

INFOSYS TECHNOLOGIES LTD

Form 6-K

May 21, 2004

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 year ended March 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 561 229. +91-80-852-0261

(Address of principal executive offices)

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

Form 20-F Form 40-F

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

Yes No

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

Not applicable.

This Form 6-K contains our Annual Report for the fiscal year ended March 31, 2004 that we mailed to holders of our Equity Shares and our American Depositary Shares, or ADSs, on or about May 14, 2004. The information contained in this Form 6-K shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the Exchange Act), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

One cannot manage change. One can only be ahead of it.

Peter Drucker

In the cacophony of our information-intensive society, it is always easy to read too much into every little thing. Phrases like *inflection point* or *tipping point* are dropped with merry abandon. Every tiny innovation is deemed a *game changer*. The desperate search to get mindshare in a society weighed down by sensory overload urges business strategists and companies to often make mountains out of molehills.

The opposite is true too. As far reaching technological and business changes sweep the world, it is sometimes comforting for a company to stick to its strategy, like a child clings to a familiar blanket. While the power of the new idea or the new business model is understood intellectually, the response is much too slow, too small and too ineffectual. As dissonance between a company's *Theory of the Business* and its dramatically changing external landscape increases, it can languish and die.

The challenge, therefore, is to be able to make the critical judgment: to sift through the babble of strategy, and to focus on those secular changes which will make an inexorable shift and bring forth new business models. It is to anticipate the next mega trend, and yet not get distracted by the noise of a hundred talking heads.

When we retest our assumptions in our business, and separate the wheat from the chaff, it is abundantly clear that our world has changed. The *Global Delivery Model* that has been at the heart of our execution is more than just a way of getting work done offshore. It is a genuine business innovation that delivers a superior value proposition at higher quality and lower cost. By leveraging global capacity, global resources and global strengths, it creates new degrees of freedom that put incumbent models at a disadvantage.

By making the *Global Delivery Model* both legitimate and mainstream, we have brought the battle to our territory. That, after all, is the purpose of strategy. We have become the leaders and the incumbents are followers, forever playing catch up. Every company now needs to articulate an *India strategy*. We have redefined value for money in our industry, and shown that the key to the game is scalability. Size, brand and infrastructure are an imperative. It is business innovation that can be extended to high value services like *Systems Integration* and

Consulting. In this new game, the victor is obvious – a company that combines world-class consulting with world-class execution, built on the foundation of the Global Delivery Model.

However, creating a new business innovation is not enough for rules to be changed. The innovation must impact clients, competitors, investors and society. We have seen all that in spades. Clients have embraced the model and are demanding it in even greater measure. The acuteness of their own circumstance, coupled with the capability and value of our solution, has made the choice not a choice. Competitors have been dragged kicking and screaming to replicate what we do. They face trauma and disruption, but the game has changed forever. Investors, ever quick to spot a new ramp of value expansion, have grasped that this is not a passing fancy, but a potential restructuring of the way the world operates and how value will be created in future. Moreover, societies are coming to grips with a new kind of borderless world - one that will have immense social, political and economic implications for their citizens.

As we come to terms with a new set of rules, we have to reexamine every strategic assumption, and uphold its validity within the changed context. The attractiveness of our model is also the very source of increased competitive imitation. The more we become mainstream, the more we have to be different. As the world casts its covetous eyes on our human capital, we have to strive to retain the best and the brightest. As increasingly embattled competitors scatter Fear, Uncertainty and Doubt, we have to combat the spin merchants. Further, as societies demand our participation, we have to do what it takes to be a truly global citizen.

At the same time, we cannot forget the very basic rules of block and tackle. Managing scale, managing risk, managing execution, managing diversity, and meeting and exceeding the aspirations of our varied stakeholders...

New Game. New Rules. | 1

Exceeding changing
expectations

The game moves to a new course -unfamiliar and uncharted. Changes in the economic environment challenge the growth and profitability of businesses worldwide. Clients demand a defined benefit for every IT dollar spent, and spell the new rules for return on IT investments. Increasingly, they realize that Global Delivery disrupts the traditional equation of value-for-money. The new game is all about fuelling business growth and realizing much higher benefits with sustained IT investments.

On this new course, value expectations change and client delight assumes new meaning. To exceed expectations, the business problems now have to be defined beyond the brief, even before they are solved. Only those who understand the new problems, and nurture client relationships based on the intrinsic business value of global delivery are invited to play. With no tolerance for nasty surprises, clients seek predictable results across all facets of their networked global corporations. The rules are set for those who play on the fundamental tenets of speed, imagination and excellence in execution.

2 | New Game. New Rules.

Efficient business solutions

To win, the players must now score not just through one but two goal posts, and simultaneously at that. Increasingly, clients do not want to make a choice between developing business solutions and ensuring global cost competitiveness. As clients strive to be fiercely competitive in their markets, they explicitly demand genuine business solutions that are also the most cost-effective. The game has changed for those who develop traditional solutions without leveraging the strengths of global delivery.

This requires the players to approach each transaction as a cost-effective business solution opportunity. The teams in the field have to be reorganized to win, and the coaches must change their mindset. The focus must be on exercising the intellect and enhancing the execution capability, such that both goals are achieved with one stroke. This demands a pragmatic understanding of the clients' business and of the detailed workings of a cost-effective delivery model. But then, one need not play the game alone. Strategic alliances must now focus on delivering real client value and complementing the solution and innovation capabilities of the team out in the field.

New Game. New Rules. | 3

Strategic global sourcing

Of course, the game can even change once the teams start playing; the gamekeeper retains the flexibility to change the rules. On the ground, the popular Total Outsourcing model is facing rough weather. Given the changing business scenario, clients increasingly want to actively steer the outsourcing decisions for maximum strategic benefit. This is compounded by increasing dissatisfaction with the current productivity and service levels in totally outsourced environments. New rules must address the need for adequate governance and transparency in day-to-day operations.

Evolution of outsourcing is entering a new phase. Information technology management has matured into a defined value chain, starting from business needs, moving through solution development, on to successful execution. The new paradigm of Strategic Global Sourcing has to provide the flexibility to select what to outsource, when to outsource and how to leverage global delivery throughout this value chain. To play, one must develop transparent and trusted client relationships where IT outsourcing decisions are governed by the clients' business drivers.

4 | New Game. New Rules.

Next generation
global delivery

As the basic definition of the game changes, the teams must learn the new rules. Today, clients demand the use of global delivery capability in the solutions offered by outsourcing service providers. Left with no choice, all players make a beeline for India as the prime destination for new establishments. However, this game is not only about where you work out of, but how you integrate seamlessly between locations and cultures. It is about managing global competencies, global processes and global aspirations.

While the newcomers grapple to decode the genes of the current global delivery model, pioneers of the model must focus on evolving next generation processes. Those who are not passionate about continuously improving the value proposition of the existing core services, face the specter of commoditization. The challenge in innovation is to create even more effective and efficient solution delivery models and lead the future change. Further, as the line between IT management and operations management grows thinner, the new rules would favor service models that tightly integrate the IT services with business process management.

New Game. New Rules. | 5

Building scalable
resilience

This tussle is not about who is big or who is small; it is about how resilient or vulnerable one is. Clients are rapidly adopting global delivery, underscoring the need to rapidly scale the global capabilities. The faster the growth of global delivery model, the more it disrupts the business model of new players. On the other hand, as the aspirations and expectations of the employees continue to rise, only rapid growth can provide avenues for individual advancement. The game becomes more interesting for all stakeholders, as each of them seeks growth to meet their individual needs. Rapid growth becomes a rapid differentiator.

Players must master the essentials of scalability within the context of global delivery. The focus has to be on effective decentralization of the organization, its systems and controls, to create multiple engines of growth. Each engine needs a sound pilot, reinforcing the need to build a cadre of strong global leaders. With the ambition to scale comes the challenge of developing global talent pools that fuel future growth. Where the pool is, is irrelevant; what is far more crucial is how it fits into the global delivery model. Players who resort to acquisitions must ensure integration of strengths in a distributed working model.

6 | New Game. New Rules.

Winning the war
for talent

Leading teams must have great players on the roster; in essence this game is all about putting the best players forward. Surging demand for competent professionals raises the expectations of individuals, which in turn, increases attrition and cost pressures. In a progressively maturing industry, retaining experience becomes critical for differentiation and growth. The dilemma is evident. Only those who morph rapidly will succeed. However, this may be fraught with periods of uncertainty. The rules favor those who manage change through empowered employees in an environment of high performance and transparency.

Institutionalization is all about bridging the gap between concepts and practice. Basics such as performance management, variable compensation, competency building, career development and internal communication assume much deeper significance in the new game. More than ever, mentors have to focus on enabling talent from varied educational backgrounds to meet the global challenges. With the world as the playing field, building a diverse team has become an imperative. Leaders have to leverage the inherent strengths of diversity and ensure a truly inclusive work environment where talent across national boundaries can realize organizational and personal dreams.

New Game. New Rules. | 7

Nurturing values,
managing risks

At the core of performance excellence are values. For sustainable success, how you play the game is more important than winning. As instances of value transgressions reduce the trust in corporate performance reporting, stakeholders demand higher controls and transparency. Meanwhile, to respond to the new game, organizations adopt strategies that could potentially change the fundamentals of their business models. The added uncertainty alters risk appetites considerably. The world comes full circle and reinforces the basic tenets of Predictability, Sustainability, Profitability and De-risking.

The inevitable rapid growth of the global delivery model has to combine with a sharp focus on retaining a small company culture. The thrust is on creating an environment where consistent values can be practiced, individually and collectively. The best have to lead by setting benchmarks: nothing but the highest standards of Corporate Governance, nothing but the best practices in Enterprise Risk Management. The extent to which these practices are followed in letter and spirit would separate the wheat from the chaff.

New game... new rules. These are indeed very interesting times for those with a passion for excellence.

8 | New Game. New Rules.

