

INFOSYS TECHNOLOGIES LTD
Form 20-F
April 28, 2009

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 20-F

(Mark One)

Registration statement pursuant to Section 12(b) or (g) of the Securities Exchange Act of 1934

OR

Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended March 31, 2009

OR

Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

OR

Shell Company Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of event requiring this shell company report _____

Commission File Number 000-25383

INFOSYS TECHNOLOGIES LIMITED
(Exact name of Registrant as specified in its charter)

Not Applicable
(Translation of Registrant's name into English)

Bangalore, Karnataka, India
(Jurisdiction of incorporation or organization)
Electronics City, Hosur Road, Bangalore, Karnataka, India 560 100. +91-80-2852-0261
(Address of principal executive offices)

V. Balakrishnan, *Chief Financial Officer*, +91-80-2852-0261, balakv@infosys.com
Electronics City, Hosur Road, Bangalore, Karnataka, India 560 100.
(Name, telephone, e-mail and/or facsimile number and address of company contact person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
American Depositary Shares each represented by one Equity Share, par value Rs. 5 per share	NASDAQ Global Select Market

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None.
(Title of class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

Not Applicable
(Title of class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the Annual Report: 572,830,043 Equity Shares

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such filed).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued by the International Account Standards Board
Other

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Currency of presentation and certain defined terms

In this Annual Report on Form 20-F, references to "U.S." or "United States" are to the United States of America, its territories and its possessions. References to "India" are to the Republic of India. References to "\$" or "dollars" or "U.S. dollars" are to the legal currency of the United States and references to "Rs." or "rupees" or "Indian rupees" are to the legal currency of India. Our financial statements are presented in U.S. dollars and are prepared in accordance with the International Financial Reporting Standards as issued by the International Account Standards Board, or IFRS. References to "Indian GAAP" are to Indian Generally Accepted Accounting Principles. References to a particular "fiscal" year are to our fiscal year ended March 31 of such year.

All references to "we," "us," "our," "Infosys" or the "Company" shall mean Infosys Technologies Limited, and, unless specifically indicated otherwise or the context indicates otherwise, our consolidated subsidiaries. "Infosys" is a registered trademark of Infosys Technologies Limited in the United States and India. All other trademarks or tradenames used in this Annual Report on Form 20-F are the property of their respective owners.

Except as otherwise stated in this Annual Report on Form 20-F, all translations from Indian Rupees to U.S. dollars effected on or after April 1, 2008 are based on the fixing rate in the City of Mumbai on March 31, 2009 for cable transfers in Indian rupees as published by the Foreign Exchange Dealers' Association of India, or FEDAI, which was Rs. 50.72 per \$1.00. No representation is made that the Indian rupee amounts have been, could have been or could be converted into U.S. dollars at such a rate or any other rate. Any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

Special Note Regarding Forward Looking Statements

This Annual Report on Form 20-F contains 'forward-looking statements', as defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that are based on our current expectations, assumptions, estimates and projections about our Company, our industry, economic conditions in the markets in which we operate, and certain other matters. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as 'anticipate', 'believe', 'estimate', 'expect', 'intend', 'will', 'project', 'seek', 'should' and similar expressions. Those statements include, among other things, the discussions of our business strategy and expectations concerning our market position, future operations, margins, profitability, liquidity and capital resources. These statements are subject to known and unknown risks, uncertainties and other factors, which may cause actual results or outcomes to differ materially from those implied by the forward-looking statements. Important factors that may cause actual results or outcomes to differ from those implied by the forward-looking statements include, but are not limited to, those discussed in the "Risk Factors" section in this Annual Report on Form 20-F. In light of these and other uncertainties, you should not conclude that the results or outcomes referred to in any of the forward-looking statements will be achieved. All forward-looking statements included in this Annual Report on Form 20-F are based on information available to us on the date hereof, and we do not undertake to update these forward-looking statements to reflect future events or circumstances.

This Annual Report on Form 20-F includes statistical data about the IT industry that comes from information published by sources including Gartner, Inc., and Forrester, Inc., providers of market information and strategic information for the IT industry and the National Association of Software and Service Companies, or NASSCOM, an industry trade group. This type of data represents only the estimates of Gartner, Forrester, NASSCOM, and other sources of industry data. In addition, although we believe that data from these companies is generally reliable, this type of data is inherently imprecise. We caution you not to place undue reliance on this data.

Table of Contents

Part I

Item 1. Identity of Directors, Senior Management and Advisers

Item 2. Offer Statistics and Expected Timetable

Item 3. Key Information

Item 4. Information on the Company

Item 4. Unresolved Staff Comments

A.

Item 5. Operating and Financial Review and Prospects

Item 6. Directors, Senior Management and Employees

Item 7. Major Shareholders and Related Party Transactions

Item 8. Financial Information

Item 9. The Offer and Listing

Item 10. Additional Information

Item 11. Quantitative and Qualitative Disclosures About Market Risk

Item 12. Description of Securities Other than Equity Securities

Part II

Item 13. Defaults, Dividend Arrearages and Delinquencies

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

Item 15. Controls and Procedures

Item 16. Audit Committee Financial Expert

A.

Item 16. Code of Ethics

B.

Item 16. Principal Accountant Fees and Services

C.

Item 16. Exemptions from the Listing Standards for Audit Committees

D.

Item 16. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

E.

Item 16. Corporate Governance

G

Part III

Item 17. Financial Statements

Item 18. Financial Statements

Item 19. Exhibits

Part I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

SELECTED FINANCIAL DATA

Summary of Consolidated Financial Data

Edgar Filing: INFOSYS TECHNOLOGIES LTD - Form 20-F

You should read the summary consolidated financial data below in conjunction with the Company's consolidated financial statements and the related notes, as well as the section entitled "Operating and Financial Review and Prospects," all of which are included elsewhere in this Annual Report on Form 20-F. The summary consolidated statements of income for the two years ended March 31, 2009 and the summary consolidated balance sheet data as of March 31, 2009 and 2008, have been prepared and presented in accordance with International Financial Reporting Standards as issued by International Accounting Standards Board (IFRS) and have been derived from our audited consolidated financial statements and related notes. The summary consolidated financial data below has been presented for the two most recent fiscal years in compliance with General Instruction G of Form 20-F. Historical results are not necessarily indicative of future results.

(Dollars in millions, except share data)

Income Statements Data	Fiscal Year ended March 31,	
	2009	2008
Revenues	\$4,663	\$4,176
Cost of sales	2,699	2,453
Gross profit	1,964	1,723
Operating expenses:		
Selling and marketing expenses	239	230
Administrative expenses	351	334
Total operating expenses	590	564
Operating profit	1,374	1,159
Other income/ (expense)	(86)	4
Finance income	187	171
Profit before income taxes	1,475	1,334
Income tax expense	194	171
Net profit	\$1,281	\$1,163
Earnings per equity share:		
Basic (\$)	2.25	2.04
Diluted (\$)	2.25	2.04
Weighted average equity shares used in computing earnings per equity share:		
Basic	569,656,611	568,564,740
Diluted	570,629,581	570,473,287
Cash dividend per Equity Share (\$)*	0.89	0.31
Cash dividend per Equity Share (Rs.)*	37.25	12.50

* Excludes corporate dividend tax and converted at the monthly exchange rate on the month of declaration of dividend.

Balance Sheet Data	As of March 31,	
	2009	2008
Cash and cash equivalents	\$2,167	\$2,058
Available-for-sale financial assets	–	18
Net current assets	2,583	2,578
Non-current assets	1,256	1,381
Total assets	4,376	4,508
Non-current liabilities	55	43
Total equity	\$3,784	\$3,916

Exchange rates

Our functional currency is the Indian rupee. We generate a major portion of our revenues in foreign currencies, particularly the U.S. dollar, the United Kingdom Pound Sterling, Euro and the Australian dollar, whereas we incur a majority of our expenses in Indian rupees. The exchange rate between the rupee and the U.S. dollar has changed substantially in recent years and may fluctuate substantially in the future. Consequently, the results of our operations are adversely affected as the rupee appreciates against the U.S. dollar. For fiscal 2009 and 2008, U.S. dollar denominated revenues represented 71.1% and 69.5% of total revenues. For the same periods, revenues denominated in United Kingdom Pound Sterling represented 12.7% and 14.9% of total revenues, revenues denominated in the Euro represented 7.1% and 5.7% of total revenues while revenues denominated in the Australian dollar represented 4.6% and 4.8% of total revenues. As such, our exchange rate risk primarily arises from our foreign currency revenues, receivables and payables.

Fluctuations in the exchange rate between the Indian rupee and the U.S. dollar will also affect the U.S. dollar equivalent of the Indian rupee price of our equity shares on the Indian stock exchanges and, as a result, will likely affect the market price of our ADSs, and vice versa. Such fluctuations also impact the U.S. dollar conversion by the Depository of any cash dividends paid in Indian rupees on our equity shares represented by the ADSs.

The following table sets forth, for the fiscal years indicated, information concerning the number of Indian rupees for which one U.S. dollar could be exchanged based on the fixing rate in the City of Mumbai on business days during the period for cable transfers in Indian rupees as published by the Foreign Exchange Dealers' Association of India, or FEDAI. The column titled 'Average' in the table below is the average of the last business day of each month during the year.

Fiscal	Period End	Average	High	Low
	Rs.	Rs.	Rs.	Rs.
2009	50.72	46.54	52.00	39.88
2008	40.02	40.00	43.05	38.48

The following table sets forth the high and low exchange rates for the previous six months and is based on the fixing rate in the City of Mumbai on business days during the period for cable transfers in Indian rupees as published by the FEDAI.

Month	High	Low
March 2009	Rs.52.00	Rs.50.09
February 2009	50.61	48.57
January 2009	49.26	48.31
December 2008	50.53	47.04
November 2008	50.32	46.89
October 2008	49.97	46.90

On April 28, 2009, the fixing rate in the City of Mumbai for cash transfers in Indian rupees as published by FEDAI was Rs. 50.38.

The exchange rates for month-end and period-end reporting purposes have been based on the FEDAI rates. Infosys believes that exchange rates published by FEDAI are more representative of market exchange rates than exchange rates published by individual banks. However, FEDAI does not publish exchange rates on a daily basis, and in the absence of availability of daily exchange rates from FEDAI, Infosys utilizes exchange rates from Deutsche Bank, Mumbai, for daily transactions in the ordinary course of business.

Risk Factors

This Annual Report on Form 20-F contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors,

including those set forth in the following risk factors and elsewhere in this Annual Report on Form 20-F.

Risks Related to Our Company and Our Industry

Our revenues and expenses are difficult to predict and can vary significantly from period to period, which could cause our share price to decline.

Our revenues and profitability have grown rapidly in recent years and are likely to vary significantly in the future from period to period. Therefore, we believe that period-to-period comparisons of our results of operations are not necessarily meaningful and should not be relied upon as an indication of our future performance. It is possible that in the future some of our results of operations may be below the expectations of market analysts and our investors, which could cause the share price of our equity shares and our ADSs to decline significantly.

Factors which affect the fluctuation of our operating results include:

- the size, timing and profitability of significant projects, including large outsourcing deals;
- changes in our pricing policies or the pricing policies of our competitors;
- economic fluctuations that affect the strength of the economy of the United States, Europe or any of the other markets in which we operate;
- foreign currency fluctuations and our hedging activities that are intended to address such fluctuations;
- the proportion of services that we perform at our development centers or at our client sites;
- the effect of wage pressures, seasonal hiring patterns, attrition, and the time required to train and productively utilize new employees, particularly information technology, or IT professionals;
- utilization of billable employees;
- the size and timing of facilities expansion and resulting depreciation and amortization costs;
- varying expenditures and lead times in connection with responding to, and submission of proposals for large client engagements including on account of changing due diligence requirements;
- unanticipated cancellations, contract terminations, deferrals of projects or delays in purchases, including those resulting from our clients reorganizing their operations, mergers or acquisitions involving our clients and changes in management;
- unanticipated cancellations, contract terminations, deferrals of projects or delays in purchases resulting from our clients' efforts to comply with regulatory requirements;
- the proportion of our customer contracts that are on a fixed-price, fixed-timeframe basis compared with time and material contracts; and
- unanticipated variations in the duration, size and scope of our projects, as well as in the corporate decision-making process of our client base.

A significant part of our total operating expenses, particularly expenses related to personnel and facilities, are fixed in advance of any particular period. As a result, unanticipated variations in the number and timing of our projects or employee utilization rates, or the accuracy of our estimates of the resources required to complete ongoing projects, may cause significant variations in our operating results in any particular period.

There are also a number of factors, other than our performance, that are not within our control that could cause fluctuations in our operating results from period to period. These include:

- the duration of tax holidays or tax exemptions and the availability of other incentives from the Government of India;
- changes in regulations and taxation in India or the other countries in which we conduct business;
- currency fluctuations, particularly when the rupee appreciates in value against the US dollar, the United Kingdom Pound Sterling or the Euro, since the majority of our revenues are in these currencies and a significant part of our costs are in rupees; and

- other general economic and political factors, including, the economic conditions in the United States, Europe or any other geographies in which we operate.

In addition, the availability of visas for working in the United States may vary substantially from quarter to quarter. Visas for working in the United States may be available during one quarter, but not another, or there may be differences in the number of visas available from one quarter to another. As such, the variable availability of visas may require us to incur significantly higher visa-related expenses in certain quarters when compared to others. For example, we incurred \$15 million in costs for visas in the three months ended June 30, 2008, compared to \$4 million in the three months ended March 31, 2009. Such fluctuations may affect our operating margins and profitability in certain quarters during a fiscal year.

We may not be able to sustain our previous profit margins or levels of profitability.

Our profitability could be affected by pricing pressures on our services, volatility of the exchange rates between the rupee, the dollar and other currencies in which we generate revenues or incur expenses, and increased wage pressures in India and at other locations where we maintain operations.

Since fiscal 2003, we have incurred substantially higher selling and marketing expenses as we have invested to increase brand awareness among target clients and promote client loyalty and repeat business among existing clients. We may incur increased selling and marketing expenses in the future, which could result in declining profitability. In addition, while our Global Delivery Model allows us to manage costs efficiently, as the proportion of our services delivered at client sites increases, we may not be able to keep our operating costs as low in the future, which would also have an adverse impact on our profit margins.

The appreciation of the rupee against the U.S. dollar adversely impacted our revenues and operating results for fiscal 2007 and 2008. During the past fiscal year, the U.S. dollar appreciated substantially relative to the rupee. The exchange rate for one dollar as published by the Foreign Exchange Dealers' Association of India was Rs. 50.72 as of March 31, 2009, as against Rs. 40.02 as of March 31, 2008. Although the dollar has appreciated against the rupee during fiscal 2009, we still experienced losses during such period related to foreign currency fluctuations as a result of our hedging activities.

Increased selling and marketing expenses, and other operating expenses in the future, as well as fluctuations in foreign currency exchange rates including, in particular, the appreciation of the rupee against foreign currencies or the appreciation of the dollar against other foreign currencies, could materially and adversely affect our profit margins and results of operations in future periods.

The economic environment, pricing pressure and decreased utilization rates could negatively impact our revenues and operating results.

Spending on technology products and services in most parts of the world has been rising for the past few years. However, there was a decline in the growth rate of global IT purchases in the latter half of 2008 due to the global economic slowdown. This downward trend is expected to continue into 2009 with global IT purchases expected to decline due to the challenging global economic environment. For example, in January 2009, the Forrester Global IT Market Outlook: 2009 by Andrew H. Bartels forecast that purchases of IT goods and services by global businesses and governments would decline by 3% in 2009 as compared to an increase of 8% in 2008, largely due to the economic recessions in many countries, as well as currency fluctuations, including as a result of the expected strengthening of the U.S. dollar against the Euro and other currencies. The reduction in IT spending on account of the global economic slowdown has negatively impacted our revenues for fiscal 2009 and this slowdown, or any further diminution in IT spending, may continue to adversely impact our business and results of operations in future periods.

Reduced IT spending in response to the challenging economic environment has also led to increased pricing pressure from our clients, which has adversely impacted our billing rates. For instance, our billing rates for technology professionals have declined sequentially by 2.1% and 1.8% in constant currency terms for the quarters ended March 31, 2009 and December 31, 2008, respectively. In addition to seeking reduced billing rates, many of our clients have also been seeking extensions in credit terms from the standard terms that we provide, including pursuing credit from us for periods of up to 60 days or more. Such extended credit terms may reduce our revenues, or result in the delay of the realization of revenues, and may adversely affect our cash flows. Additionally, extended credit terms also increase our exposure to customer-specific credit risks. Reductions in IT spending and extended credit terms arising from or related to the global economic slowdown, and any resulting pricing pressures, reduction in billing rates or increased credit risk may adversely impact our revenues, gross profits, operating margins and results of operations.

Further, reduced or delayed IT spending has also adversely impacted our utilization rates for technology professionals. For instance, for the quarter ended March 31, 2009, our utilization rate for technology professionals, including trainees, was approximately 66.9%, as compared to 70.2% during the quarter ended March 31, 2008. This decrease in employee utilization rates has adversely affected our profitability for fiscal 2009, and any further decrease in employee utilization rates in the future, whether on account of reduced or delayed IT spending, particularly if accompanied by pricing pressure, may adversely impact our profits.

In addition to the business challenges and margin pressure resulting from the global economic slowdown and the response of our clients to such slowdown, there is also a growing trend among consumers of IT services towards consolidation of technology service providers in order to improve efficiency and reduce costs. Our success in the competitive bidding process for new consolidation projects or in retaining existing projects is dependent on our ability to fulfil client expectations relating to staffing, efficient offshoring of services, absorption of transition costs, deferment of billing and more stringent service levels. Our failure to meet a client's expectations in such consolidation projects may adversely impact our business, revenues and operating margins. In addition, even if we are successful in winning the mandates for such consolidation projects, we may experience significant pressure on our operating margins as a result of the competitive bidding process.

Moreover, our ability to maintain or increase pricing is restricted as clients often expect that as we do more business with them, they will receive volume discounts or special pricing incentives. In addition, existing and new customers are also increasingly using third-party consultants with broad market knowledge to assist them in negotiating contractual terms. Any inability to maintain or increase pricing on this account may also adversely impact our revenues, gross profits, operating margins and results of operations.

Our revenues are highly dependent on clients primarily located in the United States and Europe, as well as on clients concentrated in certain industries, and economic recession or factors that affect the economic health of the United States, Europe or these industries may affect our business.

In fiscal 2009 and fiscal 2008, approximately 63.2% and 62.0% of our revenues were derived from projects in the North America. In the same periods, approximately 26.4% and 28.1% of our revenues were derived from projects in Europe. The recent crisis in the financial and credit markets in the United States, Europe and Asia has led to a global economic slowdown, with the economies of the United States and Europe showing significant signs of weakness. In March 2009, the Forrester *U.S. IT Market Outlook: Q1 2009* by Andrew H. Bartels indicated that U.S. business and government purchases of IT goods and services would decrease by 3.1% in 2009 as against a projected growth rate of 6.1% forecast for the same period in the Forrester *U.S. IT Market Outlook: Q3 2008* by Andrew H. Bartels published in September 2008. If the United States or European economy weakens further, our clients may reduce or postpone their technology spending significantly, which may in turn lower the demand for our services and negatively affect our revenues and profitability. In fiscal 2009 and fiscal 2008, we derived approximately 33.9% and 35.8% of our revenues from the financial services industry. The crisis in the financial and credit markets in the United States has led to a significant change in the financial services industry in the United States in the past year, with the United States federal government being forced to take over or provide financial support to leading financial institutions and with

leading investment banks going bankrupt or being forced to sell themselves in distressed circumstances. The subprime mortgage crisis and the resultant turbulence in the financial services sector may result in the reduction, postponement or consolidation of IT spending by our clients, contract terminations, deferrals of projects or delays in purchases, especially in the financial services sector. Any reduction, postponement or consolidation in IT spending may lower the demand for our services or impact the prices that we can obtain for our services and consequently, adversely affect our revenues and profitability.

