

INFOSYS TECHNOLOGIES LTD

Form 6-K

November 12, 2004

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**United States Securities and Exchange Commission
Washington, DC 20549**

FORM 6-K

Report of Foreign Issuer
Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934

For the quarter ended **September 30, 2004**

Commission File Number 333-72195

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.
+91-80-852-0261**

(Address of principal executive offices)

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 12g 3-2(b).

Not applicable.

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This Form 6-K contains our Quarterly Report for the quarter ended September 30, 2004 that we mailed to our equity shareholders on or about November 10, 2004.

Infosys Technologies Limited
Report for the second quarter ended September 30, 2004

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Infosys Technologies Limited

At a glance Indian GAAP (Non-consolidated financials)

in Rs. crore, except per share data

	Quarter ended September 30,		Half year ended September 30,		Year ended March 31,
	2004	2003	2004	2003	2004
For the period					
Income	1,690	1,135	3,161	2,217	4,761
Export income	1,659	1,116	3,107	2,175	4,695
Operating profit (PBIDTA)	560	378	1,051	727	1,584
PBIDTA as a percentage of income	33.13%	33.35%	33.24%	32.78%	33.26%
Profit after tax (PAT)	455	300	849	578	1,243
PAT as a percentage of income	26.92%	26.45%	26.87%	26.09%	26.12%
PAT as a percentage of average net worth	40.89%	37.85%	40.89%	37.85%	40.68%
Capital expenditure	167	69	312	127	430
Dividend per share (excluding one-time special dividend)*	5.00	3.63	5.00	3.63	7.38
Dividend amount (excluding one-time special dividend)	134	96	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	16.99	11.33	31.76	21.82	46.84
Diluted	16.61	11.23	31.14	21.69	46.26
At the end of the period					
Total assets			4,071	3,336	3,253
Fixed assets net			1,177	793	970
Cash and cash equivalents (including liquid mutual funds)			2,380	2,140	2,769
Net current assets			1,794	2,031	1,220
Debt					
Net worth			4,071	3,336	3,253
Equity			134	33	33
Market capitalization			45,416	30,007	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.*

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Infosys Technologies Limited

Letter to the Shareholder

Dear shareholder,

Your company is delighted to report excellent growth in the second quarter of this fiscal year. Consolidated Indian GAAP revenues grew by 15.3% over Q1 FY2005, while consolidated net profits from ordinary activities witnessed an increase of 15.2%. Revenues in US GAAP terms grew by 13.1%, as compared to the quarter ended June 30, 2004.

Your company has revised its initial guidance for fiscal year 2005. Consolidated income guidance under Indian GAAP was originally between Rs. 6,731 crore and Rs. 6,772 crore. It has been revised to between Rs. 7,132 crore and Rs. 7,160 crore, an estimated growth of 47% to 48%. In US GAAP terms, the guidance for revenues was revised from between \$ 1,476 million and \$ 1,485 million, to \$ 1,555 million and \$ 1,561 million, an estimated growth of 46% to 47%.

This quarter, your company saw the highest growth figures in three years. Strategic sourcing has become the outsourcing approach for many companies worldwide. In this context, your company continues to benefit from the positive demand environment for offshore services. Offshore volumes grew at 16.7%, as compared to onsite volumes, which grew at 7.1%. Additionally pricing has stabilized, as have margins. Your company's billing for three clients (on an LTM basis) is more than \$ 50 million each, and the number of clients billing over \$ 40 million has gone up from 5 to 7.

The focus on scalability continued. Your company and its subsidiaries saw a gross addition of 6,078 employees. The net employee addition for the quarter stood at 5,010. Further, training, education and leadership development infrastructure have been enhanced in order to meet the growing business needs. It is significant to note that the expense management model has demonstrated flexibility in absorbing the cost of recruiting 5,010 net employees while maintaining margins.

Investments in the various plans of our subsidiaries and business units, supported by robust business platforms, have started yielding results, and are contributing to the growth momentum. Infosys Consulting Inc. won its first consulting deal this quarter.

Offshoring has become a mega trend, as more organizations around the world partner with your company. This quarter, your company added 32 new clients. Telecom, banking, financial sectors, particularly, saw high growth. Your company strengthened its relationship with large telecom players, with the addition of one of the largest wholesale telecom carriers in Europe to its client portfolio. The company has also started providing Oracle application support to another premier communications service provider in the US.

In the insurance sector, a German multi-billion euro insurance organization selected your company to replace an existing hierarchical database, and thereby achieve organization-wide uniformity and reduced licensing costs. Additionally, an organization providing proxy voting and corporate governance solutions to its global client base selected your company to provide business consulting services.

There were significant wins in the retail space too. A leading discount retailer in the US has selected your company as a preferred provider of IT consulting for a strategic sourcing initiative. Additionally, a major European retailer chose your company to implement an REID solution.

Energy and Utilities companies are also leveraging the power of technology in increasing customer focus. Your company partnered with a Fortune 500 company in the US to provide application development and maintenance

services in the area of customer relationship management. Additionally, one of the largest companies in the IT storage space has selected your company for the development of a storage management product.

The sale of the Finacle® suite of products also made significant headway during the quarter. Union Bank of the Philippines (UBP), one of the top 10 banks in Philippines, licensed Finacle® core banking and e-Banking solutions. The win marks a key breakthrough for Finacle® in the core banking space in South East Asia. In Finacle's first win in the treasury solution space in India, UTI Bank, an existing customer, chose the Finacle® treasury solution.

As always, your company continues to display excellence in execution. A significant 96.3% of business this quarter was repeat business.

Your company's strong growth has been made possible through the committed efforts of all Infoscons. On your behalf, we thank them for contributing to an extremely successful quarter.

Bangalore
October 12, 2004

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

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

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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 30 September 2004, the Profit and Loss Account and Cash Flow Statement of the Company for the quarter and half year 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 30 September 2004;
 - (ii) in the case of the Profit and Loss Account, of the profit of the Company for the quarter and half year 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 half year ended on that date.

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

Subramanian Suresh
Partner

Bangalore
12 October 2004

Membership No. 83673

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Infosys Technologies Limited

Balance sheet as at

	September 30, 2004	September 30, 2003	<i>in Rs. Crore</i> March 3 1,2004
	<hr/>	<hr/>	<hr/>
SOURCES OF FUNDS			
SHAREHOLDERS FUNDS			
Share capital	133.93	33.13	33.32
Reserves and surplus			
APPLICATIONS OF FUNDS	<hr/> 3,937.53	<hr/> 3,302.48	<hr/> 3,220.11
APPLICATIONS OF FUNDS	<hr/> 4,071.46	<hr/> 3,335.61	<hr/> 3,253.43
FIXED ASSETS			
Original cost	1,809.12	1,414.53	1,570.23
Less: Depreciation and amortization	<hr/> 885.03	<hr/> 683.27	<hr/> 803.41
Net book value	924.09	731.26	766.82
Add: Capital work-in-progress	<hr/> 252.63	<hr/> 62.00	<hr/> 203.48
	1,176.72	793.26	970.30
INVESTMENTS	1,064.97	476.99	1,027.38
DEFERRED TAX ASSETS	35.77	33.87	35.63
CURRENT ASSETS, LOANS AND ADVANCES			
Sundry debtors	892.06	577.26	632.51
Cash and bank balances	1,251.78	1,382.71	1,638.01
Loans and advances	<hr/> 812.93	<hr/> 786.63	<hr/> 693.22
	2,956.77	2,746.60	2,963.74
LESS: CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	566.92	370.99	560.44
Provisions			
NET CURRENT ASSETS	<hr/> 595.85	<hr/> 344.12	<hr/> 1,183.18
	<hr/> 1,794.00	<hr/> 2,031.49	<hr/> 1,220.12
	4,071.46	3,335.61	3,253.43

