

Investor Update

Quarter 3 ended December 31, 2010

Highlights for the quarter –

- ✓ Revenue for Q-3 crosses Rs. 300 crores for the first time, a significant milestone in the history of the company.
- ✓ Revenue for the quarter Rs. 3,138.2 million, Y-o-Y growth of 31.2%, Q-o-Q growth of 6.2%.
- ✓ Operating margin, at 15.1% for the quarter, is Rs. 475 million, up by 3.8% over sequential quarter.
- ✓ Profit before tax at Rs. 450.1 million, up 14.3% over sequential quarter.
- ✓ Rebranded Utilities, Telecom & Government (UTG) vertical as Network & Content Engineering (N&CE).
- ✓ N&CE revenue for the quarter crosses Rs. 100 crores for the first time.
- ✓ Further strengthened leadership position in Rail domain by entering into a long term agreement with a leading Rail Signalling company in UK.
- ✓ Business momentum and environment continues to be in line with expectations in – Manufacturing, Telecom and Hitech verticals.

Message from the Chairman & Managing Director

Commenting on the results, Mr. BVR Mohan Reddy, Chairman and Managing Director, said, "We are pleased to deliver one more quarter of consistent results. Our Q3 results for FY 2010-11, indicate robust quarter on quarter revenue growth of 6.2%, addition of 15 new customers, renewal of contract by our second largest customer, strengthening of our Rail Practice with one more long term contract and growth of business outside our Top 10 customers. Both our verticals (Engineering and N&CE) showed quarter on quarter volume growth of 5.2% and 14.1%. Our cost structure remains steady, but the operating margins were impacted on account of foreign exchange head-winds and our continued investments for future growth. US \$ depreciated by 3.5% and the operating margins were at 15.1%.

Our order pipeline is strong and as such we feel confident to grow the company further in coming quarters. While we will continue to make investments for future growth, we will focus on some more operating levers such as utilization and productivity, organizational re-sizing, on-shore off-shore mix, etc., to improve on our operating margins."

Performance Highlights - Q3 FY11

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

Particulars	Q3 FY 11	Q2 FY 11	Q-o-Q	Q3 FY 10	Y-o-Y
Operating Revenue	3,138.2	2,954.7	6.2%	2,390.7	31.2%
Operating Profit	475.0	457.3	3.8%	517.9	-8.3%
Operating Margin	15.1%	15.5%		21.6%	
PAT	368.4	329.9	11.7%	379.1	-2.8%

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

Particulars	Q3 FY 11	Q2 FY 11	Q-o-Q	Q3 FY 10	Y-o-Y
Operating Revenue	69.9	63.5	10.1%	51.3	36.3%
Operating Profit	10.6	9.8	8.2%	11.1	-4.5%
Operating Margin	15.1%	15.5%		21.6%	
PAT	8.2	7.1	15.5%	8.1	1.2%
Average Exchange Rate (USD)	44.86	46.50		46.64	

Business and Operational Highlights - Q3 FY11

- ✓ **New Business & Services Offerings –**
 - **Key wins in Engineering, Utilities and Telecom.**
 - **15 customers were added** during the quarter, 7 in N&CE and 8 in ENGG.
 - **Renewed contract with Tom Tom** for three years. The contract envisages price increases starting January 2011.
 - Expanded our service portfolio by winning multi-year contract to provide **Dial-Before-You-Dig** services to an **Australian utility**.
 - Entered into a **long term agreement with a Rail Signaling company in UK** to provide signaling and inter-locking services.
 - We started billing on a **rail customer in South Africa**.
 - **CATERPILLAR EDCI has selected us as one of its engineering partners** to support their ongoing & new product development activities.

✓ **Investments and Cash –**

- **Cash balance** stood at Rs. 3,808 million as against Rs. 3,620 million as at end of Q-2.
- **Capital Expenditure** of Rs. 59 million during the quarter.

✓ **HR Initiatives -**

- **I-Evolve** : a focused Four-layer structured approach to develop leadership competencies amongst our emerging leaders.
- **Sparsh** : enhancing the psychological wellbeing of our associates enabling them to reach their full potential.
- **Infotouch** : encompasses all aspects of an associate work life.

✓ **Certifications –**

- IEE, UK, our subsidiary received ISO 9001 and ISO 27001 certification.

Details on key highlights of this Quarter

Operating margin for this quarter :

Our operating margin for the quarter is at 15.1%.

In this quarter, salaries have increased by Rs. 8.9 crores – Rs. 5.0 Crores due to manpower additions and Rs. 3.9 crores due to impact of exchange rate and other adjustments. We also witnessed higher subcontractor costs, marketing expenses and staff training and recruitment during the quarter.

Volume Growth :

ENGG vertical witnessed a volume growth of 5.2% and N&CE vertical witnessed a volume growth of 14.1%. Overall, the volume growth was 7.9%.

Impact of exchange rate variance :

Both verticals N&CE and ENGG had negative exchange rate impact of 0.8% and 2.1% respectively. Overall, the exchange rate variance was -1.7%.