Further, the United States economy is currently experiencing a recession, accompanied by a significant reduction in consumer spending. The subprime mortgage crisis and recession in the United States economy could have a material adverse impact on our revenues, particularly from businesses in the financial services industry and other industries that are particularly vulnerable to a slowdown in consumer spending. In fiscal 2009 and fiscal 2008, we derived approximately 33.9% and 35.8% of our revenues from clients in the financial services industry, 18.1% and 21.6% of our revenues from clients in the telecommunications industry and about 12.5% and 11.8% of our revenues from clients in the retail industry, which industries are especially vulnerable to a slowdown in the U.S. economy. Any slowdown in the U.S. economy or in the industry segments from which we generate revenues could have a negative effect on our business and results of operations.

Currency fluctuations may affect the results or our operations or the value of our ADSs.

Our functional currency is the Indian rupee although we transact a major portion of our business in several currencies and accordingly face foreign currency exposure through our sales in the United States and elsewhere, and purchases from overseas suppliers in various foreign currencies. Generally, we generate the majority of our revenues in foreign currencies, such as the U.S. dollar or the United Kingdom Pound Sterling, and incur the majority of our expenses in Indian rupees. Recently, as a result of the global economic slowdown and the increased volatility in foreign exchange currency markets, there has been increased demand from our clients that all risks associated with foreign exchange fluctuations be borne by us. Also, historically, we have held a substantial majority of our cash funds in rupees. Accordingly, changes in exchange rates may have a material adverse effect on our revenues, other income, cost of services sold, gross margin and net income, and may have a negative impact on our business, operating results and financial condition. The exchange rate between the rupee and foreign currencies, including the U.S. dollar, the United Kingdom Pound Sterling, the Euro and the Australian Dollar, has changed substantially in recent years and may fluctuate substantially in the future, and the weakness of the dollar had a material and adverse effect on our operating results in fiscal 2009 and 2008. We expect that a majority of our revenues will continue to be generated in foreign currencies, including the U.S. dollar, the United Kingdom Pound Sterling, the Euro and the Australian Dollar, for the foreseeable future and that a significant portion of our expenses, including personnel costs, as well as capital and operating expenditures, will continue to be denominated in Indian rupees. Consequently, the results of our operations are adversely affected as the rupee appreciates against the dollar and other foreign currencies.

We use derivative financial instruments such as foreign exchange forward and option contracts to mitigate the risk of changes in foreign exchange rates on accounts receivable and forecast cash flows denominated in certain foreign currencies. As of March 31, 2009, we had outstanding forward contracts of \$278 million, Euro 27 million and United Kingdom Pound Sterling 21 million and option contracts of \$173 million. As of March 31, 2008, we had outstanding forward contracts of \$586 million, Euro 15 million and United Kingdom Pound Sterling 3 million and option contracts of \$100 million and United Kingdom Pound Sterling 8 million and Euro 17 million. We may not purchase derivative instruments adequate to insulate ourselves from foreign currency exchange risks, and over the past year, we have incurred significant losses as a result of exchange rate fluctuations that have not been offset in full by our hedging strategy.

Additionally, our hedging activities have also contributed to increased losses in recent times given the recent volatility in foreign currency markets. For example, in fiscal 2009, we incurred losses of \$165 million on our forward and options contracts. These losses offset by gains of \$71 million as a result of foreign exchange translations during the same period, resulted in a total loss of \$94 million related to foreign currency transactions, which had a significant and

adverse effect on our profit margin and results of operations. If foreign exchange currency markets continue to be volatile, such fluctuations in foreign currency exchange rates could materially and adversely affect our profit margins and results of operations in future periods. Also, the volatility in the foreign currency markets may make it difficult to hedge our foreign currency exposures effectively.

Further, the policies of the Reserve Bank of India may change from time to time which may limit our ability to hedge our foreign currency exposures adequately. In addition, a high-level committee appointed by the Reserve Bank of India had recommended that India move to increased capital account convertibility over the next few years, and proposed a framework for such increased convertibility. Full or increased capital account convertibility, if introduced, could result in increased volatility in the fluctuations of exchange rates between the rupee and foreign currencies.

During fiscal 2009, we derived 28.9% of our revenues in currencies other than the U.S. dollar including 12.7%, 7.1% and 4.6% of our revenues in United Kingdom Pound Sterling, Euro and Australian dollars, respectively. During fiscal 2009, a majority of the currencies have depreciated significantly against the U.S. dollar, with the United Kingdom Pound Sterling, Euro and Australian Dollar depreciating by 15.9%, 1.4% and 11.4% respectively, on an average, when compared to fiscal 2008. These cross currency fluctuations adversely impacted our reported revenues for fiscal 2009, and may adversely impact our reported revenues in future periods.

Fluctuations in the exchange rate between the rupee and the U.S. dollar will also affect the dollar conversion by Deutsche Bank Trust Company Americas, the Depositary with respect to our ADSs, of any cash dividends paid in rupees on the equity shares represented by the ADSs. In addition, these fluctuations will affect the dollar equivalent of the rupee price of equity shares on the Indian stock exchanges and, as a result, the prices of our ADSs in the United States, as well as the dollar value of the proceeds a holder would receive upon the sale in India of any equity shares withdrawn from the Depositary under the Depositary Agreement. Holders may not be able to convert rupee proceeds into dollars or any other currency, and there is no guarantee of the rate at which any such conversion will occur, if at all.

Any inability to manage our growth could disrupt our business and reduce our profitability.

We have grown significantly in recent periods. Between March 31, 2005 and March 31, 2009 our total employees grew from approximately 36,800 to approximately 104,900. In addition, in the last five years we have undertaken and continue to undertake major expansions of our existing facilities, as well as the construction of new facilities. We expect our growth to place significant demands on our management and other resources. Our growth will require us to continuously develop and improve our operational, financial and other internal controls, both in India and elsewhere. In addition, continued growth increases the challenges involved in:

- recruiting, training and retaining sufficient skilled technical, marketing and management personnel;
- adhering to and further improving our high quality and process execution standards;
- preserving our culture, values and entrepreneurial environment;
- successfully expanding the range of services offered to our clients;
- developing and improving our internal administrative infrastructure, particularly our financial, operational, communications and other internal systems; and
- maintaining high levels of client satisfaction.

Our growth strategy also relies on the expansion of our operations to other parts of the world, including Europe, Australia and other parts of Asia. In October 2003, we established Infosys China and in January 2004, we acquired Infosys Australia to expand our operations in those countries. In April 2004, we formed Infosys Consulting to focus on consulting services in the United States. In addition, we have embarked on an expansion of our business in China, and have expended significant resources in this expansion. During fiscal 2008, we established a wholly owned subsidiary and opened a development center in Mexico. Also, during fiscal 2008, as part of an outsourcing agreement with a client, Philips Electronics Nederland B.V. (“Philips”), our majority owned subsidiary, Infosys BPO, acquired

from Koninklijke Philips Electronics N.V. certain shared services centers in India, Poland and Thailand that were engaged in the provision of finance, accounting and procurement support services to Philips' operations worldwide. The costs involved in entering and establishing ourselves in new markets, and expanding such operations, may be higher than expected and we may face significant competition in these regions. Our inability to manage our expansion and related growth in these regions may have an adverse effect on our business, results of operations and financial condition.

We may face difficulties in providing end-to-end business solutions for our clients, which could lead to clients discontinuing their work with us, which in turn could harm our business.

Over the past several years, we have been expanding the nature and scope of our engagements by extending the breadth of services that we offer. The success of some of our newer service offerings, such as operations and business process consulting, IT consulting, business process management, systems integration and infrastructure management, depends in part, upon continued demand for such services by our existing and new clients and our ability to meet this demand in a cost-competitive and effective manner. Furthermore, our IT consulting business is not yet profitable, and its success in the future will depend on a number of factors. We cannot assure you that this business will become profitable in the future. In addition, our ability to effectively offer a wider breadth of end-to-end business solutions depends on our ability to attract existing or new clients to these service offerings. To obtain engagements for our end-to-end solutions, we are competing with large, well-established international consulting firms as well as other India-based technology services companies, resulting in increased competition and marketing costs. Accordingly, our new service offerings may not effectively meet client needs and we may be unable to attract existing and new clients to these service offerings.

The increased breadth of our service offerings may result in larger and more complex client projects. This will require us to establish closer relationships with our clients and potentially with other technology service providers and vendors, and require a more thorough understanding of our clients' operations. Our ability to establish these relationships will depend on a number of factors including the proficiency of our technology professionals and our management personnel.

Larger projects often involve multiple components, engagements or stages, and a client may choose not to retain us for additional stages or may cancel or delay additional planned engagements. These terminations, cancellations or delays may result from the business or financial condition of our clients or the economy generally, as opposed to factors related to the quality of our services. Cancellations or delays make it difficult to plan for project resource requirements, and resource planning inaccuracies may have a negative impact on our profitability.

Intense competition in the market for technology services could affect our cost advantages, which could reduce our share of business from clients and decrease our revenues.

The technology services market is highly competitive. Our competitors include large consulting firms, captive divisions of large multinational technology firms, infrastructure management services firms, Indian technology services firms, software companies and in-house IT departments of large corporations.

The technology services industry is experiencing rapid changes that are affecting the competitive landscape, including recent divestitures and acquisitions that have resulted in consolidation within the industry. These changes may result in larger competitors with significant resources. In addition, some of our competitors have added or announced plans to add cost-competitive offshore capabilities to their service offerings. These competitors may be able to offer their services using the offshore and onsite model more efficiently than we can. Many of these competitors are also substantially larger than us and have significant experience with international operations. We may face competition in countries where we currently operate, as well as in countries in which we expect to expand our operations. We also expect additional competition from technology services firms with current operations in other countries, such as China and the Philippines. Many of our competitors have significantly greater financial, technical and marketing resources,

generate greater revenues, have more extensive existing client relationships and technology partners and have greater brand recognition than we do. We may be unable to compete successfully against these competitors, or may lose clients to these competitors. Additionally, we believe that our ability to compete also depends in part on factors outside our control, such as the price at which our competitors offer comparable services, and the extent of our competitors' responsiveness to their clients' needs.

Our revenues are highly dependent upon a small number of clients, and the loss of any one of our major clients could significantly impact our business.

We have historically earned, and believe that in the future we will continue to earn, a significant portion of our revenues from a limited number of corporate clients. In fiscal 2009 and fiscal 2008, our largest client accounted for 6.9% and 9.1% of our total revenues, and our five largest clients together accounted for 18.0% and 20.9% of our total revenues. The volume of work we perform for specific clients is likely to vary from year to year, particularly since we historically have not been the exclusive external technology services provider for our clients. Thus, a major client in one year may not provide the same level of revenues in a subsequent year. However, in any given year, a limited number of clients tend to contribute a significant portion of our revenues. There are a number of factors, other than our performance, that could cause the loss of a client and that may not be predictable. In certain cases, we have significantly reduced the services provided to a client when the client either changed its outsourcing strategy by moving more work in-house or replaced its existing software with packaged software supported by the licensor. Reduced technology spending in response to a challenging economic or competitive environment may also result in our loss of a client. If we lose one of our major clients or one of our major clients significantly reduces its volume of business with us or there is an increase in the accounts receivables from any of our major clients, our revenues and profitability could be reduced. As of March 31, 2009, one of our major clients accounted for over 10% of our total account receivables as of such date, and any inability to recover all or part of these receivables could reduce our profitability.

Legislation in certain countries in which we operate, including the United States and the United Kingdom, may restrict companies in those countries from outsourcing work to us.

Recently, some countries and organizations have expressed concerns about a perceived association between offshore outsourcing and the loss of jobs. With the growth of offshore outsourcing receiving increasing political and media attention, especially in the United States, which is our largest market, and particularly given the prevailing economic environment, it is possible that there could be a change in the existing laws or the enactment of new legislation restricting offshore outsourcing or imposing restrictions on the deployment of work visa holders at client locations, which may adversely impact our ability to do business in the jurisdictions in which we operate, especially with governmental entities. It is also possible that private sector companies working with these governmental entities may be restricted from outsourcing projects related to government contracts or may face disincentives if they outsource certain operations.

The recent credit crisis in the United States and elsewhere has also resulted in the United States federal government and governments in Europe acquiring or proposing to acquire equity positions in leading financial institutions and banks. If either the United States federal government or another governmental entity acquires an equity position in any of our clients, any resulting changes in management or reorganizations may result in deferrals or cancellations of projects or delays in purchase decisions, which may have a material adverse effect on our business, results of operations or financial condition. Moreover, equity investments by governmental entities in, or governmental financial aid to, our clients may involve restrictions on the ability of such clients to outsource offshore or otherwise restrict offshore IT vendors from utilizing the services of work visa-holders at client locations. Any restriction on our ability to deploy our trained offshore resources at client locations may in turn require us to replace our existing offshore resources with local resources, or hire additional local resources, which local resources may only be available at higher wages. Any resulting increase in our compensation, hiring and training expenses could adversely impact our revenues and operating profitability.

In addition, in the United Kingdom, the Transfer of Undertakings (Protection of Employees) Regulations, or TUPE, including the revisions to those regulations, will allow employees who are dismissed as a result of "service provision changes", which may include outsourcing to non-UK companies, to seek compensation either from the company from which they were dismissed or from the company to which the work was transferred. This could deter UK companies from outsourcing work to us and could also result in our being held liable for redundancy payments to such workers. Any such event could adversely affect our revenues and operating profitability.

Our success depends largely upon our highly skilled technology professionals and our ability to hire, attract and retain these personnel.

Our ability to execute projects, to maintain our client relationships and to obtain new clients depends largely on our ability to attract, train, motivate and retain highly skilled technology professionals, particularly project managers and other mid-level professionals. If we cannot hire and retain additional qualified personnel, our ability to bid for and obtain new projects, and to continue to expand our business will be impaired and our revenues could decline. We believe that there is significant worldwide competition for technology professionals with the skills necessary to perform the services we offer. For example, in India, since 2004, hiring by technology companies has increased significantly. Excluding Infosys BPO and our other subsidiaries, we added approximately 12,400, 13,700 and 15,200, new employees, net of attrition, in fiscal 2009, fiscal 2008 and fiscal 2007.

Increased hiring by technology companies, particularly in India, and increasing worldwide competition for skilled technology professionals may lead to a shortage in the availability of qualified personnel in the markets in which we operate and hire. A shortage in the availability of qualified IT professionals in the markets in which we operate may affect our ability to hire an adequate number of skilled and experienced technology professionals. Our inability to hire such professionals may have an adverse effect on our business, results of operations and financial condition.

Changes in policies or laws may also affect the ability of technology companies to hire, attract and retain personnel. For instance, the Finance Act, 2007 imposes a fringe benefit tax, or FBT, on companies with respect to specified securities or equity shares allotted or transferred, directly or indirectly, by the company free of cost or at a concessional rate to its employees. The imposition of FBT may discourage technology companies in India from granting stock options to its employees. Although the Government of India has clarified that FBT imposed on a company may be passed on to its employees, any passing on of FBT by a company to its employees may reduce the effectiveness of stock option grants in attracting and retaining employees. Any passing on of FBT by us to our employees may affect our ability to hire skilled and experienced technology professionals.

Increased demand for technology professionals has also led to an increase in attrition rates. For instance, our comparable attrition rate for fiscal 2008 and fiscal 2007 was 13.4% and 13.7%, without accounting for attrition in Infosys BPO or our other subsidiaries. Although our attrition rate for fiscal 2009 has reduced, it remains high at 11.1%, without accounting for attrition in Infosys BPO or our other subsidiaries. Furthermore, attrition in the business process management industry is generally significantly higher than in the technology services industry. We may not be able to hire and retain enough skilled and experienced technology professionals to replace those who leave. Additionally, we may not be able to redeploy and retrain our technology professionals to keep pace with continuing changes in technology, evolving standards and changing client preferences. Our inability to attract and retain technology professionals may have a material adverse effect on our business, results of operations and financial condition.

It is possible that the Central Government or State Governments in India may introduce legislation requiring employers to give preferential hiring treatment to under-represented groups. The quality of our work force is critical to our business. If any such Central Government or State Government legislation becomes effective, our ability to hire the most highly qualified technology professionals may be hindered.

Our success depends in large part upon our management team and key personnel and our ability to attract and retain them.

We are highly dependent on the senior members of our management team, including the continued efforts of our Chairman, our Chief Executive Officer, our Chief Operating Officer, our Chief Financial Officer, other executive members of the Board and members of our executive council which consists of certain executive and other officers. Our future performance will be affected by any disruptions in the continued service of our executives and other officers. Competition for senior management in our industry is intense, and we may not be able to retain such senior management personnel or attract and retain new senior management personnel in the future. Furthermore, we do not maintain key man life insurance for any of the senior members of our management team or other key personnel. The loss of any member of our senior management or other key personnel may have a material adverse effect on our business, results of operations and financial condition.

Our failure to complete fixed-price, fixed-timeframe contracts or transaction-based pricing contracts within budget and on time may negatively affect our profitability.

As an element of our business strategy in response to our clients' reduced IT budgets, we are offering an increasing portion of our services on a fixed-price, fixed-timeframe basis, rather than on a time-and-materials basis. For instance, in fiscal 2009, revenues from fixed-price, fixed-timeframe projects accounted for 35.4% of our total services revenues, including revenues from our business process management services, as compared with 31.0% in fiscal 2008. Decreased IT budgets of our clients have led us to deviate from our standard pricing policies and to offer varied pricing models to our clients in certain situations in order to remain competitive. For example, in fiscal 2009, we have entered into transaction-based pricing contracts with certain clients in order to give our clients the flexibility to pay as they use our services.

The risk of entering into fixed-price, fixed-timeframe arrangements and transaction-based pricing arrangements is that if we fail to properly estimate the appropriate pricing for a project, we may incur lower profits or losses as a result of being unable to execute projects on the timeframe and with the amount of labor we expected. Although we use our software engineering methodologies and processes and past project experience to reduce the risks associated with estimating, planning and performing fixed-price, fixed-timeframe projects and transaction-based pricing projects, we bear the risk of cost overruns, completion delays and wage inflation in connection with these projects. If we fail to estimate accurately the resources and time required for a project, future wage inflation rates, or currency exchange rates, or if we fail to complete our contractual obligations within the contracted timeframe, our profitability may suffer. We expect that we will continue to enter into fixed-price, fixed-timeframe and transaction-based pricing engagements in the future, and such engagements may increase in relation to the revenues generated from engagements on a time-and-materials basis, which would increase the risks to our business.

Our client contracts can typically be terminated without cause and with little or no notice or penalty, which could negatively impact our revenues and profitability.

Our clients typically retain us on a non-exclusive, project-by-project basis. Most of our client contracts, including those that are on a fixed-price, fixed-timeframe basis, can be terminated with or without cause, with between zero and 90 days' notice and without any termination-related penalties. Additionally, our contracts with clients are typically limited to discrete projects without any commitment to a specific volume of business or future work. Our business is dependent on the decisions and actions of our clients, and there are a number of factors relating to our clients that are outside of our control which might lead to termination of a project or the loss of a client, including:

- financial difficulties for a client including on account of the worldwide recession;
- a change in strategic priorities, resulting in a reduced level of technology spending;
- a demand for price reductions including on account of the worldwide recession;

- a change in outsourcing strategy by moving more work to the client's in-house technology departments or to our competitors;
- the replacement by our clients of existing software with packaged software supported by licensors;
- mergers and acquisitions; and
- consolidation of technology spending by a client, whether arising out of mergers and acquisitions, or otherwise.