As per our report attached

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

Subramanian Suresh <i>Partner</i>	N. R. Narayana Murthy <i>Chairman and Chief Mentor</i>	Nandan M. Nilekani Chief <i>Executive Officer, President and Managing Director</i>	S. Gopalakrishnan Chief <i>Operating Officer and Deputy Managing Director</i>	Deepak M. Satwalekar <i>Director</i>
<i>Membership No</i> 83673	Marti G. Subrahmanyam <i>Director</i> Claude Smadja <i>Director</i>	Omkar Goswami <i>Director</i> Sridar A. Iyengar <i>Director</i>	Larry Pressler <i>Director</i> K. Dinesh <i>Director</i>	Rama Bijapurkar <i>Director</i> S. D. Shibulal <i>Director</i>
Bangalore October 12, 2004	T. V Mohandas Pai <i>Director and Chief Financial Officer</i>	Srinath Batni <i>Director</i>	V Balakrishnan <i>Company Secretary and 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 September September 30,		Half year ended September 30,		Year ended March 31, 2004
	2004	2003	2004	2003	
INCOME					
SOFTWARE SERVICES AND PRODUCTS					
Overseas	1,659.27	1,115.98	3,106.69	2,174.63	4,694.69
Domestic	30.29	18.77	54.26	42.10	66.20
	<u>1,689.56</u>	<u>1,134.75</u>	<u>3,160.95</u>	<u>2,216.73</u>	<u>4,760.89</u>
SOFTWARE DEVELOPMENT EXPENSES	909.96	587.16	1,701.87	1,159.94	2,495.31
	<u>779.60</u>	<u>547.59</u>	<u>1,459.08</u>	<u>1,056.79</u>	<u>2,265.58</u>
GROSS PROFIT					
SELLING AND MARKETING EXPENSES	103.08	80.44	190.47	160.16	335.08
GENERAL AND ADMINISTRATION EXPENSES	116.78	88.72	218.02	169.90	346.85
	<u>219.86</u>	<u>169.16</u>	<u>408.49</u>	<u>330.06</u>	<u>681.93</u>
OPERATING PROFIT BEFORE INTEREST, DEPRECIATION AND AMORTIZATION	559.74	378.43	1,050.59	726.73	1,583.65
INTEREST DEPRECIATION AND AMORTIZATION	56.55	62.33	105.93	106.59	230.90
	<u>503.19</u>	<u>316.10</u>	<u>944.66</u>	<u>620.14</u>	<u>1,352.75</u>
OPERATING PROFIT AFTER INTEREST, DEPRECIATION AND AMORTIZATION					
OTHER INCOME	30.23	44.28	48.22	76.73	127.39
	0.07	0.22	0.06	6.59	9.67

PROVISION FOR
INVESTMENTS

NET PROFIT BEFORE TAX	533.35	360.16	992.82	690.28	1,470.47
PROVISION FOR TAXATION	78.50	60.00	143.50	112.00	227.00
NET PROFIT AFTER TAX	454.85	300.16	849.32	578.28	1,243.47
Balance brought forward	462.36	278.12	70.51		
Less: Residual dividend paid for Fiscal 2004			2.32		
Dividend tax on the above	1.97		2.27		
	460.39	278.12	65.92		
AMOUNT AVAILABLE FOR APPROPRIATION DIVIDEND	915.24	578.28	915.24	578.28	1,243.47
Interim	133.93	96.09	133.93	96.09	96.09
Final					99.96
One-time special dividend					666.41
Total dividend	133.93	96.09	133.93	96.09	862.46
Dividend tax	17.50	12.31	17.50	12.31	110.50
Amount transferred-general reserve					200.00
Balance in Profit and Loss account	763.81	469.88	763.81	469.88	70.51
	915.24	578.28	915.24	578.28	1,243.47
EARNINGS PER SHARE					
Equity shares of par value Rs. 5/- each					
Basic	16.99	11.33	31.76	21.82	46.84
Diluted	16.61	11.23	31.14	21.69	46.26
Number of shares used in computing earnings per share					
Basic	26,76,76,465	26,50,28,112	26,74,06,246	26,50,04,404	26,54,47,776
Diluted	27,37,76,678	26,72,97,616	27,27,68,201	26,66,04,340	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

Larry Pressler
Director

Rama
Bijapurkar
Director

Claude Smadja
Director

Sridar A. Iyengar
Director

K. Dinesh
Director

S. D. Shibulal
Director

Bangalore
October 12, 2004

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

Srinath Batni
Director

V Balakrishnan
*Company Secretary
and Senior Vice
President
Finance*

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Infosys Technologies Limited

Cash flow statement for the

in Rs. Crore

	Quarter ended		Half year ended		Year ended
	September 30,	September 30,	September 30,	September 30,	March 31,
	2004	2003	2004	2003	2004
CASH FLOWS FROM OPERATING ACTIVITIES					
Net profit before tax	533.35	360.16	992.82	690.28	1,470.47
Adjustments to reconcile net profit before tax to cash provided by operating activities					
(Profit) / Loss on sale of fixed assets	(0.05)		(0.12)	(0.01)	(0.04)
Depreciation and amortization	56.55	62.33	105.93	106.59	230.90
Interest and dividend income	(21.77)	(23.43)	(50.04)	(46.18)	(100.28)
Provision for investments	0.07	0.22	0.06	6.59	9.67
Effect of exchange differences on translation of foreign currency cash and cash equivalents	(1.13)	1.59	(8.24)	3.16	6.59
Changes in current assets and liabilities					
Sundry debtors	(73.08)	(19.96)	(259.55)	(65.12)	(120.37)
Loans and advances	(26.97)	8.33	(53.92)	(1.52)	(1.34)
Current liabilities and provisions	94.02	16.58	25.27	55.59	245.50
Income taxes paid during the period / year	(94.50)	(49.22)	(102.45)	(60.28)	(107.13)
NET CASH GENERATED BY OPERATING ACTIVITIES	466.49	356.60	649.76	689.10	1,633.97
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of fixed assets and change in capital work-in-progress	(166.61)	(68.82)	(312.45)	(127.20)	(429.87)
Proceeds on disposal of fixed assets	0.15	(0.01)	0.22	0.09	1.43
Acquisition of Expert Information Systems Pty. Limited, Australia					(66.68)
(Investments in) / disposal of securities	(133.46)	(349.83)	(37.65)	(450.38)	(937.17)
Interest and dividend income	21.77	23.43	50.04	46.18	100.28
NET CASH USED IN INVESTING ACTIVITIES	(278.15)	(395.23)	(299.84)	(531.31)	(1,332.01)

**CASH FLOWS FROM FINANCING
ACTIVITIES**

Proceeds from issuance of share capital on exercise of stock options	40.80	4.01	124.73	5.07	122.27
Dividends paid during the period / year, including dividend tax	(1.97)		(869.15)	(108.35)	(216.75)
	<u>38.83</u>	<u>4.01</u>	<u>(744.42)</u>	<u>(103.28)</u>	<u>(94.48)</u>
NET CASH USED IN FINANCING ACTIVITIES					
Effect of exchange differences on translation of foreign currency cash and cash equivalents	1.13	(1.59)	8.24	(3.16)	(6.59)
	<u>1.13</u>	<u>(1.59)</u>	<u>8.24</u>	<u>(3.16)</u>	<u>(6.59)</u>
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	228.30	(36.21)	(386.26)	51.35	200.89
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD /YEAR	<u>1,224.84</u>	<u>1,726.07</u>	<u>1,839.40</u>	<u>1,638.51</u>	<u>1,638.51</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD /YEAR	<u>1,453.14</u>	<u>1,689.86</u>	<u>1,453.14</u>	<u>1,689.86</u>	<u>1,839.40</u>