Board of directors

N. R. Narayana Murthy

Chairman and Chief Mentor

Nandan M. Nilekani

Chief Executive Officer, President and Managing Director

S. Gopalakrishnan

Chief Operating Officer, Deputy Managing Director and Head Customer Service & Technology

Deepak M. Satwalekar

Lead Independent Director

Prof. Marti G. Subrahmanyam

Independent Director

Dr. Omkar Goswami

Independent Director

Rama Bijapurkar

Independent Director

Philip Yeo

Independent Director

Sen. Larry Pressler

Independent Director

Claude Smadja

Independent Director

Sridar A. Iyengar

Independent Director

K. Dinesh

Director and Head Human Resources Development, Information Systems, Quality & Productivity and Communication Design Group

S. D. Shibulal

Director and Head World-wide Customer Delivery

T. V. Mohandas Pai

Director, Chief Financial Officer and Head Finance & Administration

Srinath Batni

Director and Head Strategic Groups & Co-Customer Delivery

Committees of the board

Audit committee

Deepak M. Satwalekar, *Chairman*

Rama Bijapurkar

Dr. Omkar Goswami

Sen. Larry Pressler

Prof. Marti G. Subrahmanyam

Sridar A. Iyengar

Compensation committee

Prof. Marti G. Subrahmanyam, *Chairman*

Deepak M. Satwalekar

Sen. Larry Pressler

Sridar A. Iyengar

Nominations committee

Claude Smadja, *Chairman*

Sen. Larry Pressler

Philip Yeo

Dr. Omkar Goswami

Deepak M. Satwalekar

Investor grievance committee

Rama Bijapurkar, *Chairperson*

Dr. Omkar Goswami

Claude Smadja

Philip Yeo

Management council invitees

Abhay M. Kulkarni

Associate Vice President Transportation & Services (Delivery)

Alexandre Elvis Rodrigues

Associate Vice President Transportation & Services (Sales)

Amitabh Chaudhry

Vice President & Head Operations & Transition Progeon Limited

Anand Nataraj

Associate Vice President Communication Service Providers (Sales)

Ankush Patel

Associate Vice President Energy, Utilities & Resources (Sales)

Anup Uppadhayay

Delivery Manager and Head Bangalore Development Center (Unit 5)

Ardhendu Sekhar Das

Divisional Manager and Head Bhubaneswar Development Center

Bikramjit Maitra

Vice President Talent Engagement HRD

Chandra Shekar Kakal

Vice President and Head Hyderabad Development Center

Charles Henry Hawkes

Associate Vice President Facilities and Head Bangalore Development Center (Unit 2)

Christopher Michael Meneze

Vice President High Tech & Discrete Manufacturing (Sales)

Col. Krishna C. V.

Vice President Infrastructure & Security

Eshan Joshi

Associate Vice President Compensation & Benefits HRD

Ganesh Gopalakrishnan

Vice President Insurance, Health Care & Life Sciences (Delivery)

Gaurav Rastogi

Manager Sales Effectiveness

Gopal Devanahalli

Associate Vice President Retail, Distribution & Consumer Products Group (Sales)

Haragopal M.

Vice President Professional Services Group (BBU) and Head Bangalore Development Center (Unit 3)

Harsha H. M.

Vice President Banking & Capital Markets (Delivery) and Head Boston Proximity Development Center
Jagdish Krishna Vasishtha
Associate Vice President and Head Bangalore Development Center (Unit 1)
Jitin Goyal
Associate Vice President Europe (Sales)
Joydeep Mukherjee
Associate Vice President Energy, Utilities & Resources (Delivery)
Karthikeya N. Sarma
Associate Vice President Recruitment HRD
Krishnamoorthy Ananthasivam
Vice President and Head Thiruvananthapuram Development Center
Merwin Fernandes
Vice President Global Sales & Marketing (Banking Business Unit)
Neelesh Marik
Associate Vice President Europe (Sales)
Peter L. Tannenwald
Associate Vice President Insurance, Health Care & Life Sciences (Sales)
Prabhakar Devdas Mallya
Vice President Security Audit & Architecture
Rajiv Bansal
Associate Vice President Global Business Operations
Ramachandran Kallankara
Associate Vice President and Head Bangalore Development Center (Unit 6)
Ritesh Mohan Idnani
Associate Vice President Banking & Capital Markets (Sales)
Sameer Goel
Senior Project Manager and Head Mohali Development Center
Samson David
Associate Vice President Asia Pacific (Delivery)
Sanjay Jalona
Associate Vice President Europe (Delivery)
Sathisha B. K.
Group Manager Engineering & IT Solutions for Aerospace & Automotive (Sales)
Shiv Shankar N.
Associate Vice President and Head Chennai Development Center
Shubha V.
Associate Vice President and Head Bangalore Development Center (Unit 4)
Skanthaswamy T. V.
Associate Vice President and Head Mysore Development Center
Sreenivas Bhashyam Asuri
Group Manager Engineering & IT Solutions for Aerospace & Automotive (Sales)
Sridhar Marri
Associate Vice President Communication Design Group
Srikantan Moorthy
Associate Vice President Communication Service Providers (Delivery)
Srinivas Uppaluri
Associate Vice President Corporate Marketing
Sudhir Albuquerque
Associate Vice President High Tech & Discrete Manufacturing (Delivery) and Head Mangalore Development Center
Surya Prakash K.
Associate Vice President China (Delivery)

Venkateswarlu Pallapothu

Vice President Engineering & IT Solutions for Aerospace & Automotive (Delivery)

Vishnu Bhat

Chief Operating Officer Infosys Technologies (Australia) Pty. Limited

Voice of the youth

John Ponvelil Philip

Head US GAAP

Joshua Alan Bornstein

Analyst Corporate Planning

Madhukar I. B.

Technical Consultant

Mahesh Mohan

Programmer Analyst

Naresh Balaram Choudhary

Process Consultant

Paul Francis Havey

Associate

Priya B.

Project Manager

Umashankar Malapaka

Project Manager

Vikram B.

Technology Architect Knowledge Management

Infosys Foundation

Trustees

Sudha Murty, *Chairperson*

Srinath Batni

Sudha Gopalakrishnan

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Annual General Meeting (AGM) notice

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The year at a glance

	<i>in Rs. crore, except per share data</i>		
	March 31, 2004	March 31, 2003	Growth %
For the year			
Income	4,761	3,623	31
Export income	4,695	3,544	32
Operating profit (PBIDTA)	1,584	1,272	24
PBIDTA as a percentage of total revenue	33.26%	35.11%	
Profit after tax (PAT)	1,243	958	30
PAT as a percentage of total revenue	26.12%	26.44%	
PAT as a percentage of average net worth	40.68%	38.78%	
Capital expenditure	430	219	96
Dividend per share (excluding one-time special dividend)	29.50	27.00	9
Dividend amount (excluding one-time special dividend)	196	179	10
One-time special dividend per share	100.00		
One-time special dividend amount	666		
Earnings per share (par value of Rs. 5 each)			
Basic	187.38	144.68	30
Diluted	185.05	143.37	29
At the end of the year			
Total assets	3,253	2,861	14
Fixed assets net	970	773	26
Cash and cash equivalents (including liquid mutual funds)	2,769	1,639	69
Net current assets	1,220	2,018	(40)
Debt			
Net worth	3,253	2,861	14
Equity	33	33	
Market capitalization	32,909	26,847	23

Note : Market capitalization is calculated by considering the share price at the National Stock Exchange as on March 31 of the respective years and the shares outstanding on that date.

The figures above are based on unconsolidated Indian GAAP financial statements.

1 crore = 10 million

Annual Report 2003 04

Awards
for excellence
2003 04

The most distinguishing feature of winners is their intensity of purpose.

Alymer Letterman

Every life stands testimony to the power of what an individual can do. The *Awards for Excellence* at Infosys seek to honor Infoscions who, with the will to win and the talent to deliver, have achieved performance excellence. These are individuals and teams who have traveled beyond the beaten track in pursuit of quality. They possess an innate brilliance that sets them above the ordinary.

This year, a total of 290 awards were conferred in 11 categories. The winners were presented with a framed certificate, a silver plaque, and a cash award.

12 | Awards for excellence 2003 04

Awards for excellence 2003 04

First Prize

Account & Sales Management

Account Team SYSCO
Balaji Yellavalli
Balakrishnan Mayilarangam
Sundararajan
Gopal Devanahalli
Keith Malcolm Scovell
Ramachandran Kallankara
Renganathan V. R.
Shashi Shekhar Vempati
Sundar Raman K.
Yashesh Mahendra Kampani

Brand Management

US Marketing Team
Elisa Christine Kennedy
Jessica M. Chisholm
Karen J. Hutton
Mahita Nagaraj
Phillina M. Reyes
Sunderkumar Sarangan

Development Center Management

Hyderabad Development Center

Mangalore Development Center

External Customer Delight

Hannaford Account Team
Ashok K. Bangera
Balakrishnan Chokanathpuram
Subramanian
Balaraj D. A.
Praveen Kumar K.
Radhakrishnan Anantharaman
Ravindra Shukla
Sangamesh Bagali
Sreejith K.

Investor Delight

Sponsored Secondary ADR Team
Balakrishnan V.
Deepak Natraj Ramamurthi
John Ponvelil Philip
Krishnan S.
Nithyanandan R.
Parvatheesam Kanchinadham
Veerabhadraswamy K. R.

People DevelopmentEducation & Research TeamPractice Unit Management

Global Account American Express

Practice Unit Canada & North
East America

Program & Project Management

DHL Easyship Team
Amit Ratan Verma
Atul Prakash Gargate
Chetan V. Kulkarni
Ketan Jobanputra
Meenal Sujeet Pangarkar
Mugdha Milind Divekar
Om Prakash Gupta
Pritam Haribhau Mungse
Sanjiv R. Mitragotri
Vikram Sharma

eIKON Oracle Applications Team

Anil Kumar P. N.
Bhaskar N. Subramanian
Guruprakash Pai Karkala
Kiran Karanki
Mahesh Bhat

Second Prize

Account & Sales Management

DHL OSDC Team
Ananth Vaidyanathan
Ghanashyam Wagle
Kiran M. Potdar
Milind Lakkad
Prashant Negi
Sanjeev Rana
Shashank Rane
Shekhar S. Potnis
Uday Bhaskarwar
Venkatesh Ramrao Patil

Sony Team

Mangesh Ravji Mallewadikar
Naohiro Emoto
Phani Tamarapalli
Prasanna Vishnu Vatkar
Rajesh Kumar Dubey
Sailaja Chintalagiri
Shin Achiwa
Sreekumar Sreedharan
Sriram V.

Toys R Us International Team

Aniket Rajiv Maindarkar
Arun Raghavapudi
Madhu Janardan
Manish Kumar Khatri
Shankar R.
Shiv Shankar N.

External Customer Delight

FESCo HW & HRP Account Team
Abhay M. Kulkarni
Anil Braham Bhatia
Jayantkumar Jugalkrishna Jana
Kaladhar Gorantala
Mohit Joshi
Srinivasulu Mallampooty

Innovation

Intelligent Production Support
Platform Team

Colin Pinto
Krishna Kumar P.
Muthu Raman S.
Nagaraj N. S.
Raoul Praful Jetley
Renuka S. R.

Reduce Cost of Ownership Team

Babu N. S.
Prasad Subramanian C. S.
Purna Chander Rao Putchakayala
Sathish Kumar G.
Sunil P. V.
Venkataramanan T. S.

Internal Customer Delight

CCD Bhubaneswar Team

Rajesh
Ramakrishna Routroy
Shenthil Kumar K.
Subhasis Neogy
Tapas Sardar
Ujjwal Mukherjee

Md. Iqbal
Narendra Kumar Gogula
Nikhil Kumar
Prakash Bhat M.
Shashidhara S. K.

