

INFOSYS TECHNOLOGIES LTD

Form 6-K

February 23, 2005

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# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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## Form 6-K

Report of Foreign Issuer

Pursuant to Section 13a-16 or 15d-16 of the Securities Exchange Act of 1934

For the quarter ended December 31, 2004

Commission File Number 000-25383

## Infosys Technologies Limited

*(Exact name of Registrant as specified in its charter)*

Not Applicable

*(Translation of Registrant's name into English)*

Bangalore, Karnataka, India

*(Jurisdiction of incorporation or organization)*

Electronics City, Hosur Road, Bangalore, Karnataka, India 561 100 +91-80-2852-0261

*(Address of principal executive offices)*

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Indicate by check mark registrant files or will file annual reports under cover Form 20-F or Form 40-F:

Form 20-F  Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g 3-2(b) under the Securities Exchange Act of 1934.

Yes  No

If **Yes** is marked, indicate below the file number assigned to registrant in connection with Rule 2g 3-2(b).

**Not applicable.**

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This Form 6-K contains our Quarterly Report for the quarter ended December 31, 2004 that we mailed to our equity shareholders on or about February 7, 2005.

**Infosys Technologies Limited**

Report for the third quarter ended December 31, 2004

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Infosys Technologies Limited

At a glance Indian GAAP (Non-consolidated financials)

	<i>in Rs. crore, except per share data</i>				
	Quarter ended		Nine months ended		Year ended
	December 31,		December 31,		March 31,
	2004	2003	2004	2003	2004
<b>For the period</b>					
Income	1,799	1,235	4,959	3,452	4,761
Export income	1,759	1,227	4,866	3,402	4,695
Operating profit (PBIDTA)	611	410	1,662	1,137	1,584
PBIDTA as a percentage of income	33.98%	33.21%	33.51%	32.93%	33.26%
Profit after tax (PAT)	496	328	1,345	906	1,243
PAT as a percentage of income	27.58%	26.56%	27.13%	26.26%	26.12%
PAT as a percentage of average net worth	39.73%	36.24%	39.73%	36.24%	40.68%
Capital expenditure	247	85	559	212	430
Dividend per share (excluding one-time special dividend)*			5.00	3.63	7.38
Dividend amount (excluding one-time special dividend)			134	96	196
One-time special dividend per share*					25.00
One-time special dividend amount					668
Earnings per share* (par value of Rs. 5 each, fully paid)					
Basic	18.45	12.36	50.22	34.18	46.84
Diluted	17.90	12.13	49.14	33.86	46.26
<b>At the end of the period</b>					
Total assets			4,744	3,725	3,253
Fixed assets net			1,354	816	970
Cash and cash equivalents (including liquid mutual funds)			2,584	2,484	2,769
Net current assets			2,176	2,261	1,220
Debt					
Net worth			4,744	3,725	3,253
Equity			135	33	33
Market capitalization			56,362	36,981	32,909

Note:

All figures above are based on unconsolidated Indian GAAP financials.

Market capitalization is calculated by considering the share price at National Stock Exchange on the shares outstanding at the period / year-end.

\* Adjusted for the issue of bonus shares in the ratio of 3:1 allotted on July 3, 2004 as per Accounting Standard 20 (AS 20) on Earnings Per Share.



Letter to the shareholder

Dear shareholder,

Your company grew its consolidated Indian GAAP revenues by 7.2% over Q2 2005, while consolidated net profits from ordinary activities increased by 11.2%. In US GAAP terms, revenues grew by 10.6% compared to Q2 2005.

Your company once again revised its guidance to between Rs. 7,098 crore and Rs. 7,107 crore for fiscal 2005 from the original guidance of between Rs. 5,994 crore and Rs. 6,041 crore. In US GAAP terms, the revised guidance is between \$1,589 million and \$1,591 million compared to the original guidance of between \$1,381 million and \$1,392 million, an estimated growth of 50%.

Offshore volumes grew at 15.1%, and onsite volumes at 10.5%. Pricing and margins have been stable. Your company has four clients billing (on an LTM basis) at more than \$50 million, and seven at over \$40 million.

Your company added 3,164 employees. To meet growing business needs, infrastructure for training, education and leadership development was enhanced.

This quarter, your company added 38 new clients, growing the portfolio of active clients worldwide to 434.

Your company had several wins in the Automotive and Aerospace sectors, and partnered with both the Asian and the North American divisions of a globally renowned automotive manufacturer.

A premier US wellness company and a provider of tools, applications and healthcare content both chose your company to analyze, design and implement systems to strengthen internal processes. In a mission-critical assignment, the most distinguished preferred provider organization (PPO) network in the US selected your company to rewrite its core system. Your company also developed an enterprise-wide roadmap for content management strategy for one of the largest insurance companies in the US. One of the worlds fastest growing pharmaceutical companies and a claim adjudication company joined the client roster.

Organizations in the Retail space continue to draw on your company's expertise to hone their competitive edge. A supermarket giant in the US sought your company's services to address process improvement initiatives and program management issues. Your company completed an end-to-end business process re-engineering initiative for a leader in the food distribution business. A premier US apparel marketer is leveraging your company's expertise in business consulting.

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In the Hi-tech Manufacturing space, your company deepened its relationship with two key clients – a world leader in communications products and services, and a globally respected electronics manufacturing company – to revamp core processes and improve competitiveness.

In China, your company is revamping IT systems for a recognized global leader in power and automation technologies. In Europe, an integrated data services and technology provider sought your company's assistance to develop software tools for its clients. A utilities business in the UK sought your company's expertise to convert its software platform.

The Finacle® suite of products continued to transform the banking industry worldwide. A reputed bank in UAE selected Finacle® Universal Banking Solution to power its end-to-end banking requirements across 11 branches. A leading building society in Zimbabwe will deploy Finacle® core banking and treasury solutions across its 52 branches.

In response to the destruction caused by the tsunami, your company contributed Rs. 5 crore to the Prime Minister's National Relief Fund and enabled Infosys to make contributions. Although your company has a development center in Chennai, no Infosys facilities were hurt nor any Infosys facilities damaged.

As we enter the final quarter of the current fiscal year, your company is on course to sustain its track record. We thank all Infosys employees on your behalf.

Bangalore  
January 12, 2005

Nandan M. Nilekani  
*Chief Executive Officer, President*

S. Gopalakrishnan  
*Chief Operating Officer*

*and Managing Director*

*and Deputy Managing Director*



Infosys Technologies Limited

Auditors' report to the members of Infosys Technologies Limited

We have audited the attached Balance Sheet of Infosys Technologies Limited (the Company) as at 31 December 2004, the Profit and Loss Account and Cash Flow Statement of the Company for the quarter and nine months ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that:

- (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (b) in our opinion, proper books of account have been kept by the Company so far as appears from our examination of those books;
- (c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards issued by the Institute of Chartered Accountants of India, to the extent applicable; and
- (e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 December 2004;
  - (ii) in the case of the Profit and Loss Account, of the profit of the Company for the quarter and nine months ended on that date; and
  - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the quarter and nine months ended on that date,

for BSR & Co.  
(formerly Bharat S. Raut & Co.)

*Chartered Accountants*

Subramanian Suresh  
*Partner*  
*Membership No. 83673*

Bangalore

12 January 2005

Balance sheet as at

	<i>in Rs. crore</i>		
	<b>December 31, 2004</b>	<b>December 31, 2003</b>	<b>March 31, 2004</b>
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS FUNDS</b>			
Share capital	134.73	33.23	33.32
Reserves and surplus	4,608.96	3,692.05	3,220.11
	<u>4,743.69</u>	<u>3,725.28</u>	<u>3,253.43</u>
<b>APPLICATIONS OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Original cost	2,093.07	1,481.83	1,570.23
Less: Depreciation and amortization	951.39	744.99	803.41
Net book value	<u>1,141.68</u>	<u>736.84</u>	<u>766.82</u>
Add: Capital work-in-progress	212.14	79.38	203.48
	<u>1,353.82</u>	<u>816.22</u>	<u>970.30</u>
INVESTMENTS	1,178.18	615.54	1,027.38
DEFERRED TAX ASSETS	35.28	32.85	35.63
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Sundry debtors	982.15	683.87	632.51
Cash and bank balances	1,365.25	1,603.83	1,638.01
Loans and advances	920.28	807.78	693.22
	<u>3,267.68</u>	<u>3,095.48</u>	<u>2,963.74</u>
<b>LESS: CURRENT LIABILITIES AND PROVISIONS</b>			
Current liabilities	581.12	549.96	560.44
Provisions	510.15	284.85	1,183.18
<b>NET CURRENT ASSETS</b>	<u>2,176.41</u>	<u>2,260.67</u>	<u>1,220.12</u>
	<u>4,743.69</u>	<u>3,725.28</u>	<u>3,253.43</u>

*As per our report attached**for BSR & Co.**(formerly Bharat S. Raut & Co.)**Chartered Accountants*

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Subramanian Suresh	N. R. Narayana Murthy	Nandan M. Nilekani	S. Gopalakrishnan	Deepak M. Satwalekar
<i>Partner</i>	<i>Chairman and Chief Mentor</i>	<i>Chief Executive Officer,</i>	<i>Chief Operating Officer</i>	<i>Director</i>
<i>Membership No. 83673</i>		<i>President and Managing Director</i>	<i>and Deputy Managing Director</i>	
	Marti G. Subrahmanyam	Omkar Goswami	Rama Bijapurkar	Claude Smadja
	<i>Director</i>	<i>Director</i>	<i>Director</i>	<i>Director</i>
	Sridar A. Iyengar	K. Dinesh	S. D. Shibulal	T. V. Mohandas Pai
	<i>Director</i>	<i>Director</i>	<i>Director</i>	<i>Director and</i>
				<i>Chief Financial Officer</i>
	Srinath Batni	V. Balakrishnan		
Bangalore	<i>Director</i>	<i>Company Secretary and</i>		
January 12, 2005		<i>Senior Vice President Finance</i>		

