

Report for the second quarter ended September 30, 2010



Infosys Technologies Limited

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Letter to the shareholder

Dear Shareholder,

The second quarter of 2010-2011 has been remarkable with our revenues at ₹6,947 crore with a growth of 24.4% year-on-year. As per the International Financial Reporting Standards (IFRS), our revenues were US \$1,496 million for the quarter ended September 30, 2010, a growth of 10.2% over the last quarter and 29.6% over the corresponding quarter, last fiscal. We are happy to report that our net profit after tax was ₹1,737 crore and in the milieu of a challenging global economic environment, this is an incredible feat.

Such a performance imbues a great sense of optimism for us as well as the industry, as this is for the first time we are seeing a double-digit growth — both in our revenues and net profit — after a gap of nearly three years. When the downturn happened, there were apprehensions that the days of double-digit growth were over. However, these results prove the resilience of IT services industry in India. As a testimony, we added 27 new clients during the quarter and augmented our employee strength by 7,646 (net addition). The quarter has seen record hiring, and attrition has decreased sequentially. Our new career architecture is showing positive results. As of September 30, 2010, the employee strength of Infosys and its subsidiaries was 1,22,468 strong. As you are aware, this marks our 30th year of operations and to commemorate this we have declared an interim dividend of ₹10 per share and a 30th year special dividend of ₹30 per share (previous year dividend of ₹10 per share).

Our operating margins improved during the quarter while our liquidity position was further strengthened with cash and cash equivalents reaching US \$3.9 billion. As on September 30, 2010, cash and cash equivalents including investments in available-for-sale financial assets and certificates of deposits was ₹17,388 crore. We have revised our revenue guidance for the full year, both in rupee and dollar terms. The company expects sales of ₹26,951 – ₹27,165 crore, compared to our July forecast of ₹26,441 – ₹26,885 crore, with a year-on-year growth of 18.5% to 19.4%. In dollar terms, we have revised the revenue guidance to US \$5.95 – US \$6.00 billion, a year-on-year growth of 24% to 25%.

Operational performance in this quarter has been positive. Contribution from North America stands at 65.8%, Europe at 21.8% has picked up despite the prevalent economic challenges in the region. Our utilization, including trainees, is 74.3% and 81.2% excluding trainees, which is an all time high. Our onsite revenues rose to 50.2% from 48.0% the previous quarter.

We had an outstanding show at the recently concluded Oracle® OpenWorld 2010, San Francisco, where the Infosys iSmart power strip and the Infosys 3-screen convergence platform — both of which were created by our own R&D in collaboration with partners and consumer research — were the cynosure of all eyes. Some of our most exciting research is happening in this intersection of digital consumer and pervasive computing and where we are building IP. The iSmart power strip is essentially a sensor that senses movement, light, decibel level and heat / temperature and controls energy consumption based on these parameters. Installing it in our homes and offices will help us do our bit to save the planet.

The research firm, Gartner Inc. positioned Infosys in the Leaders Quadrant of the recently released 'Magic Quadrant for International Retail Core Banking (IRCB) 2010' report for its Finacle™ core banking solution. Finacle™ continued its business momentum, adding 11 wins this quarter. Of these, four were from the Europe, Middle East and Africa (EMEA) region and seven from the Asia Pacific region. Eleven client projects went live on Finacle™ during the quarter.

We crossed another milestone as an Innovation Partner to banks with the launch of Finacle analyz™, a comprehensive analytics solution that empowers banks to make faster, insight-based decisions to strengthen customer relationships and improve profitability.

Flypp™, our smart mobile application platform, went live with Aircel, powering its PocketApps application store. Powered by Flypp™, Aircel PocketApps is accessible on more than 3,800 different handsets. The Infosys iEngage™ digital consumer platform has been selected by one of the world's leading semiconductor companies to deliver next-generation eCommerce for its direct-to-consumer division servicing North America and four countries across Europe. We also announced a strategic partnership with Jive Social Business Software for Infosys iEngage™.

