INFOSYS TECHNOLOGIES LTD
Form 6-K
February 23, 2005

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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)

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

Form 20-F x 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 x

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

Not applicable.

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

Infosys Technologies Limited

At a glance Indian GAAP (Non-consolidated financials)

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**
For the period					
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
At the end of the period					
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.*

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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 comapred 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.

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 Infoscions to make contributions. Although your company has a development center in Chennai, no Infoscions 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 Infoscions on your behalf.

Bangalore	Nandan M. Nilekani	S. Gopalakrishnan
January 12, 2005	*Chief Executive Officer, President*	*Chief Operating Officer*
	and Managing Director	*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 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

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Infosys Technologies Limited

Balance sheet as at

in Rs. crore

	December 31, 2004	December 31, 2003	March 31, 2004
SOURCES OF FUNDS			
SHAREHOLDERS FUNDS			
Share capital	134.73	33.23	33.32
Reserves and surplus	4,608.96	3,692.05	3,220.11
	4,743.69	3,725.28	3,253.43
APPLICATIONS OF FUNDS			
FIXED ASSETS			
Original cost	2,093.07	1,481.83	1,570.23
Less: Depreciation and amortization	951.39	744.99	803.41
Net book value	1,141.68	736.84	766.82
Add: Capital work-in-progress	212.14	79.38	203.48
	1,353.82	816.22	970.30
INVESTMENTS	1,178.18	615.54	1,027.38
DEFERRED TAX ASSETS	35.28	32.85	35.63
CURRENT ASSETS, LOANS AND ADVANCES			
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
	3,267.68	3,095.48	2,963.74
LESS: CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	581.12	549.96	560.44
Provisions	510.15	284.85	1,183.18
NET CURRENT ASSETS	2,176.41	2,260.67	1,220.12
	4,743.69	3,725.28	3,253.43

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

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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**
INCOME					
SOFTWARE SERVICES AND PRODUCTS					
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
	1,798.52	1,235.26	4,959.47	3,451.99	4,760.89
SOFTWARE DEVELOPMENT EXPENSES	960.15	645.48	2,662.02	1,805.42	2,495.31
GROSS PROFIT	838.37	589.78	2,297.45	1,646.57	2,265.58
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
	227.18	179.60	635.67	509.66	681.93
OPERATING PROFIT BEFORE INTEREST, DEPRECIATION AND AMORTIZATION	611.19	410.18	1,661.78	1,136.91	1,583.65
INTEREST					
DEPRECIATION AND AMORTIZATION	69.38	62.23	175.31	168.82	230.90
OPERATING PROFIT AFTER INTEREST, DEPRECIATION AND AMORTIZATION	541.81	347.95	1,486.47	968.09	1,352.75
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
NET PROFIT BEFORE TAX	588.97	393.14	1,581.79	1,083.42	1,470.47
PROVISION FOR TAXATION	93.00	65.00	236.50	177.00	227.00
NET PROFIT AFTER TAX	495.97	328.14	1,345.29	906.42	1,243.47
BALANCE BROUGHT FORWARD	763.81	469.88	70.51		
Less: Residual dividend paid for fiscal 2004			2.32		
Additional dividend tax			2.27		
	763.81	469.88	65.92		
AMOUNT AVAILABLE FOR APPROPRIATION	1,259.78	798.02	1,411.21	906.42	1,243.47
DIVIDEND					
Interim			133.93	96.09	96.09
Final					99.96
Onetime 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	1,259.78	798.02	1,259.78	798.02	70.51
	1,259.78	798.02	1,411.21	906.42	1,243.47
EARNINGS PER SHARE					
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	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	N. R. Narayana Murthy	Nandan M. Nilekani	S. Gopalakrishnan	Deepak M. Satwalekar
Partner	*Chairman and Chief Mentor*	*Chief Executive Officer,*	*Chief Operating Officer*	*Director*
Membership No. 83673		*President and Managing Director*	*and Deputy Managing Director*	
	Marti G. Subrahmanyam	Omkar Goswami	Rama Bijapurkar	Claude Smadja
	Director	*Director*	*Director*	*Director*
	Sridar A. Iyengar	K. Dinesh	S. D. Shibulal	T.V. Mohandas Pai
	Director	*Director*	*Director*	*Director and*
				Chief Financial Officer
	Srinath Batni	V. Balakrishnan		
Bangalore	*Director*	*Company Secretary and*		
January 12, 2005		*Senior Vice President Finance*		