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Infosys Technologies Limited

Profit and loss account for the

*in Rs. crore, except per share data*

	Quarter ended December 31,		Nine months ended December 31,		Year ended March 31,
	2004	2003	2004	2003	2004
<b>INCOME</b>					
<b>SOFTWARE SERVICES AND PRODUCTS</b>					
Overseas	1,758.87	1,227.30	4,865.56	3,401.93	4,694.69
Domestic	39.65	7.96	93.91	50.06	66.20
	<u>1,798.52</u>	<u>1,235.26</u>	<u>4,959.47</u>	<u>3,451.99</u>	<u>4,760.89</u>
<b>SOFTWARE DEVELOPMENT EXPENSES</b>	960.15	645.48	2,662.02	1,805.42	2,495.31
	<u>838.37</u>	<u>589.78</u>	<u>2,297.45</u>	<u>1,646.57</u>	<u>2,265.58</u>
<b>GROSS PROFIT</b>					
SELLING AND MARKETING EXPENSES	101.32	92.35	291.79	252.51	335.08
GENERAL AND ADMINISTRATION EXPENSES	125.86	87.25	343.88	257.15	346.85
	<u>227.18</u>	<u>179.60</u>	<u>635.67</u>	<u>509.66</u>	<u>681.93</u>
<b>OPERATING PROFIT BEFORE INTEREST, DEPRECIATION AND AMORTIZATION</b>	611.19	410.18	1,661.78	1,136.91	1,583.65
<b>INTEREST</b>					
DEPRECIATION AND AMORTIZATION	69.38	62.23	175.31	168.82	230.90
	<u>541.81</u>	<u>347.95</u>	<u>1,486.47</u>	<u>968.09</u>	<u>1,352.75</u>
<b>OPERATING PROFIT AFTER INTEREST, DEPRECIATION AND AMORTIZATION</b>					
OTHER INCOME	46.77	47.48	94.99	124.21	127.39
PROVISION FOR INVESTMENTS	(0.39)	2.29	(0.33)	8.88	9.67
	<u>588.97</u>	<u>393.14</u>	<u>1,581.79</u>	<u>1,083.42</u>	<u>1,470.47</u>
<b>NET PROFIT BEFORE TAX</b>					
PROVISION FOR TAXATION	93.00	65.00	236.50	177.00	227.00
	<u>495.97</u>	<u>328.14</u>	<u>1,345.29</u>	<u>906.42</u>	<u>1,243.47</u>
<b>NET PROFIT AFTER TAX</b>					
<b>BALANCE BROUGHT FORWARD</b>	763.81	469.88	70.51		
Less: Residual dividend paid for fiscal 2004			2.32		
Additional dividend tax			2.27		
	<u>763.81</u>	<u>469.88</u>	<u>65.92</u>		
<b>AMOUNT AVAILABLE FOR APPROPRIATION</b>	1,259.78	798.02	1,411.21	906.42	1,243.47
<b>DIVIDEND</b>					
Interim			133.93	96.09	96.09
Final					99.96
Onetime special dividend					666.41
			<u>133.93</u>	<u>96.09</u>	<u>862.46</u>
<b>Total dividend</b>			17.50	12.31	110.50
<b>Dividend tax</b>					

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Amount transferred general reserve					200.00
Balance in profit and loss account	1,259.78	798.02	1,259.78	798.02	70.51
	<u>1,259.78</u>	<u>798.02</u>	<u>1,411.21</u>	<u>906.42</u>	<u>1,243.47</u>
<b>EARNINGS PER SHARE</b>					
Equity shares of par value Rs. 5/ each					
Basic	18.45	12.36	50.22	34.18	46.84
Diluted	17.90	12.13	49.14	33.86	46.26
Number of shares used in computing earnings per share					
Basic	26,87,73,742	26,55,19,448	26,78,62,078	26,51,76,084	26,54,47,776
Diluted	<u>27,71,10,460</u>	<u>27,04,31,572</u>	<u>27,37,70,692</u>	<u>26,77,16,272</u>	<u>26,87,87,016</u>

As per our report attached.

for BSR & Co.

(formerly Bharat S. Raut & Co.)

Chartered Accountants

Subramanian Suresh	N. R. Narayana Murthy	Nandan M. Nilekani	S. Gopalakrishnan	Deepak M. Satwalekar
<i>Partner</i>	<i>Chairman and Chief Mentor</i>	<i>Chief Executive Officer,</i>	<i>Chief Operating Officer</i>	<i>Director</i>
<i>Membership No. 83673</i>		<i>President and Managing Director</i>	<i>and Deputy Managing Director</i>	
	Marti G. Subrahmanyam	Omkar Goswami	Rama Bijapurkar	Claude Smadja
	<i>Director</i>	<i>Director</i>	<i>Director</i>	<i>Director</i>
	Sridar A. Iyengar	K. Dinesh	S. D. Shibulal	T.V. Mohandas Pai
	<i>Director</i>	<i>Director</i>	<i>Director</i>	<i>Director and</i>
				<i>Chief Financial Officer</i>
	Srinath Batni	V. Balakrishnan		
Bangalore	<i>Director</i>	<i>Company Secretary and</i>		
January 12, 2005		<i>Senior Vice President Finance</i>		

Cash flow statement for the

*in Rs. crore*

	Quarter ended		Nine months ended		Year ended March 31,
	December 31,		December 31,		
	2004	2003	2004	2003	2004
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Net profit before tax	588.97	393.14	1,581.79	1,083.42	1,470.47
Adjustments to reconcile net profit before tax to cash provided by operating activities					
(Profit) / Loss on sale of fixed assets		(0.01)	(0.12)	(0.02)	(0.04)
Depreciation and amortization	69.38	62.23	175.31	168.82	230.90
Interest and dividend income	(24.22)	(26.21)	(74.26)	(72.39)	(100.28)
Provision for investments	(0.39)	2.29	(0.33)	8.88	9.67
Effect of exchange differences on translation of foreign currency cash and cash equivalents	4.24	(4.95)	(8.48)	(1.09)	6.59
Changes in current assets and liabilities					
Sundry debtors	(90.09)	(106.61)	(349.64)	(171.73)	(120.37)
Loans and advances	(42.28)	16.73	(96.20)	15.21	(1.34)
Current liabilities and provisions	4.42	172.75	29.69	228.34	245.50
Income taxes paid during the period / year	(81.96)	(18.80)	(184.41)	(79.08)	(107.13)
<b>NET CASH GENERATED BY OPERATING ACTIVITIES</b>	<b>428.07</b>	<b>490.56</b>	<b>1,073.35</b>	<b>1,180.36</b>	<b>1,633.97</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of fixed assets and change in capital work-in-progress	(246.60)	(85.19)	(559.05)	(212.39)	(429.87)
Proceeds on disposal of fixed assets	0.12	0.01	0.34	0.09	1.43
Acquisition of Expert Information Systems Pty. Limited, Australia		(50.75)		(50.75)	(66.68)
(Investments in) / disposal of securities	(112.82)	(134.82)	(150.47)	(585.20)	(937.17)
Interest and dividend income	24.22	26.21	74.26	72.39	100.28
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(335.08)</b>	<b>(244.54)</b>	<b>(634.92)</b>	<b>(775.86)</b>	<b>(1,332.01)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from issuance of share capital on exercise of stock options.	176.26	61.53	300.99	66.61	122.27
Dividends paid during the period / year, including dividend tax	(151.43)	(108.40)	(1,020.58)	(216.75)	(216.75)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>24.83</b>	<b>(46.87)</b>	<b>(719.59)</b>	<b>(150.14)</b>	<b>(94.48)</b>
Effect of exchange differences on translation of foreign currency cash and cash equivalents	(4.24)	4.95	8.48	1.09	(6.59)
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>113.58</b>	<b>204.10</b>	<b>(272.68)</b>	<b>255.45</b>	<b>200.89</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD / YEAR</b>	<b>1,453.14</b>	<b>1,689.86</b>	<b>1,839.40</b>	<b>1,638.51</b>	<b>1,638.51</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD / YEAR</b>	<b>1,566.72</b>	<b>1,893.96</b>	<b>1,566.72</b>	<b>1,893.96</b>	<b>1,839.40</b>

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*As per our report attached.*

*for BSR & Co.*

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*Chartered Accountants*

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January 12, 2005		<i>Senior Vice President Finance</i>		



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Infosys Technologies Limited