Our inability to control the termination of client contracts could have a negative impact on our financial condition and results of operations.

Our engagements with customers are singular in nature and do not necessarily provide for subsequent engagements.

Our clients generally retain us on a short-term, engagement-by-engagement basis in connection with specific projects, rather than on a recurring basis under long-term contracts. Although a substantial majority of our revenues are generated from repeat business, which we define as revenue from a client who also contributed to our revenue during the prior fiscal year, our engagements with our clients are typically for projects that are singular in nature. Therefore, we must seek out new engagements when our current engagements are successfully completed or are terminated, and we are constantly seeking to expand our business with existing clients and secure new clients for our services. In addition, in order to continue expanding our business, we may need to significantly expand our sales and marketing group, which would increase our expenses and may not necessarily result in a substantial increase in business. If we are unable to generate a substantial number of new engagements for projects on a continual basis, our business and results of operations would likely be adversely affected.

Our client contracts are often conditioned upon our performance, which, if unsatisfactory, could result in less revenue than previously anticipated.

A number of our contracts have incentive-based or other pricing terms that condition some or all of our fees on our ability to meet defined performance goals or service levels. Our failure to meet these goals or a client's expectations in such performance-based contracts may result in a less profitable or an unprofitable engagement.

Some of our long-term client contracts contain benchmarking provisions which, if triggered, could result in lower future revenues and profitability under the contract.

As the size and duration of our client engagements increase, clients may increasingly require benchmarking provisions. Benchmarking provisions allow a customer in certain circumstances to request a benchmark study prepared by an agreed upon third-party comparing our pricing, performance and efficiency gains for delivered contract services to that of an agreed upon list of other service providers for comparable services. Based on the results of the benchmark study and depending on the reasons for any unfavorable variance, we may be required to reduce the pricing for future services to be performed under the balance of the contract, which could have an adverse impact on our revenues and profitability.

Our increasing work with governmental agencies may expose us to additional risks.

Currently, the vast majority of our clients are privately or publicly owned. However, we are increasingly bidding for work with governments and governmental agencies, both within and outside the United States. Projects involving governments or governmental agencies carry various risks inherent in the government contracting process, including the following:

- Such projects may be subject to a higher risk of reduction in scope or termination than other contracts due to political and economic factors such as changes in government, pending elections or the reduction in, or

absence of, adequate funding;

- Terms and conditions of government contracts tend to be more onerous than other contracts and may include, among other things, extensive rights of audit, more punitive service level penalties and other restrictive covenants. Also, the terms of such contracts are often subject to change due to political and economic factors;
- Government contracts are often subject to more extensive scrutiny and publicity than other contracts. Any negative publicity related to such contracts, regardless of the accuracy of such publicity, may adversely effect our business or reputation.

Any of the above factors could have a material and adverse effect on our business or our results of operations.

Our business will suffer if we fail to anticipate and develop new services and enhance existing services in order to keep pace with rapid changes in technology and in the industries on which we focus.

The technology services market is characterized by rapid technological change, evolving industry standards, changing client preferences and new product and service introductions. Our future success will depend on our ability to anticipate these advances and develop new product and service offerings to meet client needs. We may fail to anticipate or respond to these advances in a timely basis, or, if we do respond, the services or technologies that we develop may not be successful in the marketplace. The development of some of the services and technologies may involve significant upfront investments and the failure of these services and technologies may result in our being unable to recover these investments, in part or in full. Further, products, services or technologies that are developed by our competitors may render our services non-competitive or obsolete.

We have recently introduced, and propose to introduce, several new solutions involving complex delivery models combined with innovative, and often transaction based, pricing models. For instance, we recently introduced an integrated service solution, Software as a Service, or SaaS, that combines the supply of hardware, network infrastructure, application software and associated professional services, maintenance and support. Our new solutions, including the SaaS solution, are often based on a transaction-based pricing model even though these solutions require us to incur significant upfront costs. The complexity of these solutions, our inexperience in developing or implementing them and significant competition in the markets for these solutions may affect our ability to market these solutions successfully. Further, customers may not adopt these solutions widely and we may be unable to recover any investments made in these solutions. Even if these solutions are successful in the market, the dependence of these solutions on third party hardware and software and on our ability to meet stringent service levels in providing maintenance or support services may result in our being unable to deploy these solutions successfully or profitably. Further, where we offer a transaction-based pricing model in connection with an engagement, we may also be unable to recover any upfront costs incurred in solutions deployed by us in full.

Additionally, clients are also seeking extensions in credit terms from the standard term that we provide, and have been seeking credit terms of up to 60 days or higher. Extended credit terms may reduce revenues or delay the realization of revenues and adversely impact our cash flow.

Compliance with new and changing corporate governance and public disclosure requirements adds uncertainty to our compliance policies and increases our costs of compliance.

Changing laws, regulations and standards relating to accounting, corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002, new SEC regulations, NASDAQ Global Select Market rules, Securities and Exchange Board of India or SEBI rules and Indian stock market listing regulations are creating uncertainty for companies like ours. These new or changed laws, regulations and standards may lack specificity and are subject to varying interpretations. Their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs of compliance as a result of ongoing revisions to such governance standards.

In particular, continuing compliance with Section 404 of the Sarbanes-Oxley Act of 2002 and the related regulations regarding our required assessment of our internal control over financial reporting requires the commitment of significant financial and managerial resources and external auditor's independent assessment of the internal control over financial reporting.

In connection with our Annual Report on Form 20-F for fiscal 2009, our management assessed our internal controls over financial reporting, and determined that our internal controls were effective as of March 31, 2009, and our independent auditors have expressed an unqualified opinion over the effectiveness of our internal control over financial reporting as of the end of such period. However, we will undertake management assessments of our internal control over financial reporting in connection with each annual report, and any deficiencies uncovered by these assessments or any inability of our auditors to issue an unqualified opinion could harm our reputation and the price of our equity shares and ADSs.

It is also possible that laws in India may be made more stringent with respect to standards of accounting, auditing, public disclosure and corporate governance. We are committed to maintaining high standards of corporate governance and public disclosure, and our efforts to comply with evolving laws, regulations and standards in this regard have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

In addition, it may become more expensive and/or more difficult for us to obtain director and officer liability insurance. Further, our board members, Chief Executive Officer, and Chief Financial Officer could face an increased risk of personal liability in connection with their performance of duties and our SEC reporting obligations. As a result, we may face difficulties attracting and retaining qualified board members and executive officers, which could harm our business. If we fail to comply with new or changed laws or regulations, our business and reputation may be harmed

Disruptions in telecommunications, system failures, or virus attacks could harm our ability to execute our Global Delivery Model, which could result in client dissatisfaction and a reduction of our revenues.

A significant element of our distributed project management methodology, which we refer to as our Global Delivery Model, is to continue to leverage and expand our global development centers. We currently have 54 global development centers located in various countries around the world. Our global development centers are linked with a telecommunications network architecture that uses multiple service providers and various satellite and optical links with alternate routing. We may not be able to maintain active voice and data communications between our various global development centers and our clients' sites at all times due to disruptions in these networks, system failures or virus attacks. Any significant failure in our ability to communicate could result in a disruption in business, which could hinder our performance or our ability to complete client projects on time. This, in turn, could lead to client dissatisfaction and a material adverse effect on our business, results of operations and financial condition.

We may be liable to our clients for damages caused by disclosure of confidential information, system failures, errors or unsatisfactory performance of services.

We are often required to collect and store sensitive or confidential client and customer data. Many of our client agreements do not limit our potential liability for breaches of confidentiality. If any person, including any of our employees, penetrates our network security or misappropriates sensitive data, we could be subject to significant liability from our clients or from our clients' customers for breaching contractual confidentiality provisions or privacy laws. Unauthorized disclosure of sensitive or confidential client and customer data, whether through breach of our computer systems, systems failure or otherwise, could damage our reputation and cause us to lose clients.

Many of our contracts involve projects that are critical to the operations of our clients' businesses, and provide benefits which may be difficult to quantify. Any failure in a client's system or breaches of security could result in a claim for

substantial damages against us, regardless of our responsibility for such failure. Furthermore, any errors by our employees in the performance of services for a client, or poor execution of such services, could result in a client terminating our engagement and seeking damages from us.

Although we attempt to limit our contractual liability for consequential damages in rendering our services, these limitations on liability may be unenforceable in some cases, or may be insufficient to protect us from liability for damages. We maintain general liability insurance coverage, including coverage for errors or omissions, however, this coverage may not continue to be available on reasonable terms and may be unavailable in sufficient amounts to cover one or more large claims. Also an insurer might disclaim coverage as to any future claim. A successful assertion of one or more large claims against us that exceeds our available insurance coverage or changes in our insurance policies, including premium increases or the imposition of a large deductible or co-insurance requirement, could adversely affect our operating results.

We are investing substantial cash assets in new facilities and physical infrastructure, and our profitability could be reduced if our business does not grow proportionately.

As of March 31, 2009, we had contractual commitments of approximately \$73 million for capital expenditures, particularly related to the expansion or construction of facilities. We may encounter cost overruns or project delays in connection with new facilities. These expansions will increase our fixed costs. If we are unable to grow our business and revenues proportionately, our profitability will be reduced.

We may be unable to recoup our investment costs to develop our software products.

In fiscal 2009 and fiscal 2008, we earned 3.9% and 3.6% of our total revenue from the licensing of software products. The development of our software products requires significant investments. The markets for our primary suite of software products which we call Finacle™ are competitive. Our current software products or any new software products that we develop may not be commercially successful and the costs of developing such new software products may not be recouped. Since software product revenues typically occur in periods subsequent to the periods in which the costs are incurred for the development of such software products, delayed revenues may cause periodic fluctuations in our operating results.

Our insiders who are significant shareholders may control the election of our board and may have interests which conflict with those of our other shareholders or holders of our ADSs.

Our executive officers and directors, together with members of their immediate families, beneficially owned, in the aggregate, 16.90% of our issued equity shares as of April 28, 2009. As a result, acting together, this group has the ability to exercise significant control over most matters requiring our shareholders' approval, including the election and removal of directors and significant corporate transactions.

We may engage in acquisitions, strategic investments, strategic partnerships or alliances or other ventures that may or may not be successful.

We may acquire or make strategic investments in complementary businesses, technologies, services or products, or enter into strategic partnerships or alliances with third parties in order to enhance our business. For example, in 2004, we acquired Infosys Australia, and subsequently established Infosys China in China and Infosys Consulting in the United States. In fiscal 2008, we established a wholly-owned subsidiary and opened a development center in Mexico. During fiscal 2008, as part of an outsourcing agreement with Philips, our majority-owned subsidiary, Infosys BPO, acquired from Koninklijke Philips Electronics N.V. certain shared services centers in India, Poland and Thailand that were engaged in the provision of finance, accounting and procurement support services to Philips' operations worldwide. During fiscal 2009 Infosys established a wholly owned subsidiary in Sweden. It is possible that we may not identify suitable acquisitions, candidates for strategic investment or strategic partnerships, or if we do identify

suitable candidates, we may not complete those transactions on terms commercially acceptable to us, or at all. For instance, on August 25, 2008, we announced a recommended cash offer of approximately £407.1 million for the issued and to be issued share capital of Axon Group plc, or Axon, a company listed on the London Stock Exchange. On September 26, 2008, the Axon Board informed us of a higher competing offer for Axon and subsequently, announced the withdrawal of its recommendation of our offer and its intent to unanimously recommend the higher competing offer. After careful consideration, on October 10, 2008, we announced that we would not increase the price of our original offer and, consequently, on October 20, 2008, Axon announced that it would focus on implementing the competing offer. Our inability to identify suitable acquisition targets or investments or our inability to complete such transactions may affect our competitiveness and our growth prospects.

Even if we are able to identify an acquisition that we would like to consummate, we may not be able to complete the acquisition on commercially reasonable terms or because the target is acquired by another company. Furthermore, in the event that we are able to identify and consummate any future acquisitions, we could:

- issue equity securities which would dilute current shareholders' percentage ownership;
- incur substantial debt;
- incur significant acquisition-related expenses;
- assume contingent liabilities; or
- expend significant cash.

These financing activities or expenditures could harm our business, operating results and financial condition or the price of our common stock. Alternatively, due to difficulties in the capital and credit markets, we may be unable to secure capital on acceptable terms, if at all, to complete acquisitions.

Moreover, even if we do obtain benefits from acquisitions in the form of increased sales and earnings, there may be a delay between the time when the expenses associated with an acquisition are incurred and the time when we recognize such benefits.

Further, if we acquire or establish a company, we could have difficulty in assimilating that company's personnel, operations, technology and software. In addition, the key personnel of the acquired or the established company may decide not to work for us. These difficulties could disrupt our ongoing business, distract our management and employees and increase our expenses.

We have made and may in the future make strategic investments in early-stage technology start-up companies in order to gain experience in or exploit niche technologies. However, our investments may not be successful. The lack of profitability of any of our investments could have a material adverse effect on our operating results.

Risks Related to Investments in Indian Companies and International Operations Generally

Our net income would decrease if the Government of India reduces or withdraws tax benefits and other incentives it provides to us or when our tax holidays expire or terminate.

Currently, the Government of India provides tax benefits to companies that export software from specially designated software technology parks in India. These tax benefits include a 10-year tax holiday from Indian corporate income taxes. We benefit from the 10-year tax holiday on Indian corporate income taxes for the operation of most of our Indian facilities, and as a result, our operations have been subject to relatively low tax liabilities. These tax incentives resulted in a decrease in our income tax expense to the extent of \$325 million and \$282 million for fiscal 2009 and fiscal 2008 compared to the effective tax rates that we estimate would have applied if these incentives had not been available.

The STP tax holiday is available for ten consecutive years. Certain of our STP units have already completed the tax holiday period and for the remaining STP units the tax holiday will expire by fiscal 2010.

In the Finance Act, 2005, the Government of India introduced a separate tax holiday scheme for units set up under designated special economic zones, or SEZs, engaged in manufacture of articles or in provision of services. Under this scheme, units in designated SEZs which begin providing services on or after April 1, 2005 will be eligible for a deduction of 100 percent of profits or gains derived from the export of services for the first five years from commencement of provision of services and 50 percent of such profits or gains for a further five years. Certain tax benefits are also available for a further five years subject to the unit meeting defined conditions. The expiration, modification or termination of any of our tax benefits or holidays including on account of non-extension of the tax holidays relating to STPs in India, would likely increase our effective tax rates significantly, and have a material and adverse effect on our net income.

The Finance Act, 2007, has included income eligible for deductions under sections 10A and 10AA of the Indian Income Tax Act in the computation of book profits for the levy of a Minimum Alternative Tax, or MAT. The rate of MAT, effective April 1, 2007, is 11.33% (including a surcharge and education cess) on our book profits determined after including income eligible for deductions under Sections 10A and 10AA of the Indian Income Tax Act. The Income Tax Act provides that the MAT paid by us can be adjusted against our tax liability over the next seven years. Although MAT paid by us can be set off against our future income tax liability, our net income and cash flows could be adversely affected.

In the event that the Government of India or the government of another country changes its tax policies in a manner that is adverse to us, our tax expense may materially increase, reducing our profitability.

In the recent years, the Government of India has introduced a tax on various services provided within India including on the maintenance and repair of software. The Government of India has in the Finance Act, 2008, included services provided in relation to information technology software under the ambit of service tax, if it is in the course or furtherance of the business. Under this tax, service providers are required to pay a tax of 10% (excluding applicable education cess) on the value of services provided to customers. The Government of India may expand the services covered under the ambit of this tax to include various services provided by us. This tax, if expanded, could increase our expenses, and could adversely affect our operating margins and revenues. Although currently there are no material pending or threatened claims against us for service taxes, such claims may be asserted against us in the future. Defending these claims would be expensive, time consuming and may divert our management's attention and resources from operating our company.

Infosys is subject to a 15% Branch Profit Tax (BPT) in the U.S. to the extent that its U.S. branch's net profit during the year is greater than the increase in the net assets of the U.S. branch during the fiscal year, computed in accordance with the Internal Revenue Code. As of March 31, 2009, Infosys had not triggered the BPT, and the Company's U.S. branch net assets amounted to approximately \$481 million. The Company has recorded a deferred tax liability on its net assets in the United States, to the extent that it intends to distribute its branch profits in the foreseeable future.

We operate in jurisdictions that impose transfer pricing and other tax-related regulations on us, and any failure to comply could materially and adversely affect our profitability.

We are required to comply with various transfer pricing regulations in India and other countries. Failure to comply with such regulations may impact our effective tax rates and consequently affect our net margins. Additionally, we operate in several countries and our failure to comply with the local tax regime may result in additional taxes, penalties and enforcement actions from such authorities. In the event that we do not properly comply with transfer pricing and tax-related regulations, our profitability may be adversely affected.

Wage pressures in India and the hiring of employees outside India may prevent us from sustaining our competitive advantage and may reduce our profit margins.

Wage costs in India have historically been significantly lower than wage costs in the United States and Europe for comparably skilled professionals, which has been one of our competitive strengths. Although, currently, a vast majority of our workforce consists of Indian nationals, we expect to increase hiring in other jurisdictions, including in the United States and in Europe. Any such recruitment of foreign nationals is likely to be at wages higher than those prevailing in India and may increase our operating costs and adversely impact our profitability.

Additionally, wage increases in India may prevent us from sustaining this competitive advantage and may negatively affect our profit margins. We have historically experienced significant competition for employees from large multinational companies that have established and continue to establish offshore operations in India, as well as from companies within India. This competition has led to wage pressures in attracting and retaining employees, and these wage pressures have led to a situation where wages in India are increasing at a faster rate than in the United States, which could result in increased costs for companies seeking to employ technology professionals in India, particularly project managers and other mid-level professionals. We may need to increase our employee compensation more rapidly than in the past to remain competitive with other employers, or seek to recruit in other low labor cost jurisdictions to keep our wage costs low. For example, we established a long term retention bonus policy for our senior executives and employees. Under this policy, certain senior executives and employees will be entitled to a yearly cash bonus upon their continued employment with us based upon seniority, their role in the Company and their performance. Until 2009, when we instituted a freeze in salary increases, we undertook a compensation review on an annual basis, and, pursuant to such review, the average salaries of our employees have increased significantly each year until 2009. Any compensation increases in the future may result in a material adverse effect on our business, results of operations and financial condition.

Terrorist attacks or a war could adversely affect our business, results of operations and financial condition.

Terrorist attacks, such as the attacks of September 11, 2001 in the United States, the attacks of July 25, 2008 in Bangalore, the attacks of November 26 to 29, 2008 in Mumbai and other acts of violence or war, such as the continuing conflict in Iraq, have the potential to have a direct impact on our clients or on us. To the extent that such attacks affect or involve the United States or Europe, our business may be significantly impacted, as the majority of our revenues are derived from clients located in the United States and Europe. In addition, such attacks may destabilize the economic and political situation in India, may make travel more difficult, may make it more difficult to obtain work visas for many of our technology professionals who are required to work in the United States or Europe, and may effectively reduce our ability to deliver our services to our clients. Such obstacles to business may increase our expenses and negatively affect the results of our operations. Furthermore, any attacks in India could cause a disruption in the delivery of our services to our clients, and could have a negative impact on our business, personnel, assets and results of operations, and could cause our clients or potential clients to choose other vendors for the services we provide. Terrorist threats, attacks or war could make travel more difficult, may disrupt our ability to provide services to our clients and could delay, postpone or cancel our clients' decisions to use our services.