We continued to generate new clients from the Asia-Pacific, Middle East and Latin America regions this quarter.

During this quarter, we applied for 18 patents in India and the U.S. With this, Infosys has an aggregate of 256 patent applications (pending) in India and the U.S. and has been granted 15 patents by the United States Patent and Trademark Office (USPTO).

In recognition of our management and strategic planning practices, we were given the 2010 Force of Ideas award by the Corporate Executive Board, Washington D.C. We won the North America Oracle Titan Award for 'Outstanding Customer Solutions by a Leading Partner' during Oracle® OpenWorld 2010. We received another Titan Award for the successful implementation of Oracle Warehouse Management System (WMS) for Cummins Inc. The award for the Best ITSM (IT Service Management) Project of the Year was awarded to Telstra and Infosys by itsSMF Australia. Infosys BPO won the CMO Asia Award for Excellence in Branding and Marketing for its initiative to promote thought leadership and its relationship with analysts, media and other key influencers.

Presently, we have 2.7 million sq. ft. of land under construction. Following up on our commitment to be a responsible consumer of energy, water and other natural resources, we continue to invest in green buildings.

Our ability to build tomorrow's enterprise depends on our actions today. We take this opportunity to thank you — our clients, shareholders, employees and well-wishers — for reposing your faith in us today and encouraging us to aspire for a better tomorrow.

S. Gopalakrishnan
Chief Executive Officer and
Managing Director

S. D. Shibulal
Chief Operating Officer
and Director

Select financial data – IFRS (consolidated)

The Securities and Exchange Board of India (SEBI) had on November 9, 2009, issued a press release permitting listed entities having subsidiaries to voluntarily submit the consolidated financial statements as per IFRS. Further, the SEBI issued a circular, dated April 5, 2010, wherein the Listing Agreement has been modified to this effect from March 31, 2010. Consequent to this, the company has voluntarily prepared and published audited consolidated IFRS Financial Statements for the quarter ended September 30, 2010.

Statement of comprehensive income for the quarter ended

in ₹Crore, except per share data

	September 30, 2010	September 30, 2009	Year-on-year growth (%)	June 30, 2010	Sequential growth (%)
Revenues	6,947	5,585	24.4	6,198	12.1
Cost of sales	3,971	3,203	24.0	3,648	8.9
Gross profit	2,976	2,382	24.9	2,550	16.7
Operating expenses:					
Selling and marketing expenses	380	276	37.7	339	12.1
Administrative expenses	498	413	20.6	456	9.2
Total operating expenses	878	689	27.4	795	10.4
Operating profit	2,098	1,693	23.9	1,755	19.5
Other income, net	267	239	11.7	239	11.7
Operating profit before tax	2,365	1,932	22.4	1,994	18.6
Income tax expense	628	397	58.2	506	24.1
Net profit	1,737	1,535	13.2	1,488	16.7
Earnings per equity share					
Basic (₹)	30.41	26.91	13.0	26.06	16.7
Diluted (₹)	30.40	26.87	13.1	26.05	16.7

Balance Sheet data as at

in ₹Crore

	September 30, 2010	March 31, 2010
Cash and cash equivalents*	15,401	12,111
Available-for-sale financial assets	38	2,556
Investment in certificates of deposit	1,949	1,190
Trade receivables	4,171	3,494
Property, plant and equipment	4,529	4,439
Other assets	4,205	3,822
Total assets	30,293	27,612
Other liabilities	3,968	3,539
Total equity	26,325	24,073
Total liabilities and equity	30,293	27,612

*Cash and cash equivalents include deposits with corporations.

