

Investor Update

Quarter 4 ended March 31, 2011



Highlights for the quarter –

- ✓ **Total Income for FY crosses Rs. 1200 crores (including other income).**
- ✓ **Revenue for FY crosses Rs. 1000 crores for the first time (at 1,188 crores), a major milestone in the history of the company.**
- ✓ **Revenue grew by 24.6% Y-o-Y to Rs. 11,880 million.**
- ✓ **Revenue in dollar terms was \$ 260.7 million for the year, a growth of 29.7% over last year.**
- ✓ **Operating margin at 15.2% for the year.**
- ✓ **Profit after tax at Rs. 1,396.9 million for the year.**
- ✓ **Revenue for the quarter at Rs. 3,258 million, Y-o-Y growth of 33.5%, Q-o-Q growth of 3.8%.**
- ✓ **Operating margin at 14.3% for the quarter.**
- ✓ **Profit after tax at Rs. 369.8 million for the quarter.**
- ✓ **Board of Directors recommend 25% dividend, i.e Rs. 1.25 per equity share of Rs. 5 each, subject to the approval of shareholders.**
- ✓ **Aerospace engineering services revenues cross \$ 100 million in a single year, makes Infotech the largest engineering services company in Aerospace business in India.**
- ✓ **Business momentum and environment continues to be in line with the expectations in – Aerospace, Heavy equipment, Rail, Hitech, Telecom and Content engineering.**

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 Q4 results for FY 2010-11, indicate encouraging quarter on quarter revenue growth of 3.8%. We crossed the Rs. 1200 crore total income mark during this financial year which is a significant milestone in the history of the company. We recorded a revenue of Rs. 1188 crores, a growth of 24.6% over the last year. In dollar terms, our revenues were at \$ 260.7 million, a growth of 29.7% over last year.

The quarter saw our Aerospace Engineering revenues exceed \$ 100 million in a single year. The quarter also witnessed key partnerships forged in Hitech, Rail and Oil & Gas domains and an addition of 3 "must-have" customers in N&CE.

Our operating margins for the quarter and the full year were at 14.3% and 15.2% respectively. The operating margins and PAT was disappointing for we made investments into sales and business organization for future. In future, we don't intend to increase these investments and so this will not be the trend. We are also hiring around 1000 freshers to make sure our cost base comes under control. The management believes that we have several levers that we can use to improve margins in the next 12 months"

Performance Highlights

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

Particulars	Q4 FY 11	Q3 FY 11	Q4 FY 10		FY 11	FY 10
Operating Revenue	3,258.3	3,138.2	2,440.6		11,880.0	9,531.2
Operating Profit	467.2	475.0	526.1		1,803.5	2,082.6
Operating Margin	14.3%	15.1%	21.6%		15.2%	21.9%
PAT	369.8	368.4	513.4		1,396.9	1,708.4

Business and Operational Highlights

✓ New Business & Services Offerings –

- Key partnerships in Hitech, Rail and Oil & Gas.
- Aerospace Engineering Revenues cross \$100 Million in a single year.
- **19 customers added** during the quarter, 12 in N&CE and 7 in ENGG.
- **Renewed contract with IHS** for three years at an increased price.
- Secured multi-million dollar enterprises GIS and data project for one of the largest utilities in US with a ramp up expected in Q-1 FY 12.
- Breakthrough into wireless side, supporting one of the largest engineering firms in Australia.
- Establishes Integrated Global Aerospace Practice.
- First large order executed through our alliance with JDA in IT services business.

✓ Investments and Cash –

- **Cash balance** stood at Rs. 3,836 million as against Rs. 3,808 million as at end of Q-3.
- **Capital Expenditure** of Rs. 612 million during the quarter.

✓ **New facilities -**

- Inaugurated new electronic centre of excellence for Hamilton Sundstrand.
- Further expanded our US telecom engineering footprint with new site offices opening up in Mississippi and Pennsylvania.

✓ **Organisation Development –**

- Ajay Aggarwal joins as the new CFO.

