INFOSYS TECHNOLOGIES LTD
Form 424B3
November 08, 2006

Table of Contents

Filed Pursuant to Rule 424(b)(3)
Registration No. 333-138491

SUBJECT TO COMPLETION, DATED NOVEMBER 7, 2006

Prospectus Supplement
(to Prospectus dated November 7, 2006)

Infosys Technologies Limited

Up to 30,000,000 American Depositary Shares
Representing
Up to 30,000,000 Equity Shares

Up to 30,000,000 American Depositary Shares, or ADSs, representing up to 30,000,000 of our equity shares are being offered by the selling shareholders. The actual number of ADSs offered will depend on the number of equity shares offered by the selling shareholders pursuant to an invitation to offer that we will distribute to holders of our equity shares. Included among the selling shareholders will be certain officers, directors and shareholders who beneficially own 5% or more of our equity shares. Collectively, our executive officers and directors will be selling ADSs representing equity shares in this offering. Each ADS offered represents one equity share. We will not receive any of the proceeds from this offering.

Our outstanding ADSs are traded on the NASDAQ Global Select Market under the symbol INFY. The last reported sales price of our ADSs on NASDAQ on November 6, 2006 was $51.66 per ADS. Our equity shares are traded in India on the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited. The closing price for our equity shares on the Bombay Stock Exchange Limited on November 6, 2006 was $46.21 assuming an exchange rate of Rs. 44.80 per U.S. dollar.

Investing in our ADSs involve certain risks; see Risk Factors beginning on page 6 of this prospectus supplement.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement or accompanying prospectus. Any representation to the contrary is a criminal offense.

	Per ADS	Total
Initial Price to Public	$	$
Underwriting Discounts and Commissions	$	$
Proceeds to Selling Shareholders, before expenses	$	$

The underwriters and their respective selling agents are offering the ADSs subject to various conditions. The underwriters expect to deliver the ADSs in book-entry form only through the facilities of The Depository Trust Company against payment in New York, New York on , 2006.

Joint Bookrunners

ABN AMRO Rothschild

Banc of America Securities LLC

Deutsche Bank Securities

Goldman Sachs (Asia) L.L.C.

JPMorgan

Nomura Securities

UBS Investment Bank

Prospectus Supplement Dated , 2006

TABLE OF CONTENTS

PROSPECTUS SUPPLEMENT

PROSPECTUS

ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the terms of the offering of ADSs representing our equity shares and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus. The second part is the accompanying prospectus, which provides more general information. To the extent there is a conflict between the information contained in this prospectus supplement, on the one hand, and the information contained in the accompanying prospectus or any document incorporated by reference in this prospectus supplement or the accompanying prospectus, on the other hand, you should rely on the information in this prospectus supplement.

You should rely only on the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus or any free writing prospectus provided in connection with this offering. Neither we nor any of the underwriters have authorized anyone to provide you with any information other than the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus and any free writing prospectus provided in connection with this offering. Neither we nor any of the underwriters are making an offer to sell securities in any jurisdiction where the offer or sale is not permitted. The information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus and any free writing prospectus is accurate only as of the respective dates thereof, regardless of the time of delivery of this prospectus supplement, the accompanying prospectus or any free writing prospectus, or of any sale of our ADSs representing our equity shares. It is important for you to read and consider all the information contained in this prospectus supplement and the accompanying prospectus, including the documents incorporated by reference therein, in making your investment decision.

This prospectus supplement includes statistical data about the IT industry that comes from information published by sources including the National Association of Software and Service Companies, or NASSCOM, an industry trade group and Business Today, a leading Indian business publication. This type of data represents only the estimates of NASSCOM and Business Today, and other sources of industry data. 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.

The offered ADSs may not be offered or sold, directly or indirectly, in India or to any resident of India, except as permitted by applicable Indian laws and regulations.

You must comply with all applicable laws and regulations in force in any applicable jurisdiction and you must obtain any consent, approval or permission required by you for the purchase of the ADSs under the laws and regulations in force in the jurisdiction to which you are subject or in which you make your purchase, and neither we nor the underwriters will have any responsibility therefor.

Table of Contents

SUMMARY

This summary highlights information contained elsewhere or incorporated by reference in this prospectus supplement and the accompanying prospectus. This summary is not complete and does not contain all of the information that you should consider before investing in the ADSs representing our equity shares. You should read the entire prospectus supplement and the accompanying prospectus carefully, including Risk Factors and our financial statements and the notes to those financial statements, which are incorporated by reference, and the other information appearing elsewhere or incorporated by reference in this prospectus supplement and the accompanying prospectus. As used in this prospectus supplement and the accompanying prospectus, the terms we, us or the Company refer to Infosys Technologies Limited and its subsidiaries, unless the context indicates otherwise.

Our Company

We are a leading global technology services firm. We provide comprehensive end-to-end business solutions that leverage technology for our clients, including consulting, design, development, software re-engineering, maintenance, systems integration, package evaluation and implementation and infrastructure management services. We also provide software products to the banking industry. Through Infosys BPO, our majority-owned subsidiary, 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.

We utilize a distributed project management methodology, which we refer to as our Global Delivery Model, to divide projects into components that are executed simultaneously at client sites and at our global development centers in India and around the world. Our Global Delivery Model provides clients with seamless, high quality solutions in reduced timeframes, enabling our clients to achieve operating efficiencies and realize significant cost savings. To address changing industry dynamics, we continue to refine our Global Delivery Model. Through our Modular Global Sourcing framework, for example, we assist clients in evaluating and defining, on both a modular and 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 serve clients in the financial services, manufacturing, telecommunications, retail, utilities, logistics and other industries. In fiscal 2006, some of our top 25 clients by revenues (including their affiliates) in the core industries we serve included Aetna, Apple, Bank of America, BT, Microsoft and Toshiba. Our industry focus enables us to tailor solutions to address our clients business and technology needs.

We believe we have among the best talent in the Indian technology services industry, and we are committed to remain among the industry s leading employers. In 2006, we were ranked as the best company to work for in India by the Business Today-TNS-Mercer survey in Business Today.