SYSCO RDC Team
Anand Jayaraman Iyer
Aroun Balakrishnan
Ashish Subashchandra Jandial
Gopikrishnan Gouri
Ramachandran
Pradeep K.
Prashant Ratnakar Bhat
Sailaja Naishadham
Shveta Arora
Sivakumar H.

Social Consciousness

Bhubaneswar Development Center

Systems, Processes &
Infrastructure

AMANAT Team
Arun Ramu
Ganesh Kudva N.
Raj Kumar Bansal
Rajiv Sankaranarayanan
Ravindranath P. Hirolikar
Sitaram M. L.

Surendra Swamy
Vijay Ratnaparkhe

Firmenich Team
Abhishek Agarwal
Girish Anant Pashilkar
Lakshmanan G.
Nitesh Bansal
Rajesh K. Murthy
Raju Bannur
Roger Klantschi
Sameer Goel
Viraj Malik
Vivek Gaur

Innovation

Technology Analysis & Product
Evaluation Team

Anoop Nambiar
Sameerahmad Sikandarsab Nadaf
Sreekumar Sukumaran
Sumit Sahota

Internal Customer Delight

Microsoft Platform Solutions

Group COE Team
Balan Jayaraman
Manish Srivastava
Parthasarathy M. A.
Pradeep Prabhu
Prasanna S. R.
Sanjay Rajashekar

Awards for excellence 2003 04 | 13

Annual Report 2003 04

Second Prize (contd.)

People Development

EURP Pune DU Team
Mritunjay Kumar Singh
Nitin Govind Kulkarni
Prasanna Walimbe
Prashant Pungliya L.
Sajaneel S. Ankola
Sumant Shrirang Kulkarni

Program & Project Management

Apple Production Support Team
Ajith Bhat M.
Manjunath Pai K.
Nagaraja Vishnu Nayak
Rajeev Gopalakrishnan
Shaji Mathew
Srinivasan Raghavan
Suresh Jampani
Vasudev Kamath

DI Benefits Platform Team

Anil Herald D Souza
Dinesh K. B.
Jaikrishnan A.
Padmanabha Seetharam Bhatta
Padmanabha T.
Raja Sobhan P.
Rajagopal Rama Iyer
Rajesh Lawrence Patrao
Vijayesh Nayak U.
Vinu Sekhar

Mellon PeopleSoft Upgrade Team

Anand Sam
Atish Dipankar Roy
Badri Deshmukh
Harinarayanan R.
Jaisankar V.
Jasmeet Singh
Rajesh Varrier
Sanjay Surendranath
Virendra Kumar Chaudhary

Systems, Processes & Infrastructure

ISO 14001 Team
Chandraketu Jha
Krishna Kumar C.
Mahesh V. Kulkarni
Manjula M. K.
Rajanish Vaidya
Rajeshree Kisan Botre
Shrikant Y. Dangare
Sunil Advani
Ulhas R. Bhor
Uma Thomas
Vijaya Lakshmi Mani

Third Prize

Brand Management

Swiss France Team
Jitin Goyal
Nivedita Krishnamurthy
Pascal Beignon
Prakash Chellam
Saurav De Purkayastha
Thothathri Visvanathan

External Customer Delight

IKON Transitioning Application Team

Abhijeet Vijay Bankwar
Ananda Pratim Sengupta
Bharathan K.
Mathew Ninan
Mohammed Arif
Sandeep Vallabhji Savla
Suresha Adiga
Surjit K. K.

Emerson Implementation Team

Aindrila Sen Gupta
Amit Gupta

Special Prize

External Customer Delight

Progeon Cisco Operations Team
Anirudh Dendukuri
Ashok Joshi
Hema Palaniappan
Keith Lazaro
Rajendra Dhanvantri
Ravishankar V. K.
Santhosh T. V.
Siri Vishwanath
Sushma Srinivas
Venkatgiri N. V.

Internal Customer Delight

Housekeeping Team

Recruitment & Recruitment

Support Team
Anupal Banerjee
Anurag Maheshwari
Jharna Thammaiah K.
Pradeep Ganapathy
Rajesh Ahuja
Venkateshwaran Krishnamoorthy
Walter Fui Houg Tan

Social Consciousness

Individual Awards

Col. Krishna C. V.
Krishnamurthy C. M.
Lakshmi Upadhyaya

Group Awards

Employee Social Service Group

Ambili K.
Dinha Pramila D Silva
Girish Aithal U. R.
Harshal Vyankatesh Ghanekar
Nitin Vyasa

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SEC Books & Record Program
Team
Ananth Vedagarbham
Bhaskar Chicknanjundappa
Heidi A. Lamberts
Indira Krishnamurthi
Mohit Madnani
Pankaja V. L.
Rambabu Pallavalli
Sampath S. Shetty
Vinay Mishra

Service Corporation International
HMWEB Team
Jagadish Babu Vishwanatham
Kiran O. Reddy
Kush Kochgaway
Mohana Rajam Avudaiappan
Narayan O. S. Nandigam
Narsimha Rao Mannepalli
Rajnish Sharma
Rishi Munjal
Yohan Mehernosh Banaji

Toys R Us International Team
Aji Rajendrababu Warriar
Ammayappan Marimuthu
Ankit Agarwal
Gaurang Vijaygopal Nagar
Manivanna Raja Nagendra
Bharathi
Ramesh Babu V.
Riby Sony Thomas
Sudip Ghose

Amit Pasrija
Manoj Sivashankara Kurup
Nilanjan Chatterjee
Paresh Mahendra Thacker
Radha Krishna Murthy
Naishadham
Sangeeta Das

Internal Customer Delight

KM Group
Einith Geno Chrysolite Robinson
Geetha Das
Latha A.
Padma Venkatesh Bhamidipati
Salmo Mahind Chandra Sen
Shivaprasad Gopalrao Kuskur
Suresh J. K.
Vikram B.

Systems, Processes &
Infrastructure

India Payroll Team
Amarnath R. R.
Chandrakant K.
Girisha Prabhu G.
Kiran Shrinivas Gole
Srikumar P. C.
Sudhir Mysore Srinivasa Babu

Raviraj Belma
Sabitha D Souza
Sumana Kamath T.

Hinjawadi Foundation Team
Amit Deshpande V.
Amit Thakral
Neha Mahendra Shah
Pradnya Narahari Ghalsasi
Priti Budhia
Sandeep Bhowmick
Shilpa Hemal Shah

Prayaas Team
Ayushman Sinha
Ajay K. Bansal
Deepak Dahiya
Minoo
Pankaj Garg
Vishal Goyal

Systems, Processes &
Infrastructure

Infosys Source Forge Team
Kavitha Kadambi
Manish Pande
Naveen K. Unni
Philip Joseph

Letter to the shareholder

Because things are the way they are, things will not stay the way they are. - Bertolt Brecht

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

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

Dear shareholder,

While the year ended with a Billion Dollar Day celebration, a proposed 3:1 bonus and a special one-time dividend of Rs. 100 per share, the beginnings were not quite as propitious. We began the year with the specters of the Iraq war, the SARS crisis and the possibility of continuous pricing pressure. The arrival of global competitors on Indian shores raised questions about our response and our resilience. As the year unfolded, however, the situation improved dramatically and fears were laid to rest. Today, our model has become mainstream. Additionally, we have achieved the size, scalability, brand, and ambition necessary to create the next generation consulting and software services company.

Equally important, this year revenues crossed the billion-dollar mark. Here are some of our key financials. Last fiscal year, under the Indian GAAP, our revenues grew at an enviable rate of 31.4% to Rs. 4,761 crore. This growth was almost 8% more than our initial guidance for the year. Our Profit After Tax (PAT) from ordinary activities increased from Rs. 958 crore to Rs. 1,243 crore. For fiscal year 2004, operating Profit Before Interest, Depreciation, Amortization and Taxes (PBIDTA) as a share of total revenues stood at 33.3%; and PAT from ordinary activities as a share of total revenues was 26.1%. Basic earnings per share from ordinary activities increased by 29.5% to Rs. 187.38.

Under US GAAP, revenues increased from US \$ 754 million in fiscal year 2003 to US \$ 1,063 million in fiscal year 2004 a growth of 41.0%. Net income increased by 38.7%, from US \$ 194.87 million in fiscal 2003 to US \$ 270.29 million in fiscal 2004. Net income as a share of revenues was 25.4%. Earnings per ADS increased by 38.4% to US \$ 2.06.

This year, we clearly demonstrated that scale was our forte. Whether it was processing 9,07,922 applications to hire 10,077 people; or adding

6,14,900 square feet of space, with 22,27,000 square feet work-in-process; or conducting 4,69,433 person days of training, the scalability of our platform was never in doubt.

But this year was about more than scalability. We completely redesigned our planning and implementation process, and evolved a clear strategy to aim for global leadership on the theme of rapid growth and rapid differentiation. We evolved three horizons of planning the five-year model for long-term impact analysis; the three year business plans to ensure the preservation of the strategic intent; and a yearly budgeting cycle on a rolling 4-quarter basis, ensuring the predictability of the short term. These, accompanied by a major restructuring into Independent Business Units, have created multiple engines of growth, and have laid the foundation for the future.

As we became more and more strategic to our clients future, there were an unprecedented number of top level executive visits to the Bangalore campus.

In July, we made a successful sponsored secondary ADR issue. The enthusiastic response to the US \$ 294 million issue confirmed that the investment community clearly understood the robustness, scalability, and disruptive impact on competition of our business model.

We recently launched Infosys Consulting Inc. (with a planned investment of US \$ 20 million), thereby taking the battle into the competitors' camp. Through this initiative, we combine world-class consulting with the excellence and cost competitiveness of global delivery.

The clamor against outsourcing, while abating to some extent, has the potential to create an unpredictable regulatory response. The strengthening of the Indian Rupee against the dollar by over 8.7% in the last year, and its continued appreciation, will have its impact on margins.

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While pricing pressure has eased, the challenge is to create measurable value for clients, regain pricing power through differentiation, and successfully master the rules of the new global game.

Clients are now looking for a company that is a trusted advisor and a strategic partner. In this context, we continued to deepen our relationship with global corporations. The company added 103 new clients and strengthened its relationship with 379 clients worldwide, through the implementation of new initiatives. There was a 24% increase in the number of five-million-dollar clients; and around 33% increase in the number of twenty-million-dollar clients, from fiscal 2003 to fiscal 2004. Additionally, the company's billing for three clients (on an LTM basis) has crossed US \$ 50 million each.

In response to client needs, we have been working on several new service initiatives. Systems Integration (SI), in collaboration with key alliance partners, has developed and deployed major solutions like Accelerate, Digital I, and EIP. In addition, the Enterprise Solutions group has worked on products such as Oracle, SAP, PeopleSoft, Siebel, SeeBeyond, i2, Yantra, Ariba, etc. With a footprint of 100 banks in 30 countries across 6 continents, and with over 22 wins, Finacle®, Infosys' universal banking solution, has emerged as a key global player in the banking products space. The Banking and Capital Markets group, which accounts for over 12% of North America revenues, has also made great strides in terms of providing optimal solutions for global clients.

