

Infosys delivers another quarter of robust revenue growth. Increases guidance for revenue and EPS for fiscal 2003

Bangalore, India – October 10, 2002

Highlights

Results for the quarter ended September 30, 2002

- Income from software development services and products was Rs. 879.57 crore for the second quarter ended September 30, 2002, an increase of 35.29% over comparable income for the corresponding quarter in the previous year
- Earnings per share from ordinary activities increased to Rs. 34.10 from Rs. 30.47 for the corresponding quarter in the previous year, an increase of 11.91%, net of provision for investment of Rs. 23.76 crore (Rs. 3.59 per share).
- Interim dividend of Rs. 12.5 per share (250% on an equity share of par value of Rs. 5 each) as compared to Rs. 7.50 (150% on an equity share of par value of Rs. 5 each) for the corresponding quarter in the previous year
- 18 new clients added during the quarter, including marquee names such as Porsche AG, Commonwealth Industries, Arrow Electronics and Vcommerce Corporation
- Gross addition of 2,065 employees for the quarter, including 328 lateral hires – net addition of 1,806 employees for the quarter

Outlook for the quarter ending December 31, 2002

- Income from software development services and products projected to be between Rs. 890 crore and Rs. 904 crore
- Earnings per share expected to be between Rs. 37 and Rs. 38

Outlook for the fiscal year ending March 31, 2003

- Income from software development services and products projected to be between Rs. 3,433 crore and Rs. 3,467 crore
- Earnings per share expected to be between Rs. 142 and Rs. 145

Results for the quarter ended September 30, 2002

The audited financial results, according to Indian GAAP, for the quarter ended September 30, 2002 were taken on record by the Board at its meeting held on October 10, 2002.

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

Particulars	Quarter ended September 30,		Growth %	Quarter ended June 30, 2002	Growth % in Q2 FY 2003 over Q1 FY 2003	Year ended March 31, 2002
	2002	2001				
INCOME						
Software services and products						
Overseas	857.23	638.27	34.31	750.52	14.22	2,552.47
Domestic	22.34	11.86	88.36	14.10	58.44	51.12
TOTAL INCOME	879.57	650.13	35.29	764.62	15.03	2,603.59
SOFTWARE DEVELOPMENT EXPENSES	424.49	306.95	38.29	377.39	12.48	1,224.82
GROSS PROFIT	455.08	343.18	32.61	387.23	17.52	1,378.77
Selling and marketing expenses	69.33	33.46	107.20	55.09	25.85	129.79
General and administration expenses	62.51	50.81	23.03	57.21	9.26	211.35
	131.84	84.27	56.45	112.30	17.40	341.14
OPERATING PROFIT (PBIDTA)	323.24	258.91	24.85	274.93	17.58	1,037.63
Interest	-	-	-	-	-	-
Depreciation and amortization	46.24	39.01	18.53	40.48	14.23	160.65
OPERATING PROFIT AFTER INTEREST, DEPRECIATION AND AMORTIZATION	277.00	219.90	25.97	234.45	18.15	876.98
Other income	17.53	14.66	19.58	24.90	(29.60)	66.41
Provision for investment	23.76	-	-	-	-	-
PROFIT BEFORE TAX	270.77	234.56	15.44	259.35	4.40	943.39
Provision for taxation	45.00	33.00	36.36	42.50	5.88	135.43
NET PROFIT AFTER TAX	225.77	201.56	12.01	216.85	4.11	807.96
EARNINGS PER SHARE (equity shares, par value Rs. 5/- each)						
Basic	34.10	30.47	11.91	32.76	4.09	122.12
Diluted	33.90	30.39	11.55	32.46	4.44	121.37
DIVIDEND PER SHARE (par value of Rs. 5/- each)	12.5	7.50		-		20.00
Dividend declared as a percentage of par value	250	150		-		400

“We have increased our guidance for fiscal 2003 despite a very challenging economic environment,” said Nandan M. Nilekani, CEO, President and Managing Director. **“Our customer focus and superior delivery capabilities combined with the increased acceptance of the offshore outsourcing model have accelerated the revenue growth beyond our initial projections.”**

Interim dividend

The company has declared an interim dividend of Rs. 12.50 per share (250% on an equity share of par value of Rs. 5 each) at the above board meeting. An interim dividend of Rs. 7.50 (150% 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 1, 2002.

