

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, improved 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. The company does not have any investments in associates and accordingly the related accounting standard, mandatory effective April 1, 2002, does not affect these financial 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.

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. 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

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 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 a 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 to enhance the company's business interests in information technology 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 each 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 3,69,00,000 for the quarter and Rs 6,80,00,000 for the nine months ended December 31, 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 65,36,61,038 as at December 31, 2001. The amount of such contracts as at December 31, 2000 was Rs 122,65,64,426 and as at March 31, 2001 was Rs 158,25,35,171.
- b. The company has outstanding guarantees and counter guarantees of Rs 16,03,50,000 as at December 31, 2001, to various banks, in respect of the guarantees given by the banks in favor of various government authorities. The guarantees outstanding as at December 31, 2000 were Rs 5,24,55,000 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 December 31, 2001. The claims as at December 31, 2000 amounted to Rs 8,75,532, which was also the amount as at March 31, 2001.
- d. Outstanding forward contracts amounted to US\$ 20,000,000 (approximately Rs 96,28,00,000 at nine months end exchange rates) at December 31, 2001. Such contracts as at December 31, 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 :

in Rs.

	Quarter ended		Nine months ended		Year ended
	December 31, 2001	December 31, 2000	December 31, 2001	December 31, 2000	March 31, 2001
Salaries and bonus including overseas staff expenses	280,35,31,474	190,82,17,051	804,27,31,442	484,08,10,298	684,32,51,596
Contribution to provident and other funds	7,36,00,258	8,82,04,890	21,58,74,110	25,75,56,485	33,45,76,308
Foreign travel expenses	32,22,53,338	44,02,57,051	98,69,02,812	110,14,10,530	147,22,11,655
Consumables	1,15,79,279	2,11,69,196	2,24,32,349	4,06,76,271	5,86,87,245
Cost of software packages for own use	9,01,37,994	8,11,32,780	26,14,98,805	27,91,17,606	31,85,81,751
Cost of software packages for service delivery to clients	1,52,51,994	2,45,17,799	7,57,07,441	3,78,29,076	5,70,13,753
Computer maintenance	2,01,51,878	2,00,03,268	4,91,94,323	4,71,14,556	7,19,42,078
Communication expenses	8,04,54,269	11,01,43,134	28,86,61,567	20,96,26,522	31,52,55,986
Consultancy charges	1,16,90,490	2,71,97,534	5,43,08,424	5,70,53,217	9,19,25,609
Provision for post-sales client support	(4,02,052)	1,06,07,014	1,01,06,810	1,86,55,572	1,83,20,669
Traveling and conveyance	4,59,09,919	5,03,33,615	14,41,07,138	12,73,73,079	18,40,64,822
Rent	6,11,33,988	4,48,41,073	18,14,56,826	11,43,78,110	16,94,82,708
Telephone charges	3,11,78,364	3,68,91,306	11,40,21,656	10,19,81,069	14,02,60,363
Professional charges	5,59,29,282	5,05,13,391	14,18,33,270	11,47,21,141	20,40,21,385
Printing and stationery	1,14,07,182	1,15,13,158	5,30,31,065	4,76,37,455	6,25,54,206
Advertisements	72,16,099	1,37,18,952	2,16,87,812	4,25,94,491	6,30,77,831
Office maintenance	3,76,00,151	2,93,12,737	10,46,51,523	8,60,34,491	12,84,32,642
Repairs to building	1,28,65,632	1,11,35,584	5,06,90,746	2,52,18,521	3,95,22,458
Repairs to plant and machinery	58,18,703	82,15,361	1,85,15,571	1,55,99,302	2,26,54,171
Power and fuel	4,69,80,962	3,35,13,263	14,09,33,424	7,93,39,269	11,78,45,258
Brand building	2,52,95,458	2,47,18,294	10,19,45,833	7,48,95,563	10,52,01,392
Insurance charges	1,46,54,203	1,07,21,154	3,96,82,943	2,32,87,345	5,17,55,298
Rates and taxes	1,40,53,989	7,42,710	3,33,00,325	1,05,85,709	1,82,17,524
Commission charges	4,11,71,575	33,82,901	6,12,55,217	1,24,08,622	1,79,03,784
Donations	84,22,889	1,49,59,500	4,82,72,214	4,77,68,563	7,21,92,883
Auditor's remuneration – audit fees	5,37,500	4,45,500	16,12,500	13,38,750	17,85,000
– certification charges	-	-	-	-	2,00,000
– out-of-pocket expenses	50,000	50,000	1,50,000	1,50,000	2,00,000
Bad loans and advances written off	-	11,891	-	11,891	4,141
Bad debts written off	-	-	-	27,70,254	27,70,254
Provision for bad and doubtful debts	2,76,84,253	7,26,85,587	13,23,69,927	12,18,80,048	19,27,45,549
Provision for doubtful loans and advances	-	-	5,71,148	(1,412)	7,10,404
Bank charges and commission	4,59,401	33,25,944	17,91,900	42,50,287	59,39,483
Commission to non-whole time directors	24,00,000	15,00,000	72,00,000	45,00,000	59,22,049
Postage and courier	76,52,114	56,07,009	2,70,16,826	1,52,13,860	2,27,86,459
Books and periodicals	28,51,343	32,48,425	87,09,452	1,21,62,970	1,69,10,978
Research grants	25,00,000	25,00,000	75,00,000	75,00,000	1,00,00,000
Freight charges	17,22,183	21,33,762	38,37,545	43,63,988	55,72,484
Professional membership and seminar participation fees	68,26,016	61,63,223	1,58,56,018	1,52,15,381	2,17,10,613
Marketing expenses	1,19,11,154	98,00,148	3,84,01,106	3,26,51,683	4,26,87,545
Sales promotion expenses	15,29,172	48,36,888	36,94,182	54,48,790	70,16,656
Transaction processing fee and filing fees	1,72,72,533	29,68,134	4,01,64,910	59,32,979	1,52,76,339
Other miscellaneous expenses	23,03,270	48,76,857	1,41,20,218	2,47,26,235	2,60,46,292
	393,35,86,257	319,61,16,084	1156,57,99,378	807,17,88,567	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)