Our subsidiary, Progeon Limited, saw very strong revenue growth from US \$ 4.3 million in fiscal 2003 to US \$ 17.2 million in fiscal 2004. Progeon signed 9 new clients during the year and continues to have a strong pipeline. Only 17% of revenue comes from voice-based operations. More and more customers are validating Progeon's strategy of focusing on end-to-end back office processing with strong domain focus. There is considerable interest among clients for an integrated IT and BPO offering, and Progeon and Infosys are working together to bring that to market.

Managing risk is an inherent part of our corporate strategy. Geographical diversification into Asia and Europe has been a cornerstone of this mitigation strategy. This was the year that we made our maiden acquisition. We acquired Expert Information Services for US \$ 24.3 million, and renamed it Infosys, Australia. We are now working towards the seamless integration of the 375 employees of Infosys, Australia. The company also set roots in China by incorporating Infosys, Shanghai, with a planned investment of US \$ 5 million. We have been able to establish a premium position in the Japanese market through a large percentage of high value, high margin services. Growth across Europe also continues to be strong and revenues have grown by about 42%. We have been successful in nurturing relationships with European clients over the last two years, besides working with European units of American companies.

Consolidation of client knowledge through the Global Accounts Business Unit (GAC) has enabled significant benefits in the area of resource utilization, productivity, and risk management.

During the year, the Domain Competency Group (DCG) conducted business domain training across 9 vertical industries, both in India and at client locations, covering about 3,706 employees. Additionally, DCG consultants published 29 articles in reputed international industry journals, thereby demonstrating thought leadership in several vertical domains.

Research and Development is a key competitive asset. In this context, Software Engineering and Technology Labs (SETLabs), a pioneering strategic investment by Infosys, is providing an environment where ideas can be explored, concepts tested and experiments conducted.

SETLabs has published two books (*Mobile IP* and *Art and Technology of Software Engineering*) and 55 papers in reputed international publications in the last year.

We have undertaken a number of initiatives to strengthen infrastructure, increase productivity, and improve quality. We have embarked on a program to build a scalable and robust Enterprise Applications Architecture, and has put in place a state-of-the-art Disaster Recovery solution for the information infrastructure. In fiscal 2004, our Information Security Management practices (including disaster recovery) were audited by Det Norske Veritas and were certified for compliance with the BS7799:2002-Part 2 standard. Additionally, a major initiative, PRidE, was undertaken to completely revamp the quality framework.

As we scale greater heights, the branding and marketing activities are geared towards meeting international challenges. Flagship campaigns like WIBTA (Wharton Infosys Business Transformation Awards), the CEO event in Japan and *Milan* (US and Europe) continued to provide great opportunities for networking and knowledge sharing. A successful session hosted by your company at the World Economic Forum attracted a number of CEOs. The Global Sourcing Summit, which was very well received among the global community, played a vital role in bringing together the best practices in outsourcing. Interaction with analysts and clients also increased through initiatives like the Customer Advisory Council.

People are our most valuable assets. With a clear focus on nurturing and leveraging talent, enabling and engaging Infoscions have been identified as key requirements in the quest for global leadership. In our efforts to create a high performance work ethic, we recently transitioned to a role-based structure. All roles have been mapped to different job and personal bands. This structure provides an equitable framework for people-related decision-making based on contribution to business and value addition. Managing post-acquisition issues has helped us mature our processes and explore new domains.

Keeping in mind the phenomenal growth of the last decade, we have chosen to invest in developing top tier leaders who can help the company maintain its lead and momentum in the marketplace. The Infosys Leadership Institute (ILI) identified about 400 employees to be supported in their leadership journey. A set of leadership competencies has been identified and a number of vehicles have been used to build these competencies. Significant initiatives include the Leaders Teach Leaders Series, feedback-intensive programs, nomination to Ivy League courses, and others. We believe that people, our greatest asset, will be the key success factor in our multi-billion dollar journey.

At the same time, we believe that corporations are social institutions. To ensure that we remain socially relevant, a number of activities and initiatives have been undertaken: fundraiser activities by Infosys, Canada and Australia; launching of a mid-day meal scheme for the children of St. Peters School (Employee Social Service Group, Mangalore Development Center); English classes for company security staff (Hinjawadi Foundation, Pune Development Center); medical relief for the flood-hit village of Bangrisingha, Orissa (Akanksha, Bhubaneswar Development Center); donations to the SOS villages of Rajpura (Mohali Development Center), etc.

We acknowledge the support, dedication, and hard work of all Infoscions in helping us become a truly global player. With our new global initiatives in place, we are excited to participate in the new game.

Infoscions, as always, are able and willing to rise to the occasion!

Bangalore
April 13, 2004

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

S. Gopalakrishnan
Chief Operating Officer
and Deputy Managing Director

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Certification by Chief Executive Officer (CEO) and Chief Financial Officer (CFO) of the company

We, Nandan M. Nilekani, Chief Executive Officer, President and Managing Director and T. V. Mohandas Pai, Chief Financial Officer and Director-Finance and Administration, of Infosys Technologies Limited, to the best of our knowledge and belief, certify that:

1. We have reviewed the balance sheet and profit and loss account (unconsolidated), and all its schedules and notes on accounts, as well as the cash flow statements and the Director's report;
2. Based on our knowledge and information, these statements do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the statements made;
3. Based on our knowledge and information, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report, and are in compliance with the existing accounting standards and / or applicable laws and regulations;
4. The company's other certifying officers and we are responsible for establishing and maintaining disclosure controls and procedures for the company, and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared; and
 - b) evaluated the effectiveness of the company's disclosure, controls and procedures.
5. The company's other certifying officers and we have disclosed, based on our most recent evaluation, wherever applicable, to the company's auditors and the audit committee of the company's board of directors (and persons performing the equivalent functions):
 - a) all significant deficiencies in the design or operation of internal controls, which could adversely affect the company's ability to record, process, summarize and report financial data, and have identified for the company's auditors, any material weaknesses in internal controls;
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal controls; and
 - c) the company's other certifying officers and we, have indicated in this report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.
6. In the event of any materially significant misstatements or omissions, the signing officers will return to the company that part of any bonus or incentive or equity-based compensation, which was inflated on account of such

errors, as decided by the audit committee.

7. We affirm that we have not denied any personnel access to the audit committee of the company (in respect of matters involving alleged misconduct) and we have provided protection to whistle blowers from unfair termination and other unfair or prejudicial employment practices.
8. We further declare that all board members and senior managerial personnel have affirmed compliance with the code of conduct for the current year.

Bangalore

April 13, 2004

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

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

Certification by CEO and CFO | 17

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Directors report

To the members,

This is a historic year for your company, as the billion-dollar revenue mark was breached. In the light of this significant milestone achieved, your directors are delighted to present their report on the business and operations of your company for the year ended March 31, 2004.

Financial results	<i>in Rs. crore, except per share data*</i>	
	2004	2003
Year ended March 31,		
Income	4,760.89	3,622.69
Software development expenses	2,495.31	1,813.30
Gross profit	2,265.58	1,809.39
Selling and marketing expenses	335.08	266.98
General and administration expenses	346.85	270.37
Operating profit (PBIDTA)	1,583.65	1,272.04
Interest		
Depreciation and amortization	230.90	188.95
Operating profit after interest, depreciation and amortization	1,352.75	1,083.09
Other income	127.39	99.61
Provision for investment	9.67	23.77
Profit before tax	1,470.47	1,158.93
Provision for tax	227.00	201.00
Profit after tax	1,243.47	957.93
Dividends		
Interim dividend	96.09	82.76
Final dividend (proposed)	99.96	96.05
One-time special dividend (proposed)	666.41	
Aggregate dividend	862.46	178.81
Tax on dividends	110.50	12.30
Transferred to general reserve	200.00	766.82
Profit retained in profit and loss account	70.51	
Earnings per share (equity shares, par value Rs. 5/- each)		
Basic	187.38	144.68
Diluted	185.05	143.37

* 1 crore equals 10 million

Results of operations

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Total revenue increased to Rs. 4,760.89 crore from Rs. 3,622.69 crore in the previous year a growth rate of 31.4%. Export revenues increased to Rs. 4,694.69 crore from Rs. 3,543.51 crore in the previous year a growth rate of 32.5%. The operating profit increased by 24.5%, from Rs. 1,272.04 crore (35.1% of total revenues) in the previous year to Rs. 1,583.65 crore (33.3% of total revenues). The profit after tax increased to Rs. 1,243.47 crore (26.1% of total revenue) from Rs. 957.93 crore (26.4% of total revenue).

Dividend

In October 2003, we paid an interim dividend of Rs. 14.50 per share (290% on par value of Rs. 5/-). Your directors recommend a final dividend of Rs. 15.00 per share (300% on par value of Rs. 5/-), and a one-time special dividend of Rs. 100.00 per share (2,000% on par value of Rs. 5/-) aggregating to Rs. 129.50 per share (2,590% on par value of Rs. 5/-), for the current year. The total dividend for the year is Rs. 196.05 crore, as against Rs. 178.81 crore for the previous year. The total one-time special dividend for the year is Rs. 666.41 crore. Dividend (including dividend tax), as a percentage of profit after tax from ordinary activities, is 17.79% as compared to 19.95% in the previous year. The one-time special dividend (including dividend tax), as a percentage of profit after tax from ordinary activities is 60.46%.

The register of members and share transfer books will remain closed from May 28, 2004 to June 01, 2004, both days inclusive. The Annual

General Meeting of the company has been scheduled for June 12, 2004.

Appropriations

Your company proposes to transfer Rs. 200.00 crore to the general reserve. An amount of Rs. 70.51 crore is proposed to be retained in the profit and loss account.

Bonus issue of shares

Your directors recommend an issue of bonus shares in the ratio of 3:1, i.e. three additional equity shares for every one existing equity share held by the members on a date to be fixed by the Board, by capitalizing a part of the reserves.

Consequently, your directors also recommend a stock dividend on the company's American Depositary Shares (ADSs) in the ratio of 2:1, i.e. one additional ADS for every one existing ADS held by the holders of the ADSs, as on a date to be fixed by the Board. Following the stock dividend on the ADS, the ratio for converting ADS into equity shares shall be fixed at one ADS for one equity share.

Subject to the approval of these proposals by the members in the company's Annual General Meeting on June 12, 2004, your directors have fixed July 02, 2004 as the Record Date to determine the shareholders and holders of ADSs who will receive the bonus equity shares and additional ADSs respectively. The bonus equity shares will be credited on July 05, 2004 and the additional ADSs will be credited on July 06, 2004.

Increase in share capital

Your company issued 3,97,978 shares on the exercise of stock options, under the 1998 and 1999 employee stock option plans. Due to this, the outstanding issued, subscribed and paid-up equity share capital increased from 6,62,43,078 shares during the previous year, to 6,66,41,056 shares as of March 31, 2004.