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Details on key highlights of this Quarter

Operating margin for this quarter :

Our operating margin for the quarter is at 14.3%.

In this quarter, salaries have increased by Rs. 8.8 crores – Rs. 6.1 Crores due to manpower additions and Rs. 2.7 crores due to incentives and other adjustments. We also witnessed higher travel costs, commissions and other administrative expenses during the quarter.

Volume Growth :

ENGG vertical witnessed a volume growth of 5.7% and N&CE vertical witnessed a volume growth of -3.7%. Overall, the volume growth was 2.7%.

Impact of exchange rate variance :

Both verticals N&CE and ENGG had positive exchange rate impact of 2.3% and 0.6% respectively. Overall, the exchange rate variance was 1.1%.

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

The key factor that impacted our operating margins this quarter was the performance by our overseas acquisitions . Though there was a big increase in revenues , costs were equally high so not much accretion to operating margins. 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 :

A good quarter for revenue growth in North America. We saw strong traction with a couple of telecoms customers and also revenue from three new customers. Europe revenues suffered from de-growth in two top 5 clients as budgets tightened in the 4th quarter of their FY. In terms of order intake we had our strongest quarter ever. Highlights included very strong intake for utilities projects as well as renewing multi-year agreements with 2 of our top 10 clients.

The Quarter that was – ENGG :

Aerospace Engineering Revenues cross \$100 Million in a single year. We entered into a strategic partnership with a chip OEM. This is the second such partnership in the HiTech space. We also entered into an agreement to undertake end to end system design including prototyping for an aerospace OEM. We signed strategic partnership with a Rail OEM and an Offshore Oil & Gas Major.

Growth of top 5/ top 10 clients :

Our revenue contribution from Top 5 customers has gone up from 36.7% in Q-3 to 37.8% this quarter, indicating strengthening of existing relationships.

Onsite / Offshore split on revenues :

The onsite – offshore split of revenues was 44% - 56% for N&CE and 55% - 45% for ENGG in Q4 FY11.

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

We have added 19 new customers during the quarter, 12 of which are in N&CE and 7 of them are in ENGG. There were no major project closures during the quarter.

We had a record quarter for order intake in N&CE. Apart from two major 3 year contract renewals, we also secured a new multi-million dollar contract from a US utility client. We added 3 new Must Have Accounts during the quarter and a total of 12 new clients.

Attrition rate in past quarter and Talent Acquisition / Training / Net additions / Freshers & Laterals :

- Recruited 786 candidates across the locations during the year.
- Net additions of 1074 during the year.
- Attrition for Q4 FY 11 was at 3.74% and for FY 11 at 16.62%.

Other Income :

Other income predominantly includes the interest on investments and deposits of Rs. 38 million, dividend and mutual funds at Rs. 5 million, gain on forward contract at Rs. 5 million and exchange fluctuation and others at Rs. 2.1 million.

Utilization levels in different verticals and commentary on them :

We observe a utilization level of 83% 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 six months (April to September 2011). Approximately, dollar is covered at 46.36, Euro at 64.78, and GBP at 73.79.

Debtors' days :

Debtors' days stands at 96 days as at the end of Q4 FY11, as compared to 89 days as at end of Q3 FY11.