Key factors that impacted operating margin and key margin drivers for next quarter :

The key factors that impacted our operating margins this quarter were FX headwinds and pricing pressure.

We strongly believe that our costs are well under control and we see a strong order pipeline in the next quarter. We are also focusing on key operating levers like improving utilization and productivity, organizational resizing, on-shore / off-shore mix etc. to improve on our operating margins.

The Quarter that was – N&CE :

We achieved growth during the quarter from all geo's and existing business lines, as well as from the first full quarter contribution from Wellsco. Wellsco was profitable during the quarter, and is now profitable YTD. The maximum growth came from APAC and the US. By vertical, it was a good quarter for Telecoms, with increased contributions from AT&T, Verizon and Telstra. Operating margins improved slightly thanks to better gross margins from APAC operations, and improved levels of utilization.

The Quarter that was – ENGG :

This quarter, ENGG vertical top line is up by 3.1%, constituting 5.2% of volume variance and – 2.1% of exchange variance. The pressure on Operating margin has continued in the light of pay hikes and attrition. In this quarter, we have started working for Stolle Machine Company and signed MSAs with Textron and Energy Solutions. We have added Africa as a new geography.

Growth of top 5/ top 10 clients :

Our revenue contribution from Top 10 customers has come down from 58.2% in Q-2 to 55.8% this quarter, indicating greater diversification and revenue contribution from customers outside the Top-10 list.

Onsite / Offshore split on revenues :

The onsite – offshore split of revenues was 49.3% - 50.7% for N&CE and 54.7% - 45.3% for ENGG in Q3 FY11. The overall mix for the company was 51.1% - 48.9%.

Major Project Wins or Completion (closure of account) in this quarter :

We have added 15 new customers during the quarter, 7 of which are in N&CE and 8 of them are in ENGG. No major project closures during the quarter.

We entered into an agreement with a leading Rail Signaling company in UK to provide rail signaling and interlocking services. This customer is one of the world's largest rail signaling provider and this contract further strengthens Infotech's leadership position in the rail domain.

New Initiatives / Strategic Investments / Current Liquidity :

We continue to have a strong balance sheet with a cash balance of Rs. 381 crores.

IEE, UK is now ISO 9001 and ISO 27001 certified.

Capex for previous year / Next Year/ Next Quarter :

Budgeted capex for Q3 FY11 was Rs. 302 million against which the total amount spent was Rs. 59 million.

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

We have an active M&A pipeline focused on our key sectors both in ENGG and N&CE 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 :

Recruited 696 candidates across the locations in the verticals. In spite of the market volatility we were able to recruit 195 critical resources across all the verticals. Recruited 317 Freshers through Off – Campus drives.

Attrition for Q3 FY 11 was at 4.76% and annualized at 19.0%.

Other Income :

Other income predominantly includes the interest on investments and deposits of Rs. 35 million, dividend and mutual funds at Rs. 5 million, gain on forward contract at Rs. 41 million and exchange fluctuation and others at Rs. 17 million.

Utilization levels in different verticals and commentary on them :

We are noticing a utilization level of 81% in N&CE and 75% in ENGG 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 :

We are covered for 70% of our net cash inflow for USD, Euro and GBP for the next three months. We are covered for 35% each for US dollars and GBP and for 67% for Euro for the period April to September 2011. Approximately, dollar is covered at 46.80, Euro at 63.95, and GBP at 73.82.

Debtors' days :

Debtors' days stands at 89 days as at the end of Q3 FY11, as compared to 85 days as at end of Q2 FY11. Our cascading analysis shows that 1.8% of revenue is outstanding prior to June 2010.

Investor breakup :

Individuals/Family (23.0%), Mutual Funds (7.9%), FII (22.7%), Non-institutions (46.4%).

Share of profit from IASI :

Our associate company IASI has generated a loss in the current quarter due to lower business intake, lower number of working days and consequently lower utilization.

Annexure

Detailed Financials - Q3 FY11

Particulars	Q3 FY 11	Q2 FY 11	Q-o-Q	Q3 FY 10	Y-o-Y
Operating Revenues	3,138.2	2,954.7	6.2%	2,390.7	31.2%
Operating Expenditure	2,663.2	2,497.4	6.6%	1,872.8	42.2%
Salary Costs	1,933.8	1,845.1	4.8%	1,307.8	47.8%
Travel Expenditure	194.5	188.0	3.4%	148.0	31.4%
Purchases for Products / Re-sale	131.4	103.5	26.9%	112.4	16.9%
Professional charges	79.8	75.7	5.4%	83.4	-4.3%
Other Operating Costs	323.7	285.1	13.5%	221.2	46.3%
Operating Profits	475.0	457.3	3.8%	517.9	-8.3%
Operating Margin	15.1%	15.5%		21.6%	
Depreciation & Amortization	122.3	124.2	-1.5%	111.1	10.1%
Financial Expenses	1.0	5.7		1.5	
Other Income	98.4	66.3	48.2%	77.5	26.8%
Profit Before Tax	450.1	393.7	14.3%	482.8	-6.8%
PBT Margin	13.9%	13.3%		19.5%	
Tax	76.5	79.6	-3.9%	129.0	-40.7%
Profit After Tax	373.6	314.1	18.9%	353.8	5.6%
Share of Profits - IASI	-4.6	16.2		25.3	
Minority Interest - IGIL	-0.6	-0.4		-0.1	
PAT after Share of Profits	368.4	329.9	11.7%	379.1	-2.8%
Net Margin	11.4%	10.9%		15.3%	
Basic EPS *	3.31	2.97		3.43	