The markets in which we operate are subject to the risk of earthquakes, floods and other natural disasters.

Some of the regions that we operate in are prone to earthquakes, flooding and other natural disasters. In the event that any of our business centers are affected by any such disasters, we may sustain damage to our operations and properties, suffer significant financial losses and be unable to complete our client engagements in a timely manner, if at all. Further, in the event of a natural disaster, we may also incur costs in redeploying personnel and property. In addition if there is a major earthquake, flood or other natural disaster in any of the locations in which our significant customers are located, we face the risk that our customers may incur losses, or sustained business interruption and/or loss which may materially impair their ability to continue their purchase of products or services from us. A major earthquake, flood or other natural disaster in the markets in which we operate could have a material adverse effect on

our business, financial condition, results of operations and cash flows.

Regional conflicts in South Asia could adversely affect the Indian economy, disrupt our operations and cause our business to suffer.

South Asia has, from time to time, experienced instances of civil unrest and hostilities among neighboring countries, including between India and Pakistan. In recent years there have been military confrontations between India and Pakistan that have occurred in the region of Kashmir and along the India-Pakistan border. Further, in recent months, Pakistan has been experiencing significant instability and this has heightened the risks of conflict in South Asia. Military activity or terrorist attacks in the future could influence the Indian economy by disrupting communications and making travel more difficult and such political tensions could create a greater perception that investments in Indian companies involve higher degrees of risk. This, in turn, could have a material adverse effect on the market for securities of Indian companies, including our equity shares and our ADSs, and on the market for our services.

Restrictions on immigration may affect our ability to compete for and provide services to clients in the United States, which could hamper our growth and cause our revenues to decline.

The vast majority of our employees are Indian nationals. Most of our projects require a portion of the work to be completed at the client's location. The ability of our technology professionals to work in the United States, Europe and in other countries depends on the ability to obtain the necessary visas and work permits.

As of March 31, 2009, the majority of our technology professionals in the United States held either H-1B visas (approximately 8,200 persons, not including Infosys BPO employees or employees of our wholly owned subsidiaries), allowing the employee to remain in the United States for up to six years during the term of the work permit and work as long as he or she remains an employee of the sponsoring firm, or L-1 visas (approximately 1,400 persons), not including Infosys BPO employees or employees of our wholly owned subsidiaries), allowing the employee to stay in the United States only temporarily. Although there is no limit to new L-1 visas, there is a limit to the aggregate number of new H-1B visas that the U.S. Citizenship and Immigration Services, or CIS, may approve in any government fiscal year which is 65,000 annually. In November 2004, the United States Congress passed a measure that increased the number of available H-1B visas to 85,000 per year. The 20,000 additional visas are only available to skilled workers who possess a Master's or higher degree from institutions of higher education in the United States. Further, in response to the terrorist attacks in the United States, the CIS has increased its level of scrutiny in granting new visas. This may, in the future, also lead to limits on the number of L-1 visas granted. In addition, the granting of L-1 visas precludes companies from obtaining such visas for employees with specialized knowledge: (1) if such employees will be stationed primarily at the worksite of another company in the U.S. and the employee will not be controlled and supervised by his employer, or (2) if such offsite placement is essentially an arrangement to provide labor for hire rather than in connection with the employee's specialized knowledge. Immigration laws in the United States may also require us to meet certain levels of compensation, and to comply with other legal requirements, including labor certifications, as a condition to obtaining or maintaining work visas for our technology professionals working in the United States.

Immigration laws in the United States and in other countries are subject to legislative change, as well as to variations in standards of application and enforcement due to political forces and economic conditions. It is difficult to predict the political and economic events that could affect immigration laws, or the restrictive impact they could have on obtaining or monitoring work visas for our technology professionals. Our reliance on work visas for a significant number of technology professionals makes us particularly vulnerable to such changes and variations as it affects our ability to staff projects with technology professionals who are not citizens of the country where the work is to be performed. As a result, we may not be able to obtain a sufficient number of visas for our technology professionals or may encounter delays or additional costs in obtaining or maintaining the conditions of such visas. Additionally, we may have to apply in advance for visas and this could result in additional expenses during certain quarters of the fiscal year.

Changes in the policies of the Government of India or political instability could delay the further liberalization of the Indian economy and adversely affect economic conditions in India generally, which could impact our business and prospects.

Since 1991, successive Indian governments have pursued policies of economic liberalization, including significantly relaxing restrictions on the private sector. Nevertheless, the role of the Central and State governments in the Indian economy as producers, consumers and regulators has remained significant. The current Government of India, formed in May 2004, has announced policies and taken initiatives that support the continued economic liberalization policies pursued by previous governments. However, these liberalization policies may not continue in the future. The rate of economic liberalization could change, and specific laws and policies affecting technology companies, foreign investment, currency exchange and other matters affecting investment in our securities could change as well. A significant change in India's economic liberalization and deregulation policies could adversely affect business and economic conditions in India generally, and our business in particular.

For instance, in April 2007, the Government of India announced a number of changes in its policies applicable to Special Economic Zones, or SEZs, to provide for, among other things, a cap on the size of land available for SEZs. The Indian Government has also announced its intent to make further changes in the SEZ policies. Some of our software development centers located at Chandigarh, Chennai, Mangalore and Pune currently operate in SEZs and many of our proposed development centers are likely to operate in SEZs. If the Government of India changes its policies affecting SEZs in a manner that adversely impact the incentives for establishing and operating facilities in SEZs, our business, results of operations and financial condition may be adversely affected.

Political instability could also delay the reform of the Indian economy and could have a material adverse effect on the market for securities of Indian companies, including our equity shares and our ADSs, and on the market for our services.

Our international expansion plans subject us to risks inherent in doing business internationally.

Currently, we have global development centers in 13 countries around the world, with our largest development centers located in India. We have recently established or intend to establish new development facilities. In October 2003, we established Infosys China and in January 2004, we acquired Infosys Australia to expand our operations in those countries. In April 2004, we formed Infosys Consulting to focus on consulting services in the United States. Recently, we established a wholly-owned subsidiary, Infosys Technologies S. De RL De CV ("Infosys Mexico"), in Monterrey, Mexico, to provide business consulting and information technology services for clients in North America, Latin America and Europe. During fiscal 2008, as part of an outsourcing agreement with Philips, our majority-owned subsidiary, Infosys BPO, acquired from Koninklijke Philips Electronics N.V. certain shared services centers in India, Poland and Thailand that are engaged in the provision of finance, accounting and procurement support services to Philips' operations worldwide.

We also have a very large workforce spread across our various offices worldwide. As of March 31, 2009, we employed approximately 104,900 employees worldwide, and approximately 20,200 of those employees were located outside of India. Because of our global presence, we are subject to additional risks related to our international expansion strategy, including risks related to compliance with a wide variety of treaties, national and local laws, including multiple and possibly overlapping tax regimes, privacy laws and laws dealing with data protection, export control laws, restrictions on the import and export of certain technologies and national and local labor laws dealing with immigration, employee health and safety, and wages and benefits, applicable to our employees located in our various international offices and facilities. We may from time to time be subject to litigation or administrative actions resulting from claims against us by current or former employees, individually or as part of a class action, including for claims of wrongful termination, discrimination, misclassification, payment of redundancy payments under TUPE-type legislation, or other violations of labor laws, or other alleged conduct. Our being held liable for unpaid compensation, redundancy payments, statutory penalties, and other damages arising out of such actions and litigations could

adversely affect our revenues and operating profitability. For example, in December 2007, we entered into a voluntary settlement with the California Division of Labor Standards Enforcement regarding the potential misclassification of certain of our current and former employees, whereby we agreed to pay overtime wages that may have been owed to such employees. The total settlement amount was approximately \$26 million, including penalties and taxes.

In addition, we may face competition in other countries from companies that may have more experience with operations in such countries or with international operations generally. We may also face difficulties integrating new facilities in different countries into our existing operations, as well as integrating employees that we hire in different countries into our existing corporate culture. As an international company, our offshore and onsite operations may also be impacted by disease, epidemics and local political instability. Our international expansion plans may not be successful and we may not be able to compete effectively in other countries. Any of these events could adversely affect our revenues and operating profitability.

It may be difficult for holders of our ADSs to enforce any judgment obtained in the United States against us or our affiliates.

We are incorporated under the laws of India and many of our directors and executive officers reside outside the United States. Virtually all of our assets are located outside the United States. As a result, holders of our ADSs may be unable to effect service of process upon us outside the United States. In addition, holders of our ADSs may be unable to enforce judgments against us if such judgments are obtained in courts of the United States, including judgments predicated solely upon the federal securities laws of the United States.

The United States and India do not currently have a treaty providing for reciprocal recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any federal or state court in the United States on the basis of civil liability, whether or not predicated solely upon the federal securities laws of the United States, would not be enforceable in India. However, the party in whose favor such final judgment is rendered may bring a new suit in a competent court in India based on a final judgment that has been obtained in the United States. The suit must be brought in India within three years from the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India. It is unlikely that a court in India would award damages on the same basis as a foreign court if an action is brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if it viewed the amount of damages awarded as excessive or inconsistent with Indian practice. A party seeking to enforce a foreign judgment in India is required to obtain approval from the Reserve Bank of India under the Foreign Exchange Management Act, 1999, to repatriate any amount recovered pursuant to the execution of such a judgment.

The laws of India do not protect intellectual property rights to the same extent as those of the United States, and we may be unsuccessful in protecting our intellectual property rights. We may also be subject to third party claims of intellectual property infringement.

We rely on a combination of patent, copyright, trademark and design laws, trade secrets, confidentiality procedures and contractual provisions to protect our intellectual property. However, the laws of India do not protect proprietary rights to the same extent as laws in the United States. Therefore, our efforts to protect our intellectual property may not be adequate. Our competitors may independently develop similar technology or duplicate our products or services. Unauthorized parties may infringe upon or misappropriate our products, services or proprietary information.

The misappropriation or duplication of our intellectual property could disrupt our ongoing business, distract our management and employees, reduce our revenues and increase our expenses. We may need to litigate to enforce our intellectual property rights or to determine the validity and scope of the proprietary rights of others. Any such litigation could be time consuming and costly. As the number of patents, copyrights and other intellectual property rights in our industry increases, and as the coverage of these rights increase, we believe that companies in our industry will face more frequent infringement claims. Defense against these claims, even if such claims are not meritorious,

could be expensive, time consuming and may divert our management's attention and resources from operating our company. From time to time, third parties have asserted and may in the future assert patent, copyright, trademark and other intellectual property rights against us or our customers. Our business partners may have similar claims asserted against them. A number of third parties, including companies with greater resources than Infosys, have asserted patent rights to technologies that we utilize in our business. If we become liable to third parties for infringing their intellectual property rights, we could be required to pay a substantial damage award and be forced to develop non-infringing technology, obtain a license or cease selling the applications or products that contain the infringing technology. We may be unable to develop non-infringing technology or to obtain a license on commercially reasonable terms, or at all. An unfavorable outcome in connection with any infringement claim against us as a result of litigation, other proceeding or settlement, could have a material and adverse impact on our business, results of operations and financial position.

For example, on April 15, 2008, a civil court in Bobigny, France ruled that our use of the name "Infosys" constituted infringement of the trademark, corporate name and trade name "Infosys France" in France and that we could not use the name "Infosys" in France as a trademark, corporate name, trade name and domain name with immediate effect. We have recently entered into a settlement agreement with respect to this infringement claim, but a similar litigation or other proceeding in any of the jurisdictions in which we operate could disrupt our ongoing business, distract our management and employees, and affect our future business.

Our ability to acquire companies organized outside India depends on the approval of the Government of India and/or the Reserve Bank of India, and failure to obtain this approval could negatively impact our business.

Generally, the Reserve Bank of India must approve any acquisition by us of any company organized outside of India. The Reserve Bank of India permits acquisitions of companies organized outside of India by an Indian party without approval if the transaction consideration is paid in cash, the transaction value does not exceed 400% of the net worth of the acquiring company as on the date of the latest audited balance sheet, or unless the acquisition is funded with cash from the acquiring company's existing foreign currency accounts or with cash proceeds from the issue of ADRs/GDRs.

It is possible that any required approval from the Reserve Bank of India and the Ministry of Finance of the Government of India or any other government agency may not be obtained. Our failure to obtain approvals for acquisitions of companies organized outside India may restrict our international growth, which could negatively affect our business and prospects.

Indian laws limit our ability to raise capital outside India and may limit the ability of others to acquire us, which could prevent us from operating our business or entering into a transaction that is in the best interests of our shareholders.

Indian law relating to foreign exchange management constrains our ability to raise capital outside India through the issuance of equity or convertible debt securities. Generally, any foreign investment in, or acquisition of an Indian company, subject to certain exceptions, requires approval from relevant government authorities in India, including the Reserve Bank of India. There are, however, certain exceptions to this approval requirement for technology companies on which we are able to rely. Changes to such policies may create restrictions on our capital raising abilities. For example, a limit on the foreign equity ownership of Indian technology companies or pricing restrictions on the issue of ADRs/GDRs may constrain our ability to seek and obtain additional equity investment by foreign investors. In addition, these restrictions, if applied to us, may prevent us from entering into certain transactions, such as an acquisition by a non-Indian company, which might otherwise be beneficial for us and the holders of our equity shares and ADSs.

Additionally, under current Indian law, the sale of a technology services company can result in the loss of the tax benefits for specially designed software technology parks in India. The potential loss of this tax benefit may

discourage others from acquiring us or entering into a transaction with us that is in the best interest of our shareholders.

Risks Related to the ADSs

Historically, our ADSs have traded at a significant premium to the trading prices of our underlying equity shares, and may not continue to do so in the future.

Historically, our ADSs have traded on NASDAQ at a premium to the trading prices of our underlying equity shares on the Indian stock exchanges. We believe that this price premium has resulted from the relatively small portion of our market capitalization previously represented by ADSs, restrictions imposed by Indian law on the conversion of equity shares into ADSs, and an apparent preference of some investors to trade dollar-denominated securities. We have already completed three secondary ADS offerings and the completion of any additional secondary ADS offering will significantly increase the number of our outstanding ADSs. Also, over time, some of the restrictions on the issuance of ADSs imposed by Indian law have been relaxed and we expect that other restrictions may be relaxed in the future. As a result, the historical premium enjoyed by ADSs as compared to equity shares may be reduced or eliminated upon the completion of any additional secondary offering of our ADSs or similar transactions in the future, a change in Indian law permitting further conversion of equity shares into ADSs or changes in investor preferences.

Sales of our equity shares may adversely affect the prices of our equity shares and ADSs.

Sales of substantial amounts of our equity shares, including sales by our insiders in the public market, or the perception that such sales may occur, could adversely affect the prevailing market price of our equity shares or the ADSs or our ability to raise capital through an offering of our securities. In the future, we may also sponsor the sale of shares currently held by some of our shareholders as we have done in the past, or issue new shares. We can make no prediction as to the timing of any such sales or the effect, if any, that future sales of our equity shares, or the availability of our equity shares for future sale, will have on the market price of our equity shares or ADSs prevailing from time to time.

Indian law imposes certain restrictions that limit a holder's ability to transfer the equity shares obtained upon conversion of ADSs and repatriate the proceeds of such transfer which may cause our ADSs to trade at a premium or discount to the market price of our equity shares.

Under certain circumstances, the Reserve Bank of India must approve the sale of equity shares underlying ADSs by a non-resident of India to a resident of India. The Reserve Bank of India has given general permission to effect sales of existing shares or convertible debentures of an Indian company by a resident to a non-resident, subject to certain conditions, including the price at which the shares may be sold. Additionally, except under certain limited circumstances, if an investor seeks to convert the rupee proceeds from a sale of equity shares in India into foreign currency and then repatriate that foreign currency from India, he or she will have to obtain Reserve Bank of India approval for each such transaction. Required approval from the Reserve Bank of India or any other government agency may not be obtained on terms favorable to a non-resident investor or at all.

An investor in our ADSs may not be able to exercise preemptive rights for additional shares and may thereby suffer dilution of such investor's equity interest in us.

Under the Companies Act, 1956, or the Indian Companies Act, a company incorporated in India must offer its holders of equity shares preemptive rights to subscribe and pay for a proportionate number of shares to maintain their existing ownership percentages prior to the issuance of any new equity shares, unless such preemptive rights have been waived by three-fourths of the shares voting on the resolution to waive such rights. Holders of ADSs may be unable to exercise preemptive rights for equity shares underlying ADSs unless a registration statement under the Securities Act of 1933 as amended, or the Securities Act, is effective with respect to such rights or an exemption from the

registration requirements of the Securities Act is available. We are not obligated to prepare and file such a registration statement and our decision to do so will depend on the costs and potential liabilities associated with any such registration statement, as well as the perceived benefits of enabling the holders of ADSs to exercise their preemptive rights, and any other factors we consider appropriate at the time. No assurance can be given that we would file a registration statement under these circumstances. If we issue any such securities in the future, such securities may be issued to the Depositary, which may sell such securities for the benefit of the holders of the ADSs. There can be no assurance as to the value, if any, the Depositary would receive upon the sale of such securities. To the extent that holders of ADSs are unable to exercise preemptive rights granted in respect of the equity shares represented by their ADSs, their proportional interests in us would be reduced.

ADS holders may be restricted in their ability to exercise voting rights.

At our request, the Depositary will electronically mail to holders of our ADSs any notice of shareholders' meeting received from us together with information explaining how to instruct the Depositary to exercise the voting rights of the securities represented by ADSs. If the Depositary receives voting instructions from a holder of our ADSs in time, relating to matters that have been forwarded to such holder, it will endeavor to vote the securities represented by such holder's ADSs in accordance with such voting instructions. However, the ability of the Depositary to carry out voting instructions may be limited by practical and legal limitations and the terms of the securities on deposit. We cannot assure that holders of our ADSs will receive voting materials in time to enable such holders to return voting instructions to the Depositary in a timely manner. Securities for which no voting instructions have been received will not be voted. There may be other communications, notices or offerings that we only make to holders of our equity shares, which will not be forwarded to holders of ADSs. Accordingly, holders of our ADSs may not be able to participate in all offerings, transactions or votes that are made available to holders of our equity shares.

Item 4. Information on the Company

COMPANY OVERVIEW

We define, design and deliver IT enabled business solutions for our clients. We believe that our solutions help our clients shift their operational priorities to improve business performance and achieve operational efficiency.

Our comprehensive end-to-end business solutions leverage technology for our clients. Our suite of business solutions includes technical consulting, design, development, product engineering, maintenance, systems integration, package enabled consulting and implementation and infrastructure management services. We also provide software products to the banking industry. Through Infosys BPO, we provide business process management services such as offsite customer relationship management, finance and accounting, and administration and sales order processing. Our clients rely on our solutions to enhance their business performance.

Our professionals deliver high quality solutions through our Global Delivery Model. Using our Global Delivery Model, we divide projects into components that we execute simultaneously at client sites and at our development centers in India and around the world. We optimize our cost structure by maintaining the flexibility to execute project components where it is most cost effective. Our Global Delivery Model, with its easily scalable infrastructure and ability to execute project components around the clock and across time zones, enables us to reduce project delivery times.

We have organized our sales, marketing and business development teams to focus on specific geographies and industries, thus enabling us to customize our service offerings to our clients' needs. Our primary geographic markets are North America, Europe, and the Asia-Pacific region. We serve clients in banking and capital markets; communications, media and entertainment; energy, utilities and services; insurance; healthcare and life sciences; manufacturing; retail, consumer product goods and logistics; and other industries.

