications for an European telecom major and drastic reduction of service parts inventory for a leading computer systems company. Notable additions in this industry space also include US-based **JDS Uniphase**, offering products for the fiber optic communications market and **Enterprise Business Systems Solutions Corporation**, a joint venture between Toshiba, Accenture and Oracle.

As companies continue to make strategic investment in web / e-business infrastructure and enterprise applications, Infosys web-enabled a *Fortune 500* company, helping it bring all employees, customers and suppliers on a common communications platform. It also developed a web-based content management system for a company incubated by one of the world's leading philanthropic organizations.

Vivendi Water Systems, the world's largest water company and **Dentsu MarchFirst**, the IT subsidiary of Dentsu Inc., a leading advertisement major in Japan are the other significant wins during the quarter. Infosys will help these companies in their integrated e-business and enterprise IT programmes.

“We continue to deliver a broad range of services to our customers, with the right mix of consulting and implementation services. The key is to leverage our Global Delivery Model while adding new sets of services,” said S. D. Shibulal, Director and Head – Customer Delivery.

Banking

Infosys had some **key wins for its banking products**. Infosys successfully deployed FINACLE™, its core banking solution, for **Kenya Commercial Bank**, the largest bank in East Africa with over 100 branches in Kenya and a presence in Tanzania. The company successfully completed the implementation of BankAway corporate banking and WAP banking at **National Bank of Abu Dhabi**, the leading bank in the Middle East. During this quarter, Infosys also successfully implemented BankAway (retail banking) for **IDBI Bank**.

Liquidity and capital expenditure

Cash and cash equivalents increased by Rs. 84.33 crore during the quarter, from Rs. 630.51 crore to Rs. 714.84 crore. This was after incurring capital expenditure of Rs. 129.77 crore.

Operating cash flows for the quarter ended September 30, 2001 were Rs. 198.78 crore (Rs. 168.20 crore for the quarter ended September 30, 2000). The company spent Rs. 129.77 crore on capital expenditure during the quarter as compared to Rs. 114.01 crore and Rs. 463.35 crore during the quarter ended September 30, 2000 and the year ended March 31, 2001 respectively. Despite this, the free cash flows for the quarter ended September 30, 2001 were Rs. 84.33 crore (Rs. 63.97 crore for the quarter ended September 30, 2000).

“We will optimize our capital expenditure plans such that our cash outflows are minimized while retaining the ability to quickly ramp up”, said T. V. Mohandas Pai, Director, Head (Finance & Administration) and Chief Financial Officer. **“The cost control measures we undertook are beginning to have a positive impact.”**

Human resources

Infosys increased its total employee strength to 10,554 as on September 30, 2001, up from 9,831 as on March 31, 2001 and 7,925 as on September 30, 2000. The number of software professionals as on September 30, 2001 increased to 9,297 from 8,656 as on March 31, 2001 and 6,941 as on September 30, 2000. Of these 9,297 software professionals, 690 are still undergoing training and 146 belong to the Banking Business Unit.

The net addition to employees during the quarter was 607 as compared to 116 during the quarter ended June 30, 2001. Gross addition to employees during the quarter was 833, of which 92 were lateral employees.

Infrastructure development

Bangalore

The Management Development Center Block is in an advanced stage of completion. Further, the construction of three software development blocks to accommodate 1,750 professionals is proceeding as per plan. As of September 30, 2001, Infosys City had a built up area of 9,42,500 sq. ft capable of accommodating 4,410 professionals.

Pune

One software development block to accommodate 800 professionals and a food court were added during the quarter. The remaining construction on Phase II of the campus is proceeding on schedule.

Chennai

Construction of Phase II of the software development center comprising 2,36,000 sq. ft. to accommodate 1,300 professionals is on schedule. The existing premises comprise 198,000 sq. ft. capable of accommodating 1,300 personnel.

Hyderabad

Construction of Phase I of the new campus at Hyderabad comprising 2,73,000 sq. ft. with a capacity to accommodate 1,200 professionals is on schedule.