Our Industry

Changing economic and business conditions, rapid technological innovation, proliferation of the Internet and rapid globalization are creating an increasingly competitive market environment that is driving corporations to transform the manner in which they operate. Customers are increasingly demanding improved products and services with accelerated delivery times and at lower prices. In this environment, the ability to design, develop, implement, and maintain advanced technology platforms and solutions to address business and customer needs has become a competitive advantage and a priority for corporations worldwide. These developments have occurred at a time when corporations have been reluctant to expand their internal IT departments, thus increasing the reliance that corporations must place on their outsourced technology service providers. This trend of increasing reliance on external technology service providers is expected to continue to drive the future growth of outsourced technology services.

Outsourcing the development, management and ongoing maintenance of technology platforms and solutions has become increasingly important in this new environment. To meet their need for significantly higher quality, cost effective technology solutions, corporations are increasingly turning to offshore technology service providers. As a result, offshore technology service providers have become mainstream in the industry and continue to grow in recognition and sophistication, with India recognized as the premier destination for offshore technology services.

Table of Contents

Our Competitive Strengths and Strategy

We believe our competitive strengths include:

Innovation and Leadership. We are a pioneer in the technology services industry. We were one of the first Indian companies to develop and apply a global delivery model and to achieve the highest level of technical certifications available.

Proven Global Delivery Model. Our onsite and offshore execution capabilities enable clients to achieve operating efficiencies and realize significant cost savings, while receiving seamless, high quality solutions in reduced timeframes.

Comprehensive and Sophisticated End-to-End Solutions. By offering comprehensive end-to-end solutions, we extend our network of relationships, broaden our dialogue with key decision makers within each client, increase the points of sale for developing new client relationships and diversify our service-mix concentration. As a result, we are able to capture a greater share of our clients technology budgets.

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.

Long-Standing Client Relationships. Approximately 23.7%, 28.9% and 35.0% of our revenues from our top 100 clients during the six months ended September 30, 2006, fiscal 2006 and fiscal 2005 have been contributed by entities that have been our clients since fiscal 1998. For the six months ended September 30, 2006, fiscal 2006 and fiscal 2005, 96.4%, 95.0% and 95.4% 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.

Status as an Employer of Choice. Our reputation as a leader in the technology services industry enables us to attract and retain the best available talent in India. We have a presence in 12 cities in India, which allows us to more easily accommodate prospective employees specific geographic preferences.

Ability to Scale. We have successfully managed our growth by recruiting, training and rapidly deploying new professionals and investing in infrastructure allowing us to bid for and execute large-scale, long-term projects in an efficient and cost-competitive manner.

In order to further enhance our position as a leading global technology services company, our strategy is to increase business from existing and new clients, expand geographically, continue to invest in employees, infrastructure and technology, enhance our solution set, continue to develop deep industry knowledge, enhance our brand visibility and pursue alliances and strategic acquisitions.

Our revenues grew from $545 million in fiscal 2002 to $2,152 million in fiscal 2006, representing a compound annual growth rate of 41.0%. Our net income grew from $164 million to $555 million during the same period, representing a compound annual growth rate of 35.6%. For the six months ended September 30, 2006, we had revenues of $1,406 million and net income of $373 million.

In addition, between March 31, 2002 and March 31, 2006, our total employees grew from approximately 10,700 to approximately 52,700, representing a compound annual growth rate of 49.0%. As of September 30, 2006, we had approximately 66,100 employees.

We were founded in 1981. 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 and June 2005, we completed sponsored secondary offerings of ADSs in the United States on behalf of our shareholders.

Our principal executive offices are located at Electronics City, Hosur Road, Bangalore, Karnataka, India 560 100, and our telephone number at that address is +91 (80) 2852-0261. Our wholly owned subsidiaries are Infosys Technologies (Australia) Pty. Limited, or Infosys Australia, Infosys Technologies (China) Co. Limited, or Infosys China, and Infosys Consulting Inc., or Infosys Consulting. Infosys BPO Limited, or Infosys BPO, is our majority owned subsidiary. Our website addresses are *www.infosys.com* and *www.infy.com* and do not constitute a part of this prospectus supplement or the accompanying prospectus.

Table of Contents

The Offering

The Offering	Up to 30,000,000 ADSs representing up to 30,000,000 equity shares, and constituting up to approximately 5.39% of our issued and outstanding equity shares. The actual number of ADSs offered will depend on the number of equity shares offered by the selling shareholders pursuant to an invitation to offer that we have distributed to holders of our equity shares. See The Indian Invitation to Offer. The offering is expected to include a public offering without listing in Japan, referred to herein as the Japanese Public Offering.
Selling Shareholders	See Principal and Selling Shareholders for more information on the selling shareholders in this transaction. Included among the selling shareholders will be certain officers, directors and shareholders who beneficially own 5% or more of our equity shares.
The ADSs	Each offered ADS represents one equity share, par value Rs. 5 per share. The offered ADSs are evidenced by American Depositary Receipts. See Description of American Depositary Shares and Description of Equity Shares in the accompanying prospectus.
ADSs Outstanding After this Offering	
Equity Shares Outstanding Before and After this Offering	556,230,633
Offering Price	The offered ADSs are being offered at a price of $ per ADS.
Depositary	Deutsche Bank Trust Company Americas.
Use of Proceeds	We will not receive any of the proceeds from the sale of these ADSs.
Listing	We are listing the offered ADSs on NASDAQ. Our outstanding equity shares are principally traded in India on Bombay Stock Exchange Limited (BSE) and The National Stock Exchange (NSE).
NASDAQ Global Select Market Symbol for ADSs	INFY

The Indian Invitation to Offer

We will prepare and distribute to all holders of our equity shares an invitation to offer their equity shares for sale in this offering pursuant to Indian regulations. Our invitation to offer will be mailed only to holders of equity shares at their addresses in India. Holders of ADSs are not eligible to participate in the transactions contemplated by the invitation to offer. We are not purchasing any equity shares or ADSs in this transaction. ADSs will be purchased solely by the underwriters, and will represent equity shares submitted by the selling shareholders pursuant to the Indian invitation to offer. Under the terms of the Indian invitation to offer, the related letter of transmittal, escrow agreement and other documents, the shares to be sold by the selling shareholders will be held in escrow by Standard Chartered Bank, as escrow agent, until such time as they are required to be deposited with ICICI Bank Limited, as custodian on behalf of Deutsche Bank Trust Company Americas, or the Depositary, against the issuance of ADSs representing such shares and to be delivered to the underwriters under the terms of the underwriting agreement entered into by us, the underwriters and the selling shareholders. The successful completion of these transactions by us, the selling shareholders and the escrow agent is a condition precedent to the underwriters obligation to purchase any ADSs in this offering. The actual number of ADSs offered will depend on the number of equity shares submitted pursuant to the Indian invitation to offer and will be set forth in a report to be filed with the Securities and Exchange Commission prior to the completion of the offering and incorporated by reference in this prospectus supplement and the accompanying prospectus.