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 <i>Chairman and Chief Mentor</i>	Nandan M. Nilekani <i>Chief Executive Officer, President and Managing Director</i>	S. Gopalakrishnan <i>Chief Operating Officer and Deputy Managing Director</i>	Deepak M. Satwalekar <i>Director</i>
	Marti G. Subrahmanyam <i>Director</i>	Omkar Goswami <i>Director</i>	Larry Pressler <i>Director</i>	Rama Bijapurkar <i>Director</i>
	Claude Smadja <i>Director</i>	Sridar A. Iyengar <i>Director</i>	K. Dinesh <i>Director</i>	S. D. Shibulal <i>Director</i>

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Bangalore
October 12,
2004

T. V Mohandas Pai
Director and
Chief Financial Officer

Srinath Batni
Director

V Balakrishnan
Company Secretary
and
Senior Vice President
Finance

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Infosys Technologies Limited

Schedules to profit and loss account for the

in Rs. crore

	Quarter ended September 30,		Half year ended September 30,		Year ended March 31,
	2004	2003	2004	2003	2004
SOFTWARE DEVELOPMENT EXPENSES					
Salaries and bonus including overseas staff expenses	674.45	482.59	1,271.79	937.37	2,015.47
Staff welfare	4.13	2.86	7.48	5.99	13.17
Contribution to provident and other funds	19.19	12.99	34.95	23.74	49.90
Overseas travel expenses	61.10	43.07	117.48	84.68	168.19
Consumables	4.15	2.05	6.50	3.77	8.94
Cost of software packages for own use	26.23	21.47	46.81	35.07	64.84
for service delivery to clients	6.04	2.48	9.55	12.34	16.04
Cost of technical sub-contractors	86.21	7.61	159.16	34.29	109.89
Computer maintenance	3.90	3.14	6.74	5.44	11.89
Communication expenses	10.86	7.75	19.67	15.93	32.18
Provision for post-sales client support and warranties	11.57	(0.32)	18.79	(0.15)	0.30
Rent	2.13	1.47	2.95	1.47	4.50
	909.96	587.16	1,701.87	1,159.94	2,495.31
SELLING AND MARKETING EXPENSES					
Salaries and bonus including overseas staff expenses	58.60	49.36	111.30	99.20	207.25
Staff welfare	0.08	0.15	0.20	0.23	0.59
Contribution to provident and other funds	0.34	0.79	0.71	1.17	1.73
Overseas travel expenses	11.93	9.26	24.70	18.04	40.45
Consumables	0.06	0.02	0.12	0.08	0.19
Cost of software packages for own use	0.01		0.01	0.01	0.18
Computer maintenance		0.01		0.02	0.02
Communication expenses	0.01		0.02		0.01
Traveling and conveyance	3.51	0.28	3.95	0.60	1.43
Rent	2.57	3.94	5.57	6.90	15.19
Telephone charges	1.44	1.19	2.52	2.29	5.06
Professional charges	5.18	0.78	8.02	2.74	5.75
Printing and stationery	0.30	0.25	0.53	0.52	0.99
Advertisements	0.17	0.12	0.31	0.24	0.53

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Brand building	11.78	9.42	17.37	15.14	34.23
Office maintenance	0.06	0.07	0.13	0.11	0.24
Power and fuel		0.01		0.03	0.04
Insurance charges	0.02	0.01	0.05	0.04	0.11
Rates and taxes			0.03	0.03	0.08
Bank charges and commission				0.01	0.02
Commission charges	4.32	0.64	8.49	2.91	7.27
Marketing expenses	2.52	1.76	6.04	2.61	5.99
Sales promotion expenses	0.18	0.09	0.40	0.20	0.69
Miscellaneous expenses		2.29		7.04	7.04
	<u>103.08</u>	<u>80.44</u>	<u>190.47</u>	<u>160.16</u>	<u>335.08</u>

GENERAL AND ADMINISTRATION
EXPENSES

Salaries and bonus including overseas staff expenses	21.06	17.36	41.12	34.26	73.11
Contribution to provident and other funds	1.70	1.15	3.27	2.29	4.64
Overseas travel expenses	2.12	1.87	4.17	3.57	6.36
Traveling and conveyance	8.79	5.18	16.76	9.51	22.27
Rent	4.97	3.66	8.99	10.77	19.19
Telephone charges	10.95	7.47	19.59	14.76	29.21
Professional charges	14.70	9.79	23.79	16.28	33.92
Printing and stationery	1.89	1.05	3.18	3.39	5.87
Advertisements	2.38	0.37	4.47	1.36	5.50
Office maintenance	10.02	6.32	18.29	12.55	28.83
Repairs to building	2.68	1.49	4.00	3.39	10.28
Repairs to plant and machinery	1.54	1.51	3.11	2.60	4.85
Power and fuel	9.66	7.19	18.51	14.39	28.68
Insurance charges	7.05	6.06	14.17	11.19	23.73
Rates and taxes	2.22	0.94	4.51	2.15	5.38
Donations	4.83	3.52	9.05	7.02	14.29
Auditor s remuneration					
statutory audit fees	0.09	0.08	0.18	0.15	0.31
certification charges					0.03
others					0.24
out-of-pocket expenses			0.01	0.01	0.02
Provision for bad and doubtful debts	5.25	10.73	11.58	14.02	15.99
Provision for doubtful loans and advances	0.09	0.12	0.11	0.13	0.14
Bank charges and commission	0.33	0.16	0.57	0.35	0.73
Commission to non-whole time directors	0.39	0.39	0.78	0.78	1.49
Postage and courier	1.42	0.70	2.79	1.94	3.91
Books and periodicals	0.70	0.34	1.28	0.58	1.51
Research grants	0.09	0.12	0.19	0.18	0.54
Freight charges	0.14	0.15	0.37	0.30	0.84
Professional membership and seminar					
participation fees	1.37	0.65	2.82	1.27	3.57
Miscellaneous expenses	0.35	0.35	0.36	0.71	1.42

<u>116.78</u>	<u>88.72</u>	<u>218.02</u>	<u>169.90</u>	<u>346.85</u>
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Schedules to cash flow statements for the

in Rs. crore

	Quarter ended September 30, 2004	Quarter ended September 30, 2003	Half year ended September 30, 2004	Half year ended September 30, 2003	Year ended March 31, 2004
CHANGE IN LOANS AND ADVANCES					
As per the Balance Sheet	812.93	786.63	812.93	786.63	693.22
Less: Deposits with financial institutions and body corporate, included in cash and cash equivalents	(201.36)	(307.15)	(201.36)	(307.15)	(201.39)
Advance income taxes separately considered	(275.80)	(197.45)	(275.80)	(197.45)	(209.98)
	<u>335.77</u>	<u>282.03</u>	<u>335.77</u>	<u>282.03</u>	<u>281.85</u>
Less: Opening balance considered	(308.80)	(290.36)	(281.85)	(280.51)	(280.51)
	<u>26.97</u>	<u>(8.33)</u>	<u>53.92</u>	<u>1.52</u>	<u>1.34</u>
CHANGE IN CURRENT LIABILITIES AND PROVISIONS					
As per the Balance Sheet	1,162.77	715.11	1,162.77	715.11	1,743.62
Add / (Less): Provisions separately considered in the cash flow Statement					
Income taxes	(420.50)	(231.05)	(420.50)	(231.05)	(313.49)
Dividends	(133.93)	(96.09)	(133.93)	(96.09)	(766.37)
Dividend tax	(17.50)	(12.31)	(17.50)	(12.31)	(98.19)
	<u>590.84</u>	<u>375.66</u>	<u>590.84</u>	<u>375.66</u>	<u>565.57</u>
Less: Opening balance considered	(496.82)	(359.08)	(565.57)	(320.07)	(320.07)
	<u>94.02</u>	<u>16.58</u>	<u>25.27</u>	<u>55.59</u>	<u>245.50</u>
INCOME TAXES PAID					
Charge as per the Profit and Loss Account	78.50	60.00	143.50	112.00	227.00
Add: Increase in advance income taxes	74.98	34.20	65.82	(92.54)	(80.01)