Results for the half-year ended September 30, 2002

The audited financial results, according to Indian GAAP, for the half-year ended September 30, 2002 were taken on record by the Board at its meeting held on October 10, 2002.

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

Particulars	Half-year ended September 30,		Growth %	Year ended March 31, 2002
	2002	2001		
INCOME				
Software services and products				
Overseas	1,607.75	1,234.57	30.23	2,552.47
Domestic	36.44	28.08	29.77	51.12
TOTAL INCOME	1,644.19	1,262.65	30.22	2,603.59
SOFTWARE DEVELOPMENT EXPENSES	801.88	592.51	35.34	1,224.82
GROSS PROFIT	842.31	670.14	25.69	1,378.77
Selling and marketing expenses	124.42	61.11	103.60	129.79
General and administration expenses	119.72	109.60	9.23	211.35
	244.14	170.71	43.01	341.14
OPERATING PROFIT (PBIDTA)	598.17	499.43	19.77	1,037.63
Interest	-	-	-	-
Depreciation and amortization	86.71	74.49	16.42	160.65
OPERATING PROFIT AFTER INTEREST, DEPRECIATION AND AMORTIZATION	511.46	424.94	20.36	876.98
Other income	42.42	28.15	50.69	66.41
Provision for investments	23.76	-	-	-
PROFIT BEFORE TAX	530.12	453.09	17.00	943.39
Provision for taxation	87.50	61.50	42.28	135.43
NET PROFIT AFTER TAX	442.62	391.59	13.03	807.96
EARNINGS PER SHARE (equity shares, par value Rs. 5/- each)				
Basic	66.87	59.19	12.98	122.12
Diluted	66.41	59.05	12.46	121.37
DIVIDEND PER SHARE (par value of Rs 5/- each)	12.50	7.50	66.67	20.00
Dividend declared as a percentage of par value	250	150	66.67	400

Business outlook

The company's guidance for the quarter ending December 31, 2002 and the fiscal year ending March 31, 2003, under Indian GAAP and US GAAP, is as follows:

Under Indian GAAP

Quarter ending December 31, 2002

- Income from software development services and products projected to be in the range of Rs. 890 crore and Rs. 904 crore
- Earnings per share expected to be between Rs. 37 and Rs. 38

Fiscal year ending March 31, 2003

- Income from software development services and products projected to be in the range of Rs. 3,433 crore and Rs. 3,467 crore
- Earnings per share expected to be between Rs. 142 and Rs. 145

Under US GAAP

Quarter ending December 31, 2002

- Net revenues projected to be in the range of \$ 184 million to \$ 187 million
- Earnings per American Depositary Share expected to be in the range of \$ 0.38 to \$ 0.39

Fiscal year ending March 31, 2003

- Net revenues projected to be in the range of \$ 708 million to \$ 715 million
- Earnings per American Depositary Share expected to be in the range of \$ 1.45 to \$ 1.48

Operations

The utilization rate including trainees was 78.1% for the quarter as compared to 78.9% for the quarter ended June 30, 2002 and 68.8% for the quarter ended September 30, 2001. The utilization rate excluding trainees was 84.2% for the quarter as compared to 80.2% for the quarter ended June 30, 2002 and 72.7% for the quarter ended September 30, 2001.

“The volume growth during the quarter has been encouraging,” said S. D. Shibulal, Head – Customer Delivery and Member of the Board. **“The utilization rates improved during the quarter and we were able to maintain gross margins despite having an increased share of revenues from onsite work.”**

Billing rates

Software revenues in US dollar terms grew by 16.1% for the quarter as compared to the quarter ended June 30, 2002. Revenue growth comprised a volume growth of 11.7% and a price growth of 4.4%, as compared to the quarter ended June 30, 2002.

Telecom business

Infosys derived 14.6% of its revenues from the telecom sector during the quarter ended September 30, 2002 as compared to 15.2% during the previous quarter ended June 30, 2002. This sector continues to be under pressure.