Table of Contents

Summary Consolidated Financial Data
($ in millions, except per equity share data)

You should read the summary consolidated financial data below in conjunction with the consolidated financial statements, the related notes and Management s Discussion and Analysis of Financial Condition and Results of Operations incorporated by reference into this prospectus supplement and the accompanying prospectus. The summary consolidated statements of income data for each of the five years ended March 31, 2006 and for the six months ended September 30, 2005, and the summary consolidated balance sheet data as of March 31, 2002, 2003, 2004, 2005 and 2006, have been prepared and presented in accordance with U.S. GAAP and have been derived from our audited consolidated financial statements and related notes (other than data related to cash dividends per equity share). The summary consolidated statements of income data for the six months ended September 30, 2006 and the summary consolidated balance sheet data as of September 30, 2006 have been prepared and presented in accordance with U.S. GAAP and have been derived from our unaudited financial statements (other than data related to cash dividends per equity share). In the opinion of management, the unaudited summary consolidated financial data presented below reflect all adjustments, which include only normal and recurring adjustments, necessary to present fairly our results of operations for and as of the periods presented. Historical results are not necessarily indicative of future results. The information presented below reflects our 4-for-1 stock split effected in the form of a stock dividend in July 2004, and our 2-for-1 stock split effected in the form of a stock dividend in July 2006.

	Fiscal Year Ended March 31,					Six Months Ended September 30,	
	2002	2003 (1)	2004 (1)(2)	2005 (1)(2)(3)	2006 (1)(2)(3)	2005 (1)(2)(3)	2006 (1)(2)(3)
Statements of Income Data							
Revenues	$ 545	$ 754	$ 1,063	$ 1,592	$ 2,152	$ 1,000	$ 1,406
Cost of revenues including stock compensation expense	294	417	603	904	1,244	571	812
Gross profit	251	337	460	688	908	429	594
Operating Expenses:							
Selling and marketing expenses	27	56	77	103	136	67	93
General and administrative expenses	44	58	82	127	173	83	119
Stock compensation expense	2	2	1				
Amortization of intangible assets		2	7	2			1
Total operating expenses	73	118	167	232	309	150	213
Operating income	178	219	293	456	599	279	381
Gain on sale of long term investment				11			1
Other income, net	14	18	28	24	31	16	42
Income before income taxes and minority interest	192	237	321	491	630	295	424
Provision for income taxes	28	42	51	72	70	34	49
Income before minority interest	164	195	270	419	560	261	375

Minority interest					5	1	2
Net income	$ 164	$ 195	$ 270	$ 419	$ 555	$ 260	$ 373

Table of Contents

	Fiscal Year Ended March 31,					Six Months Ended September 30,	
	2002	2003 (1)	2004 (1)(2)	2005 (1)(2)(3)	2006 (1)(2)(3)	2005 (1)(2)(3)	2006 (1)(2)(3)
ings Equity e:							
c	$ 0.32	$ 0.37	$ 0.51	$ 0.78	$ 1.02	$ 0.48	$ 0.6
ted	$ 0.31	$ 0.37	$ 0.50	$ 0.76	$ 1.00	$ 0.47	$ 0.6
ghted rage ty es in puting ngs Equity e:							
c	524,453,184	524,568,016	525,560,616	533,802,066	543,160,222	540,269,462	550,964,91
ted	528,678,992	531,832,072	534,332,472	547,180,826	555,976,786	555,390,222	563,832,67
lend Equity e	$ 0.05	$ 0.07	$ 0.08	$ 0.38(4)	$ 0.15	$ 0.07	$ 0.4

	As of March 31,					As of September 30,
	2002	2003	2004	2005	2006	2006
Balance Sheet Data						
Cash and cash equivalents	$ 210	$ 354	$ 445	$ 410	$ 889	$ 328
Investments in liquid mutual fund units			218	278	170	615
Total assets	471	704	1,132	1,454	2,066	2,220
Preferred stock of subsidiary		10	22	21		
Total stockholders equity	$ 442	$ 626	$ 953	$ 1,253	$ 1,837	$ 1,955

(1) Includes the results of operations of Infosys BPO Limited (Infosys BPO), a consolidated subsidiary.

(2) Includes the results of Infosys Technologies (Australia) Pty. Limited (Infosys Australia) and Infosys Technologies (China) Co. Limited (Infosys China), both consolidated subsidiaries.

(3) Includes the results of Infosys Consulting, Inc. (Infosys Consulting), a consolidated subsidiary.

(4) Cash dividend per equity share includes a special one-time dividend of $0.28 per equity share paid in June 2004.

(5) Cash dividend per equity share includes a silver jubilee special dividend of $0.33 per equity share paid in June 2006.

RISK FACTORS

This prospectus supplement and the accompanying prospectus contain 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 prospectus supplement and the accompanying prospectus. The following risk factors should be considered carefully in evaluating us and our business before purchasing the offered ADSs.

Risks Related to Our Company and Our Industry

Our revenues and expenses are difficult to predict and can vary significantly from quarter to quarter, 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;
- 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;
- the size and timing of facilities expansion and resulting amortization costs;
- expenditures in connection with the submission of proposals for larger, more complex client engagements;
- unanticipated cancellations, contract terminations, deferrals of projects or delays in purchases, including those resulting from our clients efforts to comply with regulatory requirements, such as the Sarbanes-Oxley Act of 2002, or those occurring as a result of our clients reorganizing their operations;
- utilization of billable employees; and
- unanticipated variations in the duration, size and scope of our projects, as well as changes 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;
- currency fluctuations, particularly when the rupee appreciates in value against the U.S. 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.

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

Table of Contents

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 $11.0 million in costs for visas in the three months ended June 30, 2006, compared to $3.0 million for the three months ended March 31, 2006. 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 rupee against the dollar and other currencies and increased wage pressures in India. 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 expect 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 economic environment, pricing pressure and rising wages in India 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 after a two-year downward trend due to a challenging global economic environment. 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. Existing and new customers are also increasingly using third-party consultants with broad market knowledge to assist them in negotiating contractual terms. Large multinational companies are establishing larger offshore operations in India, resulting in wage pressures for Indian companies. This wage pressure is exacerbated by competition among Indian companies for qualified employees. Pricing pressures from our clients and wage pressures in India have negatively impacted our operating results.