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Increase / (Decrease) in deferred taxes	(0.24)	(4.47)	0.14	(2.94)	(1.18)
Less: (Increase) / Decrease in income tax provision	(58.74)	(40.51)	(107.01)	43.76	(38.68)
	<u>94.50</u>	<u>49.22</u>	<u>102.45</u>	<u>60.28</u>	<u>107.13</u>
PURCHASE OF FIXED ASSETS AND CHANGE IN CAPITAL WORK-IN-PROGRESS					
As per Balance Sheet	197.05	51.05	263.30	141.76	302.95
Less: Opening Capital work-in-progress	(283.07)	(44.23)	(203.48)	(76.56)	(76.56)
Add: Closing Capital work-in-progress	252.63	62.00	252.63	62.00	203.48
	<u>166.61</u>	<u>68.82</u>	<u>312.45</u>	<u>127.20</u>	<u>429.87</u>
INVESTMENTS IN / DISPOSAL OF SECURITIES					
As per the Balance Sheet	1,064.97	476.99	1,064.97	476.99	1,027.38
Add: Provisions on investments	0.07	0.22	0.06	6.59	9.67
	<u>1,065.04</u>	<u>477.21</u>	<u>1,065.03</u>	<u>483.58</u>	<u>1,037.05</u>
Less: Opening balance considered	(931.58)	(127.38)	(1,027.38)	(33.20)	(33.20)
	<u>133.46</u>	<u>349.83</u>	<u>37.65</u>	<u>450.38</u>	<u>1,003.85</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD /YEAR					
As per the Balance Sheet	1,251.78	1,382.71	1,251.78	1,382.71	1,638.01
Add: Deposits with financial institutions and body corporate, included herein	201.36	307.15	201.36	307.15	201.39
	<u>1,453.14</u>	<u>1,689.86</u>	<u>1,453.14</u>	<u>1,689.86</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.

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

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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 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 designated hedges are effective and prospectively reclassifies the hedge as necessary.

Consequent to the change in the accounting policy, the profits for the quarter and half year ended September 30, 2004 are higher by Rs. 10.75 crore and lower by Rs. 21.61 crore respectively.

1.2 Notes on accounts

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

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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 September 30,		Half year ended September 30,		Year ended March 31,
	2004	2003	2004	2003	2004
Salaries and bonus including overseas staff expenses	754.11	549.31	1,424.21	1,070.83	2,295.83
Contribution to provident and other funds	21.23	14.93	38.93	27.20	56.27
Staff welfare	4.21	3.01	7.68	6.22	13.76
Overseas travel expenses	75.15	54.20	146.35	106.29	215.00
Consumables	4.21	2.07	6.62	3.85	9.13
Cost of software packages for own use for service delivery to clients	26.24	21.47	46.82	35.08	65.02
Computer maintenance	6.04	2.48	9.55	12.34	16.04
Communication expenses	3.90	3.15	6.74	5.46	11.91
Cost of technical sub-contractors	10.87	7.75	19.69	15.93	32.19
Provision for post-sales client support and warranties	86.21	7.61	159.16	34.29	109.89
Traveling and conveyance	11.57	(0.32)	18.79	(0.15)	0.30
Rent	12.30	5.46	20.71	10.11	23.70
Telephone charges	9.67	9.07	17.51	19.14	38.88
Professional charges	12.39	8.66	22.11	17.05	34.27
Printing and stationery	19.88	10.57	31.81	19.02	39.67
Advertisements	2.19	1.30	3.71	3.91	6.86
Office maintenance	2.55	0.49	4.78	1.60	6.03
Repairs to building	10.08	6.39	18.42	12.66	29.07
Repairs to plant and machinery	2.68	1.49	4.00	3.39	10.28
Power and fuel	1.54	1.51	3.11	2.60	4.85
Brand building	9.66	7.20	18.51	14.42	28.72
Insurance charges	11.78	9.42	17.37	15.14	34.23
Rates and taxes	7.07	6.07	14.22	11.23	23.84
Commission charges	2.22	0.94	4.54	2.18	5.46
Donations	4.32	0.64	8.49	2.91	7.27
Auditor s remuneration statutory audit fees	4.83	3.52	9.05	7.02	14.29
certification charges	0.09	0.08	0.18	0.15	0.31
others					0.03
out-of-pocket expenses			0.01	0.01	0.02

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1.2.1 Aggregate expenses (contd.)

	Quarter ended September 30,		Half year ended September 30,		Year ended March 31,
	2004	2003	2004	2003	2004
Provision for bad and doubtful debts	5.25	10.73	11.58	14.02	15.99
Provision for doubtful loans and advances	0.09	0.12	0.11	0.13	0.14
Bank charges and commission	0.33	0.16	0.57	0.36	0.75
Commission to non-whole time directors	0.39	0.39	0.78	0.78	1.49
Postage and courier	1.42	0.70	2.79	1.94	3.91
Books and periodicals	0.70	0.34	1.28	0.58	1.51
Research grants	0.09	0.12	0.19	0.18	0.54
Freight charges	0.14	0.15	0.37	0.30	0.84
Professional membership and seminar participation fees	1.37	0.65	2.82	1.27	3.57
Marketing expenses	2.52	1.76	6.04	2.61	5.99
Sales promotion expenses	0.18	0.09	0.40	0.20	0.69
Miscellaneous expenses	0.35	2.64	0.36	7.75	8.46
	<u>1,129.82</u>	<u>756.32</u>	<u>2,110.36</u>	<u>1,490.00</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 September 30,		Half year ended September 30,		Year ended March 31,
	2004	2003	2004	2003	2004
Lease rentals recognized during the period /year	9.66	9.07	17.50	19.14	38.88
Lease obligations	As at September 30, 2004	As at September 30, 2003	As at September 30, 2004	As at September 30, 2003	As at March 31, 2004
Within one year of the balance sheet date	22.65	27.49	25.04		

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Due in a period between one year and five years	44.20	59.16	56.74
Due after five years	3.03	7.39	4.82
	69.88	94.04	86.60

The operating lease arrangements extend for a maximum of ten 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 September 30, 2004, *September 30, 2003* and March 31, 2004.

Particulars	Cost	Accumulated depreciation	Net book value
Building	12.56	2.41	10.15
	<i>10.24</i>	<i>0.96</i>	<i>9.28</i>
	12.57	1.99	10.58
Plant and machinery	5.45	3.41	2.04
	3.70	1.12	2.58
	5.44	2.96	2.48
Computers	1.32	1.20	0.12
	1.23	0.76	0.47
	1.24	1.07	0.17
Furniture & fixtures	9.47	6.28	3.19
	5.60	1.59	4.01
	9.16	5.48	3.68
Total	28.80	13.30	15.50
	<i>20.77</i>	<i>4.43</i>	<i>16.34</i>
	28.41	11.50	16.91

The aggregate depreciation charged on the above during the quarter and half year ended September 30, 2004 amounted to Rs. 0.89 and Rs. 1.80 respectively (for the quarter and half year ended September 30, 2003 was Rs. 1.08 and Rs. 1.74 and for the year ended March 31, 2004 was Rs. 4.41).

The company has entered in to 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:

Lease rentals	As at September 30, 2004	As at September 30, 2003	As at March 31, 2004
Within one year of the balance sheet date	6.05	8.02	8.02
Due in a period between one year and five years	5.48	9.29	9.48
Due after five years			

11.53

17.31

17.50

The rental income from Progeon for the quarter and half year ended September 30, 2004 amounted to Rs. 2.02 and Rs. 3.89 respectively (for the quarter and half year ended September 30, 2003 was Rs. 1.61 and Rs. 2.82 and for the year ended March 31, 2004 was Rs. 6.49).

