



Infosys Technologies Limited

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Letter to the shareholder

Dear Shareholder,

We crossed US\$ 3 billion in revenues in the first nine months of the current fiscal. Third quarter revenues under Indian GAAP grew sequentially by 4.0% and net profit after tax (excluding tax reversals) was Rs. 1,181 crore, a sequential growth of 7.4%. In US GAAP terms, revenues grew sequentially by 6.1% and net income (excluding tax reversals) grew by 9.6%.

Our ability to manage large, complex programs using the Global Delivery Model provides a compelling value proposition to our customers. Despite a challenging currency environment, we reached US\$ 1 billion in net income in the last 12 months ended December 31, 2007. Our revenue guidance for Fiscal 2008 is between Rs. 16,627 crore and Rs. 16,651 crore, a growth of 19.7% – 19.9% over the previous fiscal.

Customers, analysts and industry bodies commended Infosys for its strategy to enable customers to compete effectively in a dynamic market. British Telecom and Infosys were awarded the National Outsourcing Association award for Innovative Outsourcing Project of the Year 2007. An independent analyst cited Infosys as a leader in SAP implementation services. Infosys moved up to No. 14 on FinTech 100, an international annual listing of top 100 global application and service providers to the financial services industry.

We added 47 clients. Our top ten customers showed double-digit sequential revenue growth. On an LTM (last twelve months) basis, we have one client billing over \$200 million and 4 clients billing over \$100 million. Repeat business accounted for 96.3% of revenues.

We entered into a multi-year multimillion-dollar contract with a leading healthcare company to provide application services and testing support for a critical business platform. A leading global logistics provider has selected Infosys to maintain its US freight forwarding application portfolio. Infosys is managing the development of a new wireless application platform for a leading US Internet services and online application provider. A multi-brand US retailer is benefiting from Infosys' IT infrastructure managed services.

Europe contributed 28.6% of revenues this quarter. A leading European bank selected Infosys as a preferred supplier to reduce the cost of ownership of its application portfolio across business lines. A UK telecom leader is working with Infosys to roll out IPTV-based value-added services through collaborative product development. A leading French energy and utility company with operations across Europe and North America is using Infosys' sales force automation and customer service solutions.

FAO Today magazine recognized Infosys BPO Limited with its Provider of the Year award. Infosys BPO is providing knowledge services and financial accounting services to a leading UK private equity company and a leading US Fortune 100 diversified healthcare benefits company.

Finacle®, the universal banking solution from Infosys, won five new clients – three from Asia Pacific, one from Europe and one from the Americas.

Innovation maintained a healthy momentum. We applied for an aggregate of 16 patents in the US and India this quarter. With this, Infosys has filed an aggregate of 109 patent applications (pending) in both countries and has been granted two patents by the United States Patent and Trademark Office.

We voluntarily settled with the California Division of Labor Standards Enforcement (DLSE) towards possible overtime payment to certain employees in California for a total amount of US\$ 26 million. The payment pertains to the last three years and such backwages will be paid to employees in due course.

We added 11,683 employees (net 8,100) during the quarter.

As we enter a new calendar year, we look forward to significant growth and customer delight. We thank our investors, employees, customers and all stakeholders and seek your continued support.

Wish you a happy and prosperous New Year.

S. Gopalakrishnan
Chief Executive Officer and
Managing Director

S. D. Shibulal
Chief Operating Officer

Select Financial Data (Consolidated) – Indian GAAP

Profit and loss account for the quarter ended

in Rs. crore, except per share data

	December 31, 2007	December 31, 2006	Year-on-year Growth (%)	September 30, 2007	Sequential Growth (%)
Income from software services, products and business process management	4,271	3,655	16.9	4,106	4.0
Software development and business process management expenses	2,325	1,938	20.0	2,231	4.2
Gross profit	1,946	1,717	13.3	1,875	3.8
Operating expenses:					
Selling and marketing expenses	205	236	(13.1)	283	(27.6)
General and administration expenses	349	285	22.5	308	13.3
Total operating expenses	554	521	6.3	591	(6.3)
Operating profit before interest, depreciation and minority interest	1,392	1,196	16.4	1,284	8.4
Interest	–	–	–	–	–
Depreciation	153	141	8.5	144	6.3
Operating profit before tax and minority interest	1,239	1,055	17.4	1,140	8.7
Other income, net	158	59	167.8	154	2.6
Net profit before tax and minority interest	1,397	1,114	25.4	1,294	8.0
Provision for taxation*	166	130	27.7	194	(14.4)
Net profit after tax and before minority interest	1,231	984	25.1	1,100	11.9
Minority interest	–	1	–	–	–
Net profit after tax and minority interest	1,231	983	25.2	1,100	11.9
Earnings per share (Equity shares, par value Rs. 5/- each)					
Basic	21.54	17.64	22.1	19.26	11.8
Diluted	21.47	17.24	24.5	19.19	11.9

*Provision for taxation includes reversal of tax provisions amounting to Rs.50 crore for the quarter ended December 31, 2007.