Schedules to profit and loss account for the

*in Rs. crore*

	Quarter ended		Nine months ended		Year ended
	December 31,		December 31,		March 31,
	2004	2003	2004	2003	2004
<b>SOFTWARE DEVELOPMENT EXPENSES</b>					
Salaries and bonus including overseas staff expenses	742.20	545.94	2,013.99	1,483.31	2,015.47
Staff welfare	6.89	3.76	14.37	9.75	13.17
Contribution to provident and other funds	20.06	12.79	55.01	36.53	49.90
Overseas travel expenses	49.16	41.11	166.64	125.79	168.19
Consumables	2.85	2.60	9.35	6.37	8.94
Software packages					
for own use	30.69	14.50	77.50	49.57	64.84
for service delivery to clients	3.74	2.12	13.29	14.46	16.04
Technical sub-contractors	30.54	10.75	67.77	45.04	59.50
Technical sub-contractors subsidiaries	64.17		186.10		50.39
Computer maintenance	3.79	3.03	10.53	8.47	11.89
Communication expenses	9.66	7.73	29.33	23.66	32.18
Provision for post-sales client support and warranties	(5.96)	(0.21)	12.83	(0.36)	0.30
Rent	2.36	1.36	5.31	2.83	4.50
	<u>960.15</u>	<u>645.48</u>	<u>2,662.02</u>	<u>1,805.42</u>	<u>2,495.31</u>
<b>SELLING AND MARKETING EXPENSES</b>					
Salaries and bonus including overseas staff expenses	59.22	57.97	170.52	157.17	207.25
Staff welfare	0.08	0.15	0.28	0.38	0.59
Contribution to provident and other funds	0.53	0.27	1.24	1.44	1.73
Overseas travel expenses	11.82	11.53	36.52	29.57	40.45
Consumables	0.03	0.06	0.15	0.14	0.19
Software packages					
for own use			0.01	0.01	0.18
Computer maintenance				0.02	0.02
Communication expenses	0.02	0.01	0.04	0.01	0.01
Traveling and conveyance	3.59	0.56	7.54	1.16	1.43
Rent	2.85	3.93	8.42	10.83	15.19
Telephone charges	0.98	1.45	3.50	3.74	5.06
Professional charges	4.62	1.32	12.64	4.06	5.75
Printing and stationery	0.27	0.25	0.80	0.77	0.99
Advertisements	0.45	0.04	0.76	0.28	0.53
Brand building	8.04	9.16	25.41	24.30	34.23
Office maintenance	0.05	0.08	0.18	0.19	0.24
Power and fuel		0.01		0.04	0.04
Insurance charges	0.11	0.03	0.16	0.07	0.11
Rates and taxes		0.01	0.03	0.04	0.08
Bank charges and commission		0.01		0.02	0.02
Commission charges	6.85	3.33	15.34	6.24	7.27
Marketing expenses	1.54	1.88	7.58	4.49	5.99
Sales promotion expenses	0.27	0.30	0.67	0.50	0.69
Miscellaneous expenses				7.04	7.04

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	101.32	92.35	291.79	252.51	335.08
<b>GENERAL AND ADMINISTRATION EXPENSES</b>					
Salaries and bonus including overseas staff expenses	25.91	19.14	67.03	53.40	73.11
Contribution to provident and other funds	1.73	1.06	5.00	3.35	4.64
Overseas travel expenses	2.00	1.26	6.17	4.83	6.36
Traveling and conveyance	7.98	5.77	24.74	15.28	22.27
Rent	3.36	3.96	12.35	14.73	19.19
Telephone charges	10.24	6.57	29.83	21.33	29.21
Professional charges	16.83	8.50	40.62	24.78	33.92
Printing and stationery	1.82	1.29	5.00	4.68	5.87
Advertisements	2.51	0.82	6.98	2.18	5.50
Office maintenance	10.55	7.10	28.84	19.65	28.83
Repairs to building	3.53	3.97	7.53	7.36	10.28
Repairs to plant and machinery	2.03	1.15	5.14	3.75	4.85
Power and fuel	10.29	7.48	28.80	21.87	28.68
Insurance charges	6.64	6.07	20.81	17.26	23.73
Rates and taxes	1.61	1.64	6.12	3.79	5.38
Donations	8.00	3.55	17.05	10.57	14.29
Auditor s remuneration					
statutory audit fees	0.09	0.08	0.27	0.23	0.31
certification charges					0.03
others	0.07		0.07		0.24
out-of-pocket expenses	0.01	0.01	0.02	0.02	0.02
Provision for bad and doubtful debts	5.86	4.10	17.44	18.12	15.99
Provision for doubtful loans and advances	0.04	(0.06)	0.15	0.07	0.14
Bank charges and commission	0.28	0.19	0.85	0.54	0.73
Commission to non-whole time directors	0.38	0.47	1.16	1.25	1.49
Postage and courier	0.91	0.84	3.70	2.78	3.91
Books and periodicals	0.52	0.44	1.80	1.02	1.51
Research grants	0.24	0.18	0.43	0.36	0.54
Freight charges	0.20	0.32	0.57	0.62	0.84
Professional membership and seminar participation fees	1.55	1.19	4.37	2.46	3.57
Miscellaneous expenses	0.68	0.16	1.04	0.87	1.42
	125.86	87.25	343.88	257.15	346.85

Schedules to cash flow statements for the

*in Rs. crore*

	Quarter ended		Nine months ended		Year ended March 31,
	December 31,		December 31,		
	2004	2003	2004	2003	
<b>CHANGE IN LOANS AND ADVANCES</b>					
As per the balance sheet	920.28	807.78	920.28	807.78	693.22
Less: Deposits with financial institutions and body corporate, included in cash and cash equivalents	(201.47)	(290.13)	(201.47)	(290.13)	(201.39)
Advance for acquisition of company		(50.75)		(50.75)	
Advance income taxes separately considered	(340.76)	(201.60)	(340.76)	(201.60)	(209.98)
	378.05	265.30	378.05	265.30	281.85
Less: Opening balance considered	(335.77)	(282.03)	(281.85)	(280.51)	(280.51)
	42.28	(16.73)	96.20	(15.21)	1.34
<b>CHANGE IN CURRENT LIABILITIES AND PROVISIONS</b>					
As per the balance sheet	1,091.27	834.81	1,091.27	834.81	1,743.62
Add / (Less): Provisions separately considered in the cash flow statement					
Proceeds received on investment pending regulatory approval		(6.02)		(6.02)	
Income taxes	(496.01)	(280.38)	(496.01)	(280.38)	(313.49)
Dividends					(766.37)
Dividend tax					(98.19)
	595.26	548.41	595.26	548.41	565.57
Less: Opening balance considered	(590.84)	(375.66)	(565.57)	(320.07)	(320.07)
	4.42	172.75	29.69	228.34	245.50
<b>INCOME TAXES PAID</b>					
Charge as per the profit and loss account	93.00	65.00	236.50	177.00	227.00
Add: Increase in advance income taxes	64.96	(146.86)	130.78	(88.39)	(80.01)
Increase / (Decrease) in deferred taxes	(0.49)	(1.02)	(0.35)	(3.96)	(1.18)
Less: (Increase) / Decrease in income tax provision	(75.51)	101.68	(182.52)	(5.57)	(38.68)
	81.96	18.80	184.41	79.08	107.13
<b>PURCHASE OF FIXED ASSETS AND CHANGE IN CAPITAL WORK-IN-PROGRESS</b>					
As per balance sheet	287.09	67.81	550.39	209.57	302.95
Less: Opening Capital work-in-progress	(252.63)	(62.00)	(203.48)	(76.56)	(76.56)
Add: Closing Capital work-in-progress	212.14	79.38	212.14	79.38	203.48
	246.60	85.19	559.05	212.39	429.87

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INVESTMENTS IN / DISPOSAL OF SECURITIES					
As per the balance sheet	1,178.18	615.54	1,178.18	615.54	1,027.38
Add: Provisions on investments	(0.39)	2.29	(0.33)	8.88	9.67
Proceeds received on investment pending regulatory approval		(6.02)		(6.02)	
	<u>1,177.79</u>	<u>611.81</u>	<u>1,177.85</u>	<u>618.40</u>	<u>1,037.05</u>
Less: Acquisition of Expert information Systems Pty Limited, Australia					(66.68)
Opening balance considered	(1,064.97)	(476.99)	(1,027.38)	(33.20)	(33.20)
	<u>112.82</u>	<u>134.82</u>	<u>150.47</u>	<u>585.20</u>	<u>937.17</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD / YEAR					
As per the balance sheet	1,365.25	1,603.83	1,365.25	1,603.83	1,638.01
Add: Deposits with financial institutions and body corporate, included herein	201.47	290.13	201.47	290.13	201.39
	<u>1,566.72</u>	<u>1,893.96</u>	<u>1,566.72</u>	<u>1,893.96</u>	<u>1,839.40</u>

1. Extracts of significant accounting policies and notes on accounts

Company overview

Infosys Technologies Limited (Infosys or the company) along with its majority owned and controlled subsidiary, Progeon Limited, India (Progeon), and wholly owned subsidiaries Infosys Technologies (Australia) Pty. Limited (Infosys Australia), Infosys Technologies (Shanghai) Co. Limited (Infosys China) and Infosys Consulting, Inc., USA (Infosys Consulting), is a leading global information technology services company. The Company provides end-to-end business solutions that leverage technology thus enabling its clients to enhance business performance. The Company provides solutions that span the entire software life cycle encompassing consulting, design, development, re-engineering, maintenance, systems integration and package evaluation and implementation. In addition, the Company offers software products for the banking industry and business process management services.

Infosys Technologies Limited

## 1.1 Significant accounting policies

### 1.1.1 Basis of preparation of financial statements

The accompanying financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles ( GAAP ) under the historical cost convention on the accruals basis. GAAP comprises mandatory accounting standards issued by the Institute of Chartered Accountants of India ( ICAI ), the provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

Management evaluates all recently issued or revised accounting standards on an on-going basis. There are no accounting standards that, although not mandatory for adoption as of the balance sheet date, have material impact on the financial statements.

### 1.1.2 Change in accounting policy

Accounting standard 11, The effect of changes in foreign exchange rates , was revised with effect from April 1, 2004 and prescribes accounting for forward exchange contracts based on whether these are entered into for hedging purposes or for trading / speculation purposes. Further, it has been recently clarified that the revised standard does not cover forward exchange contracts entered in to hedge the foreign currency risk of a firm commitment or a highly probable forecast transaction. Up to March 31, 2004, such segregation was not required and the difference between the forward rate and the exchange rate on the date of the transaction was recognized as income or expense over the life of the contract.

