

Investor Update

Quarter 2 ended September 30, 2010



Highlights for the quarter –

- ✓ Revenue for the quarter Rs. 2,954.7 million (with Wellsco), Y-o-Y growth of 24.4%, Q-o-Q growth of 16.8%.
- ✓ Revenue for the Quarter (without Wellsco) Rs. 2,869.8 million, Y-o-Y growth of 20.9%, Q-o-Q growth of 13.5%.
- ✓ Operating margin for the quarter at 15.5% (with Wellsco) and 16.0% (without Wellsco).
- ✓ UTC cumulative revenue crossed USD 300 million during this quarter.
- ✓ ENGG revenues cross Rs. 200 crores during the quarter for the first time.
- ✓ Business momentum and environment continues to be in line with expectations for key verticals – Manufacturing, Telecom and Hitech.
- ✓ Acquired Wellsco Inc., a Telecom Engineering company, based at Paragould, Arkansas, USA.

Message from the Chairman & Managing Director

Commenting on the results, Mr. BVR Mohan Reddy, Chairman and Managing Director, said, "I am pleased to announce the results for Quarter-2 of the financial year 2010-11. During the quarter, we delivered revenues of Rs. 2,954.7 million (which includes the revenues from our new acquisition Wellsco) indicating a 16.8% growth over quarter-1 and 24.4% over quarter-2 of last year. Our revenues for the quarter, without including revenues from Wellsco, was at Rs. 2,869.8 million indicating a 13.5% growth over last quarter and 20.9% over quarter-2 of last year.

In \$ terms, we delivered revenues of \$ 63.5 million (with Wellsco), recording a 14.6% increase over the sequential quarter and a 29.6% increase over corresponding quarter of the preceding year.

Both our verticals, UTG and EMI generated volume growth of 15.8% and 13.0% respectively. Both geographies – North America and Europe, have increased their revenue contribution during the quarter.

Our operating margin for this quarter was at 15.5% (with Wellsco) and at 16% (without Wellsco). We continue to have wage pressure but all adjustments are now complete.

Going forward, we have a strong order pipeline and are expanding further into our existing client relationships. We are also taking steps in improving pricing, utilization and efficiency (levers for operating margin growth). Our investment in people has "accelerated growth" resulting in good volume increase.

During the quarter, we acquired Wellsco Inc., a telecom engineering company, based in Paragould, Arkansas, USA, through our wholly-owned subsidiary, IEAI. Wellsco has contributed Rs. 84.9 million to our revenues, having consolidated the entity with effect from August 9, 2010.

I am also happy to announce that the cumulative revenues from UTC Group have crossed \$ 300 million during this quarter. Also, revenues from Engineering vertical have crossed Rs. 200 crores for the first time in a quarter."

Performance Highlights - Q2 FY11

(All numbers in **INR Million**, except % data)

Particulars	Q2 FY 11	Q1 FY 11	Q-o-Q	Q2 FY 10	Y-o-Y
Operating Revenue	2,954.7	2,528.9	16.8%	2,374.0	24.4%
Operating Profit	457.4	403.9	13.2%	515.1	-11.5%
Operating Margin	15.5%	16.0%		21.7%	
PAT	329.9	328.9		353.3	

(All numbers in **US\$ Million**, except % data)

Particulars	Q2 FY 11	Q1 FY 11	Q-o-Q	Q2 FY 10	Y-o-Y
Operating Revenue	63.5	55.4	14.6%	49.0	29.6%
Operating Profit	9.8	8.8	11.4%	10.7	-7.8%
Operating Margin	15.5%	16.0%		21.7%	
PAT	7.1	7.2	-8.3%	7.3	-9.8%
Average Exchange Rate (USD)	46.50	45.67	-	48.42	-

Business and Operational Highlights - Q2 FY11

- ✓ **New Business & Services Offerings –**
 - **Several key wins in Utilities, Telecom and Government segments.**
 - **12 customers were added** during the quarter, 7 in UTG and 5 in EMI.

- ✓ **Quality and other certifications –**
 - Infotech has been **re-certified for ISO9001** (8 locations) and **for ISO27001** (5 locations).
 - **First Patent Application filed** relating to a system for generating error free syntactically compatible CNC (Computer Numerical Control) program.

✓ **Facilities –**

- Opened a **new CoE** at our SEZ at Visakhapatnam and is fully operational.