in Rs.

	Quarter ended		Nine months ended		Year ended
	December 31, 2001	December 31, 2000	December 31, 2001	December 31, 2000	March 31, 2001
Capital goods	10,08,36,574	33,87,91,131	37,27,51,603	77,08,00,573	113,56,33,008
Software packages	6,95,364	64,03,627	2,64,03,131	1,56,42,543	1,67,88,389

16.2.6 Earnings in foreign exchange (on the receipts basis)

	Quarter ended		Nine months ended		Year ended
	December 31, 2001	December 31, 2000	December 31, 2001	December 31, 2000	March 31, 2001
Income from software development services and products	677,83,81,489	437,33,71,715	1866,64,62,396	1172,86,45,074	1708,67,49,891
Interest received on deposits with banks	84,46,505	4,93,37,030	3,84,36,856	10,69,20,563	19,55,81,989

Expenditure in foreign currency (on the payments basis)

	Quarter ended		Nine months ended		Year ended
	December 31, 2001	December 31, 2000	December 31, 2001	December 31, 2000	March 31, 2001
Travel expenses	21,65,24,530	33,61,54,345	71,32,34,687	79,26,44,748	107,69,86,908
Professional charges	2,93,54,773	4,10,08,733	9,40,26,566	7,90,58,475	14,63,89,491
Other expenditure incurred overseas for software development	239,78,49,903	145,60,82,397	666,42,88,068	342,62,24,925	489,94,99,776