The Company has adopted the revised accounting standard effective April 1, 2004 to the extent applicable in respect of outstanding forward exchange contracts. The forward exchange contracts constitute hedges from an economic perspective, and the Company has decided to account for these forward exchange contracts based on their designation as effective hedges or not effective . To designate a forward contract as an effective hedge, management objectively evaluates and evidences with appropriate supporting documentation at the inception of each forward contract, whether these forward contracts are effective in achieving offsetting cash flows attributable to the hedged risk or not. The gain or loss on effective hedges is recorded in the foreign currency fluctuation reserve until the hedged transactions occur and are then recognized in the profit and loss account. In the absence of designation as an effective hedge, the gain or loss is recognized in the profit and loss account.

Gains and losses on forward exchange contracts are computed by multiplying the foreign currency amount of the forward exchange contract by the difference between the forward rate available at the reporting date for the remaining maturity of the contract and the contracted forward rate (or the forward rate last used to measure a gain or loss on that contract for an earlier period). The Company also assesses on an ongoing basis at the end of each reporting period whether hedges are designated as effective and prospectively reclassifies the hedge as necessary

Consequent to the change in the accounting policy, the profits for the quarter and nine months ended December 31, 2004 are higher by Rs. 29.01 crore and lower by Rs. 25.20 crore respectively.

## 1.2 Notes on accounts

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All amounts in the financial statements are presented in Rupees crore, except for per share data and as otherwise stated. All exact amounts are stated with the suffix /-. One crore equals 10 million.

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

### 1.2.1 Aggregate expenses

The following are the aggregate amounts incurred on certain specific expenses that are required to be disclosed under Schedule VI to the Companies Act, 1956.

	Quarter ended		Nine months ended		Year ended
	December 31,		December 31,		March 31,
	2004	2003	2004	2003	2004
Salaries and bonus including overseas staff expenses	827.33	623.05	2,251.54	1,693.88	2,295.83
Contribution to provident and other funds	22.32	14.12	61.25	41.32	56.27
Staff welfare	6.97	3.91	14.65	10.13	13.76
Overseas travel expenses	62.98	53.90	209.33	160.19	215.00
Consumables	2.88	2.66	9.50	6.51	9.13
Software packages					
for own use	30.69	14.50	77.51	49.58	65.02
for service delivery to clients	3.74	2.12	13.29	14.46	16.04
Computer maintenance	3.79	3.03	10.53	8.49	11.91
Communication expenses	9.68	7.74	29.37	23.67	32.19
Technical sub-contractors	30.54	10.75	67.77	45.04	59.50
Technical sub-contractors subsidiaries	64.17		186.10		50.39
Provision for post-sales client support and warranties	(5.96)	(0.21)	12.83	(0.36)	0.30
Traveling and conveyance	11.57	6.33	32.28	16.44	23.70
Rent	8.57	9.25	26.08	28.39	38.88
Telephone charges	11.22	8.02	33.33	25.07	34.27
Professional charges	21.45	9.82	53.26	28.84	39.67
Printing and stationery	2.09	1.54	5.80	5.45	6.86
Advertisements	2.96	0.86	7.74	2.46	6.03
Office maintenance	10.60	7.18	29.02	19.84	29.07
Repairs to building	3.53	3.97	7.53	7.36	10.28
Repairs to plant and machinery	2.03	1.15	5.14	3.75	4.85
Power and fuel	10.29	7.49	28.80	21.91	28.72
Brand building	8.04	9.16	25.41	24.30	34.23

## 1.2.1 Aggregate expenses (contd.)

	Quarter ended		Nine months ended		Year ended
	December 31,		December 31,		March 31,
	2004	2003	2004	2003	2004
Insurance charges	6.75	6.10	20.97	17.33	23.84
Rates and taxes	1.61	1.65	6.15	3.83	5.46
Commission charges	6.85	3.33	15.34	6.24	7.27
Donations	8.00	3.55	17.05	10.57	14.29
Auditor s remuneration					
statutory audit fees	0.09	0.08	0.27	0.23	0.31
certification charges					0.03
others	0.07		0.07		0.24
out-of-pocket expenses	0.01	0.01	0.02	0.02	0.02
Provision for bad and doubtful debts	5.86	4.10	17.44	18.12	15.99
Provision for doubtful loans and advances	0.04	(0.06)	0.15	0.07	0.14
Bank charges and commission	0.28	0.20	0.85	0.56	0.75
Commission to non-whole time directors	0.38	0.47	1.16	1.25	1.49
Postage and courier	0.91	0.84	3.70	2.78	3.91
Books and periodicals	0.52	0.44	1.80	1.02	1.51
Research grants	0.24	0.18	0.43	0.36	0.54
Freight charges	0.20	0.32	0.57	0.62	0.84
Professional membership and seminar participation fees	1.55	1.19	4.37	2.46	3.57
Marketing expenses	1.54	1.88	7.58	4.49	5.99
Sales promotion expenses	0.27	0.30	0.67	0.50	0.69
Miscellaneous expenses	0.68	0.16	1.04	7.91	8.46
	<u>1,187.33</u>	<u>825.08</u>	<u>3,297.69</u>	<u>2,315.08</u>	<u>3,177.24</u>

## 1.2.2 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,		December 31,		March 31,
	2004	2003	2004	2003	2004
Lease rentals recognized during the period / year	8.57	9.25	26.08	28.39	38.88
<b>Lease obligations</b>	<b>As at</b>	<b>As at</b>	<b>As at</b>	<b>As at</b>	<b>As at</b>
	<b>December 31,</b>	<b>December 31,</b>	<b>December 31,</b>	<b>December 31,</b>	<b>March 31,</b>
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2004</b>

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Within one year of the balance sheet date	20.69	27.84	25.04
Due in a period between one year and five years	40.41	65.00	56.74
Due after five years	1.72	6.60	4.82
	<u>62.82</u>	<u>99.44</u>	<u>86.60</u>

The operating lease arrangements extend for a maximum of 10 years from their respective dates of inception and relates to rented overseas premises and car rentals.

Fixed assets stated below have been provided on operating lease to Progeon, a subsidiary company, as at December 31, 2004, *December 31, 2003* and March 31, 2004.

<u>Particulars</u>	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net book value</u>
Building	12.57	2.63	9.94
	<i>10.24</i>	<i>1.14</i>	<i>9.10</i>
	12.57	1.99	10.58
Plant and machinery	5.63	3.45	2.18
	<i>3.76</i>	<i>1.34</i>	<i>2.42</i>
	5.44	2.96	2.48
Computers	1.29	1.20	0.09
	<i>1.23</i>	<i>0.91</i>	<i>0.32</i>
	1.24	1.07	0.17
Furniture and fixtures	9.47	6.57	2.90
	<i>5.60</i>	<i>2.07</i>	<i>3.53</i>
	9.16	5.48	3.68
Total	<u>28.96</u>	<u>13.85</u>	<u>15.11</u>
	<i>20.83</i>	<i>5.46</i>	<i>15.37</i>
	<u>28.41</u>	<u>11.50</u>	<u>16.91</u>

The aggregate depreciation charged on the above during the quarter and nine months ended December 31, 2004 amounted to Rs. 0.70 and Rs. 2.50 respectively (for the quarter and nine months ended December 31, 2003 was Rs. 1.03 and Rs. 2.77 and for the year ended March 31, 2004 was Rs. 4.41).



Infosys Technologies Limited

The company has entered into non-cancelable operating lease arrangement for premises leased to Progeon. The lease for premises extends for periods between 36 months and 70 months from their respective dates of inception. The lease rentals received are included as a component of sale of services (refer note 1.2.3 below). Lease rental commitments on contract from Progeon are as given below:

	As at December 31, 2004	As at December 31, 2003	As at March 31, 2004
<b>Lease rentals</b>			
Within one year of the balance sheet date	7.47	8.02	8.02
Due in a period between one year and five years	10.44	11.48	9.48
Due after five years	0.72		
	18.63	19.50	17.50

The rental income from Progeon for the quarter and nine months ended December 31, 2004 amounted to Rs. 2.35 and Rs. 6.30 respectively (for the quarter and nine months ended December 31, 2003 was Rs. 0.39 and Rs. 0.53 and for the year ended March 31, 2004 was Rs. 6.49).

1.2.3 Related party transactions

The company entered into related party transactions with subsidiary companies.