If economic growth slows, our utilization and billing rates for our technology professionals could be adversely affected, which may result in lower gross and operating profits.

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

We have grown significantly in recent periods. Between March 31, 2002 and March 31, 2006 our total employees grew from approximately 10,700 to approximately 52,700, and we had approximately 66,100 employees on September 30, 2006. 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 quantities of 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 and announced our intention to hire aggressively in the United States. In addition, we have recently embarked on an expansion of our business in China, and expect to expend significant resources in this expansion. 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 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 also are more likely to compete 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 from these competitors 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 the six months ended September 30, 2006, fiscal 2006 and 2005, our largest client accounted for 6.2%, 4.4% and 5.5% of our total revenues, and our five largest clients together accounted for 20.3%, 17.8% and 21.0% 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, our revenues and profitability could be reduced.

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 slowdowns or factors that affect the economic health of the United States, Europe or these industries may affect our business.

In the six months ended September 30, 2006, fiscal 2006 and 2005, approximately 62.8%, 63.9% and 64.2% of our revenues were derived from the United States. In the same periods, approximately 26.0%, 24.5% and 22.3% of our revenues were derived from Europe. If the United States or European economy weakens, 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 addition, for the six months ended September 30, 2006, fiscal 2006 and 2005, we earned 37.0%, 36.0% and 34.5% of our revenues from the financial services industry, and 14.2%, 13.9% and 14.5% from the manufacturing industry. Any significant decrease in the growth of the financial services industry, or significant consolidation in that industry or decrease in growth or consolidation in other industry segments on which we focus, may reduce the demand for our services and negatively affect our revenues and profitability.

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

Recently, some countries and organizations have expressed concerns about a perceived association between offshore outsourcing and the loss of jobs. In the United States, in particular, there has been increasing political and media attention following the growth of offshore outsourcing. Any changes to existing laws or the enactment of new legislation restricting offshore outsourcing may adversely impact our ability to do business in the United States, which is the largest market for our services. In the last three years, some U.S. states have proposed legislation restricting government agencies from outsourcing their back office processes and IT solutions work to companies outside the United States or have enacted laws that limit or discourage such outsourcing. Such laws restrict our ability to do business with U.S. government-related entities. It is also possible that U.S. 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.

In the United Kingdom, the Transfer of Undertakings (Protection of Employees) Regulations, or TUPE, including the recent 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 of these events 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 increased significantly. Excluding Infosys BPO and our other subsidiaries, we added approximately 8,800, 12,500 and 10,500 new employees, net of attrition, in fiscal 2005, fiscal 2006 and the six months ended September 30, 2006.

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. The NASSCOM-McKinsey Report 2005 estimates that by 2010, employers will require approximately 2.3 million employees in India that provide IT and IT-enabled services, but that the number of qualified professionals that are trained to provide such services will be nearly 500,000 less than the projected requirements. Of this shortfall, approximately 70% will be in the IT-enabled services industry and the balance will be in the IT services industry. 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.

Increased demand for technology professionals has also led to an increase in attrition rates. We estimate the attrition rate in the Indian technology services industry, which excludes the business process management industry, to be approximately 20% annually, with our comparable attrition rate in the twelve month period ended September 30, 2006, fiscal 2006 and fiscal 2005 being 12.9%, 11.2% and 9.7%, 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. Also, the suspension of stock option grants under our employee stock option plans could have an adverse impact on employee retention. 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 other 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 or State 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 the management council, which consists of executive and other officers. Our future performance will be affected by any disruptions in the continued service of our executives and other officers. We do not maintain key man life insurance for any of the senior members of our management team or other key personnel. 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. 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 within budget and on time may negatively affect our profitability.

As an element of our business strategy, we offer a portion of our services on a fixed-price, fixed-timeframe basis, rather than on a time-and-materials basis. In the six months ended September 30, 2006, fiscal 2006 and fiscal 2005, revenues from fixed-price, fixed-timeframe projects accounted for 26.5%, 28.1% and 30.0% of our total services revenues. 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, 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.

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;
- a change in strategic priorities, resulting in a reduced level of technology spending;
- a demand for price reductions;
- a change in outsourcing strategy by moving more work to the client s in-house technology departments or to our competitors; and
- the replacement by our clients of existing software with packaged software supported by licensors.

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.

Clients for our services 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.

Table of Contents

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 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 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 we develop may not be successful in the marketplace. Further, products, services or technologies that are developed by our competitors may render our services non-competitive or obsolete.

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 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 controls over financial reporting and our external auditors audit of that assessment requires the commitment of significant financial and managerial resources. Our independent auditors may be unable to issue unqualified attestation reports on management s assessment on the operating effectiveness of our internal controls over financial reporting.

In connection with our Annual Report on Form 20-F for fiscal 2006, our management assessed our internal controls over financial reporting, and determined that our internal controls were effective as of March 31, 2006, and our auditors have issued an unqualified attestation with respect to our management s assessment. However, we will undertake, and in future years will be required to undertake, management assessments of our internal controls 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 attestation could harm our reputation and the price of our equity shares and ADSs. 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, the new laws, regulations and standards regarding corporate governance may make it 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 40 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 September 30, 2006, we had contractual commitments of approximately $116 million for capital expenditures. We may encounter cost overruns or project delays in connection with new facilities. These expansions may increase our fixed costs. If we are unable to grow our business and revenues proportionately, our profitability will be reduced.

Table of Contents

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

In the six months ended September 30, 2006, fiscal 2006 and fiscal 2005, we earned 3.7%, 3.8% and 3.0% of our total revenue from the sale of software products. The development of our software products requires significant investments. The markets for our primary suite of software products that 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, 19.65% of our issued equity shares as of October 31, 2006. 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 recently established Infosys China and Infosys Consulting in the United States. 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. The inability to identify suitable acquisition targets or investments or the inability to complete such transactions may affect our competitiveness and our growth prospects.

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. For example, in fiscal 2004, we made loss provisions of $2 million related to these investments. The lack of profitability of any of our investments could have a material adverse effect on our operating results.

Our earnings have been and will continue to be adversely affected by the change to our accounting policies with respect to the expensing of stock options.