Infosys Technologies Limited

Cash flow statement for the

in Rs. crore

	Quarter ended December 31,		Nine months ended December 31,		Year ended March 31,
	2004	**2003**	**2004**	**2003**	**2004**
CASH FLOWS FROM OPERATING ACTIVITIES					
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)
NET CASH GENERATED BY OPERATING ACTIVITIES	428.07	490.56	1,073.35	1,180.36	1,633.97
CASH FLOWS FROM INVESTING ACTIVITIES					
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
NET CASH USED IN INVESTING ACTIVITIES	(335.08)	(244.54)	(634.92)	(775.86)	(1,332.01)
CASH FLOWS FROM FINANCING ACTIVITIES					
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)
NET CASH USED IN FINANCING ACTIVITIES	24.83	(46.87)	(719.59)	(150.14)	(94.48)
Effect of exchange differences on translation of foreign currency cash and cash equivalents	(4.24)	4.95	8.48	1.09	(6.59)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	113.58	204.10	(272.68)	255.45	200.89
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD / YEAR	1,453.14	1,689.86	1,839.40	1,638.51	1,638.51
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD /YEAR	1,566.72	1,893.96	1,566.72	1,893.96	1,839.40

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
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	Marti G. Subrahmanyam	Omkar Goswami	Rama Bijapurkar	Claude Smadja
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	Director	*Director*	*Director*	*Director and*
				Chief Financial Officer
	Srinath Batni	V. Balakrishnan		
Bangalore	*Director*	*Company Secretary and*		
January 12, 2005		*Senior Vice President Finance*		

Infosys Technologies Limited

Schedules to profit and loss account for the

in Rs. crore

	Quarter ended December 31,		Nine months ended December 31,		Year ended March 31,
	2004	**2003**	**2004**	**2003**	**2004**
SOFTWARE DEVELOPMENT EXPENSES					
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
	960.15	645.48	2,662.02	1,805.42	2,495.31
SELLING AND MARKETING EXPENSES					
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

	101.32	92.35	291.79	252.51	335.08
GENERAL AND ADMINISTRATION EXPENSES					
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

Infosys Technologies Limited

Schedules to cash flow statements for the

in Rs. crore

	Quarter ended December 31,		Nine months ended December 31,		Year ended March 31,
	2004	**2003**	**2004**	**2003**	**2004**
CHANGE IN LOANS AND ADVANCES					
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
CHANGE IN CURRENT LIABILITIES AND PROVISIONS					
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
INCOME TAXES PAID					
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
PURCHASE OF FIXED ASSETS AND CHANGE IN CAPITAL WORK-IN-PROGRESS					
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

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)	
	1,177.79	611.81	1,177.85	618.40	1,037.05
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)
	112.82	134.82	150.47	585.20	937.17
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
	1,566.72	1,893.96	1,566.72	1,893.96	1,839.40

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

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 December 31,		Nine months ended December 31,		Year ended 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 December 31,		Nine months ended December 31,		Year ended 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
	1,187.33	825.08	3,297.69	2,315.08	3,177.24

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 December 31,		Nine months ended December 31,		Year ended March 31,
	2004	2003	2004	2003	2004
Lease rentals recognized during the period / year	8.57	9.25	26.08	28.39	38.88

Lease obligations	**As at December 31, 2004**	**As at December 31, 2003**	**As at March 31, 2004**

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
	62.82	99.44	86.60

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.

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

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
Lease rentals			
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:

Particulars	**Quarter ended December 31,**		**Nine months ended December 31,**		**Year ended March 31,**
	2004	**2003**	**2004**	**2003**	**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
Revenue transactions:					
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

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
	3.66	3.12	11.06	9.57	12.82

Infosys Australia

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

Infosys Shanghai

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

Infosys Consulting

Particulars	Quarter ended December 31, 2004	Quarter ended December 31, 2003	Nine months ended December 31, 2004	Nine months ended December 31, 2003	Year ended 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	22.90		44.87		
Revenue transactions:					
Purchase of services	2.70		3.27		
Sale of services					
Software services & products-overseas	0.84		1.00		
Shared services including facilities and personnel					
	0.84		1.00		

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

	As at December 31, 2004	As at December 31, 2003	As at March 31, 2004
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:

	As at December 31, 2004	As at December 31, 2003	As at March 31, 2004
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:

	As at December 31, 2004	As at December 31, 2003	As at March 31, 2004
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 :

Particulars	Quarter ended December 31, 2004	Quarter ended December 31, 2003	Nine months ended December 31, 2004	Nine months ended December 31, 2003	Year ended March 31, 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:

Particulars	Quarter ended December 31, 2004	Quarter ended December 31, 2003	Nine months ended December 31, 2004	Nine months ended December 31, 2003	Year ended March 31, 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:

Name	Salary	Contributions to provident and other funds	Perquisites and incentives	Total remuneration

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

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1.2.4 Transactions with key management personnel (contd.)

Name	Commission	Sitting fees	Reimbursement of expenses	Total remuneration
Independent Directors				
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
Other Senior Management Personnel				
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
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 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.

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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 December 31,		Nine months ended December 31,		Year ended 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:

	Quarter ended December 31,		Nine months ended December 31,		Year ended March 31,
Particulars of investee companies	**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*

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 (CIFC) 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, CIFC 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 CIFC.

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.