Progeon Limited

The transactions in addition to the lease commitments described in note 1.2.2. are set out below:

<u>Particulars</u>	Quarter ended December 31,		Nine months ended December 31,		Year ended March 31,
	2004	2003	2004	2003	2004
<b>Capital transactions:</b>					
Financing transactions amount paid to Progeon for issue of nil (nil; 1,22,50,000) fully paid equity shares of Rs. 10/- each at par					12.25
Rental deposit received				1.61	1.61
<b>Revenue transactions:</b>					
Purchase of services	0.33		0.63	0.14	0.70
Shared services including facilities and personnel	0.18		0.28		
	0.51		0.91	0.14	0.70
Sale of services					

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Business consulting services	0.04	0.04	0.12	0.08	0.12
Shared services including facilities and personnel	3.62	3.08	10.94	9.49	12.70
	<u>3.66</u>	<u>3.12</u>	<u>11.06</u>	<u>9.57</u>	<u>12.82</u>

Infosys Australia

<u>Particulars</u>	<u>Quarter ended</u> <u>December 31,</u>		<u>Nine months ended</u> <u>December 31,</u>		<u>Year ended</u> <u>March 31,</u>
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>
<b>Capital transactions:</b>					
Transfer of fixed assets					3.50
Transfer of advances					2.33
<b>Revenue transactions:</b>					
Purchase of services	58.69		180.68		47.20
Sale of services					
Software services & products-overseas					2.93
Shared services including facilities and personnel					
					<u>2.93</u>

Infosys Shanghai

<u>Particulars</u>	<u>Quarter ended</u> <u>December 31,</u>		<u>Nine months ended</u> <u>December 31,</u>		<u>Year ended</u> <u>March 31,</u>
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>
<b>Capital transactions:</b>					
Financing transactions amount remitted towards capital		4.55	18.46	4.55	4.55
<b>Revenue transactions:</b>					
Purchase of services	1.62		1.74		

Infosys Consulting

<u>Particulars</u>	<u>Quarter ended</u> <u>December 31,</u>		<u>Nine months ended</u> <u>December 31,</u>		<u>Year ended</u> <u>March 31,</u>
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>

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<b>Capital transactions:</b>					
Financing transactions	amount paid to Infosys Consulting for issue of 50,00,000 (nil; nil)				
	common stock of US\$ 1.00 par value, fully paid	22.90	44.87		
<b>Revenue transactions:</b>					
Purchase of services		2.70	3.27		
<b>Sale of services</b>					
Software services & products-overseas		0.84	1.00		
Shared services including facilities and personnel					
		0.84	1.00		

Sundry Debtors includes dues from subsidiary companies, as given below:

	<u>As at December 31, 2004</u>	<u>As at December 31, 2003</u>	<u>As at March 31, 2004</u>
Progeon Limited, India			
Infosys Technologies (Shanghai) Company Limited, China			
Infosys Technologies (Australia) Pty. Limited, Australia			
Infosys Consulting, Inc., USA			

Sundry Creditors includes dues to subsidiary companies, as given below:

	<u>As at December 31, 2004</u>	<u>As at December 31, 2003</u>	<u>As at March 31, 2004</u>
Progeon Limited, India	1.61	1.61	1.61
Infosys Technologies (Shanghai) Company Limited, China	1.81		
Infosys Technologies (Australia) Pty Limited, Australia			11.34
Infosys Consulting, Inc., USA			
	3.42	1.61	12.95

Loans and Advances includes dues from subsidiary companies, as given below:

	<u>As at December 31, 2004</u>	<u>As at December 31, 2003</u>	<u>As at March 31, 2004</u>
Progeon Limited, India			
Infosys Technologies (Shanghai) Company Limited, China	1.93		0.85
Infosys Technologies (Australia) Pty. Limited, Australia	1.72		
Infosys Consulting, Inc., USA			
	3.65		0.85

Maximum balances of loans and advances due from subsidiary companies :

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<u>Particulars</u>	Quarter ended		Nine months ended		Year ended
	December 31,		December 31,		March 31,
	2004	2003	2004	2003	2004
Progeon Limited, India					
Infosys Technologies (Shanghai) Company Limited, China	1.93		1.93		
Infosys Technologies (Australia) Pty. Limited, Australia	23.32		23.32		
Infosys Consulting, Inc., USA					

During the quarter and nine months ended December 31, 2004, an amount of Rs 3.00 and Rs 11.00 was donated to Infosys Foundation, a not-for-profit foundation, in which certain directors of the company are trustees. Donation to the foundation for the quarter and nine months ended December 31, 2003 and year ended March 31, 2004 were Rs 3.50, Rs 10.50 and Rs. 12.00 respectively.

Details of the transactions with the companies in which certain directors of the company are also director:

<u>Particulars</u>	Quarter ended		Nine months ended		Year ended
	December 31,		December 31,		March 31,
	2004	2003	2004	2003	2004
Sale / (Purchase) of services					
SupplyChainge Inc., USA	0.13		0.13	(0.71)	(0.71)
Sale of services					
ICICI Bank Limited, India	4.74		6.54		6.54

The company has an alliance with SupplyChainge Inc., USA to jointly market and deliver lead-time optimization solutions. Prof. Marti G. Subrahmanyam, an external director of the company, is also a director on the board of ICICI Bank Limited, India and SupplyChainge Inc., USA.

#### 1.2.4 Transactions with key management personnel

Key management personnel comprise our directors and statutory officers.

Particulars of remuneration and other benefits provided to key management personnel during the quarter and nine months ended December 31, 2004 and 2003 and the year ended March 31, 2004 are set out below:

<u>Name</u>	<u>Salary</u>	<u>Contributions to provident and other funds</u>	<u>Perquisites and incentives</u>	<u>Total remuneration</u>

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Executive Directors				
Quarter ended December 31, 2004	0.41	0.06	0.65	1.12
Quarter ended December 31, 2003	0.30	0.06	0.33	0.69
Nine months ended December 31, 2004	1.23	0.21	1.28	2.72
Nine months ended December 31, 2003	1.00	0.18	0.74	1.92
Year ended March 31, 2004	1.31	0.24	0.92	2.47

Infosys Technologies Limited

1.2.4 Transactions with key management personnel (contd.)

Name	Commission	Sitting fees	Reimbursement of expenses	Total remuneration
<b>Independent Directors</b>				
Quarter ended December 31, 2004	0.40	0.01	0.06	0.47
Quarter ended December 31, 2003	0.08	0.02	0.06	0.16
Nine months ended December 31, 2004	1.18	0.02	0.23	1.43
Nine months ended December 31, 2003	1.21	0.02	0.26	1.49
Year ended March 31, 2004	1.46	0.04	0.34	1.84
	Salary	Contributions to provident and other funds	Perquisites and incentives	Total remuneration
<b>Other Senior Management Personnel</b>				
Quarter ended December 31, 2004	0.03	0.01	0.13	0.17
Quarter ended December 31, 2003	0.03	0.01	0.08	0.12
Nine months ended December 31, 2004	0.09	0.03	0.31	0.43
Nine months ended December 31, 2003	0.09	0.03	0.17	0.29
Year ended March 31, 2004	0.12	0.04	0.22	0.38

In addition, the details of the options granted to non-whole time directors and other senior officers during the quarter and nine months ended December 31, 2004 and 2003 and year ended *March 31, 2004* are as follows:

Name	Date of Grant	Option plan	Number of options granted	Exercise price (in Rs.)	Expiration of options
<b>Non-whole time directors</b>					
Sridar A. Iyengar	April 10, 2003	1999	8,000	762.44	April 9, 2013

1.2.5 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 are 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 December 31,		Nine months ended December 31,		Year ended March 31,
	2004	2003	2004	2003	2004
Net profit:					
- As reported	495.97	328.14	1,345.29	906.42	1,243.47
- Adjusted pro forma	495.97	325.07	1,345.29	893.42	1,230.57

## 1.2.6 Fixed assets

## Profit / (loss) on disposal of fixed assets

	Quarter ended December 31,		Nine months ended December 31,		Year ended March 31,
	2004	2003	2004	2003	2004
Profit on disposal of fixed assets	0.01	0.01	0.17	0.02	0.04
(Loss) on disposal of fixed assets	(0.01)		(0.05)		
Profit / (loss) on disposal of fixed assets, net		0.01	0.12	0.02	0.04

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

	Quarter ended December 31,		Nine months ended December 31,		Year ended March 31,
	2004	2003	2004	2003	2004
Charged during the period / year	10.71	2.12	15.10	8.36	28.61

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. Additionally certain land has been purchased for which the company has possession certificate for which sale deeds are yet to be executed as at December 31, 2004.

During the year ended March 31, 2004, management reduced the remaining estimated useful life of the intellectual property in a commercial software application product to three months, effective August 2003 and treasury management product to two months, effective November 2003. The revised estimation represents management's present evaluation of the expected future commercial benefits from these products. The revision has resulted in an increased charge to the profit and loss account of Rs. 20.28 during the year ended March 31, 2004.





## 1.2.7 Investment activity

Details of investments in and disposal of securities during the quarter and nine months ended December 31, 2004 and 2003 and year ended March 31, 2004:

	Quarter ended		Nine months ended		Year ended
	December 31,		December 31,		March 31,
	2004	2003	2004	2003	2004
Investment in securities					
Subsidiaries	22.90	4.54	63.33	4.54	83.49
Long-term investments				0.54	0.54
Liquid mutual funds	90.00	140.00	205.00	590.00	930.03
	112.90	144.54	268.33	595.08	1,014.06
Redemption / Disposal of investment in securities					
Subsidiaries					
Long-term investments		12.65		15.96	10.21
Liquid mutual funds			117.78		
		12.65	117.78	15.96	10.21
Net movement in investments	112.90	131.89	150.55	579.12	1,003.85

The following are the particulars of strategic investments made during the quarter and nine months ended December 31, 2004 and 2003 and during the year ended March 31, 2004:

Particulars of investee companies	Quarter ended		Nine months ended		Year ended
	December 31,		December 31,		March 31,
	2004	2003	2004	2003	2004
Progeon Limited, India					12.25
Infosys Technologies (Shanghai) Co. Limited, China		4.55	18.46	4.55	4.55
Infosys Technologies (Australia) Pty Limited, Australia					66.69
Infosys Consulting, Inc., USA	22.90		44.87		
M-Commerce Ventures Pte. Limited, Singapore *				0.19	(0.07)
	22.90	4.55	63.33	4.74	83.42

\* Net of redemptions

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### Subsidiaries

On April 8, 2004, the Board approved the formation of a new wholly-owned subsidiary, Infosys Consulting, Inc., incorporated in Texas, USA (Infosys Consulting) to enhance business consulting revenues in Infosys' global delivery model. The Board approved an investment of up to US\$ 20 million in Infosys Consulting. As of December 31, 2004, the company had invested US\$ 10 million (Rs. 44.87) in the subsidiary.