We have recently started to deduct the expense of employee stock option grants from our income based on the fair value method. In December 2004, the Financial Accounting Standards Board issued FASB Statement No. 123 (revised 2004), Share-Based Payment requiring companies to change their accounting policies to record the fair value of stock options issued to employees as an expense. Our unamortized stock compensation expense as of September 30, 2006 as determined under the fair value method is approximately $5 million. Pursuant to the Securities and Exchange Commission Release No. 33-8568, we adopted SFAS 123R from April 1, 2006. The change in the standard has adversely affected our operating results and will continue to do so in the event we make any future grants. As an example, had compensation cost for our stock-based compensation plan been determined in a manner consistent with the existing fair value approach described in SFAS No. 123, our net income as reported would have been reduced to the pro forma amounts of approximately $545 million from $555 million in fiscal 2006, $393 million from $419 million in fiscal 2005 and $223 million from $270 million in fiscal 2004.

Table of Contents

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 of $106 million, $160 million and $126 million for the six month ended September 30, 2006, fiscal 2006 and fiscal 2005 compared to the effective tax rates that we estimate would have applied if these incentives had not been available.

The Finance Act, 2000 phases out the 10-year tax holiday available to companies that export software from specially designated software technology parks in India, such that it is available only until the earlier of fiscal year 2009 or 10 years after the commencement of a company s undertaking. In the Finance Act, 2005, the Government of India introduced a separate tax holiday scheme for units set up under designated special economic zones engaged in manufacture of articles or in provision of services. Under this scheme, units in designated special economic zones 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 or termination of any of our tax benefits or holidays would likely increase our effective tax rates, and have a material and adverse effect on our net income.

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 including on the maintenance and repair of software. Under this tax, service providers are required to pay a tax of 12% (excluding applicable surcharge and 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. Although currently there are no 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 and divert our attention and resources from operating our company.

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 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. However, wage increases in India may prevent us from sustaining this competitive advantage and may negatively affect our profit margins. Wages in India are increasing at a faster rate than in the United States, which could result in increased costs for technology professionals, particularly project managers and other mid-level professionals. We may need to increase the levels of 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 recently 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. Compensation increases 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 7, 2005 in London, the attacks of July 11, 2006 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. 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 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 curtail 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. 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 September 30, 2006, the majority of our technology professionals in the United States held either H-1B visas (approximately 6,800 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 760 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

Table of Contents

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. In 2000, the United States temporarily increased the annual limit for H-1B visas to 195,000 beginning in 2001, however, this increase expired in 2003 and the limit was returned to 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 the 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 Indian 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.

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.

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. 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 dollar, the United Kingdom Pound Sterling and the Euro, has changed substantially in recent years and may fluctuate substantially in the future. We expect that a majority of our revenues will continue to be generated in foreign currencies, including the dollar, the United Kingdom Pound Sterling and the Euro, for the foreseeable future

Table of Contents

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.

Over the past six months the dollar has appreciated substantially against the rupee. The exchange rate for one dollar based on the noon buying rate in the City of New York for cable transfers in Indian rupees as certified for customs purposes by the Federal Reserve Bank of New York was Rs. 45.95 as of the last day of the three months and half year ended September 30, 2006 for which noon buying rates were available, as against Rs. 43.94 as of the last day of the three months and half year ended September 30, 2005 for which the noon buying rates were available. The appreciation of the dollar against the rupee has positively impacted our revenues and operating results over the past six months when compared to the corresponding six months in the previous fiscal year. In the event that the dollar does not continue to appreciate against the rupee, or in the event that the dollar depreciates against the rupee, the results of our operations may be adversely affected.

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 forecasted cash flows denominated in certain foreign currencies. As of September 30, 2006, we held foreign exchange forward contracts of $98 million and United Kingdom Pound Sterling 1 million. The foreign exchange forward contracts mature between one to 12 months. As of September 30, 2006, we held range barrier options of $240 million, Euro 10 million and United Kingdom Pound Sterling 11 million. The increase in our use of derivative instruments is primarily attributable to our decision to actively hedge our foreign currency exposure given the recent volatility of the Indian rupee against foreign currencies, including the U.S. dollar, the United Kingdom Pound Sterling and the Euro. We may not purchase derivative instruments adequate to insulate ourselves from foreign currency exchange risks. Additionally, 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 recently recommended that India move to increased capital account convertibility over the next five 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.

Fluctuations in the exchange rate between the rupee and the dollar will also affect the dollar conversion by Deutsche Bank Trust Company Americas, the Depositary, 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.

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

Currently, we have global development centers in nine countries around the world, with our largest development centers located in India. We have recently established or intend to establish new development facilities, potentially in Southeast Asia, Africa, Latin America and Europe. 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. We also have a very large workforce spread across our various offices worldwide. As of September 30, 2006, we employed approximately 66,100 employees worldwide, and approximately 12,500 of those employees were located outside of India. Because of our limited experience with facilities outside of India, 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

Table of Contents

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. If such litigation or actions are successful, it could result in our being held liable for unpaid compensation, redundancy payments, statutory penalties, and other damages, which could adversely affect our revenues and operating profitability.

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, health 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. Additionally, we believe that most of the selling shareholders who are participating in this offering reside outside of 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 in courts outside of India 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 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. For instance, on September 9, 2004 the Intellectual Property Appellate Board of India, or IPAB, upheld an application made by an infringer of the INFOSYS trademark, Jupiter International Limited (formerly called Jupiter Infosys Limited), and ordered the cancellation of our registration of the INFOSYS trademark in certain protected intellectual property classes. We moved a Special Leave Petition before the Supreme Court of India to stay the order of the IPAB. On October 12, 2004, the Supreme Court of India stayed the order of the IPAB temporarily. The Supreme Court of India heard arguments on the matter on September 12, 2005, confirmed its interim stay order of October 12, 2004 and admitted the Special Leave Petition. Based on our present knowledge, we believe that we will prevail in this action and that the action will not have any material impact on our results of operations or financial position. 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 and divert our attention and resources from operating our company.

Although there are currently no material pending or threatened intellectual property claims against us, infringement claims may be asserted against us in the future. 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.

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 in the following circumstances:

- if the transaction consideration is paid in cash, the transaction value does not exceed 200% 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; or

- if the transaction consideration is paid in stock (i.e., by issue of ADRs/GDRs), the transaction value does not exceed ten times the acquiring company s previous fiscal year s export earnings.