Our revenues grew from \$4,176 million in fiscal 2008 to \$4,663 million in fiscal 2009, representing a growth of 11.7%. Our net income grew from \$1,163 million to \$1,281 million during the same period, representing an annual growth of 10.1%. Between March 31, 2005 and March 31, 2009, our total employees grew from approximately 36,800 to approximately 104,900, representing a compound annual growth rate of approximately 29.9%.

We believe we have among the best talent in the Indian technology services industry, and we are committed to remaining among the industry's leading employers.

We were incorporated on July 2, 1981 in Maharashtra, India as Infosys Consultants Private Limited, a private limited company under the Indian Companies Act, 1956. We changed our name to Infosys Technologies Private Limited in April 1992 and to Infosys Technologies Limited in June 1992, when we became a public limited company. We completed our initial public offering of equity shares in India in 1993 and our initial public offering of ADSs in the United States in 1999. In August 2003, June 2005 and November 2006 we completed sponsored secondary offerings of ADSs in the United States on behalf of our shareholders. Our 2005 and 2006 offerings also each included a public offering without listing in Japan, or POWL. In December 2006, we became the first Indian company to be added to the NASDAQ - 100 index. In 2008, we were selected as an original component member of 'The Global Dow', a world-wide stock index made up of 150 leading blue-chip stocks.

Infosys BPO is our majority-owned and controlled subsidiary. Infosys Australia, Infosys China, Infosys Consulting, Infosys Mexico and Infosys Sweden are our wholly-owned and controlled subsidiaries.

The address of our registered office is Electronics City, Hosur Road, Bangalore-560 100, Karnataka, India. The telephone number of our registered office is +91-80-2852-0261. Our agent for service of process in the United States is CT Corporation System, 1350 Treat Boulevard, Suite 100, Walnut Creek, CA 94597-2152. Our website address is www.infosys.com and the information contained in our website does not constitute a part of this Annual Report.

Principal Capital Expenditures and Divestitures

In fiscal 2009 and 2008, we spent \$285 million and \$373 million, respectively, on capital expenditure. As of March 31, 2009, we had contractual commitments of approximately \$73 million for capital expenditure. These commitments included approximately \$ 64 million in domestic purchases and \$9 million in imports and overseas commitments for hardware, supplies and services. All our capital expenditures were financed out of cash generated from operations.

On April 1, 2008, Infosys Australia acquired 100% of the equity shares of Mainstream Software Pty Limited (MSPL) for a cash consideration of \$3 million, of which \$1 million was yet to be paid as of March 31, 2009. Consequent to this acquisition, intellectual property rights amounting to \$3 million have been recorded. Considering the economic benefits expected to be obtained from the intellectual property rights the same have been fully amortized during the year.

On October 1, 2007, Infosys BPO acquired 100% of the equity shares of P-Financial Services Holding B.V. This business acquisition was conducted by entering into a Sale and Purchase Agreement with Koninklijke Philips Electronics N.V. (Philips), a company incorporated under the laws of the Netherlands, for acquiring the shared service centers of Philips for finance, accounting and procurement business in Poland, Thailand and India for a cash consideration of \$27 million, of which \$1 million was paid during the year ended March 31, 2009. The acquisitions of Poland and India centers were consummated on October 1, 2007 and Thailand center on December 3, 2007.

During the year ended March 31, 2009, the investments held by P-Financial Services Holding B.V. in its wholly owned subsidiaries Pan-Financial Shared Services India Private Limited, Infosys BPO (Poland) Sp. Z.o.o., and Infosys BPO (Thailand) Limited were transferred to Infosys BPO, consequent to which P-Financial Services Holding B.V. was liquidated. During the three months ended March 31, 2009, Infosys BPO merged its wholly owned subsidiary Pan-Financial Shared Services India Private Limited, retrospectively with effect from April 1, 2008, via a

scheme of amalgamation sanctioned by the High Courts of Karnataka and Tamil Nadu.

On March 5, 2009, the company incorporated a wholly owned subsidiary, Infosys Technologies (Sweden) AB.

INDUSTRY OVERVIEW

Changing economic and business conditions, rapid technological innovation, proliferation of the internet and globalization are creating an increasingly competitive market environment that is driving corporations to transform the manner in which they operate.

Consumers of products and services are increasingly demanding accelerated delivery times and lower prices. To adequately address these needs, companies are focusing on their core competencies and are using outsourced technology services providers to help improve productivity, develop new products, conduct research and development activities, reduce business risk, and manage operations more effectively.

The role of technology has evolved from supporting corporations to transforming them. The ability to design, develop, implement, and maintain advanced technology platforms and solutions to address business and client needs has become a competitive advantage and a priority for corporations worldwide. Concurrently, the prevalence of multiple technology platforms and a greater emphasis on network security and redundancy have increased the complexity and cost of IT systems, and have resulted in greater technology-related risks. The need for more dynamic technology solutions and the increased complexity, cost and risk associated with these technology platforms has created a growing need for specialists with experience in leveraging technology to help improve efficiency and security.

There is an increasing need for highly skilled technology professionals in the markets in which we operate. At the same time, corporations are reluctant to expand their internal IT departments and increase costs. These factors have increased corporations' reliance on their outsourced technology service providers and are expected to continue to drive future growth for outsourced technology services. According to the Forrester *Global IT Market Outlook: 2009* by Andrew.H. Bartels published in January 2009, purchases of IT goods and services by global businesses and governments will decline by 3% in 2009 and then rise by 9% in 2010.

Increasing Trend Towards Offshore Technology Services

Outsourcing the development, management and ongoing maintenance of technology platforms and solutions has become increasingly important. Companies are increasingly turning to offshore technology service providers to meet their need for high quality, cost competitive technology solutions. As a result, offshore technology service providers have become critical in the industry and continue to grow in recognition and sophistication. The effective use of offshore technology services offers a variety of benefits, including lower cost of ownership of IT infrastructure, lower labor costs, improved quality and innovation, faster delivery of technology solutions and more flexibility in scheduling. In addition, technology companies are also recognizing the benefits of offshore technology service providers in software research and development, and related support functions and are outsourcing a greater portion of these activities. We believe the range of services delivered offshore is also increasing.

The India Advantage

India is recognized as the premier destination for offshore technology services. According to a factsheet published by NASSCOM in February 2009, IT services (excluding business process outsourcing (BPO), product development and engineering services) exports from India are expected to cross \$26.9 billion in fiscal 2009 and BPO exports from India are expected to cross \$12.8 billion during the same period.

There are several key factors contributing to the growth of IT and IT-enabled services (ITES) in India and by Indian companies.

High Quality Delivery. According to the Process Maturity Profile published by the Carnegie Mellon Software Engineering Institute in September 2008, of the 362 appraisals conducted in India, approximately 158 companies certified at SEI-CMM Level 5 - higher than any other country in the world. SEI-CMM is the Carnegie Mellon Software Engineering Institute's Capability Maturity Model, which assesses the quality of organizations' management system processes and methodologies. Level 5 is the highest level of the CMM assessment.

Significant Cost Benefits. The NASSCOM Strategic Review 2009 indicates that companies experience cost savings of around 60-70 per cent by outsourcing their IT and BPO requirements to India as compared to their source locations, and suggests that the cost advantage offered by the Indian IT-BPO industry is sustainable over the long term.

Abundant Skilled Resources. India has a large and highly skilled English-speaking labor pool. According to the NASSCOM Strategic Review 2009, the total graduate out-turn in India in fiscal 2009 is estimated at 3.5 million, including a technical graduate out-turn of approximately 514,000.

The NASSCOM Strategic Review 2009 indicates that the large and growing pool of skilled professionals has been a key driver of the rapid growth in the Indian IT-ITES sector and that India accounts for over 28 per cent of the total suitable talent pool available to work in the IT-BPO sector across all the potential global sourcing low-cost locations.

The factors described above also make India the premier destination for other services such as IT-enabled services, which we refer to as business process management. According to a factsheet published by NASSCOM in February 2009, the Indian BPO services export market was \$10.9 billion in fiscal 2008 and is estimated to reach \$12.8 billion in fiscal 2009.

While these advantages apply to many companies with offshore capabilities in India, we believe that there are additional factors critical to a successful, sustainable and scalable technology services business. These factors include the ability to:

- effectively integrate onsite and offshore execution capabilities to deliver seamless, scalable services;
- increase depth and breadth of service offerings to provide a one-stop solution in an environment where corporations are increasingly reducing the number of technology services vendors they are using;
- develop and maintain knowledge of a broad range of existing and emerging technologies;
- demonstrate significant domain knowledge to understand business processes and requirements;
- leverage in-house industry expertise to customize business solutions for clients;
- attract and retain high quality technology professionals; and
- make strategic investments in human resources and physical infrastructure (or facilities) throughout the business cycle.

Evolution of Technology Outsourcing

The nature of technology outsourcing is changing. Historically, corporations either outsourced their technology requirements entirely or on a standalone project-by-project basis. In an environment of rapid technological change, globalization and regulatory changes, the complete outsourcing model is often perceived to limit a company's operational flexibility and not fully deliver potential cost savings and efficiency benefits. Similarly, project-by-project outsourcing is also perceived to result in increased operational risk and coordination costs, and as failing to fully leverage technology service providers' full ranges of capabilities. To address these issues, companies are looking at outsourcing approaches that require their technology service providers to develop specialized systems, processes and solutions along with cost-effective delivery capabilities.

OUR COMPETITIVE STRENGTHS

We believe our competitive strengths include:

Leadership in sophisticated solutions that enable clients to optimize the efficiency of their business. We bring together our expertise in consulting, IT services and BPO to create solutions that allow our clients to increase their customer loyalty through faster innovation and delivery, to restructure their cost base, and help them achieve greater success through shifting business cycles. Our expertise helps our clients improve their own efficiencies, create better value for their end customers and to become more competitive. Our suite of comprehensive, end-to-end technology-based solutions enables us to offer services through our broad network of relationships, increase our dialogue with key decision makers within each client, and increase the points of sale for new clients. As a result, we believe we are able to capture a greater share of our clients' technology budgets. Our suite of solutions encompasses business and technology consulting, custom application development, infrastructure maintenance services, maintenance and production support, package-enabled consulting and implementation including enterprise solutions, product engineering solutions and product lifecycle management, systems integration, validation solutions and Software-as-a-Service (SaaS) related solutions. Through Infosys BPO, we provide business process management services. Through our consulting group and software engineering and technology lab, we research, develop and engineer new solutions tailored for our clients and their respective industries. Through the creation of Infosys Consulting, we have enhanced our ability to provide strategic and competitive analysis and complex operational consulting services. We have a well-defined methodology to update and extend our service offerings to meet the evolving needs of the global marketplace.

Proven Global Delivery Model. We have a highly evolved Global Delivery Model which enables us to execute services where it is most cost effective and sell services where it is most profitable. Over the past decade, we have developed our onsite and offshore execution capabilities to deliver high quality and scalable services. In doing so, we have made substantial investments in our processes, infrastructure and systems, and have refined our Global Delivery Model to effectively integrate onsite and offshore technology services. Our Global Delivery Model provides clients with seamless, high quality solutions in reduced timeframes enabling our clients to achieve operating efficiencies. To address changing industry dynamics, we continue to refine our Global Delivery Model. Through our Modular Global Sourcing framework, we assist clients in segmenting their internal business processes and applications, including IT processes, and outsourcing these segments selectively on a modular basis to reduce risk and cost and increase operational flexibility. We believe that this approach and other ongoing refinements to our Global Delivery Model help us retain our industry leaders position. The November 2008 Magic Quadrant for European Offshore Application Services and the Magic Quadrant for North American Offshore Application Services have positioned us in the leaders quadrant for offshore application services providers in Europe and North America.

(2) The Magic Quadrants are copyrighted 2008 by Gartner, Inc. and are reused with permission. The Magic Quadrant is a graphical representation of a marketplace at and for a specific time period. It depicts Gartner's analysis of how certain vendors measure against criteria for that marketplace, as defined by Gartner. Gartner does not endorse any vendor, product or service depicted in the Magic Quadrant, and does not advise technology users to select only those vendors placed in the "Leaders" quadrant. The Magic Quadrant is intended solely as a research tool, and is not meant to be a specific guide to action. Gartner disclaims all warranties, express or implied, with respect to this research, including any warranties of merchantability or fitness for a particular purpose.

(3) The Gartner Report(s) described herein, (the "Gartner Report(s)") represent(s) data, research opinion or viewpoints published, as part of a syndicated subscription service, by Gartner, Inc. ("Gartner"), and are not representations of fact. Each Gartner Report speaks as of its original publication date (and not as of the date of this Prospectus) and the opinions expressed in the Gartner Report(s) are subject to change without notice.

Commitment to Superior Quality and Process Execution. We have developed a sophisticated project management methodology to ensure timely, consistent and accurate delivery of superior quality solutions to maintain a high level of client satisfaction. We constantly benchmark our services and processes against globally recognized quality standards. Certifications we have received include SEI-CMMI Level 5, CMM Level 5, PCMM Level 5, TL 9000 and ISO 9001-2000. In 2007, Infosys BPO was certified for eSCM level 4.0, the eSourcing Capability Model for Service Providers developed by a consortium led by Carnegie Mellon University's Information Technology Services

Qualification Center.

Strong Brand and Long-Standing Client Relationships. We have long-standing relationships with large multinational companies built on successful prior engagements with them. Our track record of delivering high quality solutions across the entire software life cycle and our strong domain expertise helps us to solidify these relationships and gain increased business from our existing clients. As a result, we have a history of client retention and derive a significant proportion of revenues from repeat clients.

Status as an Employer of Choice. We believe we have among the best talent in the Indian technology services industry and we are committed to remaining among the industry's leading employers. We have a presence in 13 cities in India, allowing us to recruit technology professionals with specific geographic preferences. Our diverse workforce includes employees of 76 nationalities. Our training programs ensure that new hires enhance their skills in alignment with our requirements and are readily deployable upon completion of their training programs. Our lean organizational structure and strong unifying culture facilitate the sharing of knowledge and best practices among our employees.

Ability to Scale. We have successfully managed our growth by investing in infrastructure and by rapidly recruiting, training and deploying new professionals. We currently have 54 global development centers, the majority of which are located in India. We also have development centers in various countries including Australia, Canada, China, Japan, Mauritius, Mexico, Poland and at multiple locations in the United States and Europe. Our financial position allows us to make the investments in infrastructure and personnel required to continue growing our business. We can rapidly deploy resources and execute new projects through the scalable network of our global delivery centers. Between March 31, 2005 and March 31, 2009, our total number of employees grew from approximately 36,800 to approximately 104,900.

Innovation and Leadership. We are a pioneer in the technology services industry. We were one of the first Indian companies to achieve a number of significant milestones which has enhanced our reputation in the marketplace. For example, we were one of the first companies to develop and deploy a global delivery model and attain SEI-CMMI Level 5 certification for both our offshore and onsite operations. More recently, we established a business consulting practice in the United States which leverages our Global Delivery Model. In addition, we were the first Indian company to list on a U.S. stock exchange. We were also the first Indian company to do a POWL in Japan. In December 2006, we became the first Indian company to be added to the NASDAQ - 100 index. In 2008, we were selected as an original component member of 'The Global Dow', a world-wide stock index made up of 150 leading blue-chip stocks.

OUR STRATEGY

We seek to further strengthen our position as a leading global technology services company by successfully differentiating our service offerings and increasing the scale of our operations. To achieve these goals, we seek to:

Increase Business from Existing and New Clients. Our goal is to build enduring relationships with both existing and new clients. With existing clients, we aim to expand the nature and scope of our engagements by increasing the size and number of projects and extending the breadth of our service offerings. For new clients, we seek to provide value-added solutions by leveraging our in-depth industry expertise and expanding the breadth of services offered to them beyond those in the initial engagement. We manage first-time engagements by educating clients about our Global Delivery Model, taking on smaller projects to minimize client risk and demonstrating our execution capabilities. We also seek to increase our recurring business with clients by providing product engineering, maintenance, infrastructure management and business process management services which are long-term in nature and require frequent client contact. In order to further improve our business generation capabilities, we have established a Strategic Global Sourcing Group which is comprised of senior professionals and seeks to identify, secure and manage new, large, and long-term client engagements.

Expand Geographically. We seek to selectively expand our global presence to enhance our ability to service clients. We plan to accomplish this by establishing new sales and marketing offices, representative offices and global development centers to expand our geographical reach. We intend to further increase our presence in China through Infosys China, in the Czech Republic and Eastern Europe directly and through Infosys BPO, in Australia through Infosys Australia and in Latin America, through Infosys Mexico. We intend to use our operations in these regions to eventually support clients in the local market as well as our global clients.

Continue to Invest in Infrastructure and Employees. We intend to continue to invest in physical and technological infrastructure to support our growing worldwide development and sales operations and to increase our productivity. To enhance our ability to hire and successfully deploy increasingly greater numbers of technology professionals, we intend to continue investing in recruiting, training and maintaining a challenging and rewarding work environment. During fiscal 2009, we received approximately 488,700 employment applications, tested approximately 77,600 applicants, interviewed approximately 46,600 applicants and made approximately 16,900 offers of employment. These statistics do not include Infosys BPO or our other subsidiaries. We have also completed the construction of an employee training facility in Mysore, India to further enhance our employee training capabilities. The Mysore facility is able to house 13,500 trainees at any one time, and is able to provide the facilities required for the training of approximately 40,000 employees annually.

Continue to Enhance our Solution Set. We seek to continually enhance our portfolio of solutions as a means of developing and growing our business. To differentiate our services, we focus on emerging trends, new technologies, specific industries and pervasive business issues that confront our clients. In recent years, we have added new service offerings such as consulting, business process management, systems integration and infrastructure management, which have been and we expect will continue to be major contributors to our growth. We also established Infosys Consulting to add additional operational and business consulting capabilities to our Global Delivery Model. We have also introduced Software-as-a-Service (SaaS) as part of our technology solutions. Furthermore, Modular Global Sourcing, and other refinements to our Global Delivery Model enhance our ability to service our clients.

Continue to Develop Deep Industry Knowledge. We continue to build specialized industry expertise in the financial services, healthcare, manufacturing, telecommunications, retail, transportation and logistics industries. We combine deep industry knowledge with an understanding of our clients' needs and technologies to provide high value, quality services. Our industry expertise can be leveraged to assist other clients in the same industry, thereby improving quality and reducing the cost of services to our clients. We will continue to build on our extensive industry expertise and we plan to provide our services to new industries in the future.

Enhance Brand Visibility. We continue to invest in the development of our premium brand identity in the marketplace. Our branding efforts include participating in media and industry analyst events, sponsorship of and participation in targeted industry conferences, trade shows, recruiting efforts, community outreach programs and investor relations. We have instituted the Wharton Infosys Business Transformation Award, offered jointly with the Wharton School at the University of Pennsylvania to recognize visionaries and Global 2000 organizations that use technology innovatively to transform their industries. We also instituted the ACM-Infosys Foundation Award jointly with the Association of Computing Machinery, or ACM, for the recognition of young scientists and system developers whose contemporary innovations have an impact on the computing field. Additionally, in February 2009, the Infosys Science Foundation had instituted an annual award of Rs. 5 million per category to honor outstanding contributions and achievements by Indians across various sciences. We believe that a strong and recognizable Infosys brand will continue to facilitate the new-business lead generation process and enhance our ability to attract talented personnel globally.