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1.2.3 Related party transactions

The company entered into related party transactions with Progeon, a subsidiary company. The transactions in addition to the lease commitments described in note 1.2.2. are set out below:

Particulars	Quarter ended		Half year ended		Year ended
	September 30, 2004	2003	September 30, 2004	2003	March 31, 2004
Capital transactions:					
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	1.61
Revenue transactions:					
Purchase of services	0.18		0.30	0.14	0.70
Shared services including facilities and personnel	0.10		0.10		
Sale of services	0.28		0.40	0.14	0.70
Business consulting services	0.04	0.03	0.08	0.03	0.12
Shared services including facilities and personnel	3.52	3.40	7.32	6.41	12.70
	3.56	3.43	7.40	6.44	12.82

The company entered into related party transactions with Infosys Australia, a subsidiary company. The transactions are set out below:

Particulars	Quarter ended		Half year ended		Year ended
	September 30, 2004	2003	September 30, 2004	2003	March 31, 2004
Capital transactions:					
Purchase of fixed assets					3.50
Transfer of advances					2.33

Revenue transactions:					
Purchase of services	62.63	-	121.99	-	47.20
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Sale of services					
Software services & products-overseas			0.12		2.93
Shared services including facilities and personnel					
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
			0.12		2.93
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The company entered into related party transactions with Infosys Shanghai, a subsidiary company. The transactions are set out below:

Particulars	Quarter ended		Half year ended		Year ended
	September 30, 2004	September 30, 2003	September 30, 2004	September 30, 2003	March 31, 2004
Capital transactions:					
Financing transactions amount remitted towards capital	18.46		18.46		4.55
Revenue transactions:					
Purchase of services	0.12	-	0.12	-	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Sale of services					
Software services & products-overseas					
Shared services including facilities and personnel					
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The company entered into related party transactions with Infosys Consulting, a subsidiary company. The transactions are set out below.

Particulars	Quarter ended		Half year ended		Year ended
	September 30, 2004	September 30, 2003	September 30, 2004	September 30, 2003	March 31, 2004
Capital transactions:					
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			21.97		
Revenue transactions:					

Purchase of services	<u>0.57</u>	-	<u>0.57</u>	-	-
Sale of services					
Software services & products-overseas	0.16		0.16		
Shared services including facilities and personnel	<u> </u>	-	<u> </u>	-	<u> </u>
	<u>0.16</u>	-	<u>0.16</u>	-	<u> </u>

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

	As at September 30, 2004	As at September 30, 2003	As at March 31, 2004
	<hr/>	<hr/>	<hr/>
Progeon Limited, India			
Infosys Technologies (Shanghai) Company Limited, China			
Infosys Technologies (Australia) Pty. Limited, Australia	0.05		
Infosys Consulting, Inc., USA			
	0.05		

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

	As at September 30, 2004	As at September 30, 2003	As at March 31, 2004
	<hr/>	<hr/>	<hr/>
Progeon Limited, India	1.61		1.61
Infosys Technologies (Shanghai) Company Limited, China	0.12		
Infosys Technologies (Australia) Pty. Limited, Australia	24.83		11.34
Infosys Consulting, Inc., USA			
	26.56		12.95

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

	As at September 30, 2004	As at September 30, 2003	As at March 31, 2004
	<hr/>	<hr/>	<hr/>
Progeon Limited, India			
Infosys Technologies (Shanghai) Company Limited, China	0.99		0.85
Infosys Technologies (Australia) Pty. Limited, Australia			
Infosys Consulting, Inc., USA			
	0.99		0.85

Maximum balances of loans and advances due from subsidiary companies :

	Quarter ended	Half year ended	Year ended March
	September 30, 2004	September 30, 2004	31, 2004
Particulars	2004	2003	2004

Progeon Limited, India		
Infosys Technologies (Shanghai) Company Limited, China	0.99	0.99
Infosys Technologies (Australia) Pty. Limited, Australia		
Infosys Consulting, Inc., USA		

During the quarter and half year ended September 30, 2004, an amount of Rs. 4.00 and Rs. 8.00 has been donated to Infosys Foundation, a not-for-profit trust, in which certain directors of the company are trustees. Donation to the foundation for the quarter and half year ended September 30, 2003 and year ended March 31, 2004 were Rs. 3.50, Rs. 7.00 and Rs. 12.00 respectively

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

Particulars	Quarter ended		Half year ended		Year
	September 30, 2004	September 30, 2003	September 30, 2004	September 30, 2003	ended March 31, 2004
Purchase of services					
SupplyChainge Inc., USA				0.71	0.71
Sale of services					
ICICI Bank Limited, India	0.52	3.61	1.80	4.50	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 half year ended September 30, 2004 and 2003 and the year ended March 31, 2004 are set out below:

	Salary	Contributions to provident and other funds	Perquisites and incentives	Total Remuneration
Executive Directors				
Quarter ended September 30, 2004	0.43	0.07	0.19	0.69
Quarter ended September 30, 2003	0.43	0.06	0.08	0.57
Half-ended September 30, 2004	0.82	0.15	0.63	1.60
Half-ended September 30, 2003	0.72	0.12	0.40	1.24
Year ended March 31, 2004	1.31	0.24	0.92	2.47

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1.2.4 Transactions with key management personnel (contd.)

	<u>Commission</u>	<u>Sitting fees</u>	<u>Reimbursement of expenses</u>	<u>Total remuneration</u>
Independent Directors				
Quarter ended September 30, 2004	0.39	0.01	0.06	0.46
Quarter ended September 30, 2003	0.31	0.01	0.08	0.40
Half year ended September 30, 2004	0.78	0.02	0.17	0.97
Half year ended September 30, 2003	0.62	0.02	0.19	0.83
Year ended March 31, 2004	1.49	0.04	0.34	1.87

Other Senior Management Personnel

	<u>Salary</u>	<u>Contributions to provident and other funds</u>	<u>Perquisites and incentives</u>	<u>Total remuneration</u>	<u>Total loans granted</u>	<u>Outstanding loans and advances</u>
Other Senior Management Personnel						
Quarter ended September 30, 2004	0.03	0.01	0.07	0.11	0.04	0.04
Quarter ended September 30, 2003	0.03	0.01	0.04	0.08		
Half year ended September 30, 2004	0.06	0.02	0.18	0.26	0.04	0.04
Half year ended September 30, 2003	0.06	0.02	0.10	0.18		
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 half year ended September 30, 2004 and 2003 and year ended March 31, 2004 are as follows:

<u>Name</u>	<u>Date of Grant</u>	<u>Option plan</u>	<u>Number of options granted</u>	<u>Exercise price (in Rs.)</u>	<u>Expiration of options</u>
Non- Whole time Directors					
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 is applicable to all stock option schemes established on or after June 19,

1999. In accordance with these guidelines, the excess of the market price of the underlying equity shares as of the date of the grant of the options over the exercise price of the options, including up-front payments, if any, is to be recognized and amortized on a straight-line basis over the vesting period. All options under the 1998 and 1999 stock option plans have been issued at fair market value, hence there are no compensation costs.

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

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

	Quarter ended September 30,		Half year ended September 30,		Year ended March 31,
	2004	2003	2004	2003	2004
Net profit:					
- As reported	454.85	300.16	849.32	578.28	1,243.47
- Adjusted pro forma	454.85	295.24	849.32	568.33	1,230.57

1.2.6 Fixed assets

Profit / (loss) on disposal of fixed assets

	Quarter ended September 30,		Half year ended September 30,		Year ended March 31,
	2004	2003	2004	2003	2004
Profit on disposal of fixed assets	0.09		0.16	0.01	0.04
(Loss) on disposal of fixed assets	(0.04)		(0.04)		
Profit / (loss) on disposal of fixed assets, net	0.05		0.12	0.01	0.04

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

	Quarter ended September 30,		Half year ended September 30,		Year ended March 31,
	2004	2003	2004	2003	2004
Charged during the period / year	3.50	4.60	4.39	6.24	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 September 30, 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.