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*

	Financial services	**Manufacturing**	**Telecom**	**Retail**	**Others**	**Total**
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

Net profit after taxes	495.97
	328.14

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

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

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						1,243.47

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Infosys Technologies Limited

Geographic segments

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

	North America	Europe	India	Rest of the World	Total
Revenues	1,206.16	398.65	39.65	154.06	1,798.52
	891.80	*253.86*	*7.96*	*81.64*	*1,235.26*
Identifiable operating expenses	485.64	156.99	11.28	98.61	752.52
	369.54	*101.98*	*2.80*	*37.40*	*511.72*
Allocated expenses	291.60	96.38	9.58	37.25	434.81
	226.23	*64.40*	*2.02*	*20.71*	*313.36*
Segmental operating income	428.92	145.28	18.79	18.20	611.19
	296.03	*87.48*	*3.14*	*23.53*	*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
Net profit after taxes					495.97
					328.14

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

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

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

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					1,243.47

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 December 31,		Nine months ended December 31,		Year ended March 31,
	2004	2003	2004	2003	2004
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
Number of shares considered as weighted average shares and potential shares outstanding	27,71,10,460	27,04,31,572	27,37,70,692	26,77,16,272	26,87,87,016

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

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.

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

Infosys Technologies Limited

Consolidated balance sheet as at

in Rs. crore

	December 31, 2004	December 31, 2003	March 31, 2004
SOURCES OF FUNDS			
SHAREHOLDERS FUNDS			
Share capital	134.74	33.23	33.32
Reserves and surplus	4,592.39	3,690.87	3,216.26
	4,727.13	3,724.10	3,249.58
MINORITY INTERESTS			
PREFERENCE SHARES ISSUED BY SUBSIDIARY	93.51	49.00	93.56
	4,820.64	3,773.10	3,343.14
APPLICATIONS OF FUNDS			
FIXED ASSETS			
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
	1,431.15	829.59	1,031.86
INVESTMENTS	1,057.02	614.01	945.45
DEFERRED TAX ASSETS	42.98	32.85	39.97
CURRENT ASSETS, LOANS AND ADVANCES			
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
	3,454.60	3,137.92	3,094.01
LESS: CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	652.73	555.71	580.93
Provisions	512.38	285.56	1,187.22
NET CURRENT ASSETS	2,289.49	2,296.65	1,325.86
	4,820.64	3,773.10	3,343.14

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*		

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**
INCOME					
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
	1,875.61	1,257.01	5,142.32	3,503.51	4,852.95
SOFTWARE DEVELOPMENT AND BUSINESS PROCESS MANAGEMENT EXPENSES	991.48	656.70	2,723.35	1,831.58	2,538.67
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
	266.15	187.22	750.67	526.89	720.09
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
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
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
NET PROFIT BEFORE MINORITY INTERESTS	497.34	328.51	1,333.03	908.40	1,243.63
MINORITY INTERESTS					
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		
	750.35	471.49	66.09		
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

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
EARNINGS PER SHARE					
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 December 31, 2004	Quarter ended December 31, 2003	Nine months ended December 31, 2004	Nine months ended December 31, 2003	Year ended March 31, 2004
CASH FLOWS FROM OPERATING ACTIVITIES					
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)
NET CASH GENERATED BY OPERATING ACTIVITIES	448.77	499.96	1,084.96	1,180.64	1,623.79
CASH FLOWS FROM INVESTING ACTIVITIES					
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
NET CASH USED IN INVESTING ACTIVITIES	(321.07)	(260.18)	(619.73)	(796.86)	(1,323.05)
CASH FLOWS FROM FINANCING ACTIVITIES					
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)
NET CASH USED IN FINANCING ACTIVITIES	24.83	(46.87)	(719.62)	(150.14)	(49.92)
Effect of exchange differences on translation of foreign currency cash and cash equivalents	(7.27)	4.95	8.38	1.09	(5.76)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	145.26	197.86	(246.01)	234.73	245.06
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD / YEAR	1,538.09	1,721.17	1,929.36	1,684.30	1,684.30
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD /YEAR	1,683.35	1,919.03	1,683.35	1,919.03	1,929.36

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 December 31,		Nine months ended December 31,		Year ended March 31,
	2004	2003	2004	2003	2004
Financial performance					
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
Balance sheet					
Debt-equity ratio					
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
Year on year growth (%)**					
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
Per-share data (period-end)					
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

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

(Dollars in millions except per share data)