Expansion of services and significant projects

A key element of Infosys' strategy has been to expand its footprint with existing clients and strengthen client relations through multilevel relationships. With the offshore model gaining large acceptance and with increased emphasis on ROI, Infosys was successful in establishing new relationships with corporations and strengthening its existing relationships. Infosys pursued larger, high-volume deals and won more complex and significant projects. It was a quarter where Infosys kept its promises towards clients across various industries.

The contribution from Infosys' top 5 clients accounted for 24.0% of revenues for the quarter ended September 30, 2002 as compared to 23.6% for the quarter ended June 30, 2002 and 25.3% for the quarter ended September 30, 2001. The contribution from Infosys' top 10 clients accounted for 37.9% of revenues for the quarter ended September 30, 2002 as compared to 39.1% for the quarter ended June 30, 2002 and 39.7% for the quarter ended September 30, 2001.

“The economic environment continues to be challenging,” said Basab Pradhan, Head – Worldwide Sales and Senior Vice President. **“Clients perceive the offshore model as strategic to their business goal of enhancing returns to their shareholders. We continue our investments in sales and marketing and are aggressively pursuing our goal to be an integrated, end-to-end technology solutions provider.”**

Enabling business transformation for well-known corporations in the financial services industry continues to be Infosys' strength. During the quarter, the company continued to assist companies in this sector to re-engineer systems and processes, using cutting-edge technology. Infosys is re-engineering the cash management application for **a large financial services enabler in the US.**

Further, the company is helping **one of the five largest asset management institutions in Switzerland** to re-engineer systems and framework for cost rationalization and other business benefits. New client wins in this space include **The Security Benefit Group of Companies**, one of the leading providers of retirement products and services in the US.

Hi-tech companies are increasingly discovering the benefits of IT management to improve supply chain efficiencies. Through Global One, one of the largest IT projects in the semiconductor industries, Infosys is assisting **one of the world's leading hi-tech companies** to streamline its global order fulfillment and production through an improved supply chain management system. **Arrow Electronics** in the US, one of the world's largest distributors of electronic components and computer products and **Cerebrus Solutions**, provider of fraud management solutions for wireless operators, are among the new clients added in this sector. Infosys also aided **a worldwide leader in software, services and Internet technologies** to benchmark its product performance and recommended areas for improvement for the next generation of content management products.

Supply chain efficiencies are a key to the business growth of retail companies. These companies are now making use of IT to integrate processes and increase business benefits. Infosys partnered with **a global leader in the personal expressions industry** to enhance productivity and supply chain efficiency by leveraging wireless technologies. For a **leader in the retail industry in the US**, Infosys developed and deployed a purchase order management system to help the company shift from store-based purchasing to centralized purchasing. **Vcommerce Corporation**, a leading supply chain execution solutions provider in the US, is a new win in this category. It chose Infosys to develop a new platform product supporting many-to-many relationships between buyers and suppliers.

Infosys' business consulting services continue to help companies obtain significant benefits through enterprise-wide initiatives. Infosys defined steps to improve operations and support expansion plans of the corporate finance division of **one of the top three banks in Australia**. Further, Infosys created a divisional Balanced Scorecard for the human resources and customer facing units of the **fifth largest ocean transportation company in the world** to help them develop a strategic objective roadmap.

Infosys' consulting services continue to help companies evaluate IT effectiveness, formulate strategies to reduce spending and align IT with business needs. Infosys designed and planned the implementation of a new IT organizational model for **a Fortune 100 financial services company**. Further, Infosys consulted with **a financial services company in the Asia Pacific region** on a 2-3 year programme to obtain sustainable reduction in IT spending and move towards SEI CMM Level 3 IT operations, resulting in significant improvements in delivery-quality and productivity.

Infosys strengthened its presence in the manufacturing sector with the addition of marquee names such as **Porsche AG**, the world leader in designing and manufacturing of sports cars. Infosys is helping Porsche optimize its engineering business processes in a globally dispersed environment. Another marquee win in this sector is **Commonwealth Industries**, an aluminum manufacturer in the US. It chose Infosys to help streamline business and information technology processes as well as to design and rollout its ERP system.