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

	Quarter ended		Nine months ended		Year ended
	December 31, 2001	December 31, 2000	December 31, 2001	December 31, 2000	March 31, 2001
Net earnings in foreign exchange	414,30,98,788	258,94,63,270	1123,33,49,931	758,69,74,519	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		Nine months ended		Year ended
	December 31, 2001	December 31, 2000	December 31, 2001	December 31, 2000	March 31, 2001
Charged during the period/year	5,18,17,535	11,81,34,465	12,41,67,610	21,85,52,260	34,99,43,502

Profit/loss on disposal of fixed assets

	Quarter ended		Nine months ended		Year ended
	December 31, 2001	December 31, 2000	December 31, 2001	December 31, 2000	March 31, 2001
Profit on sale of fixed assets	3,79,810	8,47,021	60,79,913	9,92,437	11,22,939
Loss on sale of fixed assets	(4,66,055)	(5,804)	(59,63,396)	(2,05,049)	(2,05,049)
Profit/(loss) on sale of fixed assets, net	(86,245)	8,41,217	1,16,517	7,87,388	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:

	Quarter ended		Nine months ended		Year ended
	December 31, 2001	December 31, 2000	December 31, 2001	December 31, 2000	March 31, 2001
Lease rentals paid during the period/year	6,11,33,988	4,48,41,073	18,14,56,826	11,43,78,110	16,94,82,708

Lease obligations	Nine months ended		Year ended
	December 31, 2001	December 31, 2000	March 31, 2001
Within one year of the balance sheet date	16,64,51,897	10,30,31,617	7,30,43,980
Due in a period between one year and five years	49,90,79,126	36,65,92,325	27,71,79,409
Due after five years	7,67,98,705	4,92,41,188	14,40,05,657
	74,23,29,728	51,88,65,130	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 for the chairman, managing director and whole-time directors

	<i>in Rs.</i>				
	Quarter ended		Nine months ended		Year ended
	December 31, 2001	December 31, 2000	December 31, 2001	December 31, 2000	March 31, 2001
Salary	68,89,887	44,28,013	1,57,72,788	1,10,70,522	1,54,84,785
Contribution to provident fund and other funds	4,79,325	4,79,325	14,37,975	13,49,791	18,29,116
Perquisites and incentives	14,84,292	62,31,308	98,33,941	80,59,982	89,20,426

16.2.10 Managerial remuneration for non-whole-time directors

	<i>in Rs.</i>				
	Quarter ended		Nine months ended		Year ended
	December 31, 2001	December 31, 2000	December 31, 2001	December 31, 2000	March 31, 2001
Commission	24,00,000	15,00,000	72,00,000	45,00,000	59,22,049
Sitting fees	75,073	40,000	2,95,157	1,77,000	2,57,000
Reimbursement of expenses	1,50,499	1,99,558	18,03,446	6,98,232	9,09,070

16.2.11 Exchange differences

Other income includes exchange differences of Rs 2,07,05,674 and Rs 5,89,34,278 for the quarter and nine months ended December 31, 2001. The corresponding amounts for the quarter and nine months ended December 31, 2000 and for the year ended March 31, 2001 were Rs 3,44,48,919; Rs 20,54,46,320 and Rs 20,17,12,483 respectively. Of this amount, the gains on translation of foreign currency deposits amounted to Rs 86,92,344 in the quarter ended December 31, 2001 (Rs 3,44,48,919 for the quarter ended December 31, 2000), Rs 4,69,20,948 in the nine months ended December 31, 2001 (Rs 20,54,46,320 for the nine months ended December 31, 2000) and Rs 20,17,12,483 in the year ended March 31, 2001

16.2.12 Research and development expenditure

	<i>in Rs.</i>				
	Quarter ended		Nine months ended		Year ended
	December 31, 2001	December 31, 2000	December 31, 2001	December 31, 2000	March 31, 2001
Capital	11,53,767	73,00,838	34,61,299	1,41,29,064	2,14,29,903
Revenue	3,39,25,583	3,87,87,821	11,11,00,388	11,04,47,197	14,97,08,196
	3,50,79,350	4,60,88,659	11,45,61,687	12,45,76,261	17,11,38,099

16.2.13 Unearned revenue

Unearned revenue as at December 31, 2001 amounting to Rs. 28,33,24,902 (as at December 31, 2000 -- Rs 49,62,20,659 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 December 31, 2001, the company had no outstanding dues to small-scale industrial undertakings (as at December 31, 2000 -- Rs Nil and as at March 31, 2001 -- Rs Nil).