	Three months ended December 31,		Nine months ended December 31,		Year ended March 31,
	2003	**2004**	**2003**	**2004**	**2004**
For the period					
Revenues	$ 276	$ 423	$ 760	$ 1,137	$ 1,063
Operating income	$ 76	$ 122	$ 207	$ 327	$ 293
Operating income / revenues (%)	27.5%	28.8%	27.2%	28.8%	27.6%
Net income	$ 71	$ 112	$ 193	$ 292	$ 270
Net income / revenues (%)	25.7%	26.5%	25.4%	25.7%	25.4%
Basic earnings per equity share ($)	$ 0.27	$ 0.42	$ 0.74	$ 1.09	$ 1.03
Cash dividend per equity share ($)	$ 0.08	$ 0.12	$ 0.16	$ 0.75	$ 0.16
Capital expenditure	$ 20	$ 58	$ 49	$ 130	$ 93
At the end of the period					
Total assets	$ 969	$ 1,305	$ 969	$ 1,305	$ 1,132
Property plant and equipment- net	$ 182	$ 321	$ 182	$ 321	$ 228
Cash and cash equivalents	$ 421	$ 389	$ 421	$ 389	$ 445
Investment in liquid mutual fund units	$ 133	$ 244	$ 133	$ 244	$ 218
Working capital	$ 631	$ 762	$ 631	$ 762	$ 721
Stockholders equity	$ 821	$ 1,097	$ 821	$ 1,097	$ 953
Common stock	$ 9	$ 31	$ 9	$ 31	$ 9
Market capitalization	$ 8,119	$ 13,026	$ 8,119	$ 13,026	$ 7,583

Note:

(1) Balance sheet data and per share data for all periods presented have been adjusted to reflect the effect of issue of bonus shares in the ratio of 3 bonus shares for every share held.

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

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 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 December 31, 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 560 100 +91-80-2852-0261

(Address of principal executive offices)

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

Form 20-F þ 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 þ

If Yes is marked, indicate below the file number assigned to registrant in connection with Rule 12g 3-2(b).

Not applicable

Currency of Presentation and Certain Defined Terms

In this Quarterly Report, references to U.S. or United States are to the United States of America, its territories and its possessions. References to India are to the Republic of India. References to $ or dollars or U.S. dollars are to the legal currency of the United States and references to Rs. rupees or Indian rupees are to the legal currency of India. Our financial statements are presented in Indian rupees and translated into U.S. dollars and are prepared in accordance with United States Generally Accepted Accounting Principles, or U.S. GAAP References to Indian GAAP are to Indian Generally Accepted Accounting Principles. References to a particular fiscal year are to our fiscal year ended March 31 of such year.

All references to we, us, our, Infosys or the Company shall mean Infosys Technologies Limited. Infosys is a registered trademark of Infos Technologies Limited in the United States and India. All other trademarks or tradenames used in this Quarterly Report are the property of their respective owners.

Except as otherwise stated in this Quarterly Report, all translations from Indian Rupees to U.S. dollars are based on the noon buying rate in the City of New York on December 31, 2004, for cable transfers in Indian rupees as certified for customs purposes by the Federal Reserve Bank of New York which was Rs. 43.27 per $1.00. No representation is made that the Indian rupee amounts have been, could have been or could be converted into U.S. dollars at such a rate or any other rate. Any discrepancies in any table between totals and sums of the amounts listed are due to rounding. Information contained in our website, www.infosys.com, is not part of this Quarterly Report.

Forward-looking Statements May Prove Inaccurate

In addition to historical information, this Quarterly Report contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The forward-looking statements contained herein are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. Factors that might cause such differences include but are not limited to, those discussed in the section entitled Managements Discussion and Analysis of Financial Condition and Results of Operations and elsewhere in this report. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management s analysis only as of the date hereof. In addition, readers should carefully review the other information in this Quarterly Report and in the Company s periodic reports and other documents filed with the Securities and Exchange Commission (SEC) from time to time.

Infosys Technologies Limited

Part I Financial Information

Item 1. Financial Statements

INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in millions)

	AS OF	
	March 31, 2004 (1)	**December 31, 2004**
		(Unaudited)
ASSETS		
Current Assets		
Cash and cash equivalents	$ 445	$ 389
Investment in liquid mutual fund units	218	244
Trade accounts receivable, net of allowances	150	240
Deferred tax assets		2
Prepaid expenses and other current assets	36	39
Unbilled revenue	24	29
Total current assets	873	943
Property, plant and equipment, net	228	321
Goodwill	8	8
Intangible assets, net	2	1
Deferred tax assets	7	8
Other assets	14	24
Total Assets	$ 1,132	$ 1,305
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities		
Accounts payable	$ 1	$ 1
Client deposits	15	8
Other accrued liabilities	99	114
Income taxes payable	22	32
Unearned revenue	15	26
Total current liabilities	152	181
Non-current liabilities		
Preferred stock of subsidiary	22	22
Other non-current liabilities	5	5
Stockholders Equity Common stock, $0.16 par value 300,000,000 equity shares authorized as of December 31, 2004 Issued and outstanding 266,564,224 and 269,456,304 equity shares as of March 31, 2004 and December	9	31

31, 2004 respectively (See Note 2.11)		
Additional paid-in capital	157	228
Accumulated other comprehensive income	39	42
Retained earnings	748	796
Total stockholders equity	953	1,097
Total Liabilities and Stockholders Equity	$ 1,132	$ 1,305

(1) *March 31, 2004 balances were obtained from audited financial statements. See accompanying notes to the unaudited consolidated financial statements*

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

(Dollars in millions except share and per share data)