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, a situation which may not continue.

Historically, our ADSs have traded on NASDAQ at a substantial premium to the trading prices of our underlying equity shares on the Indian stock exchanges. Please see the section entitled Market Price Information for the underlying data. 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 two secondary ADS offerings and the completion of this 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 this or 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 the 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 and are doing in this offering, 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.

An active or liquid trading market for our ADSs is not assured.

While this offering will increase the number of our ADSs publicly trading in the United States, an active, liquid trading market for our ADSs may not be maintained in the long term. Loss of liquidity could increase the price volatility of our ADSs.

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 his or her 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

Table of Contents

be unable to exercise preemptive rights for equity shares underlying ADSs unless a registration statement under the U.S. 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 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.

The size of this offering may be reduced if the potential selling shareholders choose not to offer their equity shares in the offering.

Equity share transactions which are entered into on a recognized stock exchange in India are entitled to preferential capital gains tax rates of 0% for long term capital gains and 10% for short term capital gains, plus applicable cess and surcharges, provided that a securities transaction tax is paid in connection with the transaction. In contrast, for off-market transactions, the long term capital gains tax rate is 10%, plus applicable cess and surcharges, and the short term capital gains tax rate is the taxpayer s maximum marginal rate, plus applicable cess and surcharges. It is expected that the preferential capital gains tax rates will not extend to this secondary ADS offering since the equity shares to be sold in the offering will be settled in an off-market transaction, and therefore we do not expect that the selling shareholders will be entitled to the preferential tax treatment. This may cause some of our equity shareholders to choose not to participate in the Indian invitation to offer, which may reduce the size of the offering and the number of ADSs that would otherwise be outstanding after the offering if all 30,000,000 ADSs were offered. The fewer ADSs outstanding may result in a less liquid market for our ADSs.

CURRENCY OF PRESENTATION

In this prospectus supplement and accompanying prospectus, 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 ru are to the legal currency of India. Our financial statements incorporated by reference into this prospectus supplement and accompanying prospectus are presented in Indian rupees and translated into U.S. dollars and are prepared in accordance with United States Generally Accepted Accounting Principles, or U.S. GAAP. References to Indian GAAP are to Indian Generally Accepted Accounting Principles. References to a particular fiscal year are to our fiscal year ended March 31 of such year.

Except as otherwise stated in this prospectus supplement and accompanying prospectus, all translations from Indian rupees to U.S. dollars are based on the noon buying rate in the City of New York on September 29, 2006, for cable transfers in Indian rupees as certified for customs purposes by the Federal Reserve Bank of New York which was Rs. 45.95 per $1.00. September 29, 2006 was the last day of the quarter ended September 30, 2006 for which such buying rate was available. 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.

ENFORCEMENT OF CIVIL LIABILITIES

Infosys is a limited liability company under the laws of India. Substantially all of our directors and executive officers and certain experts named in this prospectus supplement and accompanying prospectus reside outside the United States, and a substantial portion of our assets and the assets of such persons are located outside the United States. As a result, it may be difficult for investors to effect service of process upon such persons within the United States or to enforce against us or such persons in U.S. courts judgments obtained in U.S. courts, including judgments predicated upon the civil liability provisions of the federal securities laws of the United States.

India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. We have been advised by our Indian legal counsel, Crawford Bayley & Co., that in India the statutory basis for recognition of foreign judgments is found in Section 13 of the Indian Code of Civil Procedure 1908, or the Civil Code, which provides that a foreign judgment shall be conclusive as to any matter directly adjudicated upon except: (i) where the judgment has not been pronounced by a court of competent jurisdiction; (ii) where the judgment has not been given on the merits of the case; (iii) where the judgment appears on the face of the proceedings to be founded on an incorrect view of international law or a refusal to recognize the law of India in cases where such law is applicable; (iv) where the proceedings in which the judgment was obtained were opposed to natural justice; (v) where the judgment has been obtained by fraud; or (vi) where the judgment sustains a claim founded on a breach of any law in force in India. Section 44A of the Civil Code provides that where a foreign judgment has been rendered by a court in any country or territory outside India which the Government of India has by notification declared to be a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgment had been rendered by the relevant court in India. The United States has not been declared by the Government of India to be a reciprocating territory for purposes of Section 44A. Accordingly, a judgment of a court in the United States may be enforced in India only by a suit upon the judgment, not by proceedings in execution. 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. The approval from the Reserve Bank of India under the Foreign

Exchange Management Act, 1999 is required to repatriate any amount recovered from the enforcement of a foreign judgment. We have also been advised by our Indian counsel that a party may file suit in India against us, our directors or our executive officers as an original action predicated upon the provisions of the federal securities laws of the United States. To our knowledge, no such suit has ever been brought in Indian courts.

Table of Contents

USE OF PROCEEDS

All ADSs sold in the offering will be sold on behalf of the selling shareholders. We will not receive any of the proceeds from the sale of these ADSs.

DIVIDENDS

Under Indian law, a corporation pays dividends upon a recommendation by the board of directors and approval by a majority of the shareholders, who have the right to decrease but not increase the amount of the dividend recommended by the board of directors. Dividends may be paid out of profits of an Indian company in the year in which the dividend is declared or out of the undistributed profits of previous fiscal years.

In fiscal 2006, 2005 and 2004, we paid cash dividends of approximately $0.15, $0.38 and $0.08 per equity share. In June 2006, we paid a cash dividend of approximately $0.42 per equity share, including a silver jubilee special dividend of approximately $0.33 per equity share. In October 2006, we paid an interim dividend of approximately $0.11 per equity share. Although we have no current intention to discontinue dividend payments, future dividends may not be declared or paid and the amount, if any, thereof may be decreased. Holders of ADSs will be entitled to receive dividends payable on equity shares represented by such ADSs. Cash dividends on equity shares represented by ADSs are paid to the Depositary in Indian rupees and are generally converted by the Depositary into U.S. dollars and distributed, net of Depositary fees, taxes, if any, and expenses, to the holders of such ADSs.

Translations from Indian rupees to U.S. dollars are based on the average of the monthly average of the noon buying rate in the City of New York during the period for cable transfers in Indian rupees as certified for customs purposes by the Federal Reserve Bank of New York.