16.2.15 Balance of unutilized money raised by issue of American Depository 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 by December 31, 2000.

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 December 31, 2001 options to acquire 3,11,000 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, 13,05,400 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		Nine months ended		Year ended
	December 31, 2001	December 31, 2000	December 31, 2001	December 31, 2000	March 31, 2001
Options granted, beginning of period/year	21,09,816	8,71,466	15,65,506	6,89,500	6,89,500
Granted during the period/year	2,28,150	80,800	8,30,850	3,12,800	9,64,840
Exercised during the period/year	(17,000)	(1,400)	(22,200)	(2,734)	(12,434)
Forfeited during the period/year	(44,580)	(6,200)	(97,770)	(54,900)	(76,400)
Options granted, end of period/year	22,76,386	9,44,666	22,76,386	9,44,666	15,65,506
Weighted average exercise price	US\$ 73.68 (Rs 3,547)	US\$ 86.67 (Rs 4,046)	US\$ 73.68 (Rs 3,547)	US\$ 86.67 (Rs 4,046)	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		Nine months ended		Year ended
	December 31, 2001	December 31, 2000	December 31, 2001	December 31, 2000	March 31, 2001
Options granted, beginning of period/year	41,41,060	18,83,000	27,93,980	10,06,800	10,06,800
Granted during the period/year	5,26,780	1,78,200	19,79,600	11,32,300	19,57,830
Exercised during the period/year	(30)	(500)	(30)	(500)	(1,200)
Forfeited during the period/year	(27,295)	(48,700)	(1,33,035)	(1,26,600)	(1,69,450)
Options granted, end of period/year	46,40,515	20,12,000	46,40,515	20,12,000	27,93,980
Weighted average exercise price	Rs 4,511	Rs 5,512	Rs 4,511	Rs 5,512	Rs 5,572

The aggregate options outstanding and considered for dilution as at December 31, 2001 are 57,78,708 (as at December 31, 2000 – 24,84,333 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.

	Quarter ended		Nine months ended		Year ended
	December 31, 2001	December 31, 2000	December 31, 2001	December 31, 2000	March 31, 2001
Net profit:					
- As reported	206,03,97,596	166,33,07,490	597,62,81,056	447,13,92,818	628,81,36,341
- Adjusted pro forma	200,11,18,251	160,39,26,704	579,86,31,160	429,74,13,557	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 periods/year are as follows:

Balances with non-scheduled banks	<i>in Rs.</i>		
	As at		As at
	December 31, 2001	December 31, 2000	March 31, 2001
In current accounts			
ABN Amro Bank, Brussels, Belgium	18,64,173	12,50,780	8,73,096
Bank of America, Concord, USA	1,49,56,707	1,04,99,476	27,09,344
Bank of America, Hong Kong	16,95,334	48,912	4,25,885
Bank of America, Los Angeles, USA	-	9,20,245	-
Bank of America, Milpitas, USA	-	1,19,94,175	23,59,820
Bank of America, Palo Alto, USA	41,51,56,204	65,17,22,659	35,70,97,922
Bank of America, Singapore	5,75,994	-	-
Bank of Boston, Boston, USA	1,00,48,367	26,76,956	21,30,626
Bank of Melbourne, Melbourne, Australia	29,68,665	16,58,882	17,26,245
Bank of Melbourne, Victoria, Australia	-	-	5,46,759
Barclays Bank, London, UK	39,18,299	1,08,02,518	38,36,868
Deutsche Bank, Frankfurt, Germany	35,52,590	19,08,350	20,22,282
Deutsche Bank, Paris, France	12,30,336	-	-
First Chicago Bank, Chicago, USA	-	1,09,390	-
Hong Kong Bank of Canada, Toronto, Canada	4,43,473	7,96,510	5,54,537
HSBC Bank PLC – Croydon, London	10,06,64,290	5,04,22,754	9,76,68,994
Michigan National Bank, Detroit, USA	-	3,80,312	-
Nations Bank, Dallas, USA	2,07,07,144	1,83,71,305	1,17,15,900
National Bank of Sharjah, UAE	6,12,984	-	-
Nordbanken, Stockholm, Sweden	33,30,870	14,06,995	15,86,376
Nova Scotia Bank, Toronto, Canada	3,16,33,073	4,31,08,979	5,21,19,103
Seafirst Bank, Seattle, USA	-	22,53,323	-
Sanwa Bank, Tokyo, Japan	1,74,80,138	56,99,755	12,18,670
Summit Bank, Bridgewater, USA	1,06,45,205	85,16,327	14,75,012
	64,14,83,846	82,45,48,603	54,00,67,439

Maximum balance held in non-scheduled banks during the period/year	<i>in Rs.</i>				
	Quarter ended		Nine months ended		Year ended
	December 31, 2001	December 31, 2000	December 31, 2001	December 31, 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	-	15,33,759	-	15,95,544	15,95,544
ABN Amro Bank, Brussels, Belgium	27,39,232	17,64,074	27,39,232	17,64,074	25,10,415
Bank of America, Concord, USA	7,06,16,509	1,50,98,602	7,52,14,591	1,89,84,569	11,56,12,302
Bank of America, Hong Kong	28,85,351	5,42,012	28,85,351	5,42,012	11,81,752
Bank of America, Los Angeles, USA	-	3,08,58,501	-	3,08,58,501	3,08,58,501
Bank of America, Milpitas, USA	-	3,63,17,497	28,83,464	5,42,67,620	5,89,07,898
Bank of America, Palo Alto, USA	145,93,25,332	92,85,85,242	147,72,58,512	92,85,85,242	92,96,33,056
Bank of America, Singapore	10,77,481	-	10,77,481	-	-
Bank of Boston, Boston, USA	2,88,57,201	57,17,549	2,88,57,201	57,17,549	72,15,459
Bank of Melbourne, Melbourne, Australia	1,34,08,528	17,03,723	2,97,96,016	17,03,723	17,26,245
Bank of Melbourne, Victoria, Australia	1,06,08,090	13,80,794	1,06,08,090	13,80,794	16,34,330
Barclays Bank, London, UK	39,68,837	3,63,48,726	39,68,837	3,63,48,726	3,63,48,726
Deutsche Bank, Frankfurt, Germany	41,18,658	22,93,896	56,90,413	36,94,391	36,94,391
Deutsche Bank, Paris, France	34,89,154	-	34,89,154	-	-
First Chicago Bank, Chicago, USA	-	1,09,789	-	22,07,085	22,07,085
Hong Kong Bank of Canada, Toronto, Canada	4,75,913	30,84,442	5,54,537	1,01,66,688	1,01,66,688
HSBC Bank PLC – Croydon, London	22,36,85,603	6,90,94,703	40,60,71,890	6,90,94,703	16,51,68,657
Michigan National Bank, Detroit, USA	-	9,33,249	-	17,44,660	17,44,660
Nations Bank, Dallas, USA	4,56,71,778	2,52,46,452	4,56,71,889	2,64,30,411	3,36,69,804
Nations Bank, Georgia, USA	-	12,28,790	-	21,33,612	21,33,612
National Bank of Sharjah, UAE	10,76,262	-	14,39,565	-	-
Nordbanken, Stockholm, Sweden	39,02,977	19,51,036	39,02,977	19,51,036	23,20,446
Nova Scotia Bank, Toronto, Canada	6,00,19,685	6,07,40,829	9,66,13,821	6,07,40,829	7,57,18,591
Seafirst Bank, Seattle, USA	-	23,63,956	-	31,46,158	31,46,158
Sanwa Bank, Tokyo, Japan	1,74,80,138	56,99,755	1,74,80,138	56,99,755	1,40,25,843
Summit Bank, Bridgewater, USA	1,52,32,164	85,27,922	1,52,32,164	88,91,861	88,91,861