On January 2, 2004, the company acquired 100% of equity in Expert Information Services Pty. Limited, Australia. The transaction value approximates Aus \$32.0 million (US \$24.32 million or Rs. 110.90). The consideration comprises a payment in cash on conclusion, an earn-out on achieving financial conditions over a three-year period ending March 31, 2007, and the release of the balance retained in escrow for representations and warranties made by the selling share holders. The acquired company has been renamed Infosys Technologies (Australia) Pty Limited. As of December 31, 2004, the company had invested Rs. 66.69 for 1,01,08,869 equity shares of Aus \$0.11 par value, fully paid.

On October 10, 2003, the company set up a wholly-owned subsidiary in the People's Republic of China, named Infosys Technologies (Shanghai) Co. Limited. The subsidiary will be capitalized at US\$ 5 million (Rs. 22.78). As of December 31, 2004, the company had invested US\$ 5.0 million (Rs. 23.01) in the subsidiary.

Infosys holds 99.97% of the equity share capital of Progeon. The equity shares have been issued to Infosys as per the terms of the stock subscription agreement signed in April 2002, between Infosys, Citicorp International Finance Corporation (CIFIC) and Progeon. 122,49,993 equity shares have been issued to Infosys in April 2002 and 1,22,50,000 in March 2004 for an aggregate consideration of Rs. 24.50. Pursuant to the agreement, CIFIC has been issued 4,375,000 0.0005% cumulative convertible preference shares each on June 30, 2002 and March 31, 2004 for an aggregate consideration of Rs. 93.80. The preference shares are convertible to an equal number of equity shares based on certain events as agreed between the company and CIFIC.

### Other investments

During the year ended March 31, 2004, the Company invested Rs. 0.54 in M-Commerce Ventures Pte. Limited, Singapore (M-Commerce) for 20 ordinary shares of face value Singapore \$ ( S\$ ) 1/- each, fully paid at par and 180 redeemable preference shares of face value S\$ 1/- each, fully paid for a premium of S\$ 1,110. The company also received Rs. 0.61 towards return of premium of S\$ 1,110/- each on 216 redeemable preference shares of face value of S\$ 1/- each during the year. Accordingly, the aggregate investment in M-Commerce as at March 31, 2004 amounts to Rs. 2.04.

During the year ended March 31, 2004, the company received from CiDRA Corporation, USA (CiDRA), an amount of Rs. 6.05 in cash; 72,539 Class A common stock of par value US\$ 0.001 each of CiDRA, 2,139 Non-voting redeemable preferred stock of par value US\$ 0.01 each of CiDRA, 12,921, Series A preferred stock par value \$0.001 of CyVera Corporation, USA on a buy back offer. The company also received 12,720 Series A preferred stock par value \$0.001 of CyVera Corporation, USA, due to company's holding in CiDRA.

During the year ended March 31, 2004, Infosys received Rs. 3.22 from Workadia Inc. and Rs. 0.47 from Stratify Inc. towards recovery of the amounts invested. The remainder of the investment was written-off during the year ended March 31, 2004.

### 1.2.8 Segment reporting

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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 retail industries; and others such as utilities, transportation and logistics companies.

Infosys Technologies Limited

Income and direct expenses in relation to segments are 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. Accordingly, no disclosure relating to total segment assets and liabilities are made.

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, 2004 and *December 31, 2003*

	<u>Financial services</u>	<u>Manufacturing</u>	<u>Telecom</u>	<u>Retail</u>	<u>Others</u>	<u>Total</u>
Revenues	625.75	265.39	317.69	176.20	413.49	1,798.52
	457.86	178.85	183.84	151.98	262.73	1,235.26
Identifiable operating expenses	253.17	115.28	146.45	70.98	166.64	752.52
	190.06	80.49	74.24	57.44	109.49	511.72
Allocated expenses	151.27	64.16	76.81	42.60	99.97	434.81
	116.14	45.37	46.64	38.56	66.65	313.36
Segmental operating income	221.31	85.95	94.43	62.62	146.88	611.19
	151.66	52.99	62.96	55.98	86.59	410.18
Unallocable expenses						69.38
						62.23
Operating income						541.81
						347.95
Other income (expense), net						47.16
						45.19
Net profit before taxes						588.97
						393.14
Income taxes						93.00
						65.00

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Net profit after taxes	495.97 328.14
------------------------	------------------

Nine months ended December 31, 2004 and *December 31, 2003*

	<u>Financial services</u>	<u>Manufacturing</u>	<u>Telecom</u>	<u>Retail</u>	<u>Others</u>	<u>Total</u>
Revenues	1,699.72	750.67	878.02	514.96	1,116.10	4,959.47
	<i>1,295.09</i>	<i>522.28</i>	<i>511.59</i>	<i>413.70</i>	<i>709.33</i>	<i>3,451.99</i>
Identifiable operating expenses	710.17	327.87	423.48	199.31	461.08	2,121.91
	<i>546.67</i>	<i>228.11</i>	<i>204.99</i>	<i>154.06</i>	<i>292.37</i>	<i>1,426.20</i>
Allocated expenses	403.10	177.90	208.19	121.91	264.68	1,175.78
	<i>333.54</i>	<i>134.52</i>	<i>131.76</i>	<i>106.51</i>	<i>182.55</i>	<i>888.88</i>
Segmental operating income	586.45	244.90	246.35	193.74	390.34	1,661.78
	<i>414.88</i>	<i>159.65</i>	<i>174.84</i>	<i>153.13</i>	<i>234.41</i>	<i>1,136.91</i>
Unallocable expenses						175.31
						<i>168.82</i>
Operating income						1,486.47
						<i>968.09</i>
Other income (expense), net						95.32
						<i>115.33</i>
Net profit before taxes						1,581.79
						<i>1,083.42</i>
Income taxes						236.50
						<i>177.00</i>
Net profit after taxes						1,345.29
						<i>906.42</i>

Year ended March 31, 2004

	<u>Financial services</u>	<u>Manufacturing</u>	<u>Telecom</u>	<u>Retail</u>	<u>Others</u>	<u>Total</u>
Revenues	1,722.08	716.47	774.83	563.16	984.35	4,760.89
Identifiable operating expenses	728.69	311.01	317.93	210.29	413.33	1,981.25
Allocated expenses	433.73	180.08	193.52	141.58	247.08	1,195.99
Segmental operating income	559.66	225.38	263.38	211.29	323.94	1,583.65
Unallocable expenses						230.90
Operating income						1,352.75
Other income (expense), net						117.72
Net profit before taxes						1,470.47
Income taxes						227.00
Net profit after taxes						1,243.47



## Geographic segments

Quarter ended December 31, 2004 and *December 31, 2003*

	<u>North America</u>	<u>Europe</u>	<u>India</u>	<u>Rest of the World</u>	<u>Total</u>
Revenues	1,206.16	398.65	39.65	154.06	1,798.52
	<i>891.80</i>	<i>253.86</i>	<i>7.96</i>	<i>81.64</i>	<i>1,235.26</i>
Identifiable operating expenses	485.64	156.99	11.28	98.61	752.52
	<i>369.54</i>	<i>101.98</i>	<i>2.80</i>	<i>37.40</i>	<i>511.72</i>
Allocated expenses	291.60	96.38	9.58	37.25	434.81
	<i>226.23</i>	<i>64.40</i>	<i>2.02</i>	<i>20.71</i>	<i>313.36</i>
Segmental operating income	428.92	145.28	18.79	18.20	611.19
	<i>296.03</i>	<i>87.48</i>	<i>3.14</i>	<i>23.53</i>	<i>410.18</i>
Unallocable expenses					69.38
					<i>62.23</i>
Operating income					541.81
					<i>347.95</i>
Other income (expense), net					47.16
					<i>45.19</i>
Net profit before taxes					588.97
					<i>393.14</i>
Income taxes					93.00
					<i>65.00</i>
Net profit after taxes					495.97
					<i>328.14</i>

Nine months ended December 31, 2004 and *December 31, 2003*

	<u>North America</u>	<u>Europe</u>	<u>India</u>	<u>Rest of the World</u>	<u>Total</u>
Revenues	3,285.54	1,085.23	93.91	494.79	4,959.47
	<i>2,535.05</i>	<i>647.61</i>	<i>50.06</i>	<i>219.27</i>	<i>3,451.99</i>
Identifiable operating expenses	1,365.26	432.17	25.64	298.84	2,121.91
	<i>1,064.33</i>	<i>260.44</i>	<i>15.70</i>	<i>85.73</i>	<i>1,426.20</i>
Allocated expenses	779.05	257.27	22.31	117.15	1,175.78
	<i>652.85</i>	<i>166.64</i>	<i>12.94</i>	<i>56.45</i>	<i>888.88</i>
Segmental operating income	1,141.23	395.79	45.96	78.80	1,661.78
	<i>817.87</i>	<i>220.53</i>	<i>21.42</i>	<i>77.09</i>	<i>1,136.91</i>
Unallocable expenses					175.31
					<i>168.82</i>
Operating income					1,486.47



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	968.09
Other income (expense), net	95.32
	<u>115.33</u>
Net profit before taxes	1,581.79
	1,083.42
Income taxes	236.50
	<u>177.00</u>
Net profit after taxes	1,345.29
	<u>906.42</u>

Year ended March 31, 2004

	<u>North America</u>	<u>Europe</u>	<u>India</u>	<u>Rest of the World</u>	<u>Total</u>
Revenues	3,401.42	913.84	66.20	379.43	4,760.89
Identifiable operating expenses	1,422.01	371.35	18.25	169.64	1,981.25
Allocated expenses	856.13	229.10	16.73	94.03	1,195.99
	<u>1,123.28</u>	<u>313.39</u>	<u>31.22</u>	<u>115.76</u>	<u>1,583.65</u>
Segmental operating income					230.90
Unallocable expenses					<u>230.90</u>
Operating income					1,352.75
Other income (expense), net					117.72
					<u>1,470.47</u>
Net profit before taxes					1,470.47
Income taxes					227.00
					<u>1,243.47</u>
Net profit after taxes					<u>1,243.47</u>

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

At the annual general meeting held on June 12, 2004, the shareholders approved the issue of bonus shares in the ratio of three bonus shares for every share held. The record date for the bonus issue was July 2, 2004 and shares were allotted on July 3, 2004. All basic and diluted shares used in determining earnings per share are after considering the effect of bonus issue.