(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) - Q3 FY11

Revenue Distribution, by Vertical –

Business Segment	Q3 FY11	Q2 FY11	Q3 FY10
Network & Content Engineering	1,021.7 (32.6%)	901.7 (30.6%)	845.6 (35.4%)
Engineering, Manufacturing and Industrial Products	2,119.7 (67.5%)	2,053.2 (69.4%)	1,550.8 (64.9%)
Less: Inter Segment Sales	-3.2 (-0.1%)	-0.2 (0.00%)	-5.7 (-0.3%)
TOTAL	3,138.2 (100.0%)	2,954.7 (100.0%)	2,390.7 (100.0%)

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

Revenue Distribution, by Geography –

Geography	Q3 FY11	Q2 FY11	Q3 FY10
North America	1,750.8 (55.8%)	1,626.3 (55.0%)	1,111.7 (46.5%)
Europe	1,130.7 (36.0%)	1,109.4 (37.5%)	1,064.3 (44.5%)
Asia/ Australia	256.7 (8.2%)	219.0 (7.4%)	214.7 (9.0%)
TOTAL	3,138.2 (100.0%)	2,954.7 (100.0%)	2,390.7 (100.0%)

Revenue Contribution –

	Q3 FY11	Q2 FY11	Q3 FY10
Top 5	36.7%	38.4%	44.7%
Top 10	55.8%	58.2%	59.8%
Others	44.2%	41.8%	40.2%

Talent Distribution, by Vertical –

Business Segment	Q3 FY11	Q2 FY11	Q3 FY10
N&CE	3,747	3,923	3,663
EMI	4,059	3,706	3,128
Support Functions	578	494	416
TOTAL	8,384	8,123	7,207

Revenue Distribution, by Company –

Name of Company	Q3 FY11	Q2 FY11	Q3 FY10
Infotech Enterprises Ltd	1,673.6	1,582.8	1,400.1
Infotech Enterprises Europe Ltd	295.8	277.3	264.7
Infotech Enterprises America Inc. #	1,312.0	1,234.8	842.9
Infotech Enterprises, GmbH	629.6	622.9	607.1
Infotech Geospatial (India) Ltd	22.5	18.3	16.7
Infotech HAL Limited	1.6	2.2	--
Infotech Enterprises Japan KK	9.6	5.5	2.6
Infotech Enterprises IT Services Pvt. Ltd.	22.0	24.0	1.6
Gross Revenues	3,966.7	3,767.8	3,135.7
Less: Intra Group Revenues	828.5	813.1	745.0
Net Revenues	3,138.2	2,954.7	2,390.7

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

Includes Wellsco (Q-2 w.e.f Aug 8, 2010) 152.0 84.9 --

Talent Distribution, by Company –

Name of Company	31-Dec-10	30-Sep-10	31-Dec-09
Infotech Enterprises Ltd.,	6,914	6,658	6,438
Infotech Enterprises Europe Ltd	128	127	73
Infotech Enterprises America Inc. #	999	993	449
Infotech Enterprises, GmbH	249	239	187
Infotech Geospatial (India) Ltd.	25	36	49
Infotech Enterprises IT Services Pvt. Ltd.	61	61	--
TIIT	3	4	8
Infotech Enterprises Japan KK	5	5	3
TOTAL	8,384	8,123	7,207

Includes Wellsco (Q-2 w.e.f Aug 8, 2010) 211 229 --

Profit Distribution, by Company –

Name of Company	Q3 FY11	Q2 FY11	Q3 FY10
Infotech Enterprises Ltd	365.9	253.4	266.6
Infotech Enterprises Europe Ltd	13.1	9.1	19.2
Infotech Enterprises America Inc. #	12.0	39.3	36.5
Infotech Enterprises, GmbH	15.5	17.6	47.9
Infotech Geospatial (India) Ltd	2.3	1.7	0.2
Infotech HAL Limited	-0.4	0.0	--
Infotech Enterprises Japan KK	-1.5	-2.5	0.1
Infotech Enterprises IT Services Pvt. Ltd.	-3.8	-4.7	-8.0
Gross Profit	403.1	313.9	362.5
Less: Others (Elimination)	-29.5	0.2	-8.7
Profit After Tax	373.6	314.1	353.8
Share of Profits from IASI	-4.6	16.2	25.3
Minority Interest of IGIL	-0.6	-0.4	--
Profit after Minority Interest	368.4	329.9	379.1

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

Includes Wellsco (Q-2 w.e.f Aug 8, 2010)

8.9

-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); Infotech Enterprises IT Services Pvt. Ltd (IEITS); 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.