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Infosys Technologies Limited

1.2.7 Investment Activity

Details of investments in and disposal of securities during the quarter and half year ended September 30, 2004 and 2003 and year ended March 31, 2004:

	Quarter ended September 30,		Half year ended September 30,		Year ended March 31,
	2004	2003	2004	2003	2004
Investment in securities					
Subsidiaries	18.46		40.43		83.49
Long-term investments				0.54	0.54
Liquid Mutual funds	115.00	350.00	115.00	450.00	930.03
	<u>133.46</u>	<u>350.00</u>	<u>155.43</u>	<u>450.54</u>	<u>1,014.06</u>
Redemption / Disposal of Investment in securities					
Subsidiaries					
Long-term investments		2.56		3.31	10.21
Liquid Mutual funds			117.78		
	<u> </u>	<u>2.56</u>	<u>117.78</u>	<u>3.31</u>	<u>10.21</u>
Net movement in investments	<u>133.46</u>	<u>347.44</u>	<u>37.65</u>	<u>447.23</u>	<u>1,003.85</u>

The following are the particulars of strategic investments made during the quarter and half year ended September 30, 2004 and 2003 and during the year ended March 31, 2004:

	Quarter ended September 30,		Half year ended September 30,		Year ended March 31,
	2004	2003	2004	2003	2004
Particulars of investee companies					
Progeon Limited, India					12.25
Infosys Technologies (Shanghai) Co. Limited, China	18.46		18.46		4.55
Infosys Technologies (Australia) Pty Limited, Australia					66.69
Infosys Consulting, Inc., USA			21.97		

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M-Commerce Ventures Pte. Limited, Singapore *	_____	—	_____	0.19	(0.07)
	18.46	—	40.43	0.19	83.42
	_____	—	_____	_____	_____

* Net of redemptions

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 September 30, 2004, the company had invested US\$ 5.00 million (Rs. 21.97) 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 as Infosys Technologies (Australia) Pty Limited. As of September 30, 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 September 30, 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. 1,22,49,993 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 43,75,000 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

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.

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Infosys Technologies Limited

Income and direct expenses in relation to segments is categorized based on items that are individually identifiable to that segment, while the remainder of the costs are categorized in relation to the associated turnover of the segment. Certain expenses such as depreciation, which form a significant component of total expenses, are not specifically allowable 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 September 30, 2004 and *September 30, 2003*

	Financial services	Manufacturing	Telecom	Retail	Others	Total
Revenues	584.38	257.63	303.95	166.85	376.75	1,689.56
	<i>436.26</i>	<i>172.89</i>	<i>171.61</i>	<i>134.34</i>	<i>219.65</i>	<i>1,134.75</i>
Identifiable operating expenses	249.10	107.87	143.70	67.72	159.75	728.34
	<i>178.37</i>	<i>74.86</i>	<i>63.81</i>	<i>51.11</i>	<i>90.39</i>	<i>458.54</i>
Allocated expenses	1.38.93	61.25	72.26	39.67	89.37	401.68
	<i>114.48</i>	<i>45.37</i>	<i>45.04</i>	<i>35.25</i>	<i>57.64</i>	<i>297.78</i>
Segmental operating income	196.35	88.51	87.99	59.46	127.43	559.74
	<i>143.41</i>	<i>52.66</i>	<i>62.76</i>	<i>47.98</i>	<i>71.62</i>	<i>378.43</i>
Unallocable expenses						56.55
						62.33
Operating income						503.19
						316.10
Other income (expense) net						30.16
						44.06

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Net profit before taxes	533.35
	360.16
Income taxes	78.50
	60.00
	<hr/>
Net profit after taxes	454.85
	300.16
	<hr/>

Half year ended September 30, 2004 and *September 30,2003*

	Financial services	Manufacturing	Telecom	Retail	Others	Total
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Revenues	1,073.97	485.28	560.33	338.76	702.61	3,160.95
	837.23	343.43	327.75	261.72	446.60	2,216.73
Identifiable operating expenses	457.00	212.59	277.03	128.33	294.44	1,369.39
	356.61	147.62	130.75	96.62	182.88	914.48
Allocated expenses	251.83	113.74	131.38	79.31	164.71	740.97
	217.40	89.15	85.12	67.95	115.90	575.52
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Segmental operating income	365.14	158.95	151.92	131.12	243.46	1,050.39
	263.22	106.66	111.88	97.15	147.82	726.73
Unallocable expenses						105.93
						106.59
						<hr/>
Operating income						944.66
						620.14
Other income (expense), net						48.16
						70.14
						<hr/>
Net profit before taxes						992.82
						690.28
Income taxes						143.50
						112.00
						<hr/>
Net profit after taxes						849.32
						578.28
						<hr/>

Year ended March 31, 2004

	Financial services	Manufacturing	Telecom	Retail	Others	Total
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						<u>1,243.47</u>

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Infosys Technologies Limited

Geographic segments

Quarter ended September 30, 2004 and *September 30, 2003*

	North America	Europe	India	Rest of the World	Total
Revenues	1,112.63	339.66	30.29	186.98	1,689.56
	<i>837.30</i>	<i>203.64</i>	<i>18.77</i>	<i>75.04</i>	<i>1,134.75</i>
Identifiable operating expenses	468.52	148.34	9.57	101.71	728.14
	<i>346.76</i>	<i>81.63</i>	<i>2.55</i>	<i>27.60</i>	<i>458.54</i>
Allocated expenses	264.52	85.31	7.20	44.45	401.68
	<i>219.73</i>	<i>53.44</i>	<i>4.93</i>	<i>19.68</i>	<i>297.78</i>
Segmental operating income	379.59	125.81	13.52	40.82	559.74
	<i>270.81</i>	<i>68.57</i>	<i>11.29</i>	<i>27.76</i>	<i>378.43</i>
Unallocable expenses					56.55
					<i>62.33</i>
Operating income					503.19
					<i>316.10</i>
Other income (expense), net					30.16
					<i>44.06</i>
Net profit before taxes					533.35
					<i>360.16</i>
Income taxes					78.50
					<i>60.00</i>
Net profit after taxes					454.85
					<i>300.16</i>

Half year ended September 30, 2004 and *September 30, 2003*

	North America	Europe	India	Rest of the World	Total
Revenues	2,079.38	686.58	54.26	340.73	3,160.95

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	<i>1,643.25</i>	<i>393.75</i>	<i>42.10</i>	<i>137.63</i>	<i>2,216.73</i>
Identifiable operating expenses	879.62	275.18	14.36	200.23	1,369.39
	<i>694.79</i>	<i>158.46</i>	<i>12.90</i>	<i>48.33</i>	<i>914.48</i>
Allocated expenses	487.45	160.89	12.73	79.90	740.97
	<u>426.62</u>	<u>102.24</u>	<u>10.92</u>	<u>35.74</u>	<u>575.52</u>
Segmental operating income	712.31	250.51	27.17	60.60	1,050.59
	<i>521.84</i>	<i>133.05</i>	<i>18.28</i>	<i>53.56</i>	<i>726.73</i>
Unallocable expenses					105.93
					<u>106.59</u>
Operating income					944.66
					<i>620.14</i>
Other income (expense), net					48.16
					<u>70.14</u>
Net profit before taxes					992.82
					<i>690.28</i>
Income taxes					143.50
					<u>112.00</u>
Net profit after taxes					849.32
					<u>578.28</u>

Year ended March 31, 2004

	North America	Europe	India	Rest of the World	Total
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
Segmental operating income	1,123.28	313.39	31.22	115.76	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					<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 September 30,		Half year ended September 30,		Year ended March 31,
	2004	2003	2004	2003	2004
Number of shares considered as basic weighted average shares outstanding	26,76,76,465	26,50,28,112	26,74,06,246	26,50,04,404	26,54,47,776
Add: Effect of dilutive issues of shares / stock options	<u>61,00,213</u>	<u>22,69,504</u>	<u>53,61,955</u>	<u>15,99,936</u>	<u>33,39,240</u>
Number of shares considered as weighted average shares and potential shares outstanding	<u>27,37,76,678</u>	<u>26,72,97,616</u>	<u>27,27,68,201</u>	<u>26,66,04,340</u>	<u>26,87,87,016</u>

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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, 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.