✓ **Investments and Cash –**

- **Cash balance** stood at Rs. 3,620 million as against Rs. 4,052 million as at end of Q-1.
- **Capital Expenditure** of Rs. 309 million during the quarter.

Details on key highlights of this Quarter

Operating margin for this quarter stands at 16.0%

Our operating margin for the quarter, at 15.50%, after including Wellsco. Operating margin is at 16.0% without Wellsco. We made significant investment in People & Infrastructure during the quarter. We successfully completed the acquisition of Wellsco Inc at USA.

In this quarter, salaries have increased by Rs. 22 crores – Rs. 12.6 Crores due to manpower additions, Rs. 4.9 due to salary adjustments, and Rs. 4.5 crores due to impact of exchange rate and other adjustments.

How did we perform on Volume Growth?

Engineering vertical witnessed a volume growth of 13.0% and UTG vertical witnessed a volume growth of 15.8%, including Wellsco (9.4% Wellsco + 6.4% organic).

Impact of exchange rate variance

Both verticals UTG and Engineering had positive exchange rate impact of 5.0% and 2.2% respectively.

Key factors that will impact operating margin and key margin drivers for next quarter

We have reached an optimum level for SG&A and are hopeful of reaping the benefits in the next two quarters in terms of increased revenues. We are also focusing to improve the utilization and efficiency in the coming quarter.

The Quarter that was – UTG

We added 7 new customers during the quarter, 4 of which are large “Must Have” accounts with significant scope to scale. We are seeing robust growth again in our US telecom and utilities businesses, which will only accelerate with the acquisition of Wellsco. Already both sales teams are fully integrated. There continues to be good activity in APAC and we are pleased to report that our European business has stabilized and has shown modest growth. Sales of new service offerings are up on last quarter and on plan for the FY.

The Quarter that was – ENGG

This was by far the best quarter for Engg vertical with quarterly revenues crossing Rs. 200 crores. The global spend on manufacturing industry has returned, led by Hitech, Heavy Engineering and Aerospace verticals.

Growth of top 5/ top 10 clients

Each of our top 10 clients in Engg grew Q-o-Q. In UTG, we maintained our revenues from top 10 clients and also saw increased contribution from a couple of clients in USA.

Onsite / Offshore split on revenues

The overall onsite – offshore split of revenues was 42% - 58% for UTG and 58% - 42% for Engg in Q2 FY11

Any Major Project Win or Completion (closure of account) in this quarter

We have added 12 new customers during the quarter, 7 of which are UTG and 5 of them are in Engg.

New Initiatives / Strategic Investments / Current Liquidity and Plans

We continue to have a strong balance sheet with a cash balance of Rs. 362 crores. We opened Center of Excellence in our new SEZ at Vizag.

Infotech has been re-certified for ISO9001 (8 locations) and for ISO27001 (5 locations).

First Patent Application filed relating to a system for generating error free syntactically compatible CNC (Computer Numerical Control) program.

Capex for previous year / Next Year/ Next Quarter

Budgeted capex for Q2 FY11 was Rs. 304 million against which the total amount spent was Rs. 309 million.

Mergers & Acquisitions / JV's / Partnerships / Performances of new Acquisitions

We acquired Wellsco Inc, a Telecom Engineering company based at Paragould, Arkansas, USA. The company became a wholly-owned subsidiary of our US subsidiary, IEAI w.e.f August 9, 2010. Wellsco contributed Rs. 8.49 crores to our revenues.

We have an active M&A pipeline focused on our key sectors both in ENGG and UTG in Europe and USA, some of which have potential for close in 2 to 3 quarters.

Attrition rate in past quarter and Talent Acquisition (Vertical wise) / Training / Net additions (vertical wise) / Freshers & Laterals

Our target for this year is to have a net headcount addition of 2775 (both laterals and fresher). For Q2 FY11, we have already recruited 454 resources (net addition, including 229 from Wellsco) and plan to have similar additions every quarter. Attrition for Q2 FY 11 was 4.60%.

We are recruiting and training fresher for Engineering segment. The training period is expected to be 6 months and participants would be productive from the later half of training period.

Other Income

Other income predominantly includes the interest on investments and deposits of Rs. 34 million, dividend and mutual funds at Rs. 7 million, gain on forward contract at Rs. 6 million and exchange fluctuation at Rs. 21 million.