Ratio analysis – IFRS (consolidated)

	Quarter ended		
	September 30, 2010	September 30, 2009	June 30, 2010
Cost of sales / total revenue (%)	57.16	57.35	58.85
Gross profit / total revenue (%)	42.84	42.65	41.14
Operating expenses / total revenue (%)	12.64	12.34	12.83
Operating profit / total revenue (%)	30.20	30.31	28.32
Tax / PBT (%)	26.55	20.55	25.38
Days sales outstanding (DSO) (LTM)	61	55	60
Cash and cash equivalents / total assets (%)*	57.40	55.53	56.36
ROCE (PBIT / average capital employed) (%) (LTM)	35.18	40.05	35.94
Return on average invested capital (%) (LTM)*	68.95	73.51	67.68

*Investments in available-for-sale financial assets and certificates of deposit have been considered as cash and cash equivalents for the above ratio analysis.

LTM - Last Twelve Months

Select financial data – IFRS (consolidated)

Income statement for the quarter ended

in United States Dollar millions, except per share data

	September 30, 2010	September 30, 2009	Year-on-year growth (%)	June 30, 2010	Sequential growth (%)
Revenues	\$1,496	\$1,154	29.6	\$1,358	10.2
Cost of sales	855	662	29.2	800	6.9
Gross profit	641	492	30.3	558	14.9
Operating expenses:					
Selling and marketing expenses	82	57	43.9	74	10.8
Administrative expenses	107	85	25.9	100	7.0
Total operating expenses	189	142	33.1	174	8.6
Operating profit	452	350	29.1	384	17.7
Other income, net	57	49	16.3	53	7.5
Profit before income taxes	509	399	27.6	437	16.5
Income tax expense	135	82	64.6	111	21.6
Net profit	\$374	\$317	18.0	\$326	14.7
Earnings per equity share					
Basic (\$)	0.65	0.56	16.1	0.57	14.0
Diluted (\$)	0.65	0.56	16.1	0.57	14.0

Balance Sheet data as at

in United States Dollar millions

	September 30, 2010	March 31, 2010
Cash and cash equivalents*	\$3,427	\$2,698
Available-for-sale financial assets	8	569
Investment in certificates of deposit	434	265
Trade receivables	928	778
Property, plant and equipment	1,008	989
Other assets	937	849
Total assets	\$6,742	\$6,148
Other liabilities	\$883	\$787
Total equity	5,859	5,361
Total liabilities and equity	\$6,742	\$6,148

*Cash and cash equivalents include deposits with corporations.

Additional information

The following information for the quarter and half-year ended September 30, 2010, is available in the Investors' section of our website (www.infosys.com):

1. Audited balance sheet, profit and loss account, cash flow statement, schedules, significant accounting policies and notes on accounts for the quarter and half-year ended September 30, 2010, and the related auditor's report – Indian GAAP standalone
2. Audited IFRS Consolidated Interim Financial Statements (INR).
3. Unaudited condensed consolidated interim financial statements in USD prepared in compliance with International Financial Reporting Standards.

Infosys is concerned about the environment and utilizes natural resources in a sustainable way. To this end, the quarterly report is sent via email to shareholders who have updated their email addresses with the depository participant. In order to intensify our paper conservation drive, from the quarter ended June 30, 2010 onwards, we have sent the quarterly report to the shareholders only via email. We will continue to host the quarterly report on the company's website so that it is easily accessible to the investors anytime. We request you to kindly update your email addresses with your depository participant. A physical copy of the report will be sent only on request. You can send the request to investors@infosys.com. Your cooperation will help conserve paper and minimize our impact on the environment.

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

Safe Harbor

Statements in connection with this release may include forward-looking statements within the meaning of U.S. Securities laws intended to qualify for the 'safe harbor' under the Private Securities Litigation Reform Act. These forward-looking statements are subject to risks and uncertainties including those described in our SEC filings available at www.sec.gov including our Annual Report on Form 20-F for the year ended March 31, 2010, and our other recent filings, and actual results may differ materially from those projected by forward-looking statements. We may make additional written and oral forward-looking statements but do not undertake, and disclaim any obligation, to update them.