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 30 September 2004, the consolidated profit and loss account and the consolidated cash flow statement for the quarter and half year 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.

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 30 September 2004;

(b) in the case of the consolidated profit and loss account, of the profit of the Infosys Group for the quarter and half year 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 half year ended on that date.

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

Subramanian Suresh
Partner
Membership No 83673

Bangalore
12 October 2004

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Infosys Technologies Limited

Consolidated balance sheet as at

	September 30, 2004	September 30, 2003	in Rs. crore March 31, 2004
SOURCES OF FUNDS SHAREHOLDERS FUNDS			
Share capital	133.94	33.13	33.32
Reserves and surplus	3,921.45	3,300.93	3,216.26
	<u>4,055.39</u>	<u>3,334.06</u>	<u>3,249.58</u>
MINORITY INTERESTS			
PREFERENCE SHARES ISSUED BY SUBSIDIARY	93.51	49.00	93.56
	<u>4,148.90</u>	<u>3,383.06</u>	<u>3,343.14</u>
APPLICATIONS OF FUNDS			
FIXED ASSETS			
Original cost	1,893.51	1,423.85	1,633.65
Less: Depreciation and amortization	898.64	686.63	809.84
	<u>994.87</u>	<u>737.22</u>	<u>823.81</u>
Net book value	994.87	737.22	823.81
Add: Capital work-in-progress	254.23	65.63	208.05
	<u>1,249.10</u>	<u>802.85</u>	<u>1,031.86</u>
INVESTMENTS	966.02	464.74	945.45
DEFERRED TAX ASSETS	44.50	33.87	39.97
CURRENT ASSETS, LOANS AND ADVANCES			
Sundry debtors	926.32	592.59	651.45
Cash and bank balances	1,325.61	1,387.26	1,721.51
Loans and advances	851.80	822.74	721.05
	<u>3,103.73</u>	<u>2,802.59</u>	<u>3,094.01</u>
LESS: CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	613.80	376.30	580.93
Provisions	600.65	344.69	1,187.22

NET CURRENT ASSETS	1,889.28	2,081.60	1,325.86
	<u>4,148.90</u>	<u>3,383.06</u>	<u>3,343.14</u>

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 <i>Chairman and Chief Mentor</i>	Nandan M. Nilekani <i>Chief Executive Officer, President and Managing Director</i>	S. Gopalakrishnan <i>Chief Operating Officer and Deputy Managing Director</i>	Deepak M. Satwalekar <i>Director</i>
	Marti G. Subrahmanyam <i>Director</i>	Omkar Goswami <i>Director</i>	Larry Pressler <i>Director</i>	Rama Bijapurkar <i>Director</i>
	Claude Smadja <i>Director</i>	Sridar A. Iyengar <i>Director</i>	K. Dinesh <i>Director</i>	S. D. Shibulal <i>Director</i>
Bangalore October 12, 2004	T. V. Mohandas Pai <i>Director and Chief Financial Officer</i>	Srinath Batni <i>Director</i>	V. Balakrishnan <i>Company Secretary and Senior Vice President Finance</i>	

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Infosys Technologies Limited

Consolidated profit and loss account for the

in Rs. crore, except per share data

	Quarter ended September 30,		Half year ended September 30,		Year ended March 31,
	2004	2003	2004	2003	2004
INCOME					
SOFTWARE SERVICES, PRODUCTS AND BUSINESS PROCESS MANAGEMENT					
Overseas	1,719.26	1,133.06	3,212.71	2,204.43	4,786.72
Domestic	30.07	18.74	54.00	42.07	66.23
	<u>1,749.33</u>	<u>1,151.80</u>	<u>3,266.71</u>	<u>2,246.50</u>	<u>4,852.95</u>
SOFTWARE DEVELOPMENT AND BUSINESS PROCESS MANAGEMENT EXPENSES	926.66	595.28	1,731.88	1,174.87	2,538.67
GROSS PROFIT	822.67	556.52	1,534.83	1,071.63	2,314.28
SELLING AND MARKETING EXPENSES	122.27	82.69	227.47	164.34	350.90
GENERAL AND ADMINISTRATION EXPENSES	139.37	92.37	257.04	175.35	369.19
	<u>261.64</u>	<u>175.06</u>	<u>484.51</u>	<u>339.69</u>	<u>720.09</u>
OPERATING PROFIT BEFORE INTEREST, DEPRECIATION & AMORTIZATION AND MINORITY INTEREST	561.03	381.46	1,050.32	731.94	1,594.19
INTEREST DEPRECIATION AND AMORTIZATION	60.63	63.42	113.20	108.56	236.73
OPERATING PROFIT AFTER INTEREST,	<u>500.40</u>	<u>318.04</u>	<u>937.12</u>	<u>623.38</u>	<u>1,357.46</u>

DEPRECIATION &AMORTIZATION AND MINORITY INTERESTS					
OTHER INCOME	29.60	43.16	45.31	75.10	123.38
PROVISION FOR INVESTMENTS	0.07	0.22	0.06	6.59	9.67
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
NET PROFIT BEFORE TAX AND MINORITY INTERESTS	529.93	360.98	982.37	691.89	1,471.17
PROVISION FOR TAXATION	82.56	60.00	146.67	112.00	227.54
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
NET PROFIT BEFORE MINORITY INTERESTS	447.37	300.98	835.70	579.89	1,243.63
MINORITY INTERESTS					
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
NET PROFIT AFTER TAX AND MINORITY INTERESTS	447.37	300.98	835.70	579.89	1,243.63
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance brought forward	456.39	278.91	70.67		
Less: Residual dividend paid for fiscal 2004			2.31		
Dividend tax on the above	1.97		2.27		
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	454.42	278.91	66.09		
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
AMOUNT AVAILABLE FOR APPROPRIATION DIVIDEND	901.79	579.89	901.79	579.89	1,243.63
Interim	133.93	96.09	133.93	96.09	96.09
Final					99.96
One-time special dividend					666.41
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total dividend	133.93	96.09	133.93	96.09	862.46
Dividend tax	17.50	12.31	17.50	12.31	110.50
Amount transferred general reserve					200.00
Balance in Profit and Loss account	750.36	471.49	750.36	471.49	70.67
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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	<u>901.79</u>	<u>579.89</u>	<u>901.79</u>	<u>579.89</u>	<u>1,243.63</u>
EARNINGS PER SHARE					
Equity shares of par value Rs. 5/- each					
Basic	16.71	11.36	31.25	21.88	46.85
Diluted	16.34	11.26	30.64	21.75	46.27
Number of shares used in computing earnings per share					
Basic	26,76,76,465	26,50,28,112	26,74,06,246	26,50,04,404	26,54,47,776
Diluted	27,37,76,678	26,72,97,616	27,27,68,201	26,66,04,340	26,87,87,016

As per our report attached

for BSR & Co.

(formerly Bharat S. Raut & Co.)