Mysore

One software development block to accommodate 600 professionals and the Infosys Leadership Institute (“ILI”) are in an advanced stage of completion. Other buildings are progressing as per plan.

As of September 30, 2001, the company had 19,98,800 sq. ft. of space capable of accommodating 11,100 professionals and 15,61,000 sq. ft. under construction including the ILI.

About the company

Infosys, a world leader in consulting and information technology 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. For more information, contact Sumanth Cidambi at +91 (80) 852 2380 in India or visit us on the World Wide Web at www.infy.com.

Safe Harbor

Certain statements in this release concerning our future growth prospects are forward-looking statements which involve a number of risks and uncertainties that could cause actual results to differ materially from those in such forward-looking statements. The risks and uncertainties relating to these statements include, but are not limited to, risks and uncertainties regarding fluctuations in earnings, our ability to manage growth, intense competition in IT services including those factors which may affect our cost advantage, wage increases in India, our ability to attract and retain highly skilled professionals, time and cost overruns on fixed-price, fixed-time frame contracts, client concentration, restrictions on immigration, our ability to manage our international operations, reduced demand for technology in our key focus areas, disruptions in telecommunication networks, our ability to successfully complete and integrate potential acquisitions, liability for damages on our service contracts, the success of the companies in which Infosys has made strategic investments, withdrawal of governmental fiscal incentives, political instability, legal restrictions on raising capital or acquiring companies outside India, and unauthorized use of our intellectual property and general economic conditions affecting our industry. Additional risks that could affect our future operating results are more fully described in our United States Securities and Exchange Commission filings including our Annual Report on Form 20-F for the fiscal year ended March 31, 2001 and quarterly report on Form 6-K for the quarter ended June 30, 2001. This filing is available at www.sec.gov. Infosys may, from time to time, make additional written and oral forward-looking statements, including statements contained in the company's filings with the Securities and Exchange Commission and our reports to shareholders. The company does not undertake to update any forward-looking statement that may be made from time to time by or on behalf of the company.

INFOSYS TECHNOLOGIES LIMITED

*(in Rs.)*Balance Sheet as at **September 30, 2001** September 30, 2000**SOURCES OF FUNDS**

SHAREHOLDERS' FUNDS

Share capital	33,08,05,085	33,07,58,335
Reserves and surplus	1709,40,91,349	1060,95,95,077
	1742,48,96,434	1094,03,53,412

APPLICATION OF FUNDS

FIXED ASSETS

Original cost	788,09,31,352	435,74,18,072
Less: Depreciation	310,63,23,862	175,13,71,312
Net book value	477,46,07,490	260,60,46,760
Add: Capital work-in-progress	236,20,20,439	104,58,25,080
	713,66,27,929	365,18,71,840

INVESTMENTS

44,44,22,821 45,73,06,737

DEFERRED TAX ASSETS

18,64,00,000 -

CURRENT ASSETS, LOANS AND ADVANCES

Sundry debtors	343,59,65,205	243,05,68,746
Cash and bank balances	427,68,50,720	424,28,92,315
Loans and advances	623,26,38,007	288,54,93,594
	1394,54,53,932	955,89,54,655
Less: Current liabilities	179,75,16,918	150,82,14,077
Provisions	249,04,91,330	121,95,65,743
NET CURRENT ASSETS	965,74,45,684	683,11,74,835

1742,48,96,434 **1094,03,53,412**

Note: The audited Balance Sheet as at September 30, 2001 has been taken on record at the board meeting held on October 10, 2001.