Balance sheet

in Rs. crore

	December 31, 2007	March 31, 2007
Sources of funds		
Shareholders' funds	14,304	11,255
Minority interest	5	4
	14,309	11,259
Application of funds		
Fixed assets	4,486	3,771
Sundry debtors	2,608	2,436
Cash and cash equivalents **	7,933	6,073
Deferred tax assets	115	92
Other net current assets	(833)	(1,113)
	14,309	11,259

**Including liquid mutual funds and deposits with corporations

Select Financial Data – US GAAP

Income statement for the quarter ended

in United States Dollar millions, except per share data

	December 31, 2007	December 31, 2006	Year-on-year Growth (%)	September 30, 2007	Sequential Growth (%)
Revenues	1,084	821	32.0	1,022	6.1
Cost of revenues	629	468	34.4	591	6.4
Gross profit	455	353	28.9	431	5.6
Operating expenses					
Selling and marketing expenses	52	54	(3.7)	71	(26.8)
General and administrative expenses	89	64	39.1	77	15.6
Amortization of intangible assets	2	1	100.0	2	–
Total operating expenses	143	119	20.2	150	(4.7)
Operating income	312	234	33.3	281	11.0
Other income, net	40	13	207.7	38	5.3
Income before income taxes and minority interest	352	247	42.5	319	10.3
Provision for income taxes*	42	29	44.8	48	(12.5)
Income before minority interest	310	218	42.2	271	14.4
Minority interest	–	–	–	–	–
Net income	310	218	42.2	271	14.4
Earnings per equity share					
Basic	0.54	0.39	38.5	0.48	12.5
Diluted	0.54	0.38	42.1	0.48	12.5

*Provision for income taxes includes reversal of tax provisions amounting to \$13 million for the quarter ended December 31, 2007.

Balance sheet data as at

in United States Dollar millions

	December 31, 2007	March 31, 2007
Cash and cash equivalents **	1,978	1,403
Investments in liquid mutual fund units	35	6
Trade accounts receivable, net of allowances	662	565
Property plant and equipment	968	738
Other assets	501	361
Total assets	4,144	3,073
Other liabilities	507	356
Total stockholders' equity	3,637	2,717
Total liabilities and stockholders' equity	4,144	3,073

**Cash and cash equivalents include deposits with corporation

Ratio analysis – Indian GAAP consolidated

	Quarter ended		
	December 31, 2007	December 31, 2006	September 30, 2007
Software development expenses / total revenue (%)	54.44	53.02	54.34
Gross profit / total revenue (%)	45.56	46.98	45.66
SG&A expenses / total revenue (%)	12.97	14.25	14.39
Operating profit / total revenue (%)	32.59	32.72	31.27
Tax / PBT (%) ****	15.46	11.67	15.00
Days sales outstanding (DSO) (LTM)	60	63	61
Cash and cash equivalents / total assets (%) ***	55.44	49.32	56.09
ROCE (PBIT / average capital employed) (%) (LTM)	42.10	45.06	44.10
Return on average invested capital (%) (LTM) ***	73.13	83.47	78.74

*** Investments in liquid mutual fund units have been considered as cash and cash equivalents for the above ratio analysis

**** The effective tax rate for the quarter ended December 31, 2007 has been calculated excluding the reversal of tax provisions amounting to Rs. 50 crore

LTM Last Twelve Months

Additional Information

The following information for the quarter ended December 31, 2007 is available in the Investors' section of our website (www.infosys.com)

1. Audited balance sheet, profit & loss account, cash flow statement, schedules, significant accounting policies and notes on accounts for the quarter and nine months ended December 31, 2007 and the related auditors' report : Indian GAAP standalone and Indian GAAP consolidated
2. Ratio analysis and shareholder information

This Report is furnished to investors for informational purposes only. Investors should continue to rely on the official filed versions of financial statements and related information and not rely on this Report while making investment decisions. Investors in our securities registered and traded in the United States of America should rely on official filings with the United States Securities and Exchange Commission.

Safe Harbor

Certain statements in this release concerning our future growth prospects are forward-looking statements, within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended, which involve a number of risks and uncertainties that could cause actual results to differ materially from those in such forward-looking statements. The risks and uncertainties relating to these statements include, but are not limited to, risks and uncertainties regarding the success of our investments, risks and uncertainties regarding fluctuations in earnings, our ability to sustain our previous levels of profitability including on account of the appreciation of the rupee against the US dollar, UK Pound and Euro, our ability to manage growth, intense competition in information technology, business process outsourcing and consulting services including those factors which may affect our cost advantage, wage increases in India, our ability to attract and retain highly skilled professionals, time and cost overruns on fixed-price, fixed-time frame contracts, client concentration, restrictions on immigration, industry segment concentration, our ability to manage our international operations, reduced demand for technology in our key focus areas, disruptions in telecommunication networks or system failures, our ability to successfully complete and integrate potential acquisitions, liability for damages on our service contracts, the success of the companies in which we have made strategic investments, withdrawal of governmental fiscal incentives, political instability and regional conflicts, legal restrictions on raising capital or acquiring companies outside India, and unauthorized use of our intellectual property and general economic conditions affecting our industry. Additional risks that could affect our future operating results are more fully described in our United States Securities and Exchange Commission filings including our Annual Report on Form 20-F for the fiscal year ended March 31, 2007 and Quarterly Report on Form 6-K for the quarter ended June 30, 2007, September 30, 2007 and our other recent filings. These filings are available at www.sec.gov. We may, from time to time, make additional written and oral forward-looking statements, including statements contained in our filings with the Securities and Exchange Commission and our reports to shareholders. We do not undertake to update any forward-looking statements that may be made from time to time by or on our behalf.