Delisting of securities

Your company is listed on the National Stock Exchange of India (NSE), The Stock Exchange, Mumbai (BSE), The Bangalore Stock Exchange Limited (BgSE) and on the NASDAQ National Markets in the United States.

The shares of your company are not presently traded on the Bangalore Stock Exchange and the entire trading of the company's shares is done only at NSE and BSE. These exchanges have nation-wide trading terminals and therefore provide full liquidity to the investors. In view of this, your directors recommend the delisting of company's shares from BgSE. The delisting of shares is subject to the approval of members at the ensuing annual general meeting.

Business

The year marked a general stability in prices and an increase of customer technology spends to higher levels than in the past two years. The stability on the pricing front and improved visibility were adversely affected by a general weakening of the US Dollar resulting in the Rupee reverting to its levels of over four years ago. However, the consistent message from all our clients and prospects was an overwhelming approval of the offshore model.

For your company, dealing with the above situation while focusing on increased growth was imperative. Your company acquired, invested and reorganized to meet the challenges of being a large corporation. These challenges will continue to grow with greater customer expectations, the need to invest in local markets and the assimilation of growing employee numbers.

Accordingly, your company acquired its first company in Australia, invested the second tranche of funds in Progeon and took its development capabilities into China. Your company also reorganized to face new challenges of greater client expectations, rapidly changing economy and heightened competition, relating to both clients onsite and for resources offshore. The management re-positioned the addressing of customer needs along the twin axes of industry expertise and service offering excellence by the end of the third quarter.

At the beginning of the year, your company estimated a growth in software development services and product revenues, under Indian GAAP, at 21.7% to 23.6%. This was later revised as 30.1% to 30.3%. Despite the challenging environment, your company ended the year having grown software development services and product revenues by 31.4%.

Your company's software export revenues aggregated Rs. 4,694.69 crore, up 32.5% from Rs. 3,543.51 crore the previous year - 72.4% of the revenues came from America, 19.5% from Europe, and 8.1% from the rest of the world. The share of the fixed-price component of the business was 34.1%, as compared to 36.7% during the previous year. Blended revenue productivity, in dollar terms, has declined by 6.1%.

The gross profit amounts to Rs. 2,265.58 crore (47.6% of revenue) as against Rs. 1,809.39 crore (49.9% of revenue) in the previous year. The onsite revenues have decreased from 54.7% in the previous year, to 53.0%. The onsite person-months comprised 31.6% of total billed efforts during the year as compared to 33.7% during the previous year. The operating profit amounted to Rs. 1,583.65 crore (33.3% of revenue) as against Rs. 1,272.04 crore (35.1% of revenue). Sales and marketing costs decreased from 7.4% of our revenue in the previous year to 7.0% of our revenue in the current year, while general and administration expenses decreased from 7.5% in the previous year to 7.3% in the current year. The net profit after tax was Rs. 1,243.47 crore (26.1% of revenue) as against Rs. 957.93 crore (26.4% of revenue) in the previous year.

Your company seeks long-term partnerships with clients while addressing their various IT requirements. Your company's customer-centric approach has resulted in high levels of client satisfaction. Your company derived 88% of its revenues from repeat business (i.e. a customer who also contributed to revenues during the prior fiscal year) during the year. Your company added 103 new clients, which includes a substantial number of large global corporations. The total client base at the end of the year stood at 379. Further, your company has 130 million-dollar clients (115 in the previous year), 49 five-million-dollar clients (41 in the previous year) 25 ten-million-dollar clients (16 in the previous year), and 3 fifty-million-dollar clients (nil in the previous year).

Your company continued scaling up its infrastructure by adding another 6.16 lakh square feet of physical infrastructure space. The total available space now stands at 40.46 lakh square feet. The number of overseas marketing offices as of March 31, 2004 was 25.

Your company ends the landmark year with the knowledge that the journey has only begun. With the new structure, acquisition and investments set to bear fruit in fiscal 2005, your company is prepared to face the new challenges that come with the ever increasing demand for outsourcing. Today, we believe that your company has the brand, value proposition and ambition to build the next generation technology services and consulting company.

Banking Business Unit (BBU)

Your company's product, Finacle®, has now emerged as an integrated-yet-modular Universal Banking Solution. Offering end-to-end solutions across core banking, treasury, wealth management, consumer e-banking, business e-banking, web based cash management, multi channel, mobile payments, alerts and banking CRM, Finacle® is

uniquely positioned to address the needs of new-age banks, be it retail banks, corporate / wholesale banks, universal banks, private banks or community banks. BBU acquired 22 new clients, seven in India and 15 overseas, during the year.

During the year, Finacle® also emerged as the world's most scalable core banking solution by achieving an unparalleled performance of over 7,000 TPS (transactions per second) translating into 26 million transactions per hour, in a scalability test audited by Ernst and Young. This is the highest performance achieved so far by any core banking product worldwide. Today Finacle® powers some of the largest open systems based core banking sites in the world: sites with a peak transaction load of approximately eight million transactions per day, about 30 million customers and nearly 10,000 users.

Development centers in India

Your company incurred capital expenditure aggregating Rs. 341.01 crore on physical infrastructure, up from Rs. 143.15 crore the previous year. Further, your company incurred Rs. 88.86 crore on technological infrastructure, up from Rs. 76.11 crore the previous year. In all, Rs. 429.87 crore has been invested during the year, up from Rs. 219.26 crore the previous year.

In Bangalore, two software development blocks were completed with a built up area of 2,40,000 square feet capable of accommodating 2,000 professionals. Two more software development blocks with a built up area of 4,26,000 square feet capable of accommodating 4,000 professionals, and the multimedia center (Infosys Studio) with a built up area of 26,000 square feet, are under completion. The existing capacity at Bangalore campus comprises 16,24,836 square feet capable of accommodating 9,152 professionals.

In Pune, a Customer Care Center with a built up area of 85,000 square feet, capable of accommodating 350 professionals, was completed. This campus has a built up area of 5,89,647 square feet with a capacity of 3,626 seats. For the second campus in Pune, civil works are in progress for one software development block with a built up area of 1,35,000 square feet, capable of accommodating 1,300 professionals.

In Bhubaneswar, the third software development block with a built up area of 95,000 square feet, capable of accommodating 800 professionals, is nearing completion. Civil works are in progress for the Employee Care Center with a built up area of 1,00,000 square feet. Currently, the campus has a built up area of 1,89,000 square feet with a capacity of 1,200 seats.

In Chennai, a Customer Care Center with a built up area of 75,000 square feet, capable of accommodating 250 professionals, was completed. Civil works are in progress for the Employee Care Center with a built up area of 75,000 square feet. Currently, the campus has a built up area of 4,21,317 square feet with a capacity of 2,906 seats. For the second campus in Chennai, civil works are in progress for a software development block with a built up area of 1,25,000 square feet, capable of accommodating 1,200 professionals.

In Hyderabad, a software development block of 1,45,000 square feet, with a seating capacity of 1,220 professionals, was completed. Civil works are in progress for the fourth software development block with a built up area of 1,54,000 square feet, capable of accommodating 1,100 professionals. Currently the campus has a built up area of 4,62,000 square feet with a capacity of 2,865 seats.

In Mysore one software development block of 1,00,000 square feet with a seating capacity of 850 professionals was completed. Construction is on for the Education and research block with online classrooms capable of training 4,000 trainees at a time, hostel facilities which include the accommodation rooms and the food court, all these developments with a built up area of 10,91,000 square feet. Currently, the campus has a built up area of 5,18,450 square feet capable of accommodating 1484 professionals.

In Thiruvananthapuram interiors were completed in the leased space with a built up area of 22,000 square feet capable of accommodating 220 professionals.

Annual Report 2003 04

In Melbourne, fitting out of a new office in a more spacious premises at St. Kilda Road was taken up this year. This office occupies two floors in the building with a total area of 28,030 sq. ft. and has a seating capacity of 250 in total. One floor has already been occupied while the other floor will be ready for occupation by the middle of April 2004.

In addition, the offices of Expert Communications at Lonsdale Road were taken over by Infosys. This office had a floor space of 12,080 sq. ft. spread over two floors and a seating capacity of about 90. Along with the reorganization of this existing offices layout, additional floor space of 5,565 sq. ft. has also been taken up for fit out in the same building. After the completion of these in April 2004, the total area at Lonsdale Road office will be 17,645 sq. ft. and the seating capacity 213.

In Mauritius, 27,000 sq. ft. capable of accommodating 450 personnel has been leased out. This will also be the Disaster Recovery Center for the company. The company has also leased 25 acres of land from the Government of Mauritius.

As of March 31, 2004, in India, the company had 40,46,250 square feet of space capable of accommodating 22,730 professionals and an additional 22,27,000 square feet under completion.

Sexual harassment litigation

During the year, the lawsuit filed by Ms. Reka Maximovitch was settled for US \$ 3 million. The lawsuit was filed against Mr. Phaneesh Murthy, a former member of the Board and the company. Your company contributed US \$ 1.5 million and the balance US \$ 1.5 million was contributed by the insurers under the company's Directors and Officers Liability Insurance cover.

Infosys learnt that Ms. Jennifer Griffith, a former employee, has filed a lawsuit against the Company and Mr. Phaneesh Murthy, a former Member of the Board. The lawsuit has been filed in the Superior Court of California, Alameda County, and generally alleges that Mr. Phaneesh Murthy sexually harassed Ms. Griffith while she was employed at Infosys. Management is reviewing the allegations. Based on its present knowledge of facts, management estimates that the lawsuit will not have material impact on the result of operation or financial position of the company.

Progeon Limited

During the year, your company invested the second tranche of Rs. 12.25 crore in Progeon Limited (Progeon), the majority owned subsidiary, purchasing 1,22,50,000 equity shares of Rs. 10/- each fully paid up. Progeon also obtained the second tranche of funding of Rs. 44.80 crore from Citicorp International Finance Corporation, USA, through investment in cumulative, convertible, redeemable preferred shares of face value of Rs. 100/- each at a premium of Rs. 2.40 per share. During the year, Progeon added nine clients and generated revenue of Rs. 78.14 crore, with a net loss of Rs. 0.60 crore. The employee strength as on March 31, 2004 was 1,878.

Progeon formed a wholly owned subsidiary, Progeon SRO, with an investment outlay of US \$ 1.1 million. Progeon SRO was incorporated on February 4, 2004 in Brno, Czech Republic.

Strategic investments

On April 8, 2004 your company launched Infosys Consulting, Inc. (with a planned investment of US \$ 20 million), thereby taking the battle into the competitor's camp. Through this initiative, it combines world-class consulting with the excellence and cost competitiveness of global delivery.