Chartered Accountants

Subramanian Suresh Partner	N. R. Narayana Murthy <i>Chairman and Chief Mentor</i>	Nandan M. Nilekani <i>Chief Executive Officer, President and Managing Director</i>	S. Gopalakrishnan <i>Chief Operating Officer and Deputy Managing Director</i>	Deepak M. Satwalekar <i>Director</i>
Membership No. 83673	Marti G. Subrahmanyam <i>Director</i>	Omkar Goswami <i>Director</i>	Larry Pressler <i>Director</i>	Rama Bijapurkar <i>Director</i>
	Claude Smadja <i>Director</i>	Sridar A. Iyengar <i>Director</i>	K. Dinesh <i>Director</i>	S. D. Shibulal <i>Director</i>
Bangalore October 12, 2004	T. V. Mohandas Pai <i>Director and Chief Financial Officer</i>	Srinath Batni <i>Director</i>	V. Balakrishnan <i>Company Secretary and Senior Vice President Finance</i>	

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Infosys Technologies Limited

Consolidated cash flow statement for the

in Rs. crore

	Quarter ended		Half year ended		Year ended
	September 30,		September 30,		March 31,
	2004	2003	2004	2003	2004
CASH FLOWS FROM OPERATING ACTIVITIES					
Net profit before tax	529.93	360.98	982.37	691.89	1,471.17
Adjustments to reconcile net profit before tax to cash provided by operating activities					
(Profit) / Loss on sale of fixed assets	(0.05)		(0.12)	0.01	0.41
Depreciation and amortization	60.63	63.42	113.20	108.56	236.73
Interest and dividend income	(22.92)	(23.91)	(52.28)	(47.22)	(102.23)
Provisions for investments	0.07	0.22	0.06	6.59	9.67
Effect of exchange differences on translation of foreign currency cash and cash equivalents	(1.86)	1.59	(9.01)	3.17	4.91
Changes in current assets and liabilities					
Sundry debtors	(89.69)	(27.09)	(274.87)	(73.94)	(132.80)
Loans and advances	(25.68)	4.03	(60.30)	(5.44)	(17.67)
Current liabilities and provisions	107.67	18.99	51.24	56.89	262.20
Income taxes paid during the period / year	(96.94)	(49.33)	(108.83)	(60.51)	(108.60)
NET CASH GENERATED BY OPERATING ACTIVITIES	461.16	348.90	641.46	680.00	1,623.79
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of fixed assets and change in capital work-in-progress	(176.07)	(72.63)	(330.53)	(133.76)	(425.86)
Acquisition of Expert Information Systems Pty.					(66.68)

Limited, Australia					
Proceeds on disposal of fixed assets	0.14	(0.01)	0.21	0.23	1.43
(Investments) in / disposal of securities	(112.11)	(349.83)	(20.63)	(450.38)	(934.17)
Interest and dividend income	<u>22.92</u>	<u>23.91</u>	<u>52.28</u>	<u>47.22</u>	<u>102.23</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(265.12)</u>	<u>(398.56)</u>	<u>(298.67)</u>	<u>(536.69)</u>	<u>(1,323.05)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from the issue of preference share capital	0.01		(0.05)		44.56
Proceeds from issuance of share capital on exercise of stock options	40.81	4.02	124.74	5.08	122.27
Dividends paid during the period / year, including dividend tax	<u>(1.97)</u>		<u>(869.14)</u>	<u>(108.35)</u>	<u>(216.75)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>38.85</u>	<u>4.02</u>	<u>(744.45)</u>	<u>(103.27)</u>	<u>(49.92)</u>
Effect of exchange differences on translation of foreign currency					
cash and cash equivalents	3.12	(1.59)	10.39	(3.17)	(5.76)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	238.01	(47.23)	(391.27)	36.87	245.06
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD / YEAR	<u>1,300.08</u>	<u>1,768.40</u>	<u>1,929.36</u>	<u>1,684.30</u>	<u>1,684.30</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD /YEAR	<u>1,538.09</u>	<u>1,721.17</u>	<u>1,538.09</u>	<u>1,721.17</u>	<u>1,929.36</u>

As per our report attached

for BSR & Co.
 (formerly Bharat S. Raut & Co.)
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Membership No. 83673	<i>Mentor</i>			
	Marti G. Subrahmanyam <i>Director</i>	Omkar Goswami <i>Director</i>	Larry Pressler <i>Director</i>	Rama Bijapurkar <i>Director</i>
	Claude Smadja <i>Director</i>	Sridar A. Iyengar <i>Director</i>	K. Dinesh <i>Director</i>	S. D. Shibulal <i>Director</i>
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Infosys Technologies Limited

Ratio analysis as per Indian GAAP (Non-consolidated)

in Rs. crore

	Quarter ended September 30,		Half year ended September 30,		Year ended March 31,
	2004	2003	2004	2003	2004
Financial performance					
Export revenue / total revenue (%)	98.21	98.35	98.28	98.10	98.61
Domestic revenue / total revenue (%)	1.79	1.65	1.72	1.90	1.39
Software development expenses / total revenue (%)	53.86	51.74	53.84	52.33	52.41
Gross profit / total revenue (%)	46.14	48.26	46.16	47.67	47.59
Selling and marketing expenses / total revenue (%)	6.10	7.09	6.03	7.23	7.04
General and administration expenses / total revenue (%)	6.91	7.82	6.90	7.66	7.29
Selling, general and administration expenses / total revenue (%)	13.01	14.91	12.93	14.89	14.33
Employee costs / total revenue (%)	46.14	49.99	46.53	49.81	49.69
Operating profit / total revenue (%)	33.13	33.35	33.24	32.78	33.26
Depreciation and amortization / total revenue (%)	3.35	5.49	3.35	4.81	4.85
Operating profit after depreciation and Interest / total revenue (%)	29.78	27.86	29.89	27.98	28.41
Other income / total revenue (%)	1.79	3.90	1.53	3.46	2.68
Provision for investments / total revenue (%)		0.02		0.30	0.20
Profit before tax / total revenue (%)	31.57	31.74	31.41	31.14	30.89
Tax / total revenue (%)	4.65	5.29	4.54	5.05	4.77
Tax / PBT (%)	14.72	16.66	14.45	16.23	15.44
PAT from ordinary activities / total revenue (%)	26.92	26.45	26.87	26.09	26.12
Capital expenditure / total revenue (%) (LTM)	10.78	5.93	10.78	5.93	9.03
PAT from ordinary activities / average net worth (%) (LTM)	40.89	37.85	40.89	37.85	40.68
ROCE (PBIT /Average capital employed) (%) (LTM)	47.87	45.65	47.87	45.65	48.10
Return on invested capital (%) (LTM)*	99.53	88.20	100.89	88.20	137.46
Capital output ratio (LTM)	1.54	1.45	1.54	1.45	1.56
Invested capital output ratio (LTM)	3.95	3.57	3.95	3.57	5.58
Balance sheet					
Debt-equity ratio					
Debtors turnover (Days) (LTM)	57	50	57	50	48
Current ratio*	3.34	3.86	3.34	3.86	2.14
Cash and cash equivalents / total assets (%)*	58.45	64.15	58.45	64.15	85.11
Cash and cash equivalents / total revenue (%) (LTM)*	41.72	51.00	41.72	51.00	58.16
Depreciation / average gross block (%) (LTM)	14.28	16.36	14.28	16.36	16.24
Technology investment / total revenue (%) (LTM)	3.51	3.53	3.51	3.53	3.23
Year on year growth (%)					

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Export revenue	49	30	43	35	32
Total revenue	49	29	43	35	31
Operating profit	48	17	45	21	25
Net profit	52	33	47	31	30
EPS	50	33	46	30	30
Per share data (period end)					
Basic earnings per share from ordinary activities (Rs.)	16.99	11.33	31.76	21.82	46.85
Basic cash earnings per share from ordinary activities (Rs.)	19.11	13.68	35.72	25.84	55.54
Book value (Rs.)	152.00	125.87	152.00	125.87	122.05
Price / earning (LTM)	29.94	27.43	29.94	27.43	26.35
Price / cash earnings (LTM)	25.99				