Utilization levels in different verticals and commentary on them

We are noticing a utilization level of 75% UTG and 73% at EMI vertical. Our target for this fiscal year is to improve on the utilization levels and in turn improve our profit margins.

Hedges / Covers / Forwards contracts

As per our policy, we cover 70% of our next cash inflow for the next six months. We are covered for US dollars, Euro and GBP till March 2011. Approximately, dollar is covered at 46.60, Euro at 63.73, and GBP at 75.05.

Debtors' days

Debtors' days stands at 85 days as at the end of Q2 FY11, as compared to 88 days as at end of Q1 FY11.

Investor breakup

Individuals/Family (23.05%), Mutual Funds (6.50%), FII (24.0%), Non-institutions (46.45%)

Annexure

Detailed Financials - Q2 FY11 (with Wellsco)

Particulars	Q2 FY 11	Q1 FY 11	Q-o-Q	Q2 FY 10	Y-o-Y
Operating Revenues	2,954.7	2,528.9	16.8%	2,374.0	24.5%
Operating Expenditure	2,497.4	2,124.9	17.5%	1,858.9	34.3%
Salary Costs	1,845.1	1,566.9	17.8%	1,336.9	38.0%
Travel Expenditure	188.0	163.7	14.8%	136.0	38.2%
Purchases for Products / Re-sale	103.5	86.1	20.2%	68.4	51.3%
Professional charges	75.7	76.0	-0.4%	76.4	-0.9%
Other Operating Costs	285.1	232.2	22.8%	241.2	18.2%
Operating Profits	457.3	404.0	13.2%	515.1	-11.2%
Operating Margin	15.5%	16.0%		21.7%	
Depreciation & Amortization	124.2	116.8	6.2%	114.1	8.7%
Financial Expenses	5.7	2.4		2.4	
Other Income	66.3	80.7		44.6	
Profit Before Tax	393.7	365.6	7.8%	443.2	-11.1%
PBT Margin	13.3%	14.0%		18.3%	
Tax	79.6	74.0		123.6	-16.3%
Profit After Tax	314.1	291.6	7.8%	319.6	-1.7%
Share of Profits - IASI	16.2	36.8		32.9	
Minority Interest - IGIL	-0.4	0.5		0.7	
PAT after Share of Profits	329.9	328.9	0.4%	353.3	-6.5%
Net Margin	10.9%	12.6%		14.6%	
Basic EPS *	2.97	2.96		6.40	

(All numbers in INR Million, except for % and EPS data)

(On par value of Rs. 5 per share and adjusted for issue of bonus shares in the ratio of 1 share for every 1 share held.)*

Performance Metrics (Verticals) - Q2 FY11

Revenue Distribution, by Vertical –

Business Segment	Q2 FY11	Q1 FY11	Q2 FY10
Utilities Telecom and Government	901.7 (30.6%)	746.5 (29.5%)	866.0 (36.5%)
Engineering, Manufacturing and Industrial Products	2,053.2 (69.4%)	1,783.9 (70.5%)	1,515.3 (63.8%)
Less: Inter Segment Sales	-0.2 (0.00%)	-1.5 (-0.1%)	-7.6 (-0.3%)
TOTAL	2,954.7 (100.0%)	2,528.9 (100.0%)	2374.0 (100.0%)

(All numbers in INR Million, except for % data)

Revenue Distribution, by Geography –

Geography	Q2 FY11	Q1 FY11	Q2 FY10
North America	1,626.3 (55.0%)	1,320.1 (52.2%)	1,123.9 (47.3%)
Europe	1,109.4 (37.5%)	970.3 (38.4%)	1,037.4 (43.7%)
Asia/ Australia	219.0 (7.4%)	238.3 (9.4%)	212.7 (9.0%)
TOTAL	2,954.7 (100.0%)	2,528.9 (100.0%)	2,374.0 (100.0%)

Revenue Contribution –

	Q2 FY11	Q1 FY11	Q2 FY10
Top 5	38.4%	41.4%	44.7%
Top 10	58.3%	60.0%	61.6%
Others	41.7%	40.0%	38.4%

Talent Distribution, by Vertical –

Business Segment	Q2 FY11	Q1 FY11	Q2 FY10
UTG	3,923	3,772	3,798
EMI	3,706	3,463	3,064
Support Functions	494	434	426
TOTAL	8,123	7,669	7,288