The cash and bank balances include interest accrued but not due on fixed deposits amounting to Rs 2,81,76,548 for the nine months ended December 31, 2001 (the nine months ended December 31, 2000 -- Rs 1,80,15,245 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:

	As at			<i>in Rs.</i>
	December 31, 2001	December 31, 2000	March 31, 2001	
Deposits with financial institutions:				
Housing Development Finance Corporation Limited	101,10,22,147	51,14,87,343		50,87,03,015
ICICI Limited	54,82,20,744	50,91,88,495		50,87,01,373
IDBI Limited	-	-		40,35,30,424
Deposits with body corporate:				
GE Capital Services India Limited	100,87,12,672	50,60,89,326		50,58,17,345
	256,79,55,563	152,67,65,164		192,67,52,157

The above amounts include interest accrued but not due amounting to Rs 2,79,55,563 (the nine months ended December 31, 2000 -- Rs 2,67,65,164 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.

16.2.24 Investments

The following are the particulars of strategic investments made during the quarters and nine months ended December 31, 2001 and December 31, 2000 and year ended March 31, 2001 respectively:

Particulars of investee companies	Quarter ended		Nine months ended		<i>in Rs.</i>
	December 31, 2001	December 31, 2000	December 31, 2001	December 31, 2000	Year ended March 31, 2001
Workadia, Inc., USA*	-	-	10,32,68,000	-	-
Alpha Thinx Mobile Phone Services AG, Austria	-	-	-	2,20,98,608	2,20,98,608
Asia Net Media BVI Limited	-	-	-	6,84,75,000	6,84,75,000
M-Commerce Ventures Pte. Limited, Singapore	-	1,34,11,700	-	1,84,47,700	1,84,47,700
CiDRA Corporation, USA	-	-	-	13,40,08,660	13,40,08,660
PurpleYogi Inc., USA	-	2,33,34,992	-	2,33,34,992	2,33,34,992
	-	3,67,46,692	10,32,68,000	26,63,64,960	26,63,64,960

* Investments in Workadia, Inc., USA ("Workadia") comprise of 22,00,000 fully paid Series "B" convertible preferred stock, par value of US\$ 0.0002, at US\$ 1.00 each. Workadia provides 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 December 31, 2001

in Rs.

	Financial services	Manufacturing	Telecom	Retail	Others	Total
Revenues	226,20,45,266	104,75,85,215	100,06,69,011	89,83,62,668	139,93,95,765	660,80,57,925
Identifiable operating expenses	88,69,28,977	45,15,97,293	25,80,69,122	24,41,14,216	44,57,63,049	228,64,72,657
Allocated expenses	57,38,64,655	25,87,01,439	24,71,15,470	22,18,50,892	34,55,81,144	164,71,13,600
Segmental operating income	80,12,51,634	33,72,86,483	49,54,84,419	43,23,97,560	60,80,51,572	267,44,71,668
Unallocable expenses						41,33,27,825
Operating income						226,11,43,843
Other income (expense), net						14,92,53,753
Net profit before taxes						241,03,97,596
Income taxes						35,00,00,000
Net profit after taxes						206,03,97,596

Quarter ended December 31, 2000

in Rs.