Fiscal	**Dividend per Equity Share**	**Dividend per Equity Share**	**Dividend per ADS**
2007 (through November 6, 2006)*	Rs. 24.25	$ 0.53	$ 0.53
2006	6.50	0.15	0.15
2005**	16.88	0.38	0.38
2004	3.63	0.08	0.08

* Includes a silver jubilee special dividend of Rs. 15.00 ($0.33) per share paid in June 2006, and an interim dividend of Rs. 5.00 ($0.11) per share paid in October 2006.

** Includes a special one-time dividend of Rs. 12.50 ($0.28) per share.

The information presented above has been adjusted for the 4-for-1 stock split effected in the form of a stock dividend in July 2004, and the 2-for-1 stock split effected in the form of a stock dividend in July 2006.

MARKET PRICE INFORMATION

Our equity shares are traded in India on the Bombay Stock Exchange Limited, or BSE, and the National Stock Exchange of India Limited, or NSE, or collectively, the Indian stock exchanges. Our ADSs are traded on NASDAQ under the ticker symbol INFY . Each ADS represents one equity share. Our ADSs began trading on the NASDAQ on March 11, 1999. Deutsche Bank Trust Company Americas serves as depositary with respect to our ADSs traded on the NASDAQ pursuant to the Deposit Agreement dated March 10, 1999, as amended and restated. Our equity shares were previously traded on the Bangalore Stock Exchange, or BgSE. There have been no trades of our shares on the BgSE since August 2002, and we delisted from the BgSE on June 22, 2004.

As of September 30, 2006, we had 555,785,001 equity shares issued and outstanding, including 77,541,015 ADSs (equivalent to 77,541,015 equity shares) issued and outstanding. As of September 30, 2006, there were approximately 382,213 record holders of our equity shares listed and traded on the Indian stock exchanges. As of September 30, 2006, there were approximately 61,100 record holders of our ADSs.

The following tables set forth for the periods indicated the price history of the equity shares and the ADSs on the Indian stock exchanges and the NASDAQ. Each ADS currently represents one equity share. Prior to our July 2004 4-for-1 stock split for our equity shares and 2-for-1 stock split for our ADSs, each ADS represented one-half of one equity share. Furthermore, in July 2006, we effected a 2-for-1 stock split in the form of a stock dividend, which affected both our equity shares and ADSs. The stock prices from the Indian exchanges have been restated to give appropriate effect to the stock and ADS splits. Except as indicated below, all translations from Indian rupees to U.S. dollars are based on the noon buying rate in the City of New York on September 29, 2006 for cable transfers in Indian rupees as certified for customs purposes by the Federal Reserve Bank of New York which was Rs. 45.95 per $1.00. September 29, 2006 was the last day of the quarter ended September 30, 2006 for which such buying rate was available.

The high and low prices for our equity shares and ADSs set forth in the tables below are based on the daily closing prices of such securities on the relevant exchanges for each of the periods presented.

	BSE Price per Equity Share		NSE Price per Equity Share		NASDAQ Price per ADS	
Fiscal	**High**	**Low**	**High**	**Low**	**High**	**Low**
2007 (through November 6, 2006)	$ 46.81	$ 27.02	$ 46.30	$ 27.04	$ 52.22	$ 32.86
2006	33.24	20.54	33.25	20.53	41.26	28.30
2005	24.64	12.32	24.63	12.29	38.61	18.11
2004	16.03	7.09	16.01	7.11	25.32	10.06
2003	13.13	8.18	13.13	8.17	21.48	11.86
2002	13.12	5.98	13.10	5.95	19.90	8.25

	BSE Price per Equity Share		NSE Price per Equity Share		NASDAQ Price per ADS	
Fiscal	**High**	**Low**	**High**	**Low**	**High**	**Low**
2007						
Third Quarter (through November 6, 2006)	$ 46.81	$ 39.10	$ 45.77	$ 39.17	$ 52.22	$ 47.28
Second Quarter	40.40	33.77	40.44	33.79	48.24	38.18
First Quarter	36.29	27.02	36.30	27.04	42.39	32.85
2006						
Fourth Quarter	33.24	29.79	33.25	29.81	40.98	34.18
Third Quarter	32.83	26.30	32.90	26.28	41.26	32.79
Second Quarter	27.50	23.22	27.49	23.24	38.95	33.85
First Quarter	26.02	20.54	26.04	20.53	38.80	28.30
2005						
Fourth Quarter	24.64	20.71	24.63	20.73	38.61	30.25
Third Quarter	23.38	18.34	23.39	18.35	36.00	27.89
Second Quarter	18.52	14.70	18.51	14.71	29.15	21.75
First Quarter	15.23	12.32	15.23	12.29	23.61	18.11

Table of Contents

Month	BSE Price per Equity Share High	BSE Price per Equity Share Low	NSE Price per Equity Share High	NSE Price per Equity Share Low	NASDAQ Price per ADS High	NASDAQ Price per ADS Low
November 2006 (through November 6, 2006)	$ 45.78	$ 45.06	$ 45.77	$ 45.04	$ 51.66	$ 50.85
October 2006	46.81	39.10	46.30	39.17	52.22	47.28
September 2006	40.40	37.79	40.44	37.73	48.24	44.11
August 2006	39.36	36.10	39.31	36.08	44.96	40.26
July 2006	36.85	33.77	36.84	33.79	41.61	38.18
June 2006	33.49	27.02	33.50	27.04	38.20	32.85
May 2006	35.42	30.76	35.43	30.73	41.21	34.34
April 2006	36.29	32.87	36.30	32.85	42.39	37.49

Source for all tables above: Bloomberg and Reuters for BSE quotes, www.nse-india.com for NSE quotes and www.nasdaq.com for NASDAQ quotes.

On November 6, 2006, the closing price of equity shares on the BSE was Rs. 2,070.55 equivalent to $46.21 per equity share based on the exchange rate on that date.

Table of Contents

CAPITALIZATION

The following table sets forth our unaudited capitalization at September 30, 3006, as derived from our consolidated financial statements.