	Quarter ended		Nine months ended		Year ended March 31,
	December 31,		December 31,		
	2004	2003	2004	2003	
Number of shares considered as basic weighted average shares outstanding	26,87,73,742	26,55,19,448	26,78,62,078	26,51,76,084	26,54,47,776
Add: Effect of dilutive issues of shares / stock options	83,36,718	49,12,124	59,08,614	25,40,188	33,39,240
	<u>27,71,10,460</u>	<u>27,04,31,572</u>	<u>27,37,70,692</u>	<u>26,77,16,272</u>	<u>26,87,87,016</u>
Number of shares considered as weighted average shares and potential shares outstanding					



Infosys Technologies Limited

Consolidated financial statements of Infosys Technologies Limited and its subsidiaries

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 laid down under the accounting standard on Consolidated Financial Statements issued by the ICAI. The financial statements of the parent company, Infosys Technologies Limited, and its subsidiaries, Infosys Technologies (Australia) Pty. Ltd. ( Infosys Australia ), Infosys Technologies (Shanghai) Co. Limited ( Infosys China ), Infosys Consulting, Inc., ( Infosys Consulting ) and Progeon Limited ( Progeon ) 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 in use at Infosys and its subsidiaries.

Management's statement on significant accounting policies contained in the audited financial statements.

The significant accounting policies of the company relate to revenue recognition, expenditure, fixed assets and capital work-in-progress, depreciation, retirement benefits to employees-principally gratuity, superannuation and provident fund benefits, research and development, income tax, earning per share, foreign currency transactions and investments.

A complete set of the audited consolidated financial statements is available at [www.infosys.com](http://www.infosys.com)

Auditors' report to the board of directors on the consolidated financial statements of

Infosys Technologies Limited and its subsidiaries

We have audited the attached consolidated balance sheet of Infosys Technologies Limited (the Company) and its subsidiaries (collectively called the Infosys Group ) as at 31 December 2004, the consolidated profit and loss account and the consolidated cash flow statement for the quarter and nine months ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India.

In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the consolidated balance sheet, of the state of affairs of the Infosys Group as at 31 December 2004;
- (b) in the case of the consolidated profit and loss account, of the profit of the Infosys Group for the quarter and nine months ended on that date; and
- (c) in the case of the consolidated cash flow statement, of the cash flows of the Infosys Group for the quarter and nine months ended on that date.

*for BSR & Co.  
(formerly Bharat S. Raut & Co.)  
Chartered Accountants*

*Subramanian Suresh  
Partner  
Membership No. 83673*

Bangalore

12 January 2005

Consolidated balance sheet as at

	<i>in Rs. crore</i>		
	December 31, 2004	December 31, 2003	March 31, 2004
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS FUNDS</b>			
Share capital	134.74	33.23	33.32
Reserves and surplus	4,592.39	3,690.87	3,216.26
	<u>4,727.13</u>	<u>3,724.10</u>	<u>3,249.58</u>
<b>MINORITY INTERESTS</b>			
<b>PREFERENCE SHARES ISSUED BY SUBSIDIARY</b>			
	93.51	49.00	93.56
	<u>4,820.64</u>	<u>3,773.10</u>	<u>3,343.14</u>
<b>APPLICATIONS OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Original cost	2,187.23	1,499.00	1,633.65
Less: Depreciation and amortization	969.52	749.88	809.84
Net book value	1,217.71	749.12	823.81
Add: Capital work-in-progress	213.44	80.47	208.05
	<u>1,431.15</u>	<u>829.59</u>	<u>1,031.86</u>
<b>INVESTMENTS</b>	1,057.02	614.01	945.45
<b>DEFERRED TAX ASSETS</b>	42.98	32.85	39.97
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Sundry debtors	1,038.37	696.96	651.45
Cash and bank balances	1,469.82	1,616.99	1,721.51
Loans and advances	946.41	823.97	721.05
	<u>3,454.60</u>	<u>3,137.92</u>	<u>3,094.01</u>
<b>LESS: CURRENT LIABILITIES AND PROVISIONS</b>			
Current liabilities	652.73	555.71	580.93
Provisions	512.38	285.56	1,187.22
<b>NET CURRENT ASSETS</b>	<u>2,289.49</u>	<u>2,296.65</u>	<u>1,325.86</u>
	<u>4,820.64</u>	<u>3,773.10</u>	<u>3,343.14</u>

*As per our report attached.**for BSR & Co.*

(formerly Bharat S. Raut &amp; Co.)

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### *Chartered Accountants*

Subramanian Suresh  
*Partner*  
*Membership No. 83673*

N. R. Narayana Murthy  
*Chairman and Chief Mentor*

Nandan M. Nilekani  
*Chief Executive Officer,*  
*President and Managing Director*

S. Gopalakrishnan  
*Chief Operating Officer*  
*and Deputy Managing Director*

Deepak M. Satwalekar  
*Director*

Marti G. Subrahmanyam  
*Director*

Omkar Goswami  
*Director*

Rama Bijapurkar  
*Director*

Claude Smadja  
*Director*

Sridar A. Iyengar  
*Director*

K. Dinesh  
*Director*

S. D. Shibulal  
*Director*

T V. Mohandas Pai  
*Director and*  
*Chief Financial Officer*

Bangalore  
January 12, 2005

Srinath Batni  
*Director*

V Balakrishnan  
*Company Secretary and*  
*Senior Vice President Finance*

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Infosys Technologies Limited

Consolidated profit and loss account for the

*in Rs. crore, except per share data*

	Quarter ended December 31,		Nine months ended December 31,		Year ended March 31,
	2004	2003	2004	2003	2004
<b>INCOME</b>					
SOFTWARE SERVICES, PRODUCTS AND BUSINESS PROCESS MANAGEMENT					
Overseas	1,835.97	1,249.09	5,048.68	3,453.53	4,786.72
Domestic	39.64	7.92	93.64	49.98	66.23
	<u>1,875.61</u>	<u>1,257.01</u>	<u>5,142.32</u>	<u>3,503.51</u>	<u>4,852.95</u>
SOFTWARE DEVELOPMENT AND BUSINESS PROCESS MANAGEMENT EXPENSES	991.48	656.70	2,723.35	1,831.58	2,538.67
	<u>884.13</u>	<u>600.31</u>	<u>2,418.97</u>	<u>1,671.93</u>	<u>2,314.28</u>
GROSS PROFIT	884.13	600.31	2,418.97	1,671.93	2,314.28
SELLING AND MARKETING EXPENSES	116.81	94.89	344.28	259.23	350.90
GENERAL AND ADMINISTRATION EXPENSES	149.34	92.33	406.39	267.66	369.19
	<u>266.15</u>	<u>187.22</u>	<u>750.67</u>	<u>526.89</u>	<u>720.09</u>
OPERATING PROFIT BEFORE INTEREST, DEPRECIATION & AMORTIZATION AND MINORITY INTERESTS	617.98	413.09	1,668.30	1,145.04	1,594.19
INTEREST					
DEPRECIATION AND AMORTIZATION	73.91	63.75	187.11	172.32	236.73
	<u>544.07</u>	<u>349.34</u>	<u>1,481.19</u>	<u>972.72</u>	<u>1,357.46</u>
OPERATING PROFIT AFTER INTEREST, DEPRECIATION & AMORTIZATION AND BEFORE MINORITY INTERESTS	544.07	349.34	1,481.19	972.72	1,357.46
OTHER INCOME	46.31	46.46	91.61	121.56	123.38
PROVISION FOR INVESTMENTS	(0.39)	2.29	(0.33)	8.88	9.67
	<u>590.77</u>	<u>393.51</u>	<u>1,573.13</u>	<u>1,085.40</u>	<u>1,471.17</u>
NET PROFIT BEFORE TAX AND MINORITY INTERESTS	590.77	393.51	1,573.13	1,085.40	1,471.17
PROVISION FOR TAXATION	93.43	65.00	240.10	177.00	227.54
	<u>497.34</u>	<u>328.51</u>	<u>1,333.03</u>	<u>908.40</u>	<u>1,243.63</u>
NET PROFIT BEFORE MINORITY INTERESTS	497.34	328.51	1,333.03	908.40	1,243.63
MINORITY INTERESTS					
	<u>497.34</u>	<u>328.51</u>	<u>1,333.03</u>	<u>908.40</u>	<u>1,243.63</u>
NET PROFIT AFTER TAX AND MINORITY INTERESTS	497.34	328.51	1,333.03	908.40	1,243.63
Balance brought forward	750.35	471.49	70.67		
Less: Residual dividend paid for fiscal 2004			2.31		
Additional dividend tax			2.27		
	<u>750.35</u>	<u>471.49</u>	<u>66.09</u>		
AMOUNT AVAILABLE FOR APPROPRIATION	1,247.69	800.00	1,399.12	908.40	1,243.63
DIVIDEND					
Interim			133.93	96.09	96.09

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Final					99.96
One-time special dividend					666.41
Total dividend			133.93	96.09	862.46
Dividend tax			17.50	12.31	110.50
Amount transferred general reserve					200.00
Balance in profit and loss account	1,247.69	800.00	1,247.69	800.00	70.67
	1,247.69	800.00	1,399.12	908.40	1,243.63
<b>EARNINGS PER SHARE</b>					
Equity shares of par value Rs. 5/- each					
Basic	18.50	12.37	49.77	34.26	46.85
Diluted	17.95	12.15	48.69	33.93	46.27
Number of shares used in computing earnings per share					
Basic	26,87,73,742	26,55,19,448	26,78,62,078	26,51,76,084	26,54,47,776
Diluted	27,71,10,460	27,04,31,572	27,37,70,692	26,77,16,272	26,87,87,016

As per our report attached.

for BSR & Co.