(in Rs. except share data)

Profit and Loss Account for the	Quarter ended September 30,		Half-year ended September 30,		Year ended March 31, 2001
	2001	2000	2001	2000	
INCOME					
Software development services and products					
Overseas	638,27,29,997	441,25,85,913	1234,57,51,485	792,31,64,336	1874,02,66,421
Domestic	11,85,97,038	4,83,71,864	28,07,62,899	9,30,93,590	26,53,92,386
TOTAL INCOME	650,13,27,035	446,09,57,777	1262,65,14,384	801,62,57,926	1900,56,58,807
SOFTWARE DEVELOPMENT EXPENSES	306,95,18,213	204,57,40,979	592,51,32,335	375,42,12,108	870,83,23,900
GROSS PROFIT	343,18,08,822	241,52,16,798	670,13,82,049	426,20,45,818	1029,73,34,907
Selling and marketing expenses	33,45,88,426	22,54,30,744	61,10,91,966	40,54,06,512	92,06,78,511
General and administration expenses	50,80,53,479	42,55,83,545	109,59,88,820	71,60,53,863	172,82,35,210
OPERATING PROFIT (PBIDT)	258,91,66,917	176,42,02,509	499,43,01,263	314,05,85,443	764,84,21,186
Interest	-	-	-	-	-
Depreciation	39,01,37,925	24,23,67,547	74,49,41,417	41,97,39,264	112,89,45,152
OPERATING PROFIT AFTER DEPRECIATION AND INTEREST	219,90,28,992	152,18,34,962	424,93,59,846	272,08,46,179	651,94,76,034
Other income	14,65,84,009	19,57,87,617	28,15,23,614	34,68,95,149	59,37,14,915
Provision for investment	-	-	-	-	15,28,98,608
PROFIT BEFORE TAX AND EXTRAORDINARY ITEM	234,56,13,001	171,76,22,579	453,08,83,460	306,77,41,328	696,02,92,341
Provision for taxation	33,00,00,000	17,75,00,000	61,50,00,000	31,46,00,000	72,71,00,000
PROFIT AFTER TAX BEFORE EXTRAORDINARY ITEM	201,56,13,001	154,01,22,579	391,58,83,460	275,31,41,328	623,31,92,341
Extraordinary item – Transfer of intellectual property rights (net of tax)	-	-	-	5,49,44,000	5,49,44,000
NET PROFIT AFTER TAX AND EXTRAORDINARY ITEM	201,56,13,001	154,01,22,579	391,58,83,460	280,80,85,328	628,81,36,341
AMOUNT AVAILABLE FOR APPROPRIATION	201,56,13,001	154,01,22,579	391,58,83,460	280,80,85,328	628,81,36,341
Dividend					
Interim	49,62,05,378	16,53,78,418	49,62,05,378	16,53,78,418	16,53,78,418
Final	-	-	-	-	49,61,85,878
Dividend Tax	5,06,12,949	3,63,83,252	5,06,12,949	3,63,83,252	8,69,94,211
Amount transferred - general reserve	-	-	-	-	553,95,77,834
Balance in Profit and Loss Account	146,87,94,674	133,83,60,909	336,90,65,133	260,63,23,658	-
	201,56,13,001	154,01,22,579	391,58,83,460	280,80,85,328	628,81,36,341
EARNINGS PER SHARE (par value Rs. 5 each)					
Basic	30.47	23.28	59.19	42.45	95.06
Diluted	30.39	22.99	59.05	41.95	94.76
Number of shares used in computing earnings per share					
Basic	6,61,60,717	6,61,51,036	6,61,59,892	6,61,51,205	6,61,52,131
Diluted	6,63,34,606	6,69,83,260	6,63,12,732	6,69,40,134	6,63,58,311

Reconciliation of profits as per Indian GAAP and US GAAP

in Rs. crore

	Three months ended September 30, 2001
Net profit as per Indian GAAP	201.56
Amortization of deferred stock compensation expense	-5.93
Net income as per US GAAP	195.63

Reasons for differences in net income as per Indian GAAP and US GAAP

Amortisation of deferred stock compensation

Under US GAAP, Accounting Principles Board Opinion No. 25 requires the accounting of deferred stock compensation on issue of stock options to employees, being the difference between the exercise price and the fair value as determined by the quoted market prices of the common stock on the grant date.

In complying with this requirement, Infosys has charged to revenue under US GAAP an amount of Rs. 5.93 crore for the quarter ended September 30, 2001 as deferred stock compensation.