Your company also formed a wholly owned subsidiary, Infosys Technologies (Shanghai) Co. Limited, in China, with an investment outlay of US \$ 5 million. Your company proposes to establish a software development center for 200 professionals in Shanghai. The China subsidiary will be offering end-to-end software services to domestic and multinational companies operating in China. It will also serve as a hub for software services in the Asia Pacific region.

Acquisitions

Your company acquired 100% equity in Expert Information Services Pty. Limited, Australia (Expert). The transaction was completed effective January 2, 2004. The acquired company was renamed Infosys Technologies (Australia) Pty. Limited (Infosys Australia).

Expert was one of Australia's leading IT service providers specializing in the designing, building and integration of business solutions and products for leading companies in Australia. Its clients included medium and large enterprises, which span across various industry verticals such as telecommunications, financial services, retail, and government sectors.

The transaction value was approximately A \$ 32.0 million (US \$ 24.3 million) and comprised payment in cash on completion of the transaction and earn-out on achieving targeted financial conditions over a three year period ending March 31, 2007.

Management is presently undertaking a seamless integration of Infosys Australia with erstwhile Australia operations of your company. This will accelerate market penetration in Australia and provide enhanced value to clients.

Human resource management

Employees are vital to your company. Your company has created a favorable work environment that encourages innovation and meritocracy. Your company has also put in place a scalable recruitment and human resource management process, which enables it to attract and retain high caliber employees. Your company added 8,021 (net) and 10,077 (gross) employees, taking the total strength to 23,377, up from 15,356 at the end of the previous year. Your company's attrition rate, stands at 10.5% for the year (6.9% for the previous year). Over the last year, 9,07,922 people applied to Infosys. Clearly, your company remains an employer of choice.

At your company, the key focus has been to change the mindset from human resource utilization to nurturing and leveraging talent. Towards this, your company has instituted a programme, Engage and Enable Infosions, as a key track to focus on in the quest towards achieving global leadership. Transitioning business on the concept of verticals and managing post acquisition issues brought in key people challenges, which helped its people processes mature and explore new domains.

Your company continued with its PCMM journey to ensure that its people practices meet the requirements of proven international standards. In keeping with its high performance work ethic, your company enhanced its performance management process. This process incorporated objective setting as a key requirement. The concept of variable pay has been institutionalized. It plans to further reinforce these concepts on a continuous basis.

Your company believes in investing in people competencies for the business requirements of tomorrow. Towards this, your company has been enabling Infosions to become solution focused, have a global mindset and stay connected. Launching the ES (Enterprise Solutions-ERP) University, reinforcing the leadership development model and furthering the Leaders Teach concept, has enhanced the already existing initiatives like role-based training and reinforcing e-learning.

Branding

As your company scales greater heights, the branding and marketing activities are geared towards meeting international challenges. Flagship campaigns like WIBTA (Wharton Infosys Business Transformation Awards), the CEO event in Japan, and Milan (our annual customer forum held in the US and Europe) continued to provide great opportunities for networking and knowledge sharing. A successful session hosted by Infosys at the World Economic Forum also attracted a number of CEOs. The Global Sourcing Summit was very well received among the global community and played a vital role in bringing together the best practices

in outsourcing. Interaction with analysts and clients also increased through initiatives like the Customer Advisory Council.

Quality

Your company firmly believes that pursuit of excellence is one of the most critical components for competitive success in the global market. Your company has achieved high maturity through rigorous adherence to highly evolved processes, which have been systematically benchmarked against world-class operating models. These include ISO 9001-TickIT, SEI-CMM / CMMI, BS7799, ISO14001 and the Malcolm Baldrige / EFQM Frameworks. Your company is rated at Level 5 of the Capability Maturity Models (CMM and CMMI), which are world-class benchmarks in software process management. Regular and rigorous assessments are conducted by reputed external assessors vis-à-vis CMM, CMMI, PCMM and CII-EXIM (based on EFQM / Baldrige models).

To address the challenges of the future and to ensure performance improvement in an integrated manner, your company has launched a number of initiatives:

PRidE: Process Repository @ Infosys for Driving Excellence, integrated with tools and knowledge base that optimizes execution across the globe.

Improving quality and productivity through standardization of engineering processes for key technologies with tools, methodologies and reusable components and framework.

Use of Six Sigma for enhanced customer focus and improved service delivery in maintenance, production support and engineering design.

Enabling people with focused accreditation programs like CSQA, PMI, CSTE, CFPE, internal process training on quantitative project management, statistics for decision making, integrated requirements analysis, etc. Your company has also helped many of its clients improve their processes and systems by providing high-end software process consulting services. This is testimony to your company's process leadership.

Infosys Leadership Institute

The phenomenal growth of the company in the past decade, coupled with globalization, has given us the impetus to focus on developing leaders for the coming decades. As we create thousands of effective managers in the organization, we have also chosen to invest in developing top tier leaders who can help the company maintain its lead and momentum in the market place. We have identified about 400 employees to be supported in their leadership journey. A set of leadership competencies as distinct from the managerial skills, has been identified and a number of vehicles have been used to build these competencies. Significant initiatives here include Leaders Teach Leaders Series of Experience Sharing Sessions, Feedback Intensive Programs, nomination to Ivy League courses, and others. We have also created the best infrastructure in India for leadership development by building a residential campus for the Infosys Leadership Institute on a 228-acre campus in Mysore.

Building global academic relationships

Your company has strongly focused its branding efforts on some of the best names in the world of academia knowing that its message extends beyond campuses to many powerful corner offices. Your company's effort in proactively branding itself on university campuses abroad has helped position it as a global brand in the minds of its customers,

partners, shareholders and employees. This year, your company has hosted student groups and faculty from 21 colleges including Harvard Business School, Wharton, MIT Sloan School of Management, Kellogg School of Management at Northwestern University, Fuqua School of Business at Duke University etc. InStep and

Academe are the two initiatives that contribute substantially in making your company a name to reckon with in the international academia.

InStep Global Internship Program

InStep is your company's Global Internship Program. By attracting students from the best academic institutions around the world, InStep has not only built brand equity for your company, but is also key to its international recruitment initiative.

While the students benefit from learning first hand in a corporate environment, your company gains brand equity, value addition to current projects and enhanced awareness in the universities. As a result of such exposure, many universities have requested for senior management from your company to speak at their seminars and forums. This reiterates your company's position as a thought leader in the business and technology spheres. Further, interns have published case studies and white papers that help position Infosys as a global technology leader.

InStep also promotes a multi-cultural environment at your company. Last year, the program enabled interns from 17 different nationalities, to share their experiences and perspectives. Further, your company recruits interns from diverse academic backgrounds, spanning technology students from Stanford to business students from Wharton. This year, your company has held InStep: Information Sessions in the United States of America, Canada, Mexico, United Kingdom, France, Germany, India, Australia, Singapore, Thailand and Japan and has received over 8,000 applications for 70 internship positions.

Academe

Your company has partnered with the academia to build a set of case studies. Besides unfurling the banner of your company's brand in the international academic circles, these case studies have positioned your company as a global brand.

These cases have reached current students and high-power alumni of some of the best universities in the world like Harvard, Wharton, NYU and LBS. A case written by Stern School of Business, NYU, was published as an article in the prestigious SternBusiness magazine, which reaches thousands of Stern alumni as well as the board of Stern. Some of the case studies completed in the recent past outline the working of Infosys or capture its history and growth. This year we initiated four cases studies with top colleges, including INSEAD, France.

Additional information to shareholders

Your company has provided additional information in the form of intangible assets scoresheet, human resources accounting, value-added statement, brand valuation, economic value-added statement, current-cost-adjusted financial statements, and financial statements in substantial compliance with the GAAP of six countries.

Corporate governance

Your company continues to be a pioneer in benchmarking its corporate governance policies with the best in the world. Our efforts are widely recognized by investors in India and abroad. In line with the company's commitment to good corporate governance practices, your company appointed Mr. Deepak M. Satwalekar as the Lead Independent Director.

Also, your company is the first public company in India to have undergone the corporate governance audit by Standard and Poor's. Standard and Poor's has rated your company's corporate governance practices at CGS 8.6 on a scale 10.

ICRA has rated your company's corporate governance practices at CGR 1, while CRISIL has rated the same at GVC Level 1.

Your company has complied with all the recommendations of the Kumar Mangalam Birla Committee on Corporate Governance constituted by the Securities and Exchange Board of India (SEBI). For fiscal 2004, the compliance report is provided in the *Corporate*

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governance report in this Annual Report. The auditor's certificate on compliance with the mandatory recommendations of the committee is annexed to this report.

Your directors have documented your company's internal policies on corporate governance. In line with the committee's recommendations, the management's discussion and analysis of the financial position of the company is provided in this annual report and is incorporated here by reference.

Your company continues its practice of providing a report on its compliance with the corporate governance requirements of six countries, in their national languages, for the benefit of our shareholders in those countries.

Employee Stock Option Plan (ESOP)

Your company has introduced various stock option plans for its employees. However, the grant of stock options to employees has been temporarily suspended both under the 1998 and 1999 stock option plans, pending clarity in the regulations relating to grant of stock options as well as the accounting regulations relating to the same.

1994 Stock Offer Plan (the 1994 plan)

The 1994 plan came to an end in fiscal 2000. No further options will be issued under this plan.

1998 Stock Option Plan (the 1998 plan)

Your company has issued 95,900 ADS-linked stock options to 39 employees during the year under the 1998 plan. Details of such options granted under the 1998 plan are given below.

Description	Details
1. Total number of shares	29.40 lakh ADS representing 14.70 lakh shares
2. The pricing formula	Not less than 90% of the fair market value as on date of grant
3. Ratio of ADS to equity shares	One share represents two ADSs
4. Options granted during the year	95,900 options representing 47,950 equity shares
5. Weighted average price per option granted	US \$47.50 (Rs. 2,061.50); 100% of fair market value on the date of grant
6. Options vested (as of March 31, 2004)	7,70,991 options representing 3,85,495 equity shares
7. Options exercised during the year	2,58,870 options representing 1,29,435 equity shares
8. Money raised on exercise of options	Rs. 34.43 crore
9. Options forfeited during the year	4,04,931 options representing 2,02,465 equity shares

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10. Total number of options in force at the end of the year	19,35,505 options representing 9,67,752 equity shares
11. Grant to senior management	Nil
12. Employees receiving 5% or more of the total number of options granted during the year	Nil

1999 Stock Option Plan (the 1999 plan)

Your company has issued 1,92,800 stock options to 595 employees and one independent director during the year under the 1999 plan. The details of such options granted under the 1999 plan are given below.