Annexure

Detailed Financials

Particulars	Q4 FY 11	Q3 FY 11	Q4 FY 10	FY 11	FY 10
Operating Revenues	3,258.3	3,138.2	2,440.6	11,880.1	9,531.2
Operating Expenditure	2,791.1	2,663.2	1,914.5	10,076.6	7,448.6
Salary Costs	2,022.3	1,933.8	1,447.0	7,348.3	5,427.1
Travel Expenditure	214.8	194.5	153.0	760.9	551.1
Purchases for Products / Re-sale	109.8	131.4	56.7	430.8	323.3
Other Operating Costs	444.2	403.5	257.8	1,536.6	1,147.1
Operating Profits	467.2	475.0	526.1	1,803.5	2,082.6
Operating Margins	14.3%	15.1%	21.6%	15.2%	21.9%
Depreciation & Amortization	122.7	122.3	92.9	485.8	435.7
Financial Expenses	6.3	1.0	25.0	15.4	31.3
Other Income	50.1	98.4	178.4	295.4	463.7
Profit Before Tax	388.3	450.1	586.6	1,597.7	2,079.3
PBT Margin	11.7%	13.9%	22.4%	13.2%	20.8%
Tax	39.7	76.5	102.7	269.8	505.0
Profit After Tax	348.6	373.6	483.9	1,327.9	1,574.3
Share of Profits - IASI	21.6	-4.6	29.5	70.0	129.2
Minority Interest - IGIL	-0.5	-0.6	-0.1	-1.0	4.8
PAT after Share of Profits	369.8	368.4	513.4	1,396.9	1,708.4
Net Margin	11.2%	11.4%	19.6%	11.5%	17.1%
Basic EPS	3.3	3.3	9.6	12.6	15.5

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

Detailed Financials - By vertical

Particulars	N&CE		ENGG	
	FY 11	FY 10	FY 11	FY 10
Operating Revenues	3657.0	3350.0	8111.0	6076.0
Direct expenses	2137.0	1537.0	4832.0	3579.0
Direct salaries and related costs	1767.0	1240.0	4142.0	3148.0
Direct travel	70.0	91.0	461.0	301.0
Other direct expenses	300.0	242.0	229.0	98.0
Gross margins	1520.0	1777.0	3278.0	2497.0
Gross margins %	41.6%	53.0%	40.4%	41.1%
Indirect expenses	1047.0	865.0	1942.0	1341.0
Indirect salaries and related costs	397.0	317.0	674.0	480.0
Indirect travel	50.0	64.0	138.0	74.0
Other indirect expenses	599.0	485.0	1130.0	597.0
Operating Profits	473.0	912.0	1336.0	1156.0
Operating Margins	12.9%	27.2%	16.5%	19.0%
Depreciation & Amortization	125.0	128.0	283.0	294.0
Financial Expenses	--	26.0	5.0	6.0
Other Income	2.0	25.0	-10.0	9.0
Profit Before Tax	350.0	783.0	1038.0	865.0
PBT Margin	9.6%	23.2%	12.8%	14.2%

(All numbers in INR Million)

Revenue Distribution, by Company –

Name of Company	Q4 FY11	Q3 FY11	Q4 FY10	FY 11	FY 10
Infotech Enterprises Ltd	1,784.8	1,673.6	1,352.8	6,457.1	5,618.0
Infotech Enterprises Europe Ltd	225.7	295.8	318.9	1,064.8	1,246.9
Infotech Enterprises America Inc.	1,389.5	1,312.0	947.4	4,913.4	3,448.3
Infotech Enterprises, GmbH	626.4	629.6	534.1	2,390.0	2,208.1
Infotech Geospatial (India) Ltd	15.6	22.5	12.2	63.5	61.6
Infotech HAL Limited	2.5	1.6	3.2	8.7	9.7
Infotech Enterprises Japan KK	9.7	9.6	5.6	28.9	9.4
Infotech Enterprises IT Services Pvt. Ltd.	25.2	22.0	--	71.0	--
Gross Revenues	4,079.5	3,966.7	3,174.2	14,997.4	12,602.0
Less: Intra Group Revenues	821.1	828.5	733.6	3,117.3	3,070.8
Net Revenues	3,258.3	3,138.2	2,440.6	11,880.1	9,531.2

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

Revenue Distribution, by Vertical –

Business Segment	Q4 FY11	Q3 FY11	Q4 FY10	FY 11	FY 10
Network & Content Engineering	1,007.4 (30.9%)	1,021.7 (32.6%)	796.2 (32.6%)	3,667.5 (30.9%)	3,349.9 (35.1%)
Engineering, Manufacturing and Industrial Products	2,253.8 (69.2%)	2,119.7 (67.5%)	1,646.6 (67.5%)	8,220.5 (69.2%)	6,195.2 (65.0%)
Less: Inter Segment Sales	-2.9 (0.1%)	-3.2 (-0.1%)	-2.2 (-0.1%)	-7.9 (0.1%)	-23.6 (-0.1%)
TOTAL	3,258.3 (100.0%)	3,138.2 (100.0%)	2,440.6 (100.0%)	11,880.1 (100.0%)	9,531.2 (100.0%)