Revenue Distribution, by Company –

Name of Company	Q2 FY11	Q1 FY11	Q2 FY10
Infotech Enterprises Ltd	1,582.8	1,415.8	1,440.6
Infotech Enterprises Europe Ltd	277.3	265.9	331.0
Infotech Enterprises America Inc. #	1,234.8	977.2	854.0
Infotech Enterprises, GmbH	622.9	511.0	577.6
Infotech Geospatial (India) Ltd	18.3	7.1	18.2
Infotech HAL Limited	2.2	2.4	2.0
Infotech Enterprises Japan KK	5.5	4.1	1.5
Infotech Enterprises IT Services Pvt. Ltd.	24.0	--	--
Gross Revenues	3,767.8	3,183.5	3,224.9
Less: Intra Group Revenues	813.1	654.6	850.9
Net Revenues	2,954.7	2,528.9	2,374.0

(All numbers in INR Million, except for % data)

Includes Wellsco

84.9

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Talent Distribution, by Company –

Name of Company	30-Sep-10	30-Jun-10	30-Sep-09
Infotech Enterprises Ltd.,	6,719	6,589	6,561
Infotech Enterprises Europe Ltd	127	135	68
Infotech Enterprises America Inc. #	993	688	419
Infotech Enterprises, GmbH	239	210	169
Infotech Geospatial (India) Ltd.	36	38	60
TIIT	4	6	8
Infotech Enterprises Japan KK	5	3	3
TOTAL	8,123	7,669	7,288

Includes Wellsco

229

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Profit Distribution, by Company –

Name of Company	Q2 FY11	Q1 FY11	Q2 FY10
Infotech Enterprises Ltd	253.4	215.2	259.9
Infotech Enterprises Europe Ltd	9.1	24.8	24.2
Infotech Enterprises America Inc. #	39.3	40.7	25.1
Infotech Enterprises, GmbH	17.6	39.0	39.7
Infotech Geospatial (India) Ltd	1.7	-2.0	-2.6
Infotech HAL Limited	0.0	-0.2	-0.1
Infotech Enterprises Japan KK	-2.5	-5.0	-5.2
Infotech Enterprises IT Services Pvt. Ltd.	-4.7	--	--
Gross Profit	313.9	312.6	341.0
Less: Others (Elimination)	0.2	-21.0	-21.3
Profit After Tax	314.1	291.6	319.7
Share of Profits from IASI	16.2	36.8	32.9
Minority Interest of IGIL	-0.4	0.5	0.7
Profit after Minority Interest	329.9	328.9	353.3

(All numbers in INR Million, except for % data)

Includes Wellsco

-3.2

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Company Overview

Infotech Enterprises Limited (IEL) is a global Engineering Design and Geospatial Information Services company. Over the last 18+ years Infotech has excelled in gaining expertise in Engineering Design Services in – Aerospace, Locomotives, Marine, Automobiles and other Industrial products. Geospatial Solutions for Telecommunication, Utilities and Government and Software Services.

Over +8000 highly skilled professionals in Infotech work onsite, offshore and near shores to provide high quality and value added services and solutions for companies in several industry sectors. Infotech Enterprises is an SEI CMMi Level 5 company, and certified to ISO 9001:2000, ISO 27001 and AS 9100 standards. Infotech Enterprises is a public listed company and has attracted globally reputed equity investors like UTC and General Atlantic Partners.

For more information, please visit www.infotech-enterprises.com

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Disclaimer -

This document contains certain forward looking statements on our future prospects. Although, Infotech believes that expectations contained in these statements are reasonable, their nature involve a number of risks and uncertainties that may lead to different results. These forward looking statements represent only the current expectations and beliefs and company provides no assurance that such expectations will prove correct.

All the references to Infotech's financial results in this update pertain to the company's consolidated operations comprising overseas wholly-owned subsidiaries Infotech Enterprises Europe Ltd., (IEEL); Infotech Enterprises America Inc., (IEAI); Infotech Enterprises GmbH (IEG); TTM Institute of Information Technology Pvt. Ltd, Infotech Enterprises Japan KK; Joint Venture Infotech HAL Ltd (HAL JV) and the partially-owned subsidiary Infotech Geospatial (India) Ltd (IGIL).

Income statement provided is in the internal MIS format. MIS format is different from the income statement published as part of financial results in terms of grouping of cost elements.