(formerly Bharat S. Raut & Co.)

Chartered Accountants

Subramanian Suresh Partner Membership No. 83673	N. R. Narayana Murthy Chairman and Chief Mentor	Nandan M. Nilekani Chief Executive Officer, President and Managing Director	S. Gopalakrishnan Chief Operating Officer and Deputy Managing Director	Deepak M. Satwalekar Director
	Marti G. Subrahmanyam Director	Omkar Goswami Director	Rama Bijapurkar Director	Claude Smadja Director
	Sridar A. Iyengar Director	K. Dinesh Director	S. D. Shibulal Director	T.V. Mohandas Pai Director and Chief Financial Officer
Bangalore January 12, 2005	Srinath Batni Director	V. Balakrishnan Company Secretary and Senior Vice President Finance		



Consolidated cash flow statement for the

*in Rs. crore*

	Quarter ended		Nine months ended		Year ended March 31,
	December 31,		December 31,		
	2004	2003	2004	2003	2004
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Net profit before tax	590.77	393.51	1,573.13	1,085.40	1,471.17
Adjustments to reconcile net profit before tax to cash provided by operating activities					
(Profit) / Loss on sale of fixed assets		(0.01)	(0.12)	(0.02)	0.41
Depreciation and amortization	73.91	63.75	187.11	172.32	236.73
Interest and dividend income	(25.51)	(26.59)	(77.79)	(73.81)	(102.23)
Provisions for investments	(0.39)	2.29	(0.33)	8.88	9.67
Effect of exchange differences on translation of foreign currency cash and cash equivalents	5.42	(4.95)	(8.85)	(1.09)	4.91
Changes in current assets and liabilities					
Sundry debtors	(112.05)	(104.37)	(386.92)	(178.31)	(132.80)
Loans and advances	(28.62)	21.89	(88.92)	16.45	(17.67)
Current liabilities and provisions	29.28	173.33	80.52	230.22	262.20
Income taxes paid during the period / year	(84.04)	(18.89)	(192.87)	(79.40)	(108.60)
<b>NET CASH GENERATED BY OPERATING ACTIVITIES</b>	<b>448.77</b>	<b>499.96</b>	<b>1,084.96</b>	<b>1,180.64</b>	<b>1,623.79</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchases of fixed assets and change in capital work-in-progress	(256.07)	(90.50)	(586.60)	(224.26)	(425.86)
Acquisition of Expert Information Systems Pty Limited, Australia		(50.75)		(50.75)	(66.68)
Proceeds on disposal of fixed assets	0.10	0.02	0.32	0.26	1.43
(Investments) in / disposal of securities	(90.61)	(145.54)	(111.24)	(595.92)	(934.17)
Interest and dividend income	25.51	26.59	77.79	73.81	102.23
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(321.07)</b>	<b>(260.18)</b>	<b>(619.73)</b>	<b>(796.86)</b>	<b>(1,323.05)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from the issue of preference share capital			(0.05)		44.56
Proceeds from issuance of share capital on exercise of stock options	176.26	61.53	301.00	66.61	122.27
Dividends paid during the period / year, including dividend tax	(151.43)	(108.40)	(1,020.57)	(216.75)	(216.75)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>24.83</b>	<b>(46.87)</b>	<b>(719.62)</b>	<b>(150.14)</b>	<b>(49.92)</b>
Effect of exchange differences on translation of foreign currency cash and cash equivalents	(7.27)	4.95	8.38	1.09	(5.76)
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>145.26</b>	<b>197.86</b>	<b>(246.01)</b>	<b>234.73</b>	<b>245.06</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD / YEAR</b>	<b>1,538.09</b>	<b>1,721.17</b>	<b>1,929.36</b>	<b>1,684.30</b>	<b>1,684.30</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD / YEAR</b>	<b>1,683.35</b>	<b>1,919.03</b>	<b>1,683.35</b>	<b>1,919.03</b>	<b>1,929.36</b>

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*As per our report attached*

*for BSR & Co.*

(formerly Bharat S. Raut & Co.)

*Chartered Accountants*

Subramanian Suresh  
*Partner*  
*Membership No. 83673*

N. R. Narayana Murthy  
*Chairman and Chief Mentor*

Nandan M. Nilekani  
*Chief Executive Officer,*  
*President and Managing Director*

S. Gopalakrishnan  
*Chief Operating Officer*  
*and Deputy Managing Director*

Deepak M. Satwalekar  
*Director*

Marti G. Subrahmanyam  
*Director*

Omkar Goswami  
*Director*

Rama Bijapurkar  
*Director*

Claude Smadja  
*Director*

Sridar A. Iyengar  
*Director*

K. Dinesh  
*Director*

S. D. Shibulal  
*Director*

T.V. Mohandas Pai  
*Director and*  
*Chief Financial Officer*

Bangalore  
January 12, 2005

Srinath Batni  
*Director*

V. Balakrishnan  
*Company Secretary and*  
*Senior Vice President Finance*

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Infosys Technologies Limited

Ratio analysis as per Indian GAAP (Non-consolidated)

*in Rs. crore*

	Quarter ended		Nine months ended		Year ended
	December 31,		December 31,		
	2004	2003	2004	2003	2004
<b>Financial performance</b>					
Export revenue / total revenue (%)	97.80	99.36	98.11	98.55	98.61
Domestic revenue / total revenue (%)	2.20	0.64	1.89	1.45	1.39
Software development expenses / total revenue (%)	53.39	52.25	53.68	52.30	52.41
Gross profit / total revenue (%)	46.61	47.75	46.32	47.70	47.59
Selling and marketing expenses / total revenue (%)	5.63	7.48	5.88	7.31	7.04
General and administration expenses / total revenue (%)	7.00	7.06	6.93	7.45	7.29
Selling, general and administration expenses / total revenue (%)	12.63	14.54	12.82	14.76	14.33
Employee costs / total revenue (%)	47.63	51.90	46.93	50.56	49.69
Operating profit / total revenue (%)	33.98	33.21	33.51	32.93	33.26
Depreciation and amortization / total revenue (%)	3.86	5.04	3.53	4.89	4.85
Operating profit after depreciation and interest / total revenue (%)	30.13	28.17	29.97	28.04	28.41
Other income / total revenue (%)	2.60	3.84	1.92	3.60	2.68
Provision for investments / total revenue (%)		0.19		0.26	0.20
Profit before tax / total revenue (%)	32.75	31.83	31.89	31.39	30.89
Tax / total revenue (%)	5.17	5.26	4.77	5.13	4.77
Tax / PBT (%)	15.79	16.53	14.95	16.34	15.44
PAT from ordinary activities / total revenue (%)	27.58	26.56	27.13	26.26	26.12
Capital expenditure / total revenue (%) (LTM)	13.71	6.90	11.27	6.15	9.03
PAT from ordinary activities / average net worth (%) (LTM)	39.73	36.24	39.73	36.24	40.68
ROCE (PBIT / Average capital employed) (%) (LTM)	46.50	43.48	46.50	43.48	48.10
Return on invested capital (%) (LTM)*	96.38	87.90	96.38	87.90	137.46
Capital output ratio (LTM)	1.48	1.39	1.48	1.39	1.56
Invested capital output ratio (LTM)	3.69	3.55	3.69	3.55	5.58
<b>Balance sheet</b>					
<b>Debt-equity ratio</b>					
Debtors turnover (Days) (LTM)	57	56	57	56	48
Current ratio*	2.99	3.26	2.99	3.26	2.14
Cash and cash equivalents / total assets (%)*	54.47	66.68	54.47	66.68	85.11
Cash and cash equivalents / total revenue (%) (LTM)*	41.22	55.55	41.22	55.55	58.16
Depreciation / average gross block (%) (LTM)	13.28	16.56	13.28	16.56	16.24
Technology investment / total revenue (%) (LTM)	5.31	4.35	5.31	4.35	3.23
<b>Year on year growth (%)**</b>					
Export revenue	43	30	43	33	32
Total revenue	46	29	44	33	31
Operating profit	49	23	46	22	25
PAT	51	28	48	30	30
Basic EPS	49	28	47	30	30
<b>Per-share data (period-end)</b>					
Basic earnings per share from ordinary activities (Rs.)	18.45	12.37	50.22	34.18	46.85
Basic cash earnings per share from ordinary activities (Rs.)	21.03	14.72	56.77	40.55	55.54
Book value (Rs.)	177.09	140.48	177.09	140.48	122.05
Price / earning (LTM)	33.30	31.65	33.30	31.65	26.35
Price / cash earnings (LTM)	29.18	26.60	29.18	26.60	22.23
Price / book value	11.81	9.90	11.81	9.90	10.12
PE / EPS growth	0.68	1.13	0.71	1.07	0.89

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Dividend per share (Rs.)	5.00	3.63	7.38
One-time special dividend per share (Rs.)			25.00

\* *Investments in liquid funds have been considered as cash & cash equivalents for the purpose of above ratio analysis.*

\*\* *Denotes growth compared with figures of the corresponding period in the previous year.*

*LTM : Last Twelve Months*

At a glance US GAAP