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

Revenue Distribution, by Geography –

Geography	Q4 FY11	Q3 FY11	Q4 FY10	FY 11	FY 10
North America	1,879.0 (57.6%)	1,750.8 (55.8%)	1,174.6 (48.2%)	6,575.0 (55.3%)	4,509.5 (47.3%)
Europe	1,103.0 (33.8%)	1,130.7 (36.0%)	1,041.6 (42.7%)	4,314.1 (36.3%)	4,156.7 (43.6%)
Asia/ Australia	276.3 (8.5%)	256.7 (8.2%)	224.4 (9.1%)	991.0 (8.4%)	865.0 (9.1%)
TOTAL	3,258.3 (100.0%)	3,138.2 (100.0%)	2,440.6 (100.0%)	11,880.1 (100.0%)	9,531.2 (100.0%)

Revenue Contribution –

	Q4 FY11	Q3 FY11	Q4 FY10	FY 11	FY 10
Top 5	37.8%	36.7%	43.4%	37.9%	43.4%
Top 10	56.3%	55.8%	61.2%	56.7%	58.7%
Others	43.7%	44.2%	38.8%	43.3%	41.3%

Profit Distribution, by Company –

Name of Company	Q4 FY11	Q3 FY11	Q4 FY10	FY 11	FY 10
Infotech Enterprises Ltd	313.9	365.9	334.8	1,150.0	1,233.1
Infotech Enterprises Europe Ltd	-1.4	13.1	24.6	45.6	89.6
Infotech Enterprises America Inc.	4.7	12.0	68.7	96.7	157.9
Infotech Enterprises, GmbH	35.6	15.5	35.4	107.7	150.7
Infotech Geospatial (India) Ltd	1.9	2.3	-0.1	3.9	-18.4
Infotech HAL Limited	0.8	-0.4	0.3	0.1	0.1
Infotech Enterprises Japan KK	-4.5	-1.5	-3.1	-13.3	-21.9
Infotech Enterprises IT Services Pvt. Ltd.	-4.4	-3.8	--	-12.9	--
Gross Profit	346.2	403.1	460.6	1,377.8	1,591.1
Less: Others (Elimination)	2.3	-29.5	23.3	-49.9	-16.7
Profit After Tax	348.5	373.6	483.9	1,327.9	1574.4
Share of Profits from IASI	21.6	-4.6	29.5	70.0	129.2
Minority Interest of IGIL	0.5	-0.6	-0.1	1.0	4.7
Profit after Minority Interest	369.8	368.4	513.4	1,396.9	1,708.4

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

Manpower Distribution, by Vertical –

Business Segment	31-Mar-11	31-Dec-10	31-Mar-10
N&CE	3,714	3,747	3,854
ENGG	4,365	4,059	3,358
Support Functions & others	632	578	425
TOTAL	8,711	8,384	7,637

Talent Distribution, by Company –

Name of Company	31-Mar-11	31-Dec-10	31-Mar-10
Infotech Enterprises Ltd.,	7,223	6,914	6,681
Infotech Enterprises Europe Ltd	98	128	77
Infotech Enterprises America Inc.	1,019	999	628
Infotech Enterprises, GmbH	280	249	191
Infotech Geospatial (India) Ltd.	22	25	48
TIIT	3	3	7
Infotech Enterprises IT Services Pvt. Ltd.	60	61	--
Infotech Enterprises Japan KK	6	5	5
TOTAL	8,711	8,384	7,637

Company Overview

Infotech Enterprises Limited (IEL) is a global Engineering Services company. Over the last 19+ years Infotech has excelled in gaining expertise in Engineering Services in – Aerospace, Locomotives, Marine, Automobiles and other Industrial products, Network & Content engineering 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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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.