Pursue Alliances and Strategic Acquisitions. We intend to continue to develop alliances that complement our core competencies. Our alliance strategy is targeted at partnering with leading technology providers, which allows us to take advantage of emerging technologies in a mutually beneficial and cost-competitive manner. We also intend to selectively pursue acquisitions that augment our existing skill sets, industry expertise, client base or geographical

presence. For example, in January 2004, we acquired Infosys Australia primarily due to its market position in Australia, skilled employees, management strength, expertise in the telecommunications industry and potential to serve as a platform for enhancing business opportunities in Australia.

OUR GLOBAL DELIVERY MODEL

Our Global Delivery Model allows us to execute services where it is most cost effective and sell services where it is most profitable. The Global Delivery Model enables us to derive maximum benefit from:

- access to our large pool of highly skilled technology professionals;
- 24-hour execution capabilities across multiple time zones;
- the ability to accelerate delivery times of large projects by simultaneously processing project components;
- cost competitiveness across geographic regions;
- built-in redundancy to ensure uninterrupted services; and
- a knowledge management system that enables us to re-use solutions where appropriate.

In a typical offshore development project, we assign a team of technology professionals to visit a client's site to determine the scope and requirements of the project. Once the initial specifications of the project have been established, our project managers return to the relevant global development center to supervise a larger team of technology professionals dedicated to the development or implementation of the solution. Typically, a small team remains at the client's site to manage project coordination and address changes in requirements as the project progresses. Teams return to the client's site when necessary to ensure seamless integration. To the extent required, a dedicated team provides ongoing maintenance from our global development centers. The client's systems are linked to our facilities enabling simultaneous processing in our global development centers. Our model ensures that project managers remain in control of execution throughout the life of the project regardless of their geographical location.

For the past 18 years, we have successfully executed projects at our global development centers. We have 54 global development centers, of which 27 are located in India, 12 are in North America, 9 are in the Asia-Pacific region and 6 are in Europe. Our largest development centers are located in India. Approximately 74.9% of the total billed person-months for our services rendered during fiscal 2009 originated from our global development centers in India, with the balance of the work being performed at client sites and our global development centers located outside India.

Our quality control processes and programs are designed to minimize defects and ensure adherence to pre-determined project parameters. Additionally, software quality advisors help individual teams establish appropriate processes for projects and adhere to multi-level testing plans. The project manager is responsible for tracking metrics, including actual effort spent versus initial estimates, project budgeting and estimating the remainder of efforts required on a project.

Our Global Delivery Model mitigates risks associated with providing offshore technology services to our clients. For our communications needs, we use multiple service providers and a mix of terrestrial and optical fiber links with alternate routing. In India, we rely on two telecommunications carriers to provide high-speed links inter-connecting our global development centers. Internationally, we rely on multiple links on submarine cable paths provided by various service providers to connect our Indian global development centers with network hubs in other parts of the world. Our significant investment in redundant infrastructure enables us to provide uninterrupted service to our clients. Our business continuity center in Mauritius enables us to transfer the execution of a portion of our business activities rapidly from our Indian global development centers to Mauritius and is an example of our investment in redundant infrastructure.

MODULAR GLOBAL SOURCING

The nature of technology outsourcing is changing. Historically, corporations either outsourced their technology requirements entirely or on a standalone project-by-project basis. The complete outsourcing model is perceived to be deficient as a result of:

- the increased pace of technological change;
- continuous change in the business environment due to globalization and deregulation;
- the need to better manage risk in an evolving regulatory environment, such as ensuring compliance with the requirements of the Sarbanes-Oxley Act;
- the failure to deliver promised cost savings and expected benefits; and
- the changing role of technology from merely improving operational efficiency to becoming an integral part of a corporation's strategy.

Similarly, project-by-project outsourcing is also perceived to have its deficiencies, resulting in increased operational risk and coordination costs, as well as the failure to fully leverage service providers' full range of capabilities.

We have developed our Modular Global Sourcing framework to address these issues and assist clients in evaluating and defining, on both a modular and an enterprise-wide basis, the client's business processes and applications that can be outsourced, and the capabilities required to effectively deliver those processes and applications to the organization. We then assist the client in assessing whether a particular process, application or infrastructure is best retained within the organization or is suitable for outsourcing based on various factors including third-party capabilities, potential cost savings, risks to the organization and importance of the function. Thereafter, we assist in sourcing decisions, the related risk assessments, transitioning, and program management and execution.

Our systematic approach to evaluating an enterprise's IT systems and business processes under the Modular Global Sourcing framework allows us to better align our solutions to our clients' business, operations and IT platforms. As a result, our clients are able to benefit from our Global Delivery Model and potentially realize cost savings, enhanced efficiencies and lasting competitive advantages, while retaining control and flexibility. Modular Global Sourcing also positions us to offer the broadest range of services to the greatest number of clients and to capture a greater share of our clients' technology budgets.

OUR END-TO-END SOLUTIONS

We provide comprehensive business solutions that leverage technology to help our clients gain market differentiation and/ or competitive advantage. Our service offerings include business and technology consulting, custom application development, infrastructure maintenance services, maintenance and production support, package enabled consulting and implementation including enterprise solutions, product engineering solutions and product lifecycle management, systems integration, validation solutions and Software-as-a-Service (SaaS) related solutions.

These offerings are provided to clients located in various geographies and across multiple industry verticals including banking and capital markets, insurance, communications, media and entertainment, energy, utilities, manufacturing, aerospace, pharmaceuticals and healthcare, and retail. We also provide a core banking software solution, Finacle™, for the banking industry and provide customization and implementation services around this solution.

We complement our industry expertise with specialised support for our clients. We also use our software engineering group and technology lab to create customized solutions for our clients. In addition, we continually evaluate and train our professionals in new technologies and methodologies. Finally, we ensure the integrity of our service delivery by utilizing a scalable and secure infrastructure.

We generally assume full project management responsibility in each of our solution offerings. We strictly adhere to our SEI-CMMI Level 5 internal quality and project management processes. We have a knowledge management system to enable us to leverage existing solutions across our company, where appropriate, and have developed

in-house tools for project management and software life-cycle support. We believe that these processes, methodologies, knowledge management systems and tools reduce the overall cost to the client and enhance the quality and speed of delivery.

Our engagements with clients generally include more than one of the solutions listed below. Revenues attributable to custom application development, maintenance and production support, product engineering, package enabled consulting and implementation and technology consulting services represented a majority of our total revenues in fiscal 2009.

Custom Application Development

We provide customized software solutions for our clients. We create new applications and enhance the functionality of our clients' existing software applications. Our projects vary in size and duration. Each project typically involves all aspects of the software development process including defining requirements, designing, prototyping, programming and module integration, user acceptance testing, user training, installation and maintenance and support of these systems.

We perform system design and software coding and run pilots primarily at our global development centers, while activities relating to the defining of requirements, transition planning, user training, user acceptance testing and deployment are performed at the client's site. Our application development services span the entire range of mainframe, client server, internet and mobile technologies. An increasing proportion of our application development engagements are related to emerging platforms such as Microsoft's .Net or open platforms such as J2EETM and Linux[®].

As an example, we partnered with a leading networking and communications client to build an application for creating signature updates for the client's networking devices business. This application was required to assist the client's intrusion prevention program - which provided network security to their telecom devices - in monitoring vulnerability exploitation and network anomalies. In a period of 10 months and with a peak team size of 18 professionals, we designed, developed, tested and deployed a tool that provided end to end solutions, from documenting network threats to publishing the updates for download by the end customers. The easy-to-use centralized application, which relied on automated processes for deployment, improved turnaround times in the installation of new versions of intrusion detection software. Our focus on developing the application for our client was on utilizing best-in-class in-house tools and reusable components.

Maintenance and Production Support

We provide maintenance services for our clients' large software systems that cover a wide range of technologies and businesses. We take a proactive approach to software maintenance, by focusing on long-term functionality, stability and preventive maintenance to avoid problems that typically arise from incomplete or short-term solutions. This approach, coupled with our quality processes, allows our clients to reduce recurring maintenance costs. We have also invested in the internal development and purchase of software tools to increase automation of our delivery systems and thereby enhance their productivity.

While we perform most of the maintenance work at our global development centers using secure communication links to our client's systems, we also maintain a team at the client's facility to co-ordinate certain key interface and support functions and provide any critical on-site support that may be required. Our teams leverage the best of our Global Delivery Model capabilities, including our tools and processes to provide added value to our clients.

As an example, a worldwide leader in software, services and Internet technologies required maintenance support for a range of IT applications catering to various business functions, including sales, services and marketing. Over a period of 60 months, our team of about 150 members worked with the client's engineering department from multiple

locations in India, China and the United States to maintain these applications based on well defined service levels, and enabled the client's business units to function effectively in servicing their end customers. We also helped the client build an incident management platform to provide post-sales services and support to its end customers. In addition, we also provided the client with maintenance support on a portfolio of applications on advanced technology platforms such as Microsoft's .Net 3.5, Silverlight™ and SharePoint.

In another instance, the same client engaged us to maintain and support the client's finance, human resources, legal and corporate affairs and business intelligence platforms containing a portfolio of over 400 applications. Over a period of 33 months, our team of about 240 members provided services to the client from multiple locations in India, China and the United States, enabling the client to improve the quality of its IT solutions, reduce costs and deploy its employees on other strategic projects. We enabled these applications to address the client's changing business requirements by providing timely feature enhancements to adapt to evolving market conditions.

Package Enabled Consulting and Implementation

We help our clients implement and utilize software packages developed by third party vendors such as SAP, Oracle and Microsoft through our package enabled consulting and implementation services. Our services include supporting the evaluation of these packages, providing training and support in their implementation and global roll-out and supporting their upgrades and maintenance on an ongoing basis. Our service offerings also enable business transformation by leveraging packaged software through consulting activities relating to process re-engineering, re-designing of application architecture and organization change management. We provide services to clients in areas such as customer relationship management, supply chain management, human capital management, corporate performance management and business analytics, business process management and enterprise application integration. In response to changing business requirements, we also offer platform based business process outsourcing services in functions such as human resources, procurement and order management.

As an example, a leading manufacturing company intended to engage in a business transformation initiative to harmonize their business processes in different geographies by implementing an enterprise resource planning (ERP) package. We partnered with the client in implementing SAP ERP which enabled the client to simplify its global business processes. We managed the client's business transformation program, which included assistance in organisation change management. We provide services to the client from multiple offshore centers in India and China and cater to the client's operations across North America, Europe and the Asia-Pacific.

Business Transformation Consulting

We offer business transformation services through the provision of IT, operations and business process consulting services that leverage our business, domain and technology expertise. Our professionals, many of whom have significant functional and industry expertise and several years of experience with leading global consulting firms, utilize our Global Delivery Model in offering these programs. Our business transformation consulting services are organized around six major domains:

- *Core Process Excellence* – We help clients transform their core processes and become more competitive by leveraging software packages developed by third party vendors such as SAP and Oracle through our package enabled consulting services relating to functions such as finance, supply chain management and quote-to-cash and through enterprise resource planning programs, enterprise content/asset management, and corporate performance management.
- *Information Technology Strategies* – We offer strategic consulting in relation to IT infrastructure assessment, IT cost reduction, IT transformation, merger integration and IT organizational development.
- *Technical Architecture and Design* – We provide technical advice and services in relation to IT architecture, hardware and software design, migration planning, institution-wide IT implementation planning and technology roadmap development.

- *Product Innovation* – We help clients innovate and improve their product lifecycle through co-creation and innovation networks, ideation accelerators, concept labs, launch centers, product effectiveness analysis and product lifecycle management-enabled transformation.
- *Next Generation Commerce* – We help clients deliver more value to, and derive more value from, clients through multi-channel customer experience analysis, customer data collection and use, and sales and marketing process redesign.
- *Learning and Complex Change* – We help clients solve their people and organizational problems through our offerings relating to customized organizational change management, change management integration, training program design, development and delivery, human resources transformation and human resources value enhancement.

Our offerings are complemented by our Value Realization Method (VRM) for measuring business value created during a business transformation program. Through VRM, we assist our clients in quantifying the expected value (using free cash flow) derived by measuring key processes and help guide design decisions that ultimately measure the long-term success of a business transformation program. In addition our proprietary IMPACT framework helps us organize our work to minimize delivery risk in large scale business transformation programs and allows our consultants to collaborate in a seamless and integrated manner globally.

As an example, one of our clients, a leading software company, engaged us to help them transform their volume licensing capabilities. The client was faced with the challenge of working with different programs, products and pricing models across a wide range of systems since its existing licensing capabilities were unable to adapt to the changing and growing needs of the businesses that they supported. We transformed their capabilities in relation to five key areas - develop offerings, market offerings, sell offerings, fulfil orders and bill customers, and customer support and retention. Using our VRM, we identified 64 key metrics that were critical to quality across these five functional areas. Our multi-disciplinary team comprising business experts, technical architects, application specialists, management consultants and executives implemented major changes to their organization, data assets, systems, core processes, pricing models, channel policies and governance models, thereby helping the client transform its capabilities and allowing the client to realize revenue enhancement, cost savings and working capital improvements.

Other Solutions

We have been expanding the nature and scope of our engagements by extending the breadth of services we offer. We have service offerings including validation services, product engineering and lifecycle solutions, business process management, systems integration and infrastructure management services, and we are seeking to further develop these service offerings. These services are expected to represent a growing percentage of our total revenues, but currently represent a less significant percentage of our total revenues. We cannot be certain that these service offerings will effectively meet client needs or that these services will grow as a percentage of our revenues.

Validation Services

We offer end-to-end validation solutions and services including test strategy consulting, setting up dedicated test organizations, IT acceptance testing services, enterprise test management, package assurance, performance benchmarking, test automation and product certification. These services are designed to help clients' technology systems meet required quality standards within a fixed time and at minimal cost. Our innovative solutions and processes are intended to help deliver improvements to clients in a predictable manner. Our service professionals are trained and certified in leading test management tools, domains, testing processes, packages and technology.

As an example, a client, a leader in the telecommunication industry, required the implementation of a complex SAP suite covering multiple areas such as sales, materials/ warehouse management, supply chain management (SCM) and human capital management (HCM), and needed a centralized Testing Center of Excellence (TCoE) to meet the testing needs of their SAP programs. We established a large SAP TCoE with over 70 testing professionals who specialized in

SAP solutions dedicated for this program. The centralized SAP TCoE that we established provided testing for the SAP implementation across multiple business units and regions, and also provided ongoing support. The centralized SAP TCoE also provided testing support for a series of large acquisitions that the client executed, which required the implementation of a very large HCM program. Over the last three years of this engagement, we have successfully developed a coherent validation strategy for this complex implementation, introduced automation in testing and delivered high quality SAP implementation and rollout programs.

Product Engineering and Lifecycle Solutions

We provide engineering solutions across diverse industry verticals including automotive, aerospace, banking, consumer electronics, energy, heavy engineering, high technology, medical devices and process manufacturing, retail and telecom. We focus on key processes across the engineering value chain, ranging from product conceptualization to product experience through product realization. Our solution offerings include product design and development for mechanical systems, electronic systems and embedded software systems, certification services, industrial automation, manufacturing execution systems, plant engineering, digital manufacturing, lean engineering, knowledge-based engineering, automation services, engineering systems and product lifecycle management solutions.

As an example, we are engaged in product development for commercial aircraft programs for a leading aerospace company. Our involvement has extended through the complete engineering life cycle, from concept design to aircraft certification. We have been involved in the design and analysis of several major airframe structures, including wing, fuselage, landing gear, empennage, environment control and fluid power systems. During our engagement, we deployed various designs and analysis techniques, including finite element analysis, analytical methods and knowledge-based engineering to enhance efficiency in product development and sustenance engineering activities for the client and to shorten the development cycle time.

Business Process Management

We offer business process management services through Infosys BPO. Infosys BPO enables clients to outsource several process-intensive operations that relate to specific industry vertical processes and specific functional horizontal processes. Infosys BPO's industry specific service offerings include the following:

- Banking and Capital Markets: check processing, credit card operations, collections, customer account management, mortgage and loan account servicing, payment services, transaction management services and treasury operations management;
- Communications: billing and revenue assurance, data cleansing and validation, service assurance and service / order fulfilment;
- Insurance, Healthcare and Life Sciences: claims management, enrolment, pension and annuities, policy management, policy maintenance and claims administration, reinsurance accounting, underwriting support;
- Manufacturing: customer operations, master data management, material planning, mid- office support, product data management, quoting and demand fulfilment and supply chain and logistics support; and
- Media and Entertainment: advertisement analytics, content development, content management and desktop publishing.

The function-specific service offerings of Infosys BPO include the following:

- Customer Service: contact centers and helpdesks for sales and services and customer relationship management;
- Finance and Accounting: accounts payable, accounts receivable, billing and invoicing, collections and credit management, and general ledger operations;
- HR Outsourcing: benefits administration, HR administration, HR helpdesk recruitment and staffing support, workforce deployment;

- Knowledge Services: contract management, credit analysis, economics research, equity analysis, financial planning and accounting, industry and company analysis, legal process outsourcing and presentation support;
- Order management: order entry, order management, logistics support and returns management; and
- Procurement: compliance management and spend analytics, strategic procurement and tactical procurement.

As an example, we managed the end-to-end finance and accounting (F&A) processes for one of our clients, a leading healthcare and lifestyle company with operations in over 60 countries. By leveraging our domain knowledge, operational excellence and focused technology approach, our team of over 1200 consultants provided processing and management support for the consolidation and integration of the client's F&A processes. This involved process control, analysis and management in order to achieve the client's business objectives in accordance with agreed upon service levels.

Systems Integration

Our systems integration practice drives technology-enabled business transformation programs of our global clientele. We leverage existing and emerging technologies to provide end-to-end business and systems integration in a cost-effective and efficient manner. We leverage key technology enablers such as enterprise information management, performance engineering, business intelligence and performance management in order to enable our clients to provide services comprising state-of-the-art technologies to their customers. Our approach to implementing solutions for client business requirements involves the integration of the client's overall business architecture, including business processes, organization roles and responsibilities, application systems, information and infrastructure.

As an example, our performance engineering group helped a large Japanese securities firm address business performance and scalability issues relating to their interest rate risk analysis application. We assisted our client in introducing new products, performing more simulations and conducting research for products involving complex calculations within a short duration. As a result of several of our enhancements to our client's systems, the performance of the client's application was significantly improved, and the processing time for their interest rate risk analysis reports was substantially reduced.

Infrastructure Management Services

Through this service offering, we manage the operations of our clients' IT infrastructure. Our service offerings include data center management, technical support services, application management services and process implementation/enhancement services. These services are delivered primarily through our global network and data operation centers in Bangalore, Pune, Hyderabad, Chennai and Chandigarh in India, Brno in the Czech Republic, Monterrey in Mexico and several client locations across the globe.

For example, a leading manufacturer of flavors and fragrances based in Europe engaged us to deliver end-to-end IT infrastructure management services. The client had multiple data centers across the globe and its IT operations were not able to scale to meet the growing demands of its business. The client was faced with multiple challenges relating to IT infrastructure availability, IT asset utilization, service levels and cost of IT operations. By implementing our IT infrastructure library framework, we provided a centralized solution to consolidate and standardize processes across the client's various business units and geographic locations. We enabled the client to consolidate its global data centers across US, Europe and the Asia Pacific into a single data center in Switzerland and provided them with automation and virtualization solutions for their IT Infrastructure environment.