	Three months ended December 31,		Nine months ended December 31,	
	2003	**2004**	**2003**	**2004**
Revenues	$ 276	$ 423	$ 760	$ 1,137
Cost of revenues (including amortization of stock compensation expenses of $2 million for the nine months ended December 31, 2003)	155	241	430	642
Gross profit	121	182	330	495
Operating Expenses:				
Selling and marketing expenses	21	26	56	76
General and administrative expenses	21	34	59	91
Amortization of stock compensation expense			1	
Amortization of intangible assets	3		7	1
Total operating expenses	45	60	123	168
Operating income	76	122	207	327
Other income	9	11	24	17
Income before income taxes	85	133	231	344
Provision for income taxes	14	21	38	52
Net income	$ 71	$ 112	$ 193	$ 292
Earnings per equity share				
Basic	$ 0.27	$ 0.42	$ 0.74	$ 1.09
Diluted	$ 0.26	$ 0.40	$ 0.73	$ 1.07
Weighted average equity shares used in computing earnings per equity share (See Note 2.11)				
Basic	262,839,448	267,360,142	262,512,796	266,307,767
Diluted	268,727,184	275,372,238	266,228,668	272,581,961

See accompanying notes to the unaudited consolidated financial statements

Infosys Technologies Limited

INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY AND COMPREHENSIVE INCOME

(Dollars in millions)

	Common stock				Accumulated other			Total
	Shares	Par value	Additional paid-in capital	Comprehensive income	Comprehensive income	Deferred stock compensation	Retained earnings	stockholders equity
	(See Note 2.11)							
Balance as of March 31, 2003	264,972,312	$ 9	$ 127		$ (32)	$ (3)	$ 525	$ 626
Common stock issued	851,656		15					15
Cash dividends							(47)	(47)
Income tax benefit arising on exercise of stock options			2					2
Amortization of compensation related to stock option grants						3		3
Comprehensive income								
Net income				$ 193			193	193
Other comprehensive income								
Translation adjustment				29	29			29
Comprehensive income				$ 222				
Balance as of December 31, 2003	265,823,968	$ 9	$ 144		$ (3)	$	$ 671	$ 821
Balance as of March 31, 2004	266,564,224	$ 9	$ 157		$ 39		$ 748	$ 953
Common stock issued	2,892,080		67					67
Cash dividends							(222)	(222)
Income tax benefit arising on exercise of stock options			4					4
Stock split effected in the form of a stock dividend (See Note 2.11)		22					(22)	
Comprehensive income								
Net income				$ 292			292	292
Other comprehensive income								
Translation adjustment				3	3			3
Comprehensive income				$ 295				
Balance as of December 31, 2004	269,456,304	$ 31	$ 228		$ 42		$ 796	$ 1,097

See accompanying notes to the unaudited consolidated financial statements

INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	(Dollars in millions)	
	Nine months ended December 31,	
	2003	**2004**
OPERATING ACTIVITIES:		
Net income	$ 193	$ 292
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	31	41
Amortization of intangible assets	7	1
Provision for investments	2	
Deferred taxes	1	(3)
Amortization of stock compensation expense	3	
Changes in assets and liabilities		
Trade accounts receivable	(39)	(85)
Prepaid expenses and other current assets		(1)
Unbilled revenue		(5)
Income taxes	20	11
Client deposits	18	(7)
Unearned revenue	5	11
Other accrued liabilities	29	13
Net cash provided by operating activities	270	268
Investing Activities:		
Expenditure on property plant and equipment	(49)	(130)
Loans to employees	4	1
Non-current deposits with corporations		(11)
Cash advanced for contemplated business combination	(11)	
Investment in liquid mutual fund units	(131)	(56)
Redemption of liquid mutual fund units		32
Net cash used in investing activities	(187)	(164)
Financing Activities:		
Proceeds from issuance of common stock	15	67
Payment of dividends	(47)	(222)
Net cash used in financing activities	(32)	(155)
Effect of exchange rate changes on cash	16	(5)
Net increase / (decrease) in cash and cash equivalents during the period	67	(56)
Cash and cash equivalents at the beginning of the period	354	445
Cash and cash equivalents at the end of the period	$ 421	$ 389

Supplementary information:		
Cash paid towards taxes	$ 17	$ 43
Stock split effected in the form of a stock dividend (See Note 2.11)		

See accompanying notes to the unaudited consolidated financial statements

Infosys Technologies Limited

INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Company overview and significant accounting policies

1.1 Company overview

Infosys Technologies Limited (Infosys) along with its majority owned and controlled subsidiary Progeon Limited (Progeon), and wholly-owned subsidiaries Infosys Technologies (Australia) Pty Limited (Infosys Australia), Infosys Technologies (Shanghai) Co. Limited (Infosys China) and Infosys Consulting Inc. (Infosys Consulting) is a leading global technology services firm. 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.

1.2 Basis of preparation of financial statements

The consolidated financial statements include Infosys and its subsidiaries (the company) and are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Infosys consolidates entities in which it owns or controls more than 50% of the voting shares. The results of acquired businesses are included in the consolidated financial statements from the date of acquisition. Inter-company balances and transactions are eliminated on consolidation.