In the health and medical care sector, Infosys is introducing the concept of IT management to help companies offer better and faster services to customers. Infosys continued to deepen its relationship with **a leading biomedical organization in the US** by implementing its previous recommendations of developing mission-critical business applications and defining the enterprise technology architecture. The company is also helping **one of the largest Health Maintenance Organizations in the US** to conceptualize and develop an e-enabled online application that will better manage its healthcare initiatives.

Web-enabled transactions are the mainstay in many services corporations and Infosys is actively assisting companies in this sector in their efforts to becoming customer-centric. Infosys e-enabled the payroll engine of **one of the five largest payroll-processing companies in the US**. Further, it enhanced user experience and the corporate identity of **one of the world's top five perfume and flavor companies**, and implemented integrated solutions, including e-enabled business processes for **a Fortune 500 company** in the business communications space.

Banking products

Infosys strengthened its leading position in Nigeria through an alliance with **Kakawa Discount**, a discount house formed by a consortium of key banks in Nigeria. The company will leverage Infosys' FINACLE™ Core Banking and BankAway™ Retail and Corporate to derive business advantage. **UTI Bank** became the first client to sign up for the Infosys Loan Origination system built on FINACLE™ CRM infrastructure. Further, **First Bank of Nigeria**, the largest commercial bank in West Africa, signed up for Infosys' banking products with a mandate to take FINACLE™ to over 50% of its 300 branches.

Progeon Limited

Progeon Limited ("Progeon") added one client during the quarter and generated revenues of Rs. 2.0 crore. The employee strength as on September 30, 2002 was 287.

The Board of Directors of Progeon, at its meeting held on October 7, 2002, co-opted Prof. J. R. Varma, Professor, Indian Institute of Management, Ahmedabad, as an Additional Director of the company with effect from October 7, 2002. Prof. Varma will hold office up to the date of the next Annual General Meeting, when his appointment as a director will be placed for the approval of the members in the meeting.

The consolidated financial results including the financial results of Progeon Limited, according to Indian GAAP, for the quarter ended September 30, 2002, are attached to this release.

Strategic investments

The company had made several strategic investments in the past. These investments were aimed at procuring substantial business benefits to Infosys. The company's policy is to review all the investments on an ongoing basis and make adequate provisions, where necessary.

Based on the review of the financial condition of the investee companies as well as their business environment, the company provided an aggregate amount of Rs. 23.76 crore towards strategic investments during this quarter.

The details are as follows:

(in Rs. crore)

Particulars	OnMobile Systems Inc., USA	Workadia Inc., USA	JASDIC Park Company, Japan	Asia Net Media (BVI) Limited
Investment amount	8.95	10.32	0.75	6.85
Provision for investment	8.95	7.21	0.75	6.85
Net investments	-	3.11	-	-

“Due to challenging market conditions, some of our investee companies have not been able to perform satisfactorily,” said S. Gopalakrishnan, Chief Operating Officer and Deputy Managing Director. **“We have made adequate provisions on our investments due to the challenging market conditions as well as the state of the industry in which they operate.”**

Liquidity and capital expenditure

Cash and cash equivalents increased by Rs. 200.11 crore during the quarter, from Rs. 1,089.23 crore to Rs. 1,289.34 crore, after incurring a capital expenditure of Rs. 44.02 crore. Operating cash flows for the quarter ended September 30, 2002 were Rs. 223.71 crore (Rs. 198.79 crore for the quarter ended September 30, 2001). The company spent Rs. 44.02 crore on capital expenditure during the quarter as compared to Rs. 129.75 crore during the quarter ended September 30, 2001. Despite this, the free cash flows for the quarter ended September 30, 2002 were Rs. 200.11 crore (Rs. 84.34 crore for the quarter ended September 30, 2001).