Description	Details
1. Total number of shares	66.00 lakh shares
2. The pricing formula	At the fair market value as on date of grant
3. Options granted during the year	1,92,800 options representing 1,92,800 equity shares
4. Weighted average price per option granted during the year	Rs. 3,072 (100% of fair market value on the date of grant)
5. Options vested (as of March 31, 2004)	21,08,580 options representing 21,08,580 equity shares
6. Options exercised during the year	2,68,543 options representing 2,68,543 equity shares
7. Money raised on exercise of options	Rs. 87.84 crore
8. Options forfeited during the year	3,94,898 options representing 3,94,898 equity shares
9. Total number of options in force at the end of the year	45,90,530 options representing 45,90,530 equity shares
10. Grant to senior management and independent directors	Sridar A. Iyengar. No. of options: 2,000
11. Employees receiving 5% or more of the total number of options granted during the year	Nil

During the year the company has embarked on ensuring full compliance with the US Sarbanes-Oxley Act of 2002. Several aspects of the act such as the Disclosure Committee Requirements, Whistleblower Policy, Code of Conduct for Senior Officers and Executives have already been instituted. Presently, the company is in an advanced stage of ensuring compliance under Section 404 of the act, relating to the certification by the CEO and CFO of the appropriateness of internal controls relating to financial reporting.

Responsibility statement of the board of directors

The directors responsibility statement, setting out the compliance with the accounting and financial reporting requirements specified under Section 217 (2AA) of the Companies (Amendment) Act, 2000, in respect of the financial statements, is annexed to this report.

The Securities and Exchange Board of India (SEBI) had earlier issued the (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. This is effective for all stock option schemes established 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 option over the exercise price of the option, including up-front payments, if any, is to be recognized and amortized on a straight line basis over the vesting period.

The company's 1994 stock option plan was established prior to SEBI guidelines on stock options. Shares under the 1994 stock option plan was granted to employees at Rs. 50/- per share (adjusted for stock split). The company also has the 1998 stock option plan and 1999 stock option plan. Under the 1998 and 1999 stock option plan, the options are issued to the employees at an exercise price not less than the fair market value.

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Applying the fair value method as defined in SFAS 123, the impact on the reported net profit and basic earnings per share would be as follows:

	<i>in Rs. crore</i>	
Year ended March 31,	2004	2003
Net profit:		
as reported	1,243.47	957.93
adjusted pro forma	1,016.10	679.22
Basic earnings per share:		
as reported	187.38	144.68
adjusted pro forma	154.14	102.58

Employees Welfare Trust

In 1994, your company had issued 7,50,000 warrants to the Infosys Technologies Limited Employees Welfare Trust (the Trust), for the benefit of the employees, by creating a stock option plan viz., the 1994 Employees Stock Offer Plan. The Trust has successfully completed the administration of the 1994 Stock Offer Plan, which expires in September 2004. As of date, the Trust has in its ownership, 3,53,400 shares which are unutilized. These shares have been irrevocably granted to the Trust and are to be used for the benefit and welfare of the employees.

Your company now proposes to form a new Trust, which would undertake welfare activities for the benefit of the employees using as the corpus, the shares remaining in the ownership of the trust or any proceeds arising from the shares remaining as aforesaid.

Liquidity

Your company continues to be debt-free, and maintains sufficient cash to meet its strategic objectives. Liquidity in the balance sheet needs to balance between earning adequate returns and the need to cover the financial and business risks. Liquidity also enables your company to make a rapid shift in its direction, should the market so demand. Your company has recommended a one-time special dividend of Rs. 100 per share aggregating to Rs. 666.41 crore. This is a reflection of your company's focus on maintaining a fine balance between cash required for growth with that of enhancing returns to the shareholders. During the current year, internal cash accruals have more than adequately covered working capital requirements, capital expenditure of Rs. 429.87 crore and dividend payments, and have resulted in a surplus of Rs. 1,130.49 crore. As on March 31, 2004, your company had liquid assets including investments in liquid mutual funds, of Rs. 2,769.00 crore as against Rs. 1,638.51 crore at the previous year-end. These funds have been invested in deposits with banks, highly rated financial institutions and in liquid mutual funds.

Research and education initiatives

Your company trained over 7,441 employees as part of its Foundation Program training. Continuing education is imparted in advanced technologies and managerial skills for the employees. The project Management Competency Development initiative was launched to focus on enhancing project management competency across the company. The aggregate training imparted by your company to its employees exceeded 4,49,390 trainee person days.

The Infosys Fellowship Program, instituted by your company at 14 premier academic institutions in India to support research work leading to a PhD has been well received. At present, there are 38 Infosys Fellowship awardees undergoing PhD programs at various institutions. Ten Infosys fellows have completed the doctoral research / have submitted the thesis and most of them have already been awarded a PhD by the respective institutions.

Your company continues to leverage the collective knowledge of the organization for competitive advantage. The Knowledge Management (KM) program, initiated in August 2000, has resulted in the active generation and widespread use of reusable knowledge. The central

knowledge repository has, as of date, over 8,000 knowledge assets. Additionally, more than 10,000 artifacts were created by employees as direct deliverables. On an average, 2,500 knowledge assets are downloaded by Infosys employees every work-day. You will be pleased to know that your company won the prestigious Global MAKE (Most Admired Knowledge Enterprises) award for the year 2003, along with 19 other world's leading companies from across industries.

Infosys Foundation

Your company is committed to contributing to society. In 1996, it established the Infosys Foundation as a not-for-profit trust to support initiatives that benefit the society at large. The Foundation supports programs and organizations devoted to the cause of the destitute, rural poor, mentally challenged, belonging to the economically backward sections of the society. It also helps preserve certain arts and cultural activities of India, which are under the threat of dying out. Grants to the Foundation during the year aggregated Rs. 12.00 crore, as compared to Rs. 5.53 crore in the previous year.

A summary of the work done by the Foundation appears in the *Infosys Foundation* section of this report. On your behalf, your directors express their gratitude to the honorary trustees of the Foundation for sparing their valuable time and energy for the activities.

Community service

Your company, through its Computers@Classrooms initiative, launched in January 1999, has donated 729 computers to various institutions across India. Additionally, your company has applied to the relevant authorities for permission to donate computers to educational institutions on an on-going basis in the future. Microsoft Corporation continues to participate in this initiative by donating relevant software. We would like to place on record our appreciation for its continued support.

Awards

Your directors are happy to report some of the awards that your company received during the year.

Infosys ranked 34 among *WIRED* magazine's 40 companies that are reshaping the global economy

Business Week ranked Infosys 74 among the top 100 fastest growing IT companies in the world

Infosys rated as India's most respected company by FT-PwC survey.

In its latest book *Beyond Branding*, the Medinger Group, a high level international think-tank on branding and business, has identified Infosys as one of the eight companies across the world as top brands with a conscience

Infosys has been presented with a Texas Instruments (TI) 2001 Supplier Excellence Award. The award, given annually, honors firms whose dedication and commitment in supplying products and services meet TI's high

standards for excellence

Institute of Chartered Accountants of India award for excellence in financial reporting for the year 2002-03 for the eighth successive year.

Infosys won the prestigious Global Most Admired Knowledge Enterprises (MAKE) Award, for the year 2003
Fixed deposits

Your company has not accepted any fixed deposits and, as such, no amount of principal or interest was outstanding as of the balance sheet date.

Directors

As per Article 122 of the Articles of Association, Mr. Deepak M. Satwalekar, Prof. Marti G. Subrahmanyam, Mr. S Gopalakrishnan Mr. S. D. Shibulal and Mr. T. V. Mohandas Pai retire by rotation in the

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forthcoming Annual General Meeting. All of them, being eligible, offer themselves for reappointment.

Auditors

The auditors, Bharat S. Raut & Co. Chartered Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office, if reappointed.

Secondary American Depositary Shares (ADS) offering

Your company successfully sponsored the Secondary American Depositary Shares Offering. A total of 10,109 offers consisting of 1,48,63,802 equity shares were received in the offer period, i.e. during July 16, 2003 to July 25, 2003. Of the received offers, 338 offers consisting of 24,630 equity shares were rejected for being invalid offers and the balance of 9,771 valid offers were accepted.

On July 31, 2003, 52,18,000 ADSs representing 26,09,000 equity shares were sold in the sponsored ADR offering at a price of US \$ 49.00. On August 1, 2003, the Underwriters exercised the over allotment option and purchased a further 7,82,000 ADSs representing 3,91,000 equity shares at a price of US \$ 49.00. The gross proceeds from the sale of the 60,00,000 ADSs representing 30,00,000 equity shares, aggregated to US \$ 294 million.

Conservation of energy, research and development, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under Subsection (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988, are set out in the annexure included in this report.

Subsidiaries

Your company has three direct subsidiaries viz. Progeon Limited, Infosys Technologies Australia Pty. Limited and Infosys Technologies (Shanghai) Company Limited. As per Section 212 of the Companies Act, 1956, your company is required to attach the directors report, balance sheet and profit and loss account of these subsidiaries. Your company applied to the central government for an exemption from such attachment as it presents the audited consolidated accounts of the company and its subsidiaries in the annual report. Your company believes that the consolidated accounts present a full and fair picture of the state of affairs and the financial condition as is done globally. The Central Government has granted exemption from complying with Section 212 with respect to Progeon Limited and Infosys Technologies (Shanghai) Company Limited. Approval from the Central Government with respect to Infosys Technologies Australia Pty. Limited is awaited. Accordingly, the annual report of your company does not contain the financial statements of these subsidiaries, but contains the audited consolidated financial statements of the company and its subsidiaries.

The annual accounts of these subsidiary companies, along with related information, is available for inspection during business hours at the company's registered office.

Your company has one step-down subsidiary Progeon SRO (wholly owned subsidiary of Progeon Limited). Progeon SRO was incorporated on February 4, 2004 in Brno, Czech Republic. The company has not commenced any business operations as of the date of this report. Hence, the annual report of your company does not contain the financial statements of Progeon SRO.

Particulars of employees

As required under the provisions of section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of employees) Rules, 1975, as amended, the names and other particulars of employees are set out in the annexure included in this report. The Department of Company Affairs, has recently amended the Companies (Particulars of employees) Rules, 1975 to the effect that particulars of employees of companies engaged in Information Technology sector posted and working outside India not being directors or their relatives, drawing more than rupees twenty four lakh per financial year or rupees two lakh per month, as the case may be, need not be included in the statement but, such particulars shall be furnished to the Registrar of Companies. Accordingly, the statement included in this report does not contain the particulars of employees who are posted and working outside India.

Acknowledgments

Your directors thank the company's clients, vendors, investors and bankers for their continued support during the year. Your directors place on record their appreciation of the contribution made by employees at all levels. Your company's consistent growth was made possible by their hard work, solidarity, cooperation and support.

Your directors thank the Government of China, Australia, Mauritius and the Czech Republic. Your directors also thank the Government of India, particularly the Ministry of Communication and Information Technology, the Customs and Excise Departments, the Income Tax Department, the Software Technology Parks Bangalore, Chennai, Hyderabad, Mohali, Mysore, Pune, Bhubaneswar, Mangalore, Thiruvananthapuram and New Delhi, the Ministry of Commerce, the Ministry of Finance, the Reserve Bank of India, the state governments, and other government agencies for their support, and look forward to their continued support in the future.