	September 30, 2006 ($ in millions)
Stockholders equity:	
Common stock, par value $0.16; 600,000,000 equity shares authorized; issued and outstanding 555,785,001 as of September 30, 2006	$ 62
Additional paid-in capital	477
Accumulated other comprehensive income	(49)
Retained earnings	1,465
Total stockholders equity	1,955
Total capitalization	$ 1,955

Table of Contents

EXCHANGE RATES

Fluctuations in the exchange rate between the Indian rupee and the U.S. dollar will 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 will also affect the U.S. dollar conversion by the Depositary 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 noon buying rate in the City of New York on business days during the period for cable transfers in Indian rupees as certified for customs purposes by the Federal Reserve Bank of New York. 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
2006	Rs. 44.48	Rs. 44.21	Rs. 46.26	Rs. 43.05
2005	43.62	44.87	46.45	43.27
2004	43.40	45.78	47.46	43.40
2003	47.53	48.36	49.07	47.53
2002	48.83	47.81	48.91	46.58

The following table sets forth the high and low exchange rates for the previous seven months and is based on the noon buying rate in the City of New York during the period for cable transfers in Indian rupees as certified for customs purposes by the Federal Reserve Bank of New York:

Month	High	Low
November 2006 (through November 6, 2006)	Rs. 44.82	Rs. 44.76
October 2006	45.97	44.90
September 2006	46.38	45.74
August 2006	46.61	46.32
July 2006	46.83	45.84
June 2006	46.25	45.50
May 2006	46.22	44.69
April 2006	45.09	44.39

On November 6, 2006, the noon buying rate in the City of New York was Rs. 44.80.

Table of Contents

MANAGEMENT

Directors and Executive Officers

Set forth below are the respective ages and positions of our directors and executive officers as of October 31, 2006.

Name	Age	Position
N. R. Narayana Murthy(1)	60	Chairman of the Board and Chief Mentor
Nandan M. Nilekani(2)	51	Director, Chief Executive Officer, Managing Director and Chairman, Management Council
S. Gopalakrishnan(2)	51	Director, President, Chief Operating Officer, Joint Managing Director and Head Customer Service and Technology
V. Balakrishnan(3)	42	Chief Financial Officer
Deepak M. Satwalekar(4)(5)(6)(7)	57	Lead Independent Director
Marti G. Subrahmanyam(4)(5)(6)	60	Director
Omkar Goswami(4)(5)(7)(8)	50	Director
Rama Bijapurkar(4)(5)(8)	49	Director
Claude Smadja(4)(7)(8)	61	Director
Sridar A. Iyengar(4)(5)(6)	59	Director
David L. Boyles(4)(5)(7)	57	Director
Jeffrey Sean Lehman(4)(6)(7)(8)	50	Director
K. Dinesh	52	Director and Head Communication Design Group, Information Systems and Quality and Productivity
S. D. Shibulal	51	Director and Group Head Worldwide Sales and Customer Delivery
T. V. Mohandas Pai(3)	47	Director and Head Administration and Infrastructure, Human Resources, Education and Research
Srinath Batni(9)	51	Director and Group Co-Head Worldwide Customer Delivery

(1) Non-executive Chairman of the Board.

(2) Mr. Nilekani gave up his position as President of the Company effective August 21, 2006, but remains with the Company as Director, Chief Executive Officer and Managing Director. Mr. Gopalakrishnan was promoted to President and re-designated as the President, Chief Operating Officer and Joint Managing Director, effective August 21, 2006.

(3) Mr. Pai gave up his position as Chief Financial Officer on April 30, 2006, but remains with the Company as a Member of our Board and is responsible for Administration and Infrastructure, Human Resources, Education and Research. Mr. Balakrishnan was promoted to the position of Chief Financial Officer of the Company, effective May 1, 2006.

(4) Independent Director

(5) Member of the Audit Committee

(6) Member of the Compensation Committee

(7) Member of the Nominations Committee

(8) Member of the Investors Grievance Committee

(9) In August 2006, Mr. Batni sold 10,000 equity shares of the Company and failed to notify the Company about the sale within the time prescribed under our insider trading rules. The audit committee of the Company s board of

Table of Contents

directors, which is responsible for the review of management s monitoring of compliance with the Company s standards of business conduct, determined that Mr. Batni s failure to timely notify the Company of the sale of equity shares was a technical violation of the Company s insider trading rules, which forms a part of the Company s Code of Conduct, and therefore imposed on Mr. Batni a penalty of Rs. 500,000, which Mr. Batni paid to charity.

PRINCIPAL AND SELLING SHAREHOLDERS

The following table sets forth as of October 31, 2006, certain information with respect to beneficial ownership of our equity shares by:

- each of our directors;
- each of our executive officers;
- each selling shareholder who is one of our executive officers or directors;
- all of our executive officers and directors as a group;
- each shareholder known to us to be the beneficial owner of 5% or more of our equity shares;
- each selling shareholder who beneficially owns 1% or greater of our equity shares; and
- all other selling shareholders as a group who each beneficially own less than 1% of our equity shares as a group.

Beneficial ownership is determined in accordance with rules of the Securities and Exchange Commission, which generally attribute beneficial ownership of securities to persons who possess sole or shared voting power or investment power with respect to those securities and includes equity shares issuable pursuant to the exercise of stock options or warrants that are immediately exercisable or exercisable within 60 days of October 31, 2006. These shares are deemed to be outstanding and to be beneficially owned by the person holding those options or warrants for the purpose of computing the percentage ownership of that person, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person. Unless otherwise indicated, all information with respect to the beneficial ownership of any principal or selling shareholder has been furnished by such shareholder and, unless otherwise indicated, we believe that persons named in the table have sole voting and sole investment power with respect to all the equity shares shown as beneficially owned, subject to community property laws where applicable. Except as otherwise noted below, the address for each person listed on the table is c/o Infosys Technologies Limited, Electronics City, Hosur Road, Bangalore 560 100, India. The shares beneficially owned by the directors include equity shares owned by their family members to which such directors disclaim beneficial ownership.

Table of Contents

The share numbers and percentages listed below are based on 556,170,720 equity shares outstanding as of October 31, 2006. Amounts representing less than 1% are indicated with an *.

Name and Address of Beneficial Owner	Number of Equity Shares Beneficially Owned	Number of Equity Shares Sold in the Offering	Percentage of Shares Beneficially Owned Before the Offering	After the Offering
Directors and Executive Officers:				
N.R. Narayana Murthy(1)	32,550,526		5.85%	%
Nandan M. Nilekani(2)	22,552,642		4.05%	
S. Gopalakrishnan(3)	21,864,660		3.93%	
V. Balakrishnan	510,814		*	
Deepak M. Satwalekar	56,000		*	
Marti G. Subrahmanyam	66,300		*	