	Financial services	Manufacturing	Telecom	Retail	Others	Total
Revenues	196,56,70,450	89,69,04,276	95,06,11,119	46,72,49,533	109,02,48,911	537,06,84,289
Identifiable operating expenses	64,95,80,074	36,28,28,425	25,92,61,153	14,73,49,507	33,05,83,802	174,96,02,961
Allocated expenses	54,49,68,088	23,74,73,219	25,16,93,172	12,37,13,593	28,86,65,051	144,65,13,123
Segmental operating income	77,11,22,288	29,66,02,632	43,96,56,794	19,61,86,433	47,10,00,058	217,45,68,205
Unallocable expenses						46,09,92,680
Operating income						171,35,75,525
Other income (expense), net						14,47,31,965
Net profit before taxes						185,83,07,490
Income taxes						19,50,00,000
Net profit after taxes						166,33,07,490

Nine months ended December 31, 2001

in Rs.

	Financial services	Manufacturing	Telecom	Retail	Others	Total
Revenues	700,22,62,077	328,99,65,733	301,73,41,639	232,63,11,817	359,86,91,043	1923,45,72,309
Identifiable operating expenses	256,72,86,450	136,78,29,242	78,74,06,362	63,19,60,880	125,02,33,939	660,47,16,873
Allocated expenses	185,48,11,037	83,72,77,894	76,77,10,017	58,95,32,406	91,17,51,151	496,10,82,505
Segmental operating income	258,01,64,590	108,48,58,597	146,22,25,260	110,48,18,531	143,67,05,953	766,87,72,931
Unallocable expenses						115,82,69,242
Operating income						651,05,03,689
Other income (expense), net						43,07,77,367
Net profit before taxes						694,12,81,056
Income taxes						96,50,00,000
Net profit after taxes						597,62,81,056

Nine months ended December 31, 2000

in Rs.

	Financial services	Manufacturing	Telecom	Retail	Others	Total
Revenues	452,31,93,381	238,50,76,617	247,37,67,456	110,39,54,549	290,09,50,212	1338,69,42,215
Identifiable operating expenses	160,79,27,274	90,20,80,564	65,71,32,600	40,33,12,389	90,66,43,854	447,70,96,681
Allocated expenses	124,20,47,410	63,23,82,782	65,78,67,058	29,21,57,823	77,02,36,813	359,46,91,886
Segmental operating income	167,32,18,697	85,06,13,271	115,87,67,798	40,84,84,337	122,40,69,545	531,51,53,648
Unallocable expenses						88,07,31,944
Operating income						443,44,21,704
Other income (expense), net						49,16,27,114
Net profit before taxes						492,60,48,818
Income taxes						50,96,00,000
Net profit after taxes						441,64,48,818

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 December 31, 2001

in Rs.

	North America	Europe	India	Rest of the World	Total
Revenues	468,49,88,158	128,38,66,686	12,45,42,488	51,46,60,593	660,80,57,925
Identifiable operating expenses	164,19,13,038	45,18,85,229	468,64,905	14,58,09,485	228,64,72,657
Allocated expenses	117,41,03,279	32,17,49,391	270,93,923	12,41,67,007	164,71,13,600
Segmental operating income	186,89,71,841	51,02,32,066	5,05,83,660	24,46,84,101	267,44,71,668
Unallocable expenses					41,33,27,825
Operating income					226,11,43,843
Other income (expense), net					14,92,53,753
Net profit before taxes					241,03,97,596
Income taxes					35,00,00,000
Net profit after taxes					206,03,97,596

Quarter ended December 31, 2000

in Rs.

	North America	Europe	India	Rest of the World	Total
Revenues	395,34,56,605	101,08,71,777	7,82,82,900	32,80,73,007	537,06,84,289
Identifiable operating expenses	125,52,72,510	36,33,39,515	1,76,06,878	11,33,84,058	174,96,02,961
Allocated expenses	105,38,56,826	26,94,63,973	3,01,19,876	9,30,72,448	144,65,13,124
Segmental operating income	164,43,27,269	37,80,68,289	3,05,56,146	12,16,16,501	217,45,68,205
Unallocable expenses					46,09,92,680
Operating income					171,35,75,525
Other income (expense), net					14,47,31,965
Net profit before taxes					185,83,07,490
Income taxes					19,50,00,000
Net profit after taxes					166,33,07,490

Nine months ended December 31, 2001

in Rs.