For and on behalf of the board of directors

Bangalore
April 13, 2004

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

N. R. Narayana Murthy
Chairman and Chief Mentor

Annexure to the directors report

a) Particulars pursuant to Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988

1. Conservation of energy

The operations of your company are not energy-intensive. However, significant measures are taken to reduce energy consumption by using energy-efficient computers and by purchasing energy-efficient equipment. Your company constantly evaluates new technologies and invests to make its infrastructure more energy-efficient. Currently, your company uses CFL fittings and electronic ballasts to reduce the power consumption of fluorescent tubes. A building automation system to control the working of air conditioners and to make them more energy-efficient, has been implemented. Air conditioners with energy-efficient screw compressors for central air conditioning and air conditioners with split air conditioning for localized areas are used. High efficiency, hydro-pneumatic pumps are being used in water pumping systems. As energy costs comprise a very small part of your company's total expenses, the financial impact of these measures is not material.

In addition, your company is using amorphous core transformers in place of conventional transformers in all its locations, which operate at an efficiency of over 99%. Your company is also using power factor correctors at the supply level of the state grid power to achieve high energy efficiency.

2. Research and Development (R&D)

Research and development of new services, designs, frameworks, processes and methodologies continue to be of importance at your company. This allows your company to enhance quality, productivity and customer satisfaction through continuous innovation.

a. R&D initiative at institutes of national importance

This initiative has been described in the *Research and education initiatives* section in the *Directors report*.

b. Specific areas for R&D at your company

Your company spent Rs. 44.54 crore on R&D in the financial year 2004. Of this, Rs. 20.66 crore was spent on enhancing and developing new functionalities in the banking product suite Finacle®. As a result, today, Finacle® is one of the premier banking product suites in the world with over 94 customers across 27 countries.

The remainder amount of Rs. 23.88 crore was spent on methodologies and new technologies, which allow your company to improve its service capabilities. Your company has further enhanced the requirements modeling tool InFlux to include performance modeling. Increased deployment is helping your company capture software requirements better and is reducing requirements-related defects in its development projects. This allows the company to differentiate its development methodology.

Your company's Domain Competency Group (DCG) is developing new models for several vertical industry segments. These industry solutions address some of the current problems faced by these industries. Examples are Straight Through Processing (STP) for the financial services industry, Perishables Management for the grocery industry, and HIPAA for the health care industry.

Your company's employees have published several papers in international and domestic journals and magazines on various topics. A book has been brought out based on the research done by our Software Engineering and Technology Labs (SETLabs) called *The Art and Technology of Software Engineering*. Your company's employees have also participated as speakers in several international and domestic conferences.

c. Benefits derived as a result of R&D activity

Your company's performance testing center and the e-commerce research labs have been instrumental in building expertise in the areas of software performance solutions, testing, architecture and prototype development.

d. Future plan of action

There will be continued focus on and increased investment in the above R&D activities. Future benefits are expected to flow in from initiatives undertaken this year.

e. Expenditure on R&D for the year ended March 31,

	<i>in Rs. crore</i>	
	2004	2003
Revenue expenditure	43.06	13.77
Capital expenditure	1.48	0.67
Total R&D expenditure	44.54	14.44
R&D expenditure as a percentage of total revenue	0.94%	0.40%

3. Technology absorption, adaptation and innovation

Your company has identified three thought leadership areas – Knowledge Management, Collaborative Technologies and Convergence Technologies. Your company has created technology roadmaps in these areas that anticipate changes based on the evolution of technology in two to five years. Based on these technology roadmaps, your company has created various scenarios in vertical industry segments and has developed proof-of-concept applications, along with clients and technology partners. For instance, your company has created proof-of-concept applications in collaborative technologies such as .NET along with Microsoft. This has been demonstrated to its clients, and has resulted in your company getting several new projects in the .NET technology area. As mentioned earlier, your company has won the prestigious Most Admired Knowledge Enterprise (MAKE) award for its knowledge management practices.

4. Foreign exchange earnings and outgo

a. Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services, and export plans

In fiscal 2004, 98.6% of revenues were derived from exports. Over the years, your company has established a substantial direct-marketing network around the world, including North America, Europe and the Asia Pacific regions. These offices are staffed with sales and marketing specialists, who sell your company's services to large, international clients.

During the year, your company opened marketing offices in Reston and Rochester, USA. Your company also launched a global initiative to increase the awareness of the Infosys brand, and of its products and services. Several

press and public relations exercises were launched in the US to enhance your company's visibility. Further, your company plans to continue to participate in specific international exhibitions to promote its products and services.

b. Foreign exchange earned and used for the year ended March 31,

	<i>in Rs. crore</i>	
	2004	2003
Earnings	4,532.56	3,377.87
Outflow (including capital goods and imported software packages)	2,007.54	1,593.85
Net	2,525.02	1,784.02

For and on behalf of the board of directors

Bangalore
April 13, 2004

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

N. R. Narayana Murthy
Chairman and Chief Mentor

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Annexure to the directors report

b) Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of employees) Rules, 1975, and forming part of the directors report for the year ended March 31, 2004

Sl No.	Name	Designation	Qualification	Age(Years)
1	Anurag Gupta	Delivery Manager	BSc, MCA	39
2	Balakrishnan V.	Senior Vice President Finance & Company Secretary	BSc, ACS, CA	39
3	Balasubramanian P.	Senior Vice President Infosys Leadership Institute	BTech, MTech, PhD	54
4	Binod H. R.	Vice President Commercial & Facilities	BE	41
5	Chandra Shekar Kakal	Vice President Hyderabad Development Centre	BE, MBA, PGD	43
6	Dheeshjith V. G.	Vice President Transportation & Services	BSc, ME	40
*7	Elangovan K.	Delivery Manager	BE	35
8	Ganesh Gopalakrishnan	Vice President Delivery		
9	Girish G. Vaidya	Senior Vice President Banking Business Unit	BE, PGD	53
10	Hema Ravichandar	Senior Vice President Human Resources Development	BA, PGD	42
*11	Jayaram G. K.	Director Infosys Leadership Institute and Advisor to Management Council	BSc, BE, PGD, PhD	62
*12	Mohan Sekhar	Senior Vice President Delivery (North Americas)	BE, MS	41
13	Mohandas Pai T. V.	Director Chief Financial Officer & Head Finance & Administration	BCom, LLB, FCA	45
14	Narendran Koduvattat	Vice President Resources, Energy and Utilities (Insurance, Health Care & Life Sciences)	BSc BE(H), PGD	37 41
15	Parameswar Y.	Vice President Product Engineering	BE, MTech	48
16	Prabhu M. S. S.	Senior Vice President Engineering & IT Solutions for Aero & Auto	BE, PhD	56
17	Pravin Rao U. B.	Senior Vice President Retail, Distribution & CPG	BE	42
18	Ramadas Kamath U.	Vice President Accounts & Administration	BBM, CA	43
*19	Ramesh M. Adkoli	Associate Vice President Delivery (Canada & North East Region)	BSc (Applied), MCA	44
20	Ravindra Muthya Pranasha Rao	Vice President Education & Research	BSc, MSc, PhD	56
21	Samson David	Associate Vice President Delivery (Asia Pacific)	BE	35
22	Sanjay Jalona	Associate Vice President Delivery (Europe)	MSc (Tech)	35

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23	Satyendra Kumar	Vice President	Quality & Productivity	BSc(H), MSc	51
24	Shibulal S. D.	Director and Head	World-wide Customer Delivery	BSc, MSc, MS	49
25	Sivashankar J.	Vice President	Information Systems	BTech, MMS	44
*26	Sreenath N.	Vice President	Delivery (South and Mid-West Region)	BE	39
27	Srinath Batni	Director	Strategic Groups & Co-Customer Delivery	BE, ME	49
28	Srinivas B. G.	Vice President	Enterprise Solutions	BE	43
29	Srinivas Uppaluri	Associate Vice President	Corporate Marketing	BSc, CA	41
30	Subramanyam G. V.	Vice President	Software Engineering & Technology Labs & Microsoft Applications Solutions Practice	BE	37

[Additional columns below]

[Continued from above table, first column(s) repeated]

SI No.	Name	Date of Joining	Experience (Years)	Gross Remuneration (Rs.)	Previous Employment - Designation
1	Anurag Gupta	15-Jan-2002	17	26,57,503	American Express Bank Ltd. Director
2	Balakrishnan V.	2-Sep-1991	17	36,00,739	Amco Batteries Ltd. Senior Accounts Executive
3	Balasubramanian P.	1-Oct-1995	26	29,87,421	Hitek Software Engineers Ltd. CEO/Technical Director
4	Binod H. R.	2-Aug-1993	18	25,02,045	Mico-Senior Engineer Technical Sales
5	Chandra Shekar Kakal	1-Mar-1999	20	26,23,682	Ramco Systems Product Manager
6	Dheeshjith V. G.	14-Sep-1987	17	24,32,261	
*7	Elangovan K.	23-Jul-1990	14	15,16,450	
8	Ganesh Gopalakrishnan				
9	Girish G. Vaidya	22-Jan-1999	29	32,11,242	ANZ Grindlays Head & Director Operations
10	Hema Ravichandar	30-Dec-1998	21	29,41,826	Empower Associates Proprietor
*11	Jayaram G. K.	5-Jan-2001	33	16,95,592	Transformation Systems, Inc. Chairman
*12	Mohan Sekhar	17-Aug-1998	17	24,13,686	AT&T Head
13	Mohandas Pai T. V.	17-Oct-1994	22	30,50,600	Prakash Leasing Limited Executive Director

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Narendran	8-Mar-1993	17	25,24,389	PSI Data Systems Ltd.	Senior
Koduvatt	2-May-1994	17	25,13,208	Software Engineer	
				Asian Paints India Ltd.	Systems Executive
15 Parameswar Y.	14-Oct-1996	25	24,46,315	C-Dot	Divisional Manager
16 Prabhu M. S. S.	1-Aug-1997	32	24,87,754	TCS	Vice President
17 Pravin Rao U. B.	4-Aug-1986	19	29,92,771	Indian Institute of Science	Trainee
18 Ramadas Kamath U.	1-Jul-1994	19	28,34,472	Manipal Printers And Publishers Ltd.	Accountant
*19 Ramesh M. Adkoli	17-Jun-1991	19	18,98,461	Ballarpur Industries Ltd.	Production Incharge
20 Ravindra Muthya Pranesha Rao	13-Aug-2001	11	24,47,322	HCL Technologies	Vice President
21 Samson David	15-Mar-1992	14	27,75,485	Service Engineer	Voltas Ltd.
22 Sanjay Jalona	15-Dec-2000	14	25,11,658	Gemplus India Pvt. Ltd.	Director
23 Satyendra Kumar	27-Sep-2000	28	25,16,636	IMR Global	Vice-President
24 Shibulal S. D.	1-Sep-1981	28			