Interim information presented in the consolidated financial statements has been prepared by the management without audit and, in the opinion of management, includes all adjustments of a normal recurring nature that are necessary for the fair presentation of the financial position, results of operations and cash flows for the periods shown, and is in accordance with GAAP. These financial statements should be read in conjunction with the consolidated financial statements and related notes included in the company s annual report on Form 20-F for the fiscal year ended March 31, 2004.

1.3 Use of estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates and assumptions are used for, but not limited to accounting for costs and efforts expected to be incurred to complete performance under software development arrangements, allowance for uncollectible accounts receivable, future obligations under employee benefit plans, provisions for post-sales customer support, the useful lives of property, plant, equipment and intangible assets and income tax valuation allowances. Actual results could differ from those estimates. Appropriate changes in estimates are made as management become aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financials statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the consolidated financial statements.

1.4 Revenue recognition

The company derives revenues primarily from software development and related services, licensing of software products and from business process management services. Arrangements with customers for software development and related services are either on a fixed price, fixed timeframe or on a time and material basis.

Revenue on time-and-material contracts is recognized as the related services are performed and revenue from the end of the last billing to the balance sheet date is recognized as unbilled revenues. Revenue from fixed-price, fixed-timeframe contracts is recognized as per the percentage-of-completion method. Guidance has been drawn from paragraph 95 of Statement of Position (SOP) 97-2, Software Revenue Recognition, to account for revenue from fixed price arrangements for software development and related services in conformity with SOP 81-1. The input (efforts expended) method has been used to measure progress towards completion as there is a direct relationship between input and productivity. Provisions for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the current contract estimates. Costs and earnings in excess of billings are classified as unbilled revenue while billings in excess of costs and earnings are classified as unearned revenue. Maintenance revenue is recognized ratably over the term of the underlying maintenance agreement.

The company provides its clients with a fixed-period warranty for corrections of errors and telephone support on all its fixed-price, fixed-timeframe contracts. Costs associated with such support services are accrued at the time related revenues are recorded and included in cost of revenues. The company estimates such costs based on historical experience and estimates are reviewed on a periodic basis for any material changes in assumptions and likelihood of occurrence.

In accordance with SOP 97-2, license fee revenues are recognized when persuasive evidence of an arrangement exists, delivery has occurred, the license fee is fixed and determinable, and the collection of the fee is probable. Arrangements to deliver software products generally have three elements: license, implementation and Annual Technical Services (ATS). The company has applied the principles in SOP 97-2 to account for revenue from these multiple element arrangements. Vendor specific objective evidence of fair value (VSOE) has been established for ATS. VSOE is the price charged when the element is sold separately. When other services are provided in conjunction with the licensing arrangement, the revenue from such contracts are allocated to each component of the contract using the residual method, whereby revenue is deferred for the undelivered services and the residual amounts are recognized as revenue for delivered elements. In the absence of an established VSOE for implementation, the entire arrangement fee for license and implementation is recognized as the implementation is performed. Revenue from client training, support and other services arising due to the sale of software products is recognized as the services are performed. ATS revenue is recognized ratably over the period in which the services are rendered.

Revenues from business process management and other services are recognized on both, the time-and-material and fixed-price, fixed-timeframe basis. Revenue on time-and-material contracts is recognized as the related services are rendered. Revenue from fixed-price, fixed-timeframe contracts is recognized as per the proportional performance method using an output measure of performance.

When the company receives advances for services and products, such amounts are reported as client deposits until all conditions for revenue recognition are met.

1.5 Cash and cash equivalents

The company considers all highly liquid investments with a remaining maturity at the date of purchase / investment of three months or less and that are readily convertible to known amounts of cash to be cash equivalents. Cash and cash equivalents comprise cash, and cash on deposit with banks, and corporations.

1.6 Investments

Investments in non-readily marketable equity securities of other entities where the company is unable to exercise significant influence and for which there are no readily determinable fair values are recorded at cost. Declines in value judged to be other than temporary are included in earnings.

Investment securities designated as available for sale are carried at their fair value. Fair value is based on quoted market prices. Temporary unrealized gains and losses, net of the related tax effect are reported as a separate component of stockholders equity until realized. Realized gains and losses and declines in value judged to be other than temporary on available for sale securities are included in earnings.

The cost of securities sold is based on the specific identification method. Interest and dividend income are recognized when earned.

1.7 Property, plant and equipment

Property plant and equipment are stated at cost, less accumulated depreciation. The company depreciates property, plant and equipment over their estimated useful lives using the straight-line method. The estimated useful lives of assets are as follows:

Buildings	15 years	Vehicles	5 years
Plant and equipment	5 years	Computer equipment	2-5 years
Furniture and fixtures	5 years		

The cost of software purchased for internal use is accounted under SOP 98-1, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use. Deposits paid towards the acquisition of these long lived assets outstanding at each balance sheet date and the cost of assets not put to use before such date are disclosed under Capital work-in-progress . Costs of improvements that substantially extend the useful life of particular assets are capitalized. Repairs and maintenance cost are charged to earnings when incurred. The cost and related accumulated depreciation are removed from the consolidated financial statements upon sale or disposition of the asset.