	North America	Europe	India	Rest of the World	Total
Revenues	1373,09,71,866	372,67,15,240	40,53,05,386	137,15,79,817	1923,45,72,309
Identifiable operating expenses	467,32,28,283	134,32,83,275	14,45,63,101	44,36,42,214	660,47,16,873
Allocated expenses	353,31,48,305	95,92,38,451	12,23,57,859	34,63,37,890	496,10,82,505
Segmental operating income	552,45,95,278	142,41,93,514	13,83,84,426	58,15,99,713	766,87,72,931
Unallocable expenses					115,82,69,242
Operating income					651,05,03,689
Other income (expense), net					43,07,77,367
Net profit before taxes					694,12,81,056
Income taxes					96,50,00,000
Net profit after taxes					597,62,81,056

Nine months ended December 31, 2000

in Rs.

	North America	Europe	India	Rest of the World	Total
Revenues	994,53,71,891	243,02,61,946	17,13,76,490	83,99,31,888	1338,69,42,215
Identifiable operating expenses	325,39,17,167	88,07,14,953	5,33,72,696	28,90,91,865	447,70,96,681
Allocated expenses	266,16,27,224	65,08,51,462	5,43,48,093	22,78,65,107	359,46,91,886
Segmental operating income	402,98,27,500	89,86,95,531	6,36,55,701	32,29,74,916	531,51,53,648
Unallocable expenses					88,07,31,944
Operating income					443,44,21,704
Other income (expense), net					49,16,27,114
Net profit before taxes					492,60,48,818
Income taxes					50,96,00,000
Net profit after taxes					441,64,48,818

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 nine months ended December 31, 2001 with Yantra Corporation, USA, the subsidiary of the company, and key management personnel.

The transactions with Yantra Corporation comprise sales of Rs. 4,15,10,478 during the nine months ended December 31, 2001 (the nine months ended December 31, 2000 -- Rs 15,76,72,000 and the year ended March 31, 2001 -- Rs 19,64,85,967). The outstanding dues from the subsidiary as at December 31, 2001 are Rs 41,68,924 (as at December 31, 2000 – Rs 1,87,57,679 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 December 31, 2001 are Rs 2,24,31,923 (as at December 31, 2000 – Rs 71,07,809 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 December 31, 2001 the company has provided for doubtful debts of Rs 14,86,63,269 (as at December 31, 2000 – Rs. 5,31,11,414 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 ADS. 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	<i>in Rs.</i>				
		Quarter ended		Nine months ended		Year ended
		December 31, 2001	December 31, 2000	December 31, 2001	December 31, 2000	March 31, 2001
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	-	52,06,417	52,06,417
Final dividend for fiscal 2001	2,088,517	-	-	1,56,63,878	-	-
Interim dividend for fiscal 2002	20,95,517	1,57,16,378	-	1,57,16,378	-	-
		1,57,16,378	52,06,417	3,13,80,256	1,14,18,227	1,14,18,227

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

	Quarter ended		Nine months ended		Year ended
	December 31, 2001	December 31, 2000	December 31, 2001	December 31, 2000	March 31, 2001
Number of shares considered as basic weighted average shares outstanding	6,61,64,388	6,61,51,724	6,61,61,389	6,61,51,377	6,61,52,131
Add: Effect of dilutive issues of shares/stock options	2,63,531	7,44,152	3,42,345	7,92,955	2,06,180
Number of shares considered as weighted average shares and potential shares outstanding	6,64,27,919	6,68,95,876	6,65,03,734	6,69,44,332	6,63,58,311