Software-as-a-Service

We provide to our clients an integrated service offering, Software-as-a-Service, or SaaS, that combines the supply of hardware, network infrastructure, application software and associated professional services, maintenance and support. Our platform is named Infosys® iEngage™, and our SaaS offerings are aimed at delivering an integrated social and

ecommerce infrastructure for enterprises. We are currently developing two offerings – Infosys® iEngage™ Enterprise Social Suite and Infosys® iEngage™ Enterprise eCommerce Suite. By combining our offerings with our associated infrastructure, professional services, BPO and consulting offerings, we are able to provide a vertically integrated value proposition to our clients. We also offer Infosys® iEngage™ in a pay-as-you-go pricing model that enables our clients to experience the benefits of our SaaS platform with minimal upfront investment.

Banking Software Products

We also develop, market and license proprietary banking solutions for the banking industry. Our principal banking technology offerings include the Finacle™ suite of universal banking solution products and professional services.

Finacle™ universal banking solution products: Finacle™, our universal banking solution, is a comprehensive, flexible, scalable and fully web-enabled solution that addresses the core banking, treasury, wealth management, Islamic banking, consumer and corporate e-banking, mobile banking and web-based cash management requirements of universal, retail and corporate banks worldwide.

Professional Services: Our services complement the Finacle™ universal banking solution product suite and include consulting, package implementation, application development and maintenance and support.

OUR CLIENTS

We market our services to large corporations in North America, Europe and the APAC Region. We have a strong market presence in North America and are working towards expanding our presence in Europe.

Our revenues for the last two fiscal years by geographic area are as follows:

	Fiscal	
	2009	2008
North America	63.2%	62.0%
Europe	26.4%	28.1%
India	1.3%	1.3%
Rest of the World	9.1%	8.6%
Total	100.0%	100.0%

We have in-depth expertise in the financial services, manufacturing, telecommunications and retail industries, as well as, to a lesser extent, the utilities and logistics industries. Our revenues for the last two fiscal years by market segment are as follows:

	Fiscal	
	2009	2008
Financial Services	33.9%	35.8%
Manufacturing	19.7%	14.7%
Telecommunications	18.1%	21.6%
Retail	12.5%	11.8%
Others (primarily utilities, logistics and services)	15.8%	16.1%
Total	100.0%	100.0%

For fiscal 2008 and 2009 our largest client contributed 9.1% and 6.9%, respectively, of our total revenues.

The volume of work we perform for specific clients is likely to vary from year to year, particularly since we are not the exclusive external IT services provider for our clients. Thus, a major client in one year may not provide the same

level of revenues in a subsequent year. However, in any given year, a limited number of clients tend to contribute a significant portion of our revenues.

SALES AND MARKETING

Our sales and marketing strategy is formulated to increase awareness and gain new business from target clients and promote client loyalty and repeat business among existing clients. Members of our executive management team are actively involved in business development and in managing key client relationships through targeted interaction with our clients' senior management. We have also established a Strategic Global Sourcing Group consisting of senior professionals to focus on identifying and securing large, long-term engagements from both new and existing clients.

New Business Development. We use a cross-functional, integrated sales approach in which our account managers, sales personnel and project managers analyze potential projects and collaboratively develop strategies to sell our solutions to potential clients. This approach allows for a smooth transition to execution once the sale is completed. Through Infosys Consulting, we endeavor to develop stronger strategic relationships with the senior management of our clients, which we seek to leverage to provide other service offerings.

Our sales professionals located throughout the world proactively make contact with potential clients. For larger projects, we typically bid against other technology services providers in response to requests for proposals. Clients often cite our Global Delivery Model, comprehensive end-to-end solutions, ability to scale, superior quality and process execution, industry expertise, experienced management team, talented professionals, track record and competitive pricing as reasons for awarding us contracts. In addition, client references and endorsements provide objective validation of our competitive strengths.

Promoting Client Loyalty. We constantly seek to expand the nature and scope of our engagements with existing clients by extending the breadth and volume of services offered, with a focus on increasing our clients' competitiveness through our proven and reliable Global Delivery Model. For existing clients, our onsite project and account managers proactively identify client needs and work with our sales team to structure solutions to address those needs. During fiscal 2008 and 2009, 97.0% and 97.6% of our revenue came as repeat business from existing clients. We promote client loyalty through a sales and marketing program that includes media and industry analyst events, sponsorship of and participation in targeted industry conferences, trade shows, recruiting efforts, community outreach and investor relations.

Sales and Marketing Organization. We sell and market our services from 55 sales and marketing offices located in 28 countries. With our global sales operations spread across different parts of the world and our corporate marketing group based in Bangalore, India, we target our efforts towards the world's largest companies. Our sales efforts are complemented by our marketing team, which assists in brand building and other corporate level marketing efforts. As of March 31, 2009, we had 821 sales and marketing employees.

COMPETITION

We operate in a highly competitive and rapidly changing market and compete with:

- consulting firms such as Accenture Limited, Atos Origin, BearingPoint Inc., Cap Gemini S.A., and Deloitte Consulting LLP;
- divisions of large multinational technology firms such as Hewlett-Packard Company and International Business Machines Corporation;
- IT outsourcing firms such as Computer Sciences Corporation, Keane Inc., Logica Plc and Perot Systems Corporation;
- offshore technology services firms such as Cognizant Technology Solutions Corporation, Tata Consultancy Services Limited and Wipro Technologies Limited;

- software firms such as Oracle Corporation and SAP A.G.;
- business process outsourcing firms such as Genpact Limited and WNS Global Services; and
- in-house IT departments of large corporations.

In the future we expect competition from firms establishing and building their offshore presence and firms in countries with lower personnel costs than those prevailing in India. However, we recognize that price alone cannot constitute a sustainable competitive advantage. We believe that the principal competitive factors in our business include the ability to:

- effectively integrate onsite and offshore execution capabilities to deliver seamless, scalable, cost-effective services;
- increase scale and breadth of service offerings to provide one-stop solutions;
- provide industry expertise to clients' business solutions;
- attract and retain high quality technology professionals; and
- maintain financial strength to make strategic investments in human resources and physical infrastructure through business cycles.

We believe we compete favorably with respect to these factors.

HUMAN CAPITAL

Our professionals are our most important assets. We believe that the quality and level of service that our professionals deliver are among the highest in the global technology services industry. We are committed to remaining among the industry's leading employers.

As of March 31, 2009, we employed approximately 104,900 employees, of which approximately 97,300 are technology professionals. During fiscal 2009, we recorded approximately 13,700 new hires, net of attrition. Our culture and reputation as a leader in the technology services industry enables us to recruit and retain some of the best available talent in India. The key elements that define our culture include:

Recruitment

We have built our global talent pool by recruiting new students from premier universities, colleges and institutes in India and through need-based hiring of project leaders and middle managers. We typically recruit only students in India who have consistently shown high levels of achievement. We have also begun selective recruitment at campuses in the United States, the United Kingdom, Australia and China. We rely on a rigorous selection process involving a series of aptitude tests and interviews to identify the best applicants. This selection process is continually assessed and refined based on performance tracking of past recruits.

Our reputation as a premier employer enables us to select from a large pool of qualified applicants. For example, in fiscal 2009, we received approximately 488,700 applications, tested approximately 77,600 applicants, interviewed approximately 46,600 applicants and extended job offers to approximately 16,900 applicants. In fiscal 2009, we added approximately 12,400 new employees, net of attrition. These statistics do not include Infosys BPO and our wholly-owned subsidiaries, which together, recruited approximately 1,300 new hires, net of attrition, during fiscal 2009.

Training and Development

Our training, continuing education and career development programs are designed to ensure our technology professionals enhance their skill-sets in alignment with their respective roles. Most new student hires complete approximately 19 weeks of integrated on-the-job training prior to being assigned to an Infosys business unit. We

continually provide our technology professionals with challenging assignments and exposure to new skills, technologies and global opportunities.

As of March 31, 2009, we employed 476 full-time employees as faculty, including 186 with doctorate or masters degrees. Our faculty conducts integrated training for our new employees. We also have our employees undergo certification programs each year to develop the skills relevant for their roles.

Leadership development is a core part of our training program. We established the Infosys Leadership Institute on a 336 acre campus in Mysore, India to enhance leadership skills that are required to manage the complexities of the rapidly changing marketplace and to further instill our culture through leadership training. We have also built an employee training facility in Mysore, India which is able to house 13,500 trainees at any one time and is able to provide training facilities for approximately 40,000 employees annually. We provide a challenging, entrepreneurial and empowering work environment that rewards dedication and a strong work ethic. In addition, we also have been working with several colleges across India through our Campus Connect program enabling their faculty to provide industry related training to students at the colleges.

Compensation

Our technology professionals receive competitive salaries and benefits and are eligible to participate in our stock option plans. We have also adopted a performance-linked compensation program that links compensation to individual performance, as well as our performance.

Intellectual Property

Our intellectual property rights are critical to our business. We rely on a combination of patent, copyright, trademark and design laws, trade secrets, confidentiality procedures and contractual provisions to protect our intellectual property. We currently have two issued patents granted by the United States Patent and Trademark Office. An aggregate of 200 patent applications are pending in the U.S. Patent and Trademark Office and the Indian Patent Office. We have 7 registered trademarks and several unregistered trademarks in India and in other countries. We require employees, independent contractors and, whenever possible, vendors to enter into confidentiality agreements upon the commencement of their relationships with us. These agreements generally provide that any confidential or proprietary information developed by us or on our behalf be kept confidential. These agreements also provide that any confidential or proprietary information disclosed to third parties in the course of our business be kept confidential by such third parties. However, our clients usually own the intellectual property in the software we develop for them.

Our efforts to protect our intellectual property may not be adequate. Our competitors may independently develop similar technology or duplicate our products and/or services. Unauthorized parties may infringe upon or misappropriate our products, services or proprietary information. In addition, the laws of India do not protect intellectual property rights to the same extent as laws in the United States. In the future, litigation may be necessary to enforce our intellectual property rights or to determine the validity and scope of the proprietary rights of others. Any such litigation could be time-consuming and expensive.

We could be subject to intellectual property infringement claims as the number of our competitors grows and our product or service offerings overlap with competitive offerings. In addition, we may become subject to such claims since we may not always be able to verify the intellectual property rights of third parties from whom we license a variety of technologies. Defending against these claims, even if they are not meritorious, could be expensive and divert our attention from operating our company. If we become liable to third parties for infringing upon their intellectual property rights, we could be required to pay substantial damage awards and be forced to develop non-infringing technology, obtain licenses or cease selling the applications that contain the infringing technology. The loss of some of our existing licenses could delay the introduction of software enhancements, interactive tools and other new products and services until equivalent technology could be licensed or developed. We may be unable to

develop non-infringing technology or obtain licenses on commercially reasonable terms, if at all.

We regard our trade name, trademarks, service marks and domain names as important to our success. We rely on the law to protect our proprietary rights to them, and we have taken steps to enhance our rights by filing trademark applications where appropriate. We have obtained registration of our key brand 'INFOSYS' as a trademark in both India and in the United States. We also aggressively protect these names and marks from infringement by others.

Research and Development

Our research and development efforts focus on developing and refining our methodologies, tools and techniques, improving estimation processes and adopting new technologies. We have several groups engaged in our research and development activities. These groups are listed below.

Education and Research Group. This group partners with world class academic institutions to conduct research in the areas of knowledge management, application of game theory, pattern recognition, grid computing and enhancement of learning effectiveness.

Software Engineering and Technology Labs (SETLabs). This group is the center for applied technology research in software engineering and enterprise technology. SETLabs leverages emerging technologies for improving engineering effectiveness and developing client-focused business solutions. SETLabs builds products, solutions, frameworks, tools and methodologies in the areas of software engineering, high performance and grid computing, cloud computing, convergence technologies, knowledge driven information systems and Web 2.0.

We have also established concept centers for several advanced technologies and have a performance-testing center to develop solutions for a number of our development projects.

Our research and development expenses for fiscal 2009 and 2008 were \$51 million and \$50 million, respectively.

EFFECT OF GOVERNMENT REGULATION ON OUR BUSINESS

Regulation of our business by the Indian government affects our business in several ways. We benefit from certain tax incentives promulgated by the Government of India, including a ten-year tax holiday from Indian corporate income taxes for the operation of our Indian facilities located in STPs and tax holidays for operation of our Indian facilities located in SEZs. As a result of these incentives, our operations have been subject to relatively insignificant Indian tax liabilities. Certain of our STP units have already completed the tax holiday period and for the remaining STP units the tax holiday will expire by fiscal 2010. We have also benefited from the liberalization and deregulation of the Indian economy by the successive Indian governments since 1991, including the current Indian government. Further, there are restrictive Indian laws and regulations that affect our business, including regulations that require us to obtain approval from the Reserve Bank of India and/or the Ministry of Finance of the Government of India to acquire companies organized outside India, and regulations that require us, subject to some exceptions, to obtain approval from relevant government authorities in India in order to raise capital outside India. The conversion of our equity shares into ADSs is governed by guidelines issued by the Reserve Bank of India.

LEGAL PROCEEDINGS

In the ordinary course of business, we may from time to time become involved in certain legal proceedings. As of the date of this Annual Report on Form 20-F, we are not a party to any pending material legal proceedings.

ORGANIZATIONAL STRUCTURE

We hold a majority interest in the following company:

Infosys BPO. Infosys established Infosys BPO in April 2002, under the laws of India. As of March 31, 2009, Infosys holds 99.98% of the outstanding equity shares of Infosys BPO.

Infosys is the sole shareholder of the following companies:

Infosys Australia. In January 2004, we acquired, for cash, 100% of the equity in Expert Information Services Pty. Limited, Australia for \$14 million. The acquired company was renamed as 'Infosys Technologies (Australia) Pty. Limited'.

Infosys China. In October 2003, we established a wholly-owned subsidiary, Infosys China in Shanghai, China, to expand our business operations in China. During fiscal 2009 and 2008, we disbursed \$2 million and \$3 million, respectively, as loan to Infosys China at an interest rate of 6.0% per annum. The loan is repayable within five years from the date of disbursement at the discretion of the subsidiary. Further, during fiscal 2009, we made an additional investment of \$4 million in Infosys China. As of March 31, 2009, we have invested \$14 million as equity capital and \$10 million as loan in the subsidiary.

Infosys Consulting. In April 2004, we established a wholly-owned subsidiary, Infosys Consulting, incorporated in the State of Texas to add high-end consulting capabilities to our Global Delivery Model. During fiscal 2009 and 2008, we made an additional investment of \$5 million and \$20 million, respectively, in Infosys Consulting. As of March 31, 2009, we have invested an aggregate of \$45 million in the subsidiary. There is a further earnout payable to the eligible employees and directors of Infosys Consulting subject to their continued employment.

Infosys Mexico. In June 2007, we established a wholly-owned subsidiary, Infosys Mexico to expand our business operations in Latin America. We have invested an aggregate of \$5 million in Infosys Mexico as of March 31, 2009.

Infosys Sweden. On March 5, 2009, we incorporated a wholly owned subsidiary, Infosys Technologies (Sweden) AB to expand our operations in Europe.

PROPERTY, PLANTS AND EQUIPMENT

Our principal campus, "Infosys City" is located at Electronics City, Bangalore, India. Infosys City consists of approximately 3.55 million square feet of land and 4 million square feet of operational facilities. The campus features:

- 1,200,000 square feet of landscaped area;
- 453 conference rooms;
- An Education and Research unit consisting of 115,000 square feet of facilities space, including a library, 6 class rooms, 12 laboratories, computer-based learning and audio-visual aids, and 60 faculty rooms;
- A Management Development Center consisting of 75,500 square feet of facilities space, with 16 class rooms, 6 rooms with workstations and 24 faculty rooms;
- A world-class conference room with the capacity to simultaneously video-conference 24 locations across the globe;
- A Convention Centre with a seating capacity of 1,400, state-of-the-art audio and video technology and basement car parking facilities with a capacity of 150 cars;
- A banquet hall with a seating capacity of 900 with video conferencing facilities;
- Redundant power supply through captive generators;
- Leisure facilities, including tennis courts, a miniature golf course, a basketball court, a swimming pool, health club and a bookstore;
- A multi-level parking lot with a capacity to park 1,200 cars and 800 two wheelers;
- A multi-cuisine restaurant, six food courts and accommodation facilities; and
- A store selling Infosys branded merchandise.

Additionally, we have leased independent facilities measuring approximately 238,800 square feet in Electronics City which houses approximately 2,000 employees.

Our capital expenditure on property, plant and equipment for fiscal 2009 and 2008 were \$285 million and \$373 million. As of March 31, 2009 we had contractual commitments for capital expenditure of \$73 million. All our capital expenditures are financed out of cash generated from operations. We will construct, expand and improve our facilities through the course of fiscal 2010.

Our software development facilities are equipped with a world-class technology infrastructure that includes networked workstations, servers, data communication links and video-conferencing.

We have 17 sales and marketing offices in the United States, 4 in India and Australia, 3 in Germany, 2 each in Canada, France, Switzerland and the UAE and one each in Belgium, China, the Czech Republic, Denmark, Finland, Hong Kong, Ireland, Italy, Japan, Mauritius, Mexico, the Netherlands, Norway, Philippines, Poland, Spain, Sweden, Thailand and the UK. We believe our facilities are adequately utilized. Appropriate expansion plans are being undertaken to meet our expected future growth.

Our most significant leased and owned properties are listed in the table below. We have only listed our leased and owned properties that are in excess of 100,000 square feet.

Location	Building Approx. Sq. ft.	Land Approx Sq. ft.	Ownership
Software Development Facilities			
Bangalore (Infosys City), Karnataka	–	172,063	Leased
Bangalore (Infosys City), Karnataka	3,651,366	3,375,707	Owned
Bangalore (Center Point, Electronics City), Karnataka	148,300	–	Leased
Bangalore (Salarpuria Building, Electronics City) Karnataka	225,245	–	Leased
Bhubaneswar (Chandaka Industrial Park), Orissa	879,721	1,999,455	Leased
Chandigarh	1,016,158	1,316,388	Leased
Chennai (Sholinganallur), Tamil Nadu	496,317	578,043	Leased
Chennai (Maraimalai Nagar), Tamil Nadu	1,733,578	5,617,084	Leased
Hyderabad (Manikonda Village), Andhra Pradesh	1,822,523	2,194,997	Owned
Hyderabad (Pocharam Village), Andhra Pradesh	–	19,474,663	Owned
Mangalore (Kottara), Karnataka	198,000	119,790	Owned
Mangalore (Pajeeru and Kairangala Village), Karnataka	489,213	13,311,117	Leased
Mysore (Hebbal Electronic City), Karnataka	7,424,434	10,727,563	Owned
Mysore (Hebbal Electronic City), Karnataka	–	3,964,198	Leased
Pune (Hinjewadi), Maharashtra	589,647	1,089,004	Leased
Pune (Hinjewadi Phase II), Maharashtra	3,498,001	4,965,005	Leased
Thiruvananthapuram (Technopark), Kerala	–	2,178,009	Leased
Thiruvananthapuram (Tejaswini), Kerala	124,442	–	Leased
Jaipur (BPO)	182,000	–	Leased
Bangalore (Devanahalli), Karnataka	–	418,178	Owned
Proposed Software Development Facilities			
Chandigarh	162,344	–	Leased
Chennai (Maraimalai Nagar), Tamil Nadu	1,271,160	–	Leased
Jaipur (Mahindra World City), Rajasthan	236,016	–	Leased
Hyderabad (Pocharam Village), Andhra Pradesh	265,253	–	Owned
Mangalore, Karnataka	135,000	–	Leased
Mysore (Hebbal Electronic City), Karnataka	1,766,423	–	Leased

Pune (Hinjewadi Phase II), Maharashtra	429,471	–	Leased
Thiruvananthapuram (Technopark), Kerala	288,949	–	Leased

Item 4 A. Unresolved Staff Comments

None

Item 5. Operating and Financial Review and Prospects

The financial statements of the Company included in this Annual Report on Form 20-F have been prepared in accordance with International Financial Reporting Standards as issued by International Accounting Standards Board. Pursuant to General Instruction G of Form 20-F, the financial statements included herein are for the Company's two most recent fiscal years. Accordingly the information set forth in Operating and Financial Review and Prospects is also for the Company's two most recent fiscal years. The discussion, analysis and information presented in this section should be read in conjunction with our financial statements included herein and the notes thereto.