The company evaluates the recoverability of these assets whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying value of the assets exceeds the fair value of the assets. Assets to be disposed are reported at the lower of the carrying value or the fair value less the cost to sell.

1.8 Business combinations

Business combinations have been accounted using the purchase method under the provisions of Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standard (SFAS) No. 141, Business Combinations. Cash and amounts of consideration that are determinable at the date of acquisition are included in determining the cost of the acquired business.

1.9 Goodwill

Goodwill represents the cost of the acquired businesses in excess of the fair value of identifiable tangible and intangible net assets purchased. Goodwill is tested for impairment on an annual basis, relying on a number of factors including operating results, business plans and future cash flows. Recoverability of goodwill is evaluated using a two-step process. The first step involves a comparison of the fair value of a reporting unit with its carrying value. If the carrying amount of the reporting unit exceeds its fair value, the second step of the process involves a comparison of the fair value and carrying value of the goodwill of that reporting unit. If the carrying value of the goodwill of a reporting unit exceeds the fair value of that goodwill, an impairment loss is recognized in an amount equal to the excess. Goodwill of a reporting unit shall be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying amount.

1.10 Intangible assets

Intangible assets are amortized over their respective individual estimated useful lives on a straight-line basis. The estimated useful life of an identifiable intangible asset is based on a number of factors including the effects of obsolescence, demand, competition, and other economic factors (such as the stability of the industry, and known technological advances), and the level of maintenance expenditures required to obtain the expected future cash flows from the asset.

Intangible assets are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying value of the assets exceeds the fair value of the assets.

1.11 Research and development

Research and development costs are expensed as incurred. Software product development costs are expensed as incurred until technological feasibility is achieved. Research and development costs and software development costs incurred under contractual arrangements with customers are accounted as cost of revenues.

1.12 Foreign currency

The functional currency of the company is the Indian rupee (Rs.). The functional currency for Infosys Australia, Infosys China and Infosys Consulting is the respective local currency. The consolidated financial statements are reported in U.S. dollars. The translation of Rs. to U.S. dollars is performed for balance sheet accounts using the exchange rate in effect at the balance sheet date and for revenue, expense and cash-flow items using a monthly average exchange rate for the respective periods. The gains or losses resulting from such translation are included in Other comprehensive income , a separate component of stockholders equity. The translation of the financial statements of foreign subsidiaries from the local currency to the functional currency of the company is also performed on the same basis.

Foreign-currency denominated assets and liabilities are translated into the functional currency at exchange rates in effect at the balance sheet date. The gains or losses resulting from such translation are included in earnings. Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net income for the period in which the transaction is settled. Revenue, expense and cash-flow items denominated in foreign currencies are translated into the functional currency using the exchange rate in effect on the date of the transaction.

1.13 Earnings per share

Basic earnings per share is computed by dividing net income for the period by the weighted average number of equity shares outstanding during the period. Diluted earnings per share is computed by dividing net income by the diluted weighted average number of equity shares outstanding during the period. Diluted earnings per share reflects the potential dilution from equity shares issuable through employee stock options and preferred stock of subsidiary. The dilutive effect of employee stock options is reflected in diluted earnings per share by application of the treasury stock method. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the if-converted method. If securities have been issued by a subsidiary that enable their holders to obtain the subsidiary s common stock, the earnings of the subsidiary shall be included in the consolidated diluted earnings per share computations based on the consolidated group s holding of the subsidiary s securities.

If the number of common shares outstanding increases as a result of a stock dividend or stock split or decreases as a result of a reverse stock split, the computations of basic and diluted EPS are adjusted retroactively for all periods presented to reflect that change in capital structure. If such changes occur after the close of the reporting period but before issuance of the financial statements, the per-share computations for that period and any prior-period financial statements presented are based on the new number of shares.

1.14 Income taxes

Income taxes are accounted for using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of changes in tax rates on deferred tax assets and liabilities is recognized as income in the period that includes the enactment date. The measurement of deferred tax assets is reduced, if necessary, by a valuation allowance for any tax benefits of which future realization is not more likely than not. Changes in valuation allowance from period to period are reflected in the income statement of the period of change. Deferred taxes are not provided on the undistributed earnings of subsidiaries outside India where it is expected that the earnings of the foreign subsidiary will be permanently reinvested. Tax benefits earned on exercise of employee stock options in excess of compensation charged to earnings are credited to additional paid in capital. The income tax provision for the interim period is based on the best estimate of the effective tax rate expected to be applicable for the full fiscal year.