“We were able to maintain operating margins and grow faster in an uncertain economic environment,” said T. V. Mohandas Pai, CFO and Member of the Board. **“Our ability to increase the guidance for this fiscal is a reflection of the inherent strength and competitiveness of our business model.”**

Human resources

Infosys increased its total employee strength to 13,110 as on September 30, 2002, up from 11,304 as on June 30, 2002. The number of software professionals as on September 30, 2002 increased to 11,892 from 9,944 as on June 30, 2002. Of these 11,892 software professionals, 514 belong to the Banking Business Unit.

The net addition to employees during the quarter was 1,806 as compared to 566 during the quarter ended June 30, 2002. Gross addition to employees during the quarter was 2,065, of which 328 were lateral employees.

During the quarter, Infosys was assessed at Level 5 on the SEI PCMM model, becoming the first company in the world to be assessed at the Optimizing level on the updated version 2.0 of the model. The model helps software organizations increase their ability to attract, develop, motivate, organize and retain the talent needed to continuously improve their software development capabilities.

“Our employee addition during this quarter has been the highest,” said K. Dinesh, Head – HRD, IS, Quality and Productivity and Communication Design Group, and Member of the Board.

Senior management changes

Phaneesh Murthy resigned from the company's Board of Directors and as Head – Sales & Marketing and Communications and Product Services (CAPS) effective July 23, 2002. Infosys appointed Basab Pradhan as its new Senior Vice President and Head – Worldwide Sales, taking over part of Phaneesh Murthy's portfolio. Prior to his appointment, Basab Pradhan served as company's Regional Manager and Vice President – Sales (West North America).

Update on sexual harassment litigation

Infosys initiated voluntary settlement discussions with the plaintiff. It appears that the settlement may not be possible in the near term and the lawsuit may go to trial. No trial date has been set yet. Infosys will vigorously defend this matter. However, the results of such a lawsuit are difficult to predict. Accordingly, an unfavorable resolution of this lawsuit could adversely impact Infosys' results of operations or financial condition.

Infrastructure development

Bangalore

Two more wings of a new Software Development Block were completed and leased to Progeon Limited. One more Software Development Block and a food court with a built up area of 1,18,000 sq.ft. are in an advanced stage of completion. As on September 30, 2002, Infosys City had a built up area of 12,28,800 sq.ft. for accommodating 5,430 professionals. When completed, Infosys City will have a total built up area of around 14,00,000 sq.ft. capable of accommodating 6,300 professionals.

Pune

Interior work is under progress for the Customer Care Center with a built up area of 85,000 sq.ft. capable of accommodating 350 professionals. The Employee Care Center with a built up area of 55,000 sq.ft. is in an advanced stage of completion. Currently, the campus has a built up area of 4,48,000 sq.ft. with a capacity of 2,880 seats.

Chennai

Currently, the campus has a built up area of 2,70,700 sq.ft. with a capacity of 1,900 seats.

Hyderabad

The construction of the food court is nearing completion. Interior work is under progress in one more software development block of 790 seats. Currently, the campus has a built up area of 1,35,800 sq.ft. with a capacity of 680 seats.

As on September 30, 2002, the company had a built up area of 30,02,350 sq.ft. capable of accommodating 14,600 professionals and 5,91,400 sq.ft. under completion.

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 V. Balakrishnan at +91 (80) 852 0440 in India or visit us on the World Wide Web at www.infosys.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, 2002 and Quarter Report on Form 6-K for the quarter ended June 30, 2002. 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 crore)*Balance Sheet as at September 30, 2002 September 30, 2001**SOURCES OF FUNDS**

SHAREHOLDERS' FUNDS

Share capital	33.10	33.08
Reserves and surplus	2,410.22	1,709.40
	2,443.32	1,742.48

APPLICATION OF FUNDS

FIXED ASSETS

Original cost	1,137.72	788.09
Less: Depreciation and amortization	476.54	310.63
Net book value	661.18	477.46
Add: Capital work-in-progress	92.35	236.19
	753.53	713.65

INVESTMENTS

	33.20	44.44
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DEFERRED TAX ASSETS

	33.58	18.64
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CURRENT ASSETS, LOANS AND ADVANCES