OPERATING RESULTS

This information is set forth under the caption entitled 'Management's Discussion and Analysis of Financial Condition and Results of Operations' below and is incorporated herein by reference.

LIQUIDITY AND CAPITAL RESOURCES

This information is set forth under the caption entitled 'Management's Discussion and Analysis of Financial Condition and Results of Operations' below and is incorporated herein by reference.

RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES, ETC.

We have committed and expect to continue to commit in the future, a material portion of our resources to research and development. Efforts towards research and development are focused on refinement of methodologies, tools and techniques, implementation of metrics, improvement in estimation process and the adoption of new technologies.

Our research and development expenses for fiscal year ended March 31, 2009 and 2008 were \$51 million and \$50 million, respectively.

TREND INFORMATION

This information is set forth under the caption entitled 'Management's Discussion and Analysis of Financial Condition and Results of Operations' below and is incorporated herein by reference.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**Overview**

We are a leading global technology services company that provides comprehensive end-to-end business solutions that leverage technology for our clients, including technical consulting, design, development, product engineering, maintenance, systems integration, package evaluation and implementation, validation and infrastructure management services. We also provide software products to the banking industry. Through Infosys BPO, we provide business process management services such as offsite customer relationship management, finance and accounting, and administration and sales order processing. Our clients rely on our solutions to enhance their business performance.

Our professionals deliver high quality solutions by leveraging our Global Delivery Model through which we divide projects into components that we execute simultaneously at client sites and at our development centers in India and around the world. We seek to optimize our cost structure by maintaining the flexibility to execute project components where it is most cost effective. Our sales, marketing and business development teams are organized to focus on specific geographies and industries and this helps us to customize our service offerings to our client's needs. Our primary geographic markets are North America, Europe and the Asia Pacific region. We serve clients in financial services, manufacturing, telecommunications, retail, utilities, logistics and other industries.

There is an increasing need for highly skilled technology professionals in the markets in which we operate. At the same time, corporations are reluctant to expand their internal IT departments and increase costs. These factors have increased corporations' reliance on their outsourced technology service providers and are expected to continue to drive future growth for outsourced technology services. We believe that because the effective use of offshore technology services may offer lower total costs of ownership of IT infrastructure, lower labor costs, improved quality and innovation, faster delivery of technology solutions and more flexibility in scheduling, companies are increasingly turning to offshore technology service providers. India, in particular, has become a premier destination for offshore technology services. The key factors contributing to the growth of IT and IT enabled services in India include high quality delivery, significant cost benefits and availability of abundant skilled resources. Our proven Global Delivery Model, our comprehensive end to end solutions, our commitment to superior quality and process execution, our long standing client relationships and our ability to scale make us one of the leading offshore technology service providers in India.

There are numerous risks and challenges affecting the business. These risks and challenges are discussed in detail in the section entitled 'Risk Factors' and elsewhere in this Annual Report on Form 20-F.

We were founded in 1981, and are headquartered in Bangalore, India. We completed our initial public offering of equity shares in India in 1993 and our initial public offering of ADSs in the United States in 1999. We completed three sponsored secondary ADS offering in the United States in August 2003, June 2005 and November 2006. We did not receive any of the proceeds from any of our sponsored secondary offerings.

On December 18, 2006 we were added to the NASDAQ-100 Index and became the first Indian company to be a part of one of the major global indices.

On November 19, 2008, we were selected as an original component member of 'The Global Dow'. 'The Global Dow' is a new world-wide stock index made up of 150 leading blue-chip stocks, chosen by journalists and the editor-in-chief at Dow Jones.

On April 1, 2008, Infosys Australia acquired 100% of the equity shares of Mainstream Software Pty Limited (MSPL) for a cash consideration of \$3 million, of which \$1 million is yet to be paid as at March 31, 2009. Consequent to this acquisition, intellectual property rights amounting to \$3 million have been recorded. Considering the economic benefits expected to be obtained from the intellectual property rights the same have been fully amortised during the year.

During fiscal 2008, Infosys BPO acquired 100% of the equity shares of P-Financial Services Holding B.V. This business acquisition was conducted by entering into a Sale and Purchase Agreement with Koninklijke Philips Electronics N.V. (Philips), a company incorporated under the laws of the Netherlands, for acquiring the shared service centers of Philips for finance, accounting and procurement business in Poland, Thailand and India for a cash consideration of \$27 million. The acquisition of Poland and India centers were consummated on October 1, 2007 and Thailand center on December 3, 2007.

During the year ended March 31, 2009, the investments held by P-Financial Services Holding B.V. in its wholly owned subsidiaries Pan-Financial Shared Services India Private Limited, Infosys BPO (Poland) Sp. Z.o.o., and

Infosys BPO (Thailand) Limited were transferred to Infosys BPO, consequent to which P-Financial Services Holding B.V. was liquidated. During the quarter ended March 31, 2009, Infosys BPO merged its wholly owned subsidiary Pan-Financial Shared Services India Private Limited, retrospectively with effect from April 1, 2008, vide a scheme of amalgamation sanctioned by the Karnataka and Tamil Nadu High courts.

On March 5, 2009, the company incorporated a wholly owned subsidiary, Infosys Technologies (Sweden) AB.

At our Annual General Meeting held on June 14, 2008, our shareholders approved a final dividend of \$0.18 per equity share and a special dividend of \$0.50 per equity share, which dividends in the aggregate have resulted in a cash outflow of \$424 million, including corporate dividend tax of \$63 million. Our Board of Directors, in their meeting held on October 10, 2008 approved payment of an interim dividend of \$0.21 per equity share for fiscal 2009. The dividend payment has resulted in a cash outflow of \$135 million, including corporate dividend tax of \$19 million.

Further, our Board of Directors, in its meeting on April 15, 2009 proposed a final dividend of approximately \$0.27 per equity share. The proposal is subject to the approval of shareholders at the Annual General Meeting to be held on June 20, 2009 and if approved, would result in a cash outflow of approximately \$178 million, including corporate dividend tax of \$26 million.

As of March 31, 2009 we had 104,900 employees, as compared to approximately 91,200 employees as at March 31, 2008.

The following table sets forth our growth in revenues, net profit and earnings per equity share for fiscal 2009 and 2008:

(Dollars in millions)

	2009	2008	Percentage Change
Revenues	\$4,663	\$4,176	11.7%
Net profit	1,281	1,163	10.1%
Earnings per equity share (Basic)	2.25	2.04	10.3%
Earnings per equity share (Diluted)	2.25	2.04	10.3%

Our revenue growth is attributable to a number of factors, including an increase in the size and number of projects executed for clients, as well as an expansion in the solutions that we provide to our clients. We added 156 new customers during fiscal 2009 as compared to 170 new customers during the fiscal 2008. For fiscal 2009 and fiscal 2008, 97.6% and 97.0% of our revenue came from repeat business, which we define as revenue from a client who also contributed to our revenue during the prior fiscal year.

Our business is designed to enable us to seamlessly deliver our onsite and offshore capabilities using a distributed project management methodology, which we refer to as our Global Delivery Model. We divide projects into components that we execute simultaneously at client sites and at our geographically dispersed development centers in India and around the world. Our Global Delivery Model allows us to provide clients with high quality solutions in reduced time-frames enabling them to achieve operational efficiencies.

Revenues

Our revenues are generated principally from technology services provided on either a time-and-materials or a fixed-price, fixed-timeframe basis. Revenues from services provided on a time-and-materials basis are recognized as the related services are performed. Revenues from services provided on a fixed-price, fixed-timeframe basis are recognized pursuant to the percentage-of-completion method. Most of our client contracts, including those that are on a fixed-price, fixed-timeframe basis can be terminated by clients with or without cause, without penalties and with short notice periods of between 0 and 90 days. Since we collect revenues on contracts as portions of the contracts are

completed, terminated contracts are only subject to collection for portions of the contract completed through the time of termination. Most of our contracts do not contain specific termination-related penalty provisions. In order to manage and anticipate the risk of early or abrupt contract terminations, we monitor the progress on all contracts and change orders according to their characteristics and the circumstances in which they occur. This includes a focused review of our ability and our client's ability to perform on the contract, a review of extraordinary conditions that may lead to a contract termination, as well as historical client performance considerations. Since we also bear the risk of cost overruns and inflation with respect to fixed-price, fixed-timeframe projects, our operating results could be adversely affected by inaccurate estimates of contract completion costs and dates, including wage inflation rates and currency exchange rates that may affect cost projections. Losses on contracts, if any, are provided for in full in the period when determined. Although we revise our project completion estimates from time to time, such revisions have not, to date, had a material adverse effect on our operating results or financial condition. We also generate revenue from software application products, including banking software. Such software products represented 3.9% of our total revenues for fiscal 2009 and 3.6% of our total revenues for fiscal 2008.

We experience from time to time, pricing pressure from our clients. For example, clients often expect that as we do more business with them, they will receive volume discounts. Additionally, clients may ask for fixed-price, fixed-time frame arrangements or reduced rates. We attempt to use fixed-price arrangements for engagements where the specifications are complete, so individual rates are not negotiated.

Cost of Sales

Cost of sales represented 57.9% and 58.7% of total revenues for fiscal 2009 and fiscal 2008. Our cost of sales primarily consists of salary and other compensation expenses (including share-based compensation), depreciation, amortization of intangible assets, overseas travel expenses, cost of software purchased for internal use, cost of technical subcontractors, rent and data communication expenses. We depreciate our personal computers, mainframe computers and servers over two to five years and amortize intangible assets over their estimated useful life. Third party software is expensed over the estimated useful life. We recorded share-based compensation expense of \$1 million under cost of sales during each of fiscal 2009 and fiscal 2008 using the fair value recognition provisions contained in IFRS 2 Share-based Payment. Amortization expense for fiscal 2009 included under cost of sales was \$4 million. For fiscal 2008, the amortization expense was less than \$1 million.

We typically assume full project management responsibility for each project that we undertake. Approximately 74.9% and 73.3% of the total billed person-months for our services during fiscal 2009 and fiscal 2008, respectively, were performed at our global development centers in India, and the balance of the work was performed at client sites and global development centers located outside India. The proportion of work performed at our facilities and at client sites varies from quarter to quarter. We charge higher rates and incur higher compensation and other expenses for work performed at client sites and global development centers located outside India. Services performed at a client site or a global development centers located outside India typically generate higher revenues per-capita at a lower gross margin than the same services performed at our facilities in India. As a result, our total revenues, cost of sales and gross profit in absolute terms and as a percentage of revenues fluctuate from quarter- to- quarter based in part on the proportion of work performed outside India. Additionally, any increase in work performed at client sites or global development centers located outside India may decrease our gross profits. We hire subcontractors on a limited basis from time to time for our own technology development needs, and we generally do not perform subcontracted work for other technology service providers. For fiscal 2009 and fiscal 2008, approximately 3.1% and 2.7% of our cost of sales was attributable to cost of technical subcontractors. We do not anticipate that our subcontracting needs will increase significantly as we expand our business.

Revenues and gross profits are also affected by employee utilization rates. We define employee utilization as the proportion of total billed person months to total available person months, excluding administrative and support personnel. We manage utilization by monitoring project requirements and timetables. The number of software professionals that we assign to a project will vary according to the size, complexity, duration, and demands of the

project. An unanticipated termination of a significant project could also cause us to experience lower utilization of technology professionals, resulting in a higher than expected number of unassigned technology professionals. In addition, we do not utilize our technology professionals when they are enrolled in training programs, particularly during our 19-week training course for new employees.

Selling and Marketing Expenses

Selling and marketing expenses represented 5.1% of total revenues for fiscal 2009 and 5.5% of total revenues for fiscal 2008. Our selling and marketing expenses primarily consist of expenses relating to salaries and other compensation expenses of sales and marketing personnel, travel expenses, brand building, commission charges, rental for sales and marketing offices and telecommunications. We recorded share-based compensation expense of \$1 million in selling and marketing expenses during fiscal 2008, using the fair value recognition provisions contained in IFRS 2. For fiscal 2009, share-based compensation included in selling and marketing expenses was less than \$1 million. We may increase our selling and marketing expenses as we seek to increase brand awareness among target clients and promote client loyalty and repeat business among existing clients.

Administrative Expenses

Administrative expenses represented 7.5% of total revenues for fiscal 2009 and 8.0% of total revenues for fiscal 2008. Our administrative expenses primarily consist of expenses relating to salaries and other compensation expenses of senior management and other support personnel, travel expenses, legal and other professional fees, telecommunications, office maintenance, power and fuel charges, insurance, other miscellaneous administrative costs and provisions for doubtful accounts receivable. The factors which affect the fluctuations in our provisions for bad debts and write offs of uncollectible accounts include the financial health of our clients and of the economic environment in which they operate. We recorded share-based compensation expense of \$1 million in administrative expenses during fiscal 2008 using the fair value recognition provisions contained in IFRS 2. For fiscal 2009, share-based compensation included in administrative expenses was less than \$1 million.

Other Income

Other income includes foreign currency exchange gains / (losses) on translation of other assets and liabilities, including marked to market gains / (losses) on foreign exchange forward and option contracts. We incurred a foreign exchange loss of \$165 million on forward and options contracts and a foreign exchange gain of \$71 million on translation of other assets and liabilities.

Finance Income

Finance income includes interest income, income from certificates of deposit and income from available-for-sale financial assets.

Functional Currency and Foreign Exchange

The functional currency of Infosys and Infosys BPO is the Indian rupee. The functional currencies for Infosys Australia, Infosys China, Infosys Consulting and Infosys Mexico are the respective local currencies. The consolidated financial statements included in this Annual Report on Form 20-F are presented in U.S. dollars (rounded off to the nearest million) to facilitate global comparability. The translation of functional currencies to U.S. dollars is performed for assets and liabilities using the exchange rate in effect at the balance sheet date, and for revenue, expenses and cash flow items using a monthly average exchange rate for the respective periods. The gains or losses resulting from such translation are included in currency translation reserves under other components of equity.

Generally, Indian law requires residents of India to repatriate any foreign currency earnings to India to control the exchange of foreign currency. More specifically, Section 8 of the Foreign Exchange Management Act, or FEMA, requires an Indian company to take all reasonable steps to realize and repatriate into India all foreign currency earned by the company outside India, within such time periods and in the manner specified by the Reserve Bank of India, or RBI. The RBI has promulgated guidelines that require the company to repatriate any realized foreign currency back to India, and either:

- sell it to an authorized dealer for rupees within seven days from the date of receipt of the foreign currency;
- retain it in a foreign currency account such as an Exchange Earners Foreign Currency, or EEFC, account with an authorized dealer; or
- use it for discharge of debt or liabilities denominated in foreign currency.

We typically collect our earnings and pay expenses denominated in foreign currencies using a dedicated foreign currency account located in the local country of operation. In order to do this, we are required to, and have obtained, special approval from the RBI to maintain a foreign currency account in overseas countries like the United States. However, the RBI approval is subject to limitations, including a requirement that we repatriate all foreign currency in the account back to India within a reasonable time, except an amount equal to our local monthly operating cost for our overseas branch. We currently pay such expenses and repatriate the remainder of the foreign currency to India on a regular basis. We have the option to retain those in an EEFC account (foreign currency denominated) or an Indian-rupee-denominated account. We convert substantially all of our foreign currency to rupees to fund operations and expansion activities in India.

Our failure to comply with these regulations could result in RBI enforcement actions against us.

Income Taxes

Our net profit earned from providing software development and other services outside India is subject to tax in the country where we perform the work. Most of our tax paid in countries other than India can be applied as a credit against our Indian tax liability to the extent that the same income is subject to tax in India.

Currently, we benefit from the tax holidays the Government of India gives to the export of software from specially designated software technology parks, or STPs, in India and for facilities set up under the Special Economic Zones Act, 2005. As a result of these incentives, our operations have been subject to relatively low tax liabilities. These tax incentives include a 10-year tax holiday from Indian corporate income taxes for the operation of most of our Indian facilities. As a result of these tax exemptions, a substantial portion of our pre-tax income has not been subject to significant tax in recent years. These tax incentives resulted in a decrease in our income tax expense of \$325 million and \$282 million for fiscal 2009 and fiscal 2008 respectively, compared to the effective tax amounts that we estimate we would have been required to pay if these incentives had not been available.

The STP Tax Holiday is available for ten consecutive years, beginning from the financial year when the unit started producing computer software or April 1, 1999, whichever is earlier. Certain of our STP units have already completed the tax holiday period and for the remaining STP units the tax holiday will expire by fiscal 2010. Under the Special Economic Zones Act, 2005 scheme, units in designated special economic zones which begin providing services on or after April 1, 2005 are eligible for a deduction of 100 percent of profits or gains derived from the export of services for the first five years from commencement of provision of services and 50 percent of such profits or gains for a further five years. Certain tax benefits are also available for a further five years subject to the unit meeting defined conditions. When our tax holidays expire or terminate, our tax expense will materially increase, reducing our profitability.

As a result of such tax incentives and a tax credit of \$23 million, net, being liability no longer required for fiscal 2009, and a tax credit of \$30 million, net, for fiscal 2008, our effective tax rate for fiscal 2009 was 13.2% which would have

been 14.7% without considering the credit of \$23 million and our effective tax rate for fiscal 2008 was 12.8%, which would have been 15.1% without considering the tax credit of \$30 million. The decrease in the effective tax rate to 14.7% for fiscal 2009 from 15.1% for fiscal 2008 is mainly due to the tax incentives being available to the company as well as reduction in other income due to foreign currency losses. Our Indian statutory tax rate for the same period was 33.99%.

Pursuant to the enacted changes in the Indian Income Tax Laws effective April 1, 2007, a Minimum Alternate Tax (MAT) has been extended to income in respect of which a deduction may be claimed under sections 10A and 10AA of the Income Tax Act; consequently, we have calculated our tax liability for current domestic taxes after considering MAT. The excess tax paid under MAT provisions being over and above regular tax liability can be carried forward and set off against future tax liabilities computed under regular tax provisions. We are required to pay MAT, and, accordingly, a deferred tax asset of \$56 million has been recognized on the balance sheet as of March 31, 2009, which can be carried forward for a period of seven years from the year of recognition.

Results of Operations

The following table sets forth certain financial information as a percentage of revenues:

	Fiscal	
	2009	2008
Revenues	100.0%	100.0%
Cost of sales	57.9%	58.7%
Gross profit	42.1%	41.3%
Operating Expenses:		
Selling and marketing expenses	5.1%	5.5%
Administrative expenses	7.5%	8.0%
Total operating expenses	12.6%	13.5%
Operating profit	29.5%	27.8%
Other income/ (expense)	(1.8)%	0.1%
Finance income	4.0%	4.1%
Profit before income taxes	31.7%	32.0%
Income tax expense	4.2%	4.2%
Net profit	27.5%	27.8%

Results for Fiscal 2009 compared to Fiscal 2008

Revenues

The following table sets forth the growth in our revenues from fiscal 2008 to fiscal 2009:

(Dollars in millions)

Fiscal 2009