1.15 Fair value of financial instruments

In determining the fair value of its financial instruments, the company uses a variety of methods and assumptions that are based on market conditions and risks existing at each balance sheet date. The methods used to determine fair value include discounted cash flow analysis and dealer quotes. All methods of assessing fair value result in general approximation of value, and such value may never actually be realized.

1.16 Concentration of risk

Financial instruments that potentially subject the company to concentrations of credit risk consist principally of cash equivalents, trade accounts receivable, investment securities and hedging instruments. By nature, all such financial instruments involve risk, including the credit risk of non-performance by counterparties. In management s opinion, as of December 31, 2004 there was no significant risk of loss in the event of non-performance of the counterparties to these financial instruments, other than the amounts already provided for in the financial statements, if any. Exposure to credit risk is managed through credit approvals, establishing credit limits and monitoring procedures. The company s cash resources are invested with corporations, financial institutions and banks with high investment grade credit ratings. Limitations are established by the company as to the maximum amount of cash that may be invested with any such single entity.

Infosys Technologies Limited

1.17 Derivative financial instruments

On April 1, 2001, the company adopted SFAS 133, Accounting for Derivative Instruments and Hedging Activities as amended, when the rules became effective for companies with fiscal years ending March 31. The company enters into foreign exchange forward contracts where the counter party is generally a bank. The company purchases foreign exchange forward contracts to mitigate the risk of changes in foreign exchange rates on accounts receivable and forecasted cash flows denominated in certain foreign currencies. Although these contracts constitute hedges from an economic perspective, they do not qualify for hedge accounting under SFAS 133, as amended. Any derivative that is either not designated a hedge, or is so designated but is ineffective per SFAS 133, is marked to market and recognized in earnings immediately.

1.18 Retirement benefits to employees

1.18.1 Gratuity

In accordance with the Payment of Gratuity Act, 1972, Infosys provides for gratuity, a defined benefit retirement plan (the Gratuity Plan) covering eligible employees. The Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee s salary and the tenure of employment.

Liabilities with regard to the Gratuity Plan are determined by actuarial valuation. The company fully contributes all ascertained liabilities to the Infosys Technologies Limited Employees Gratuity Fund Trust (the Trust). In case of Progeon, contributions are made to the Progeon Employees Gratuity Fund Trust. Trustees administer contributions made to the Trust and contributions are invested in specific designated instruments as permitted by law and investments are also made in mutual funds that invest in the specific designated instruments.

1.18.2 Superannuation

Certain employees of Infosys are also participants in a defined contribution plan. The company makes monthly contributions under the superannuation plan (the Plan) to the Infosys Technologies Limited Employees Superannuation Fund Trust based on a specified percentage of each covered employee s salary. The company has no further obligations to the Plan beyond its monthly contributions. Certain employees of Progeon are also eligible for superannuation benefit. Progeon makes monthly provisions under the superannuation plan based on a specified percentage of each covered employee s salary. Progeon has no further obligations to the superannuation plan beyond its monthly provisions which are periodically contributed to a trust fund, the corpus of which is invested with the Life Insurance Corporation of India.

1.18.3 Provident fund

Eligible employees of Infosys receive benefits from a provident fund, which is a defined contribution plan. Both the employee and the company make monthly contributions to the provident fund plan equal to a specified percentage of the covered employee s salary. The company contributes a part of the contributions to the Infosys Technologies Limited Employees Provident Fund Trust. The remaining portion is contributed to the government administered provident fund.

In respect of Progeon, eligible employees receive benefits from a provident fund, which is a defined contribution plan. Both the employee and Progeon make monthly contributions to this provident fund plan equal to a specified percentage of the covered employee s salary. Amounts collected under the provident fund plan are deposited in a government administered provident fund.

1.19 Stock-based compensation

The company applies the intrinsic value-based method of accounting prescribed by Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations including FASB Interpretation No. 44, Accounting for Certain Transactions involving Stock Compensation an interpretation of APB Opinion No. 25, issued in March 2000, to account for its fixed stock option plans. Under this method, compensation expense is recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price. SFAS 123, Accounting for Stock-Based Compensation, established accounting and disclosure requirements using a fair value-based method of accounting for stock-based employee compensation plans. As allowed by SFAS 123, the Company has elected to continue to apply the intrinsic value-based method of accounting described above, and has adopted the disclosure requirements of SFAS 148, Accounting for Stock-Based Compensation Transition and Disclosure, an amendment of FASB Statement No. 123. All stock options issued to date have been accounted as a fixed stock option plan.

The following table illustrates the effect on net income and earnings per share if the company had applied the fair value recognition provisions of SFAS Statement No. 123, Accounting for Stock-Based Compensation, to stock-based employee compensation.

(Dollars in millions except per share data)

	Nine months ended December 31,	
	2003	**2004**
Net income, as reported	$ 193	$ 292
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	3	
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(41)	(22)
Pro forma net income	$ 155	$ 270
Earnings per share: (See Note 2.11)		
Basic as reported	$ 0.74	$ 1.09
Basic pro forma	$ 0.59	$ 1.01
Diluted as reported	$ 0.73	$ 1.07