Sundry debtors	458.25	343.60
Cash and bank balances	986.85	427.69
Loans and advances	870.16	623.26
	2,315.26	1,394.55
Less: Current liabilities	262.36	179.75
Provisions	429.89	249.05
NET CURRENT ASSETS	1,623.01	965.75

	2,443.32	1,742.48
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(in Rs crore except per share data)

Profit and Loss Account for the	Quarter ended September 30,		Half-year ended September 30,		Year ended
	2002	2001	2002	2001	March 31, 2002
INCOME					
Software development services and products					
Overseas	857.23	638.27	1,607.75	1,234.57	2,552.47
Domestic	22.34	11.86	36.44	28.08	51.12
	879.57	650.13	1,644.19	1,262.65	2,603.59
SOFTWARE DEVELOPMENT EXPENSES	424.49	306.95	801.88	592.51	1,224.82
GROSS PROFIT	455.08	343.18	842.31	670.14	1,378.77
SELLING AND MARKETING EXPENSES	69.33	33.46	124.42	61.11	129.79
GENERAL AND ADMINISTRATION EXPENSES	62.51	50.81	119.72	109.60	211.35
	131.84	84.27	244.14	170.71	341.14
OPERATING PROFIT (PBIDTA)	323.24	258.91	598.17	499.43	1,037.63
Interest	-	-	-	-	-
Depreciation & amortization	46.24	39.01	86.71	74.49	160.65
OPERATING PROFIT AFTER INTEREST, DEPRECIATION AND AMORTIZATION	277.00	219.90	511.46	424.94	876.98
Other income	17.53	14.66	42.42	28.15	66.41
Provision for investments	23.77	-	23.76	-	-
PROFIT BEFORE TAX	270.76	234.56	530.12	453.09	943.39
Provision for taxation	45.00	33.00	87.50	61.50	135.43
NET PROFIT AFTER TAX	225.77	201.56	442.62	391.59	807.96
DIVIDEND					
Interim	82.76	49.63	82.76	49.62	49.63
Final	-	-	-	-	82.73
Dividend Tax	-	5.06	-	5.06	5.06
Amount transferred - general reserve	-	-	-	-	670.54
Balance in Profit and Loss Account	143.01	146.87	359.86	336.90	-
	225.77	201.56	442.62	391.59	807.96
EARNINGS PER SHARE					
(equity shares, par value Rs. 5 each)					
Basic	34.10	30.47	66.87	59.19	122.12
Diluted	33.90	30.39	66.41	59.05	121.37
Number of shares used in computing earnings per share					
Basic	6,61,98,735	6,61,60,717	6,61,93,632	6,61,59,892	6,61,62,274
Diluted	6,65,96,469	6,63,34,606	6,66,51,932	6,63,12,732	6,65,67,575

Segmental revenue analysis – by geographical area

	Three months ended September 30, 2002		Three months ended September 30, 2001	
	in Rs. crore	% to total	in Rs. crore	% to total
North America	648.01	73.67	462.51	71.14
Europe	144.94	16.48	122.87	18.90
India	22.34	2.54	11.86	1.82
Rest of the world	64.28	7.31	52.89	8.14
TOTAL	879.57	100.0	650.13	100.0

Segmental revenue analysis – by industry

	Three months ended September 30, 2002		Three months ended September 30, 2001	
	in Rs. crore	% to total	in Rs. crore	% to total
Financial services	339.61	38.61	248.44	38.21
Manufacturing	150.46	17.11	111.84	17.20
Telecom	128.45	14.60	99.39	15.29
Retail	99.21	11.28	74.75	11.50
Others	161.84	18.40	115.71	17.80
TOTAL	879.57	100.0	650.13	100.0

Reconciliation of accounts as per Indian GAAP and US GAAP*(in Rs. crore)*

	Three months ended September 30, 2002
Net Profit as per Indian GAAP non consolidated	225.77
Amortization of deferred stock compensation	(6.04)
Loss in subsidiary – Progeon Limited	(1.28)
Provision for investments – OnMobile	8.95
Net income as per US GAAP	227.40

Reasons for differences in net income as per Indian GAAP and US GAAP**Amortization of deferred stock compensation**

The Accounting Principles Board Opinion No. 25 of US GAAP 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. 6.04 crore for the quarter ended September 30, 2002 as deferred stock compensation.

Loss in subsidiary

Under US GAAP, consolidation of all majority owned subsidiaries is mandatory. Consequently the losses in Progeon, the company's subsidiary, amounting to Rs. 1.28 crore were recorded in the US GAAP financial statements for the quarter ended September 30, 2002.

Provision for investments – OnMobile

Under Indian GAAP, recognition of unrealized gains on intellectual property rights is permitted. Consequently an amount of Rs. 8.95 crore was recognized during the year ended March 31, 2001. Provision has been made for this investment under Indian GAAP during the quarter ended September 30, 2002.

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARY

(in Rs. Crore)

Consolidated Balance Sheet as at September 30, 2002

SOURCES OF FUNDS

SHAREHOLDERS' FUNDS

Share capital	33.10
Reserves and surplus	2,407.73

Preference shares issued by subsidiary	49.00
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2,489.83

APPLICATION OF FUNDS

FIXED ASSETS

Original cost	1,140.87
Less: Depreciation and amortization	476.70
Net book value	664.17
Add: Capital work-in-progress	92.59
	<u>756.76</u>

INVESTMENTS	20.95
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DEFERRED TAX ASSETS	33.58
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CURRENT ASSETS, LOANS AND ADVANCES

Sundry debtors	459.73
Cash and bank balances	1,004.11
Loans and advances	912.20
	<u>2,376.04</u>

Less: Current liabilities	267.61
Provisions	429.89
	<u>1,678.54</u>

NET CURRENT ASSETS	1,678.54
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2,489.83

1. Progeon Limited, a subsidiary of Infosys Technologies Limited, was incorporated in the quarter ended June 30, 2002 and has prepared its financial statements from April 03, 2002 (the date of incorporation) to September 30, 2002 which have been consolidated.

2. Principles of consolidation: The financial statements are prepared in accordance with the principles and procedures for the preparation and presentation of consolidated financial statements as set out in the Accounting Standard on Consolidated Financial Statements prescribed by the ICAI. This being the first year of presentation of consolidated financial statements in line with the Accounting Standards, prior period figures have not been provided as they are unconsolidated and therefore do not permit meaningful comparison. The financial statements of the parent company, Infosys Technologies Limited ("Infosys" or "company") and Progeon Limited ("Progeon" or "subsidiary") have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances and transactions and resulting unrealized gains / losses. The consolidated financial statements are prepared applying uniform accounting policies used in Infosys and Progeon.

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARY*(in Rs. crore, except per share data)*

Consolidated Profit and Loss Account for the	Quarter ended September 30, 2002	Half year ended
<i>INCOME</i>		
<i>Software development services, products and Business Process Management services</i>		
Overseas	858.24	1,608.86
Domestic	22.34	36.44
	880.58	1,645.30
Software development and Business Process Management expenses	425.50	803.24
GROSS PROFIT	455.08	842.06
SELLING AND MARKETING EXPENSES	70.26	125.53
GENERAL AND ADMINISTRATION EXPENSES	63.38	121.27
	133.64	246.80
OPERATING PROFIT (PBIDTA)	321.44	595.26
Interest	-	-
Depreciation and amortization	46.39	86.88
OPERATING PROFIT AFTER INTEREST, DEPRECIATION AND AMORTIZATION	275.05	508.38
Other income	18.21	43.01
Provision for investments	23.76	23.76
NET PROFIT BEFORE TAX	269.50	527.63
Provision for taxation	45.00	87.50
NET PROFIT AFTER TAX	224.50	440.13
AMOUNT AVAILABLE FOR APPROPRIATION	224.50	440.13
DIVIDEND		
Interim	82.76	82.76
Amount transferred – general reserve		
Balance in Profit and Loss Account	141.74	357.37
EARNINGS PER SHARE		
(Equity shares, par value Rs. 5/- each)		
Basic	33.91	66.49
Diluted	33.71	66.03
Number of shares used in computing earnings per share		
Basic	66,198,735	66,193,632
Diluted